

## **Product/Market Fit**

“Product Marketing Overview”

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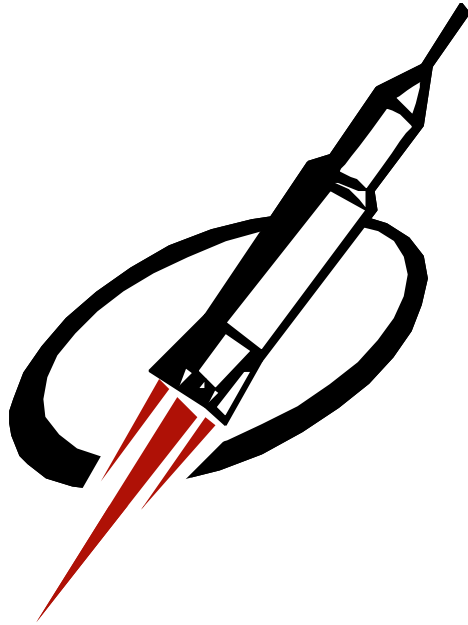


Sailing School at Jericho Beach

[www.macsailing.com](http://www.macsailing.com)    [dave@macsailing.com](mailto:dave@macsailing.com)

Shenzhen Sun Sailing, Shenzhen China

<http://www.sunsailing.net/page/Default.asp?pageID=16>



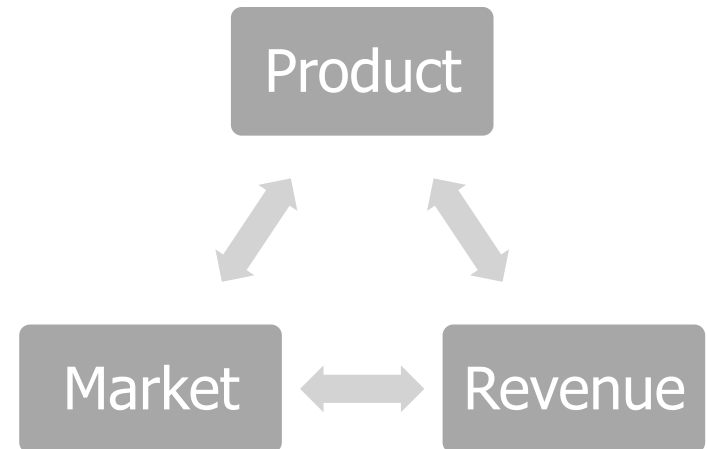
Marketing Research  
Technology Adoption Models  
Understanding Consumers  
'Whole' Solution Offerings  
Product Positioning  
Pricing  
Metrics

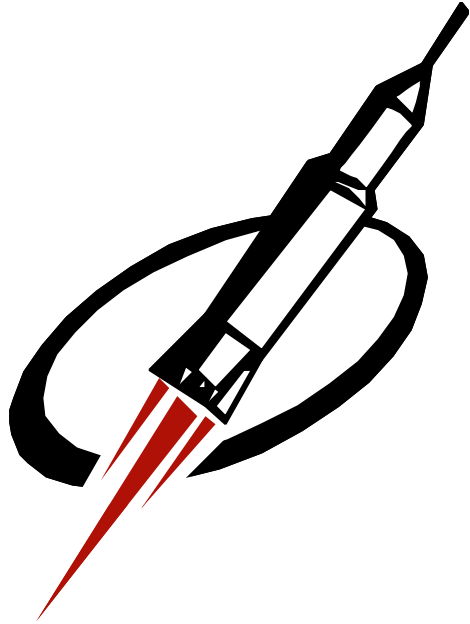
Answer Questions: 1, 5, 6, 7, 8, 9



## Successful Growth Companies

1. Minimum Viable **Product** evolves to become.....
2. ... the product demanded by the market including a viable **revenue** model
3. Addressable **market** with an 'engine of growth' or a clearly defined niche market



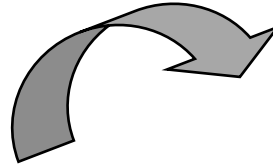


## Market Research

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## Begin With The End In Mind

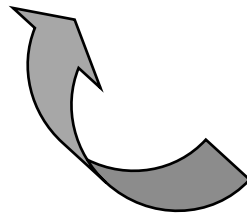
*Start here...*



**Up to  
3 X**



*What will the  
answers to these  
questions tell you?*



*What resources & time are required  
to answer these questions?*

## Value Proposition

“Whenever you get confused... go to the store... the customer has all the answers... and all the money.”



—*Sam Walton*  
Founder Wal-Mart



# Markets, Pains & Requirements

## ■ Markets

- Size
- Trends
- Segments

## ■ Pains

- Customer Pain
- Value Chain Pain

## ■ Requirements

- Customer Requirements
- Channel Requirements

# Market Segmentation

## ■ Revolutionary Products

- Segment originates with technology or product
- Vendors can't predict next innovation or its consequences

## ■ Evolutionary Products:

- Segment is pre-defined; challenge is to refine definition/redefine
- Mainstream market customers insist vendors fit solution to **their** problem

# Why Segment?

- **Focuses** scarce marketing & development resources on target customer group
- **Narrows** whole product definition
- **Limits** real competitors
- **Leverages** past success into other segments
- **Allows** the benefits of market leadership to develop more quickly

# Why? - Marc Andreessen

What's most dangerous, a bad team, a weak product or a poor market?

- **The # 1 company killer is lack of market**

- Getting to product/market fit really matters



## Why? - Steve Blank



## Blank - Hypotheses versus Reality

**Large companies execute in a market**

**Start-ups 'search' for a business model**

**Build, Measure, Learn**

- Ship it and see what happens
- or
- Make a prediction, ship, measure the results, repeat and then see what happens again
- Prove that your product fits the market - **Reality**



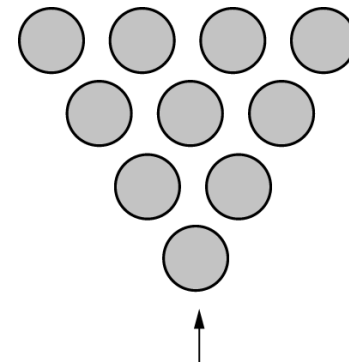
## Top Down Versus Bottom-up

- Revenue **is NOT** a function of market share, size, and penetration rates
- (\$ 1B market x 2% penetration = \$20 M)
- Revenue **IS** a function of the leads you attract, conversion rates, price and individual customers
- $L \times \% \times P = R$

## Top Down is Valuable

■ **Total addressable market (TAM)** is a term that is typically used to reference the revenue opportunity available for a product or service.

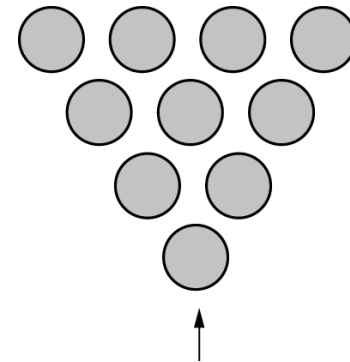
- Theoretical Market
- Potential Market
- Available Market
- Addressable Market
- Target Market
- Market Demand



# Bottom-up – The Market

■ **Target markets** are groups of individuals separated by distinguishable and noticeable aspects.

- Available Budgets
- Market Reach
- Attach Rate
- Conversion Rate
- Win Rate



## Basic Forecasting Approaches

### ■ Top Down:

- Develops a forecast of economic conditions and industry trends.
- Determines the market potential for a product.
- Determines the sales potential for the product.
- Measures the share of this market the firm is currently getting or plans to capture.
- Forecasts the firm's sales of the product.

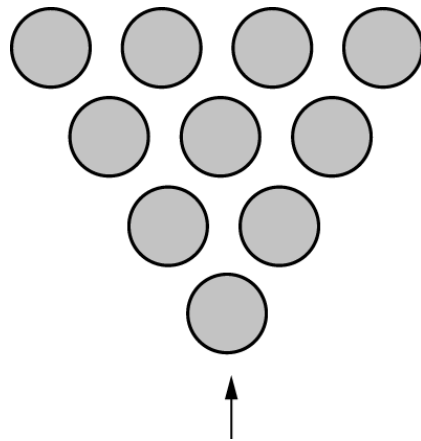
### ■ Bottom Up:

- Generates estimates of future demand from customers or the company's salespeople.
- Combines the estimates to get a total forecast.
- Adjusts the forecast based on managerial insights into the industry, competition, and general economic trends.

# Bowling Alley Model – Headpin Segment

***“Target a single niche market segment with a ‘must-have’ value proposition”***

(In Bowling Alley)



- Identify a segment you can dominate
- Win market share leadership in that segment
- Leverage leadership to win over adjacent segments

# New Ventures BC – Evaluation

1. Are you sure that the market opportunity is attractive and worthwhile?
2. Do you know how and why will you win in the marketplace?

or

Is it unclear about the product, competition and why customers can't live without it?



# Understanding the Market

Internal Focus

External Focus

Product & Feature



Customer Value

Lots of Features



Differentiation

Reactive R&D



Headpin Segment

Unpredictable Results



Reliable Customers

SECONDARY RESEARCH	PRIMARY RESEARCH
Internet, books, articles	Face to face, surveys
Free or easily purchased e.g. StatsCan/Census	Cost investment (time or money)
Fast	Less fast
Broad strokes	Targeted
Available to all	For your eyes only

**PRIMARY RESEARCH****QUALITATIVE**

A few people

In-person or telephone  
interview

In-depth

Directional

Answers the Why

**QUANTITATIVE**

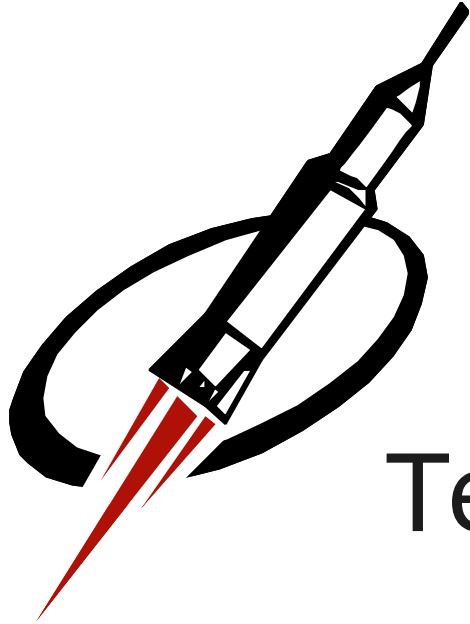
Lots of people

Surveys

Stats

Decisions

Answers the other Ws



## Technology Adoption Cycle

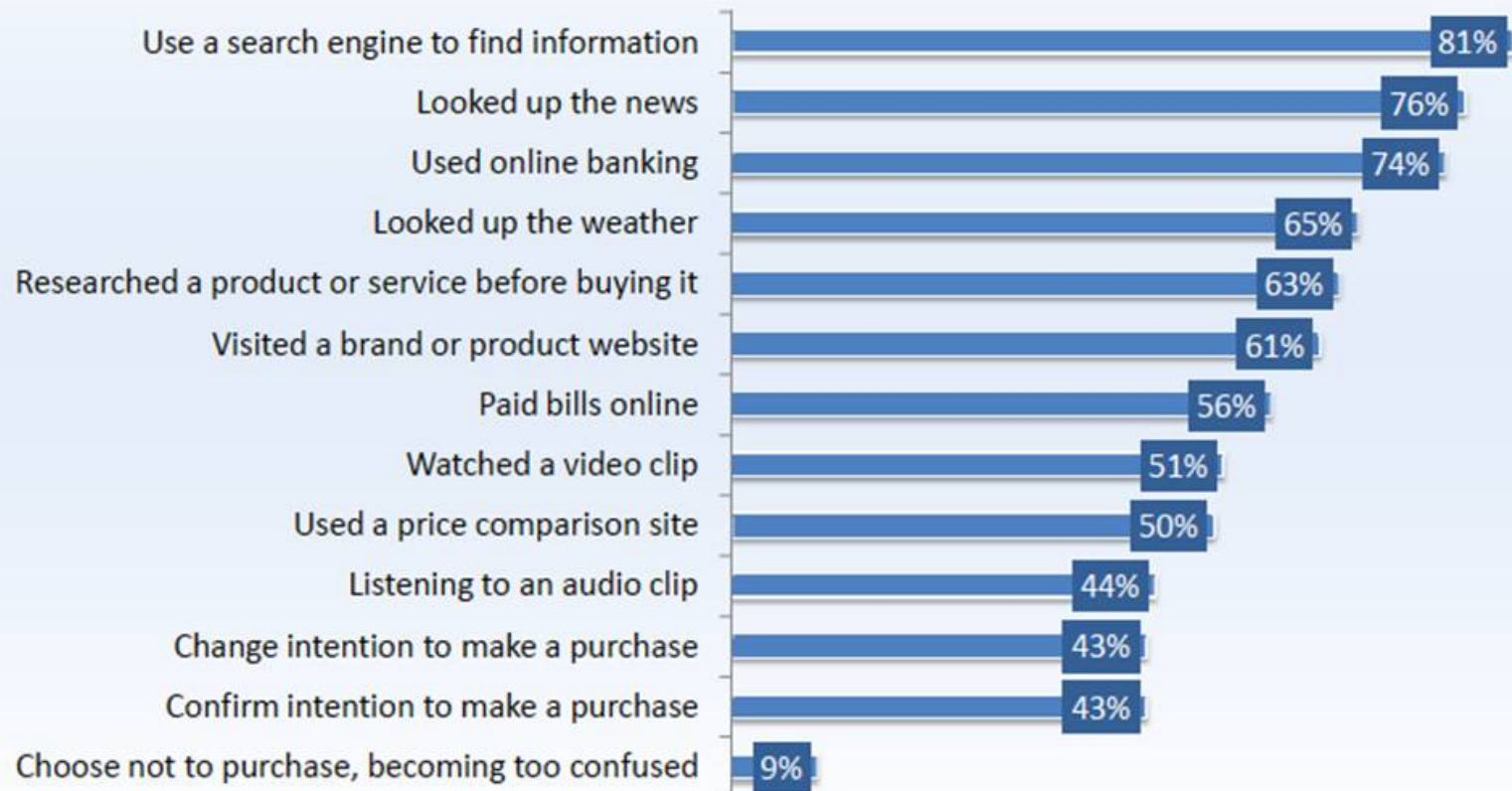
‘The Chasm’ - How it develops and  
What to do About it

# Technology Adoption Cycle

- Provides an understanding of customer requirements e.g. **Why** buy? **What's** in it for me/us?
- Establishes focus for and timing of marketing strategy. **How** and **when** to execute marketing activities.

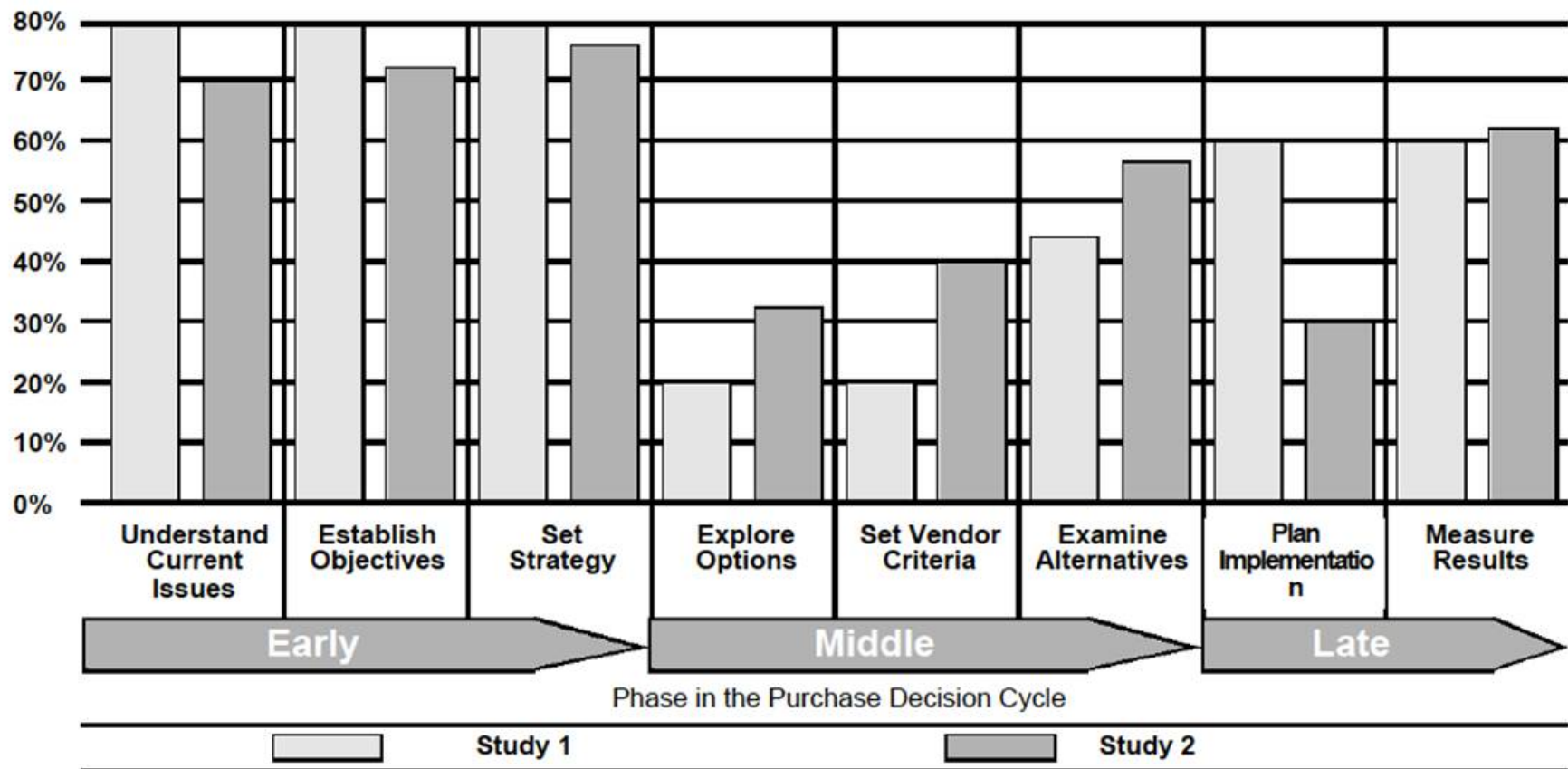
# Buyer Internet Behaviour

**We know 81% of the worldwide internet population begins with search.**



# Buyer's Process

Executive involvement in the buying cycle



Source:  
www.sellxl.com

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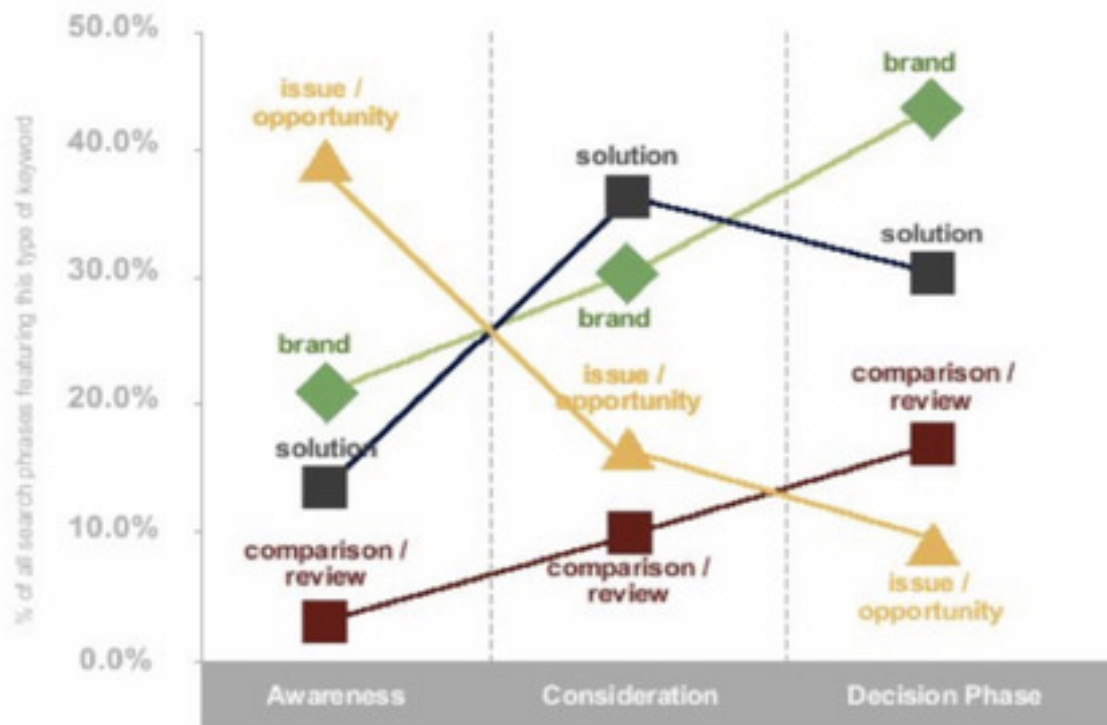
# Determining Buyer's Process

- What are the stages a buyer goes through as they decide whether to engage with your company?
- Pretend you're the buyer.
  - When do you recognize that you need help with a particular problem? [This is the first step in the buyer's process.]
  - What will you do to find potential solutions? List all of the steps you'll take as you research solutions, find potential vendors/providers, start discussions, narrow your choices, etc., all the way until you negotiate/execute a contract and become a customer.



# Role of Search in Buyer's Process

Keyword Usage Patterns Through the Buying Process



# How many people are involved?

## ■ “Business Technology Buyers Survey”

Size of Buying Organization	Participants in Buying Process
100 to 500 employees	6.8
501 to 1000 employees	13.5
Over 1000 employees	21.0

# Participants in Buying Process

## ■ Users

- are members of the organizations who will use the product or services. In many cases, users initiate the buying proposal and help define the product specifications.

## ■ Influencers

- often help define specifications and also provide information for evaluating alternatives. Technical personnel are particularly important influencers.

## ■ Buyers

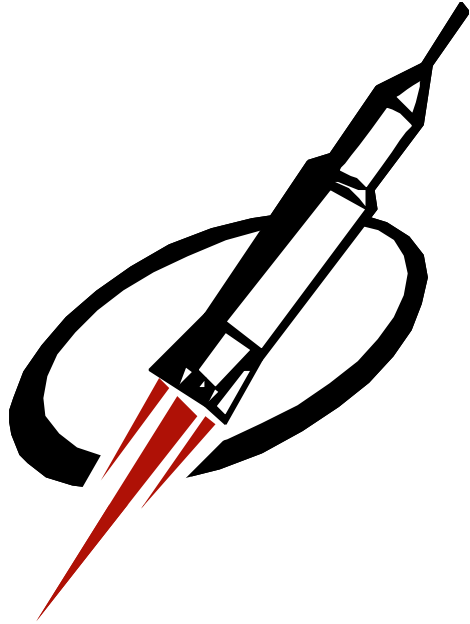
- have formal authority to select the supplier and arrange terms of purchase. Buyers may help shape product specifications, but their major role is in selecting vendors and negotiating.

## ■ Deciders

- have formal or informal power to select or approve the final suppliers. In routine buying, the buyers are often the deciders, or at least the approvers.

## ■ Gatekeepers

- control the flow of information to others. For example, purchasing agents, often have authority to prevent salespersons from seeing users or deciders.



## Whole Product

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# Whole Product Definition

**Physical Product**

**+**

**All Associated Factors**

(services, partners, warranties,  
guarantees, image, training, etc.)

**=**

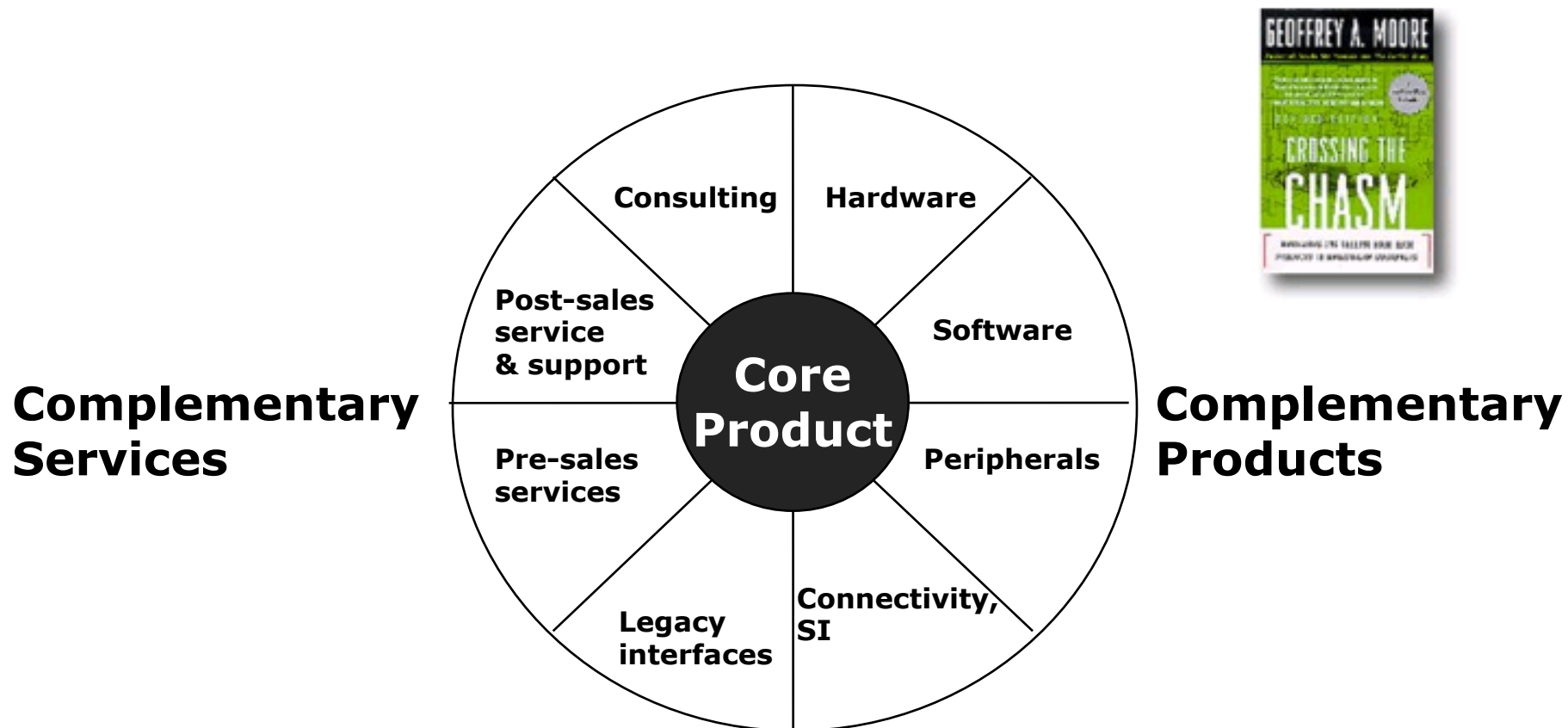
**“The Whole Product”**

Both tangible & intangible elements required by target customer to solve his/her whole problem.

# The Whole Product Concept

- Determines which pieces company intends to provide
- Remaining areas must be filled in by partners
- Provides focus on customer requirements
- Time to Market Acceptance: Accelerates mainstream market acceptance
- Competitive Barriers: establishes differentiators in a commodity/standards world.

# The Whole Product



All other products, services and relationships needed by the target customer to fulfill their compelling reason to buy

Source: Crossing the Chasm, Geoffrey Moore

# Coffee Example



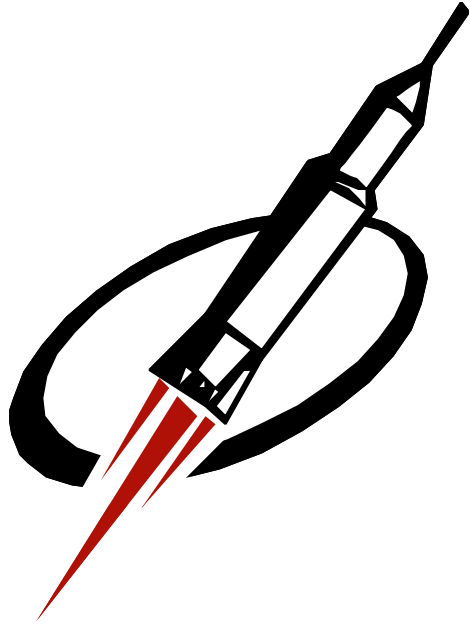


# Whole Product Questions

- What complementary services must be acquired with your product?
- What additional hardware or software must be purchased to deploy your product?
- Will customers achieve ROI without complementary products or services? How will these 'total cost of ownership' issues affect:
  - Your sales process?
  - Customer satisfaction?

# How Do you Market the Whole Product?

- Evidence of whole product solution
  - Launch activities
  - Partnerships, alliances
  - Sales people (solution sell capability)
- Manage the evidence of whole product solution
  - Contact points with customer? What are their issues
- Build reference base
  - Develop infrastructure marketing programs



## Positioning

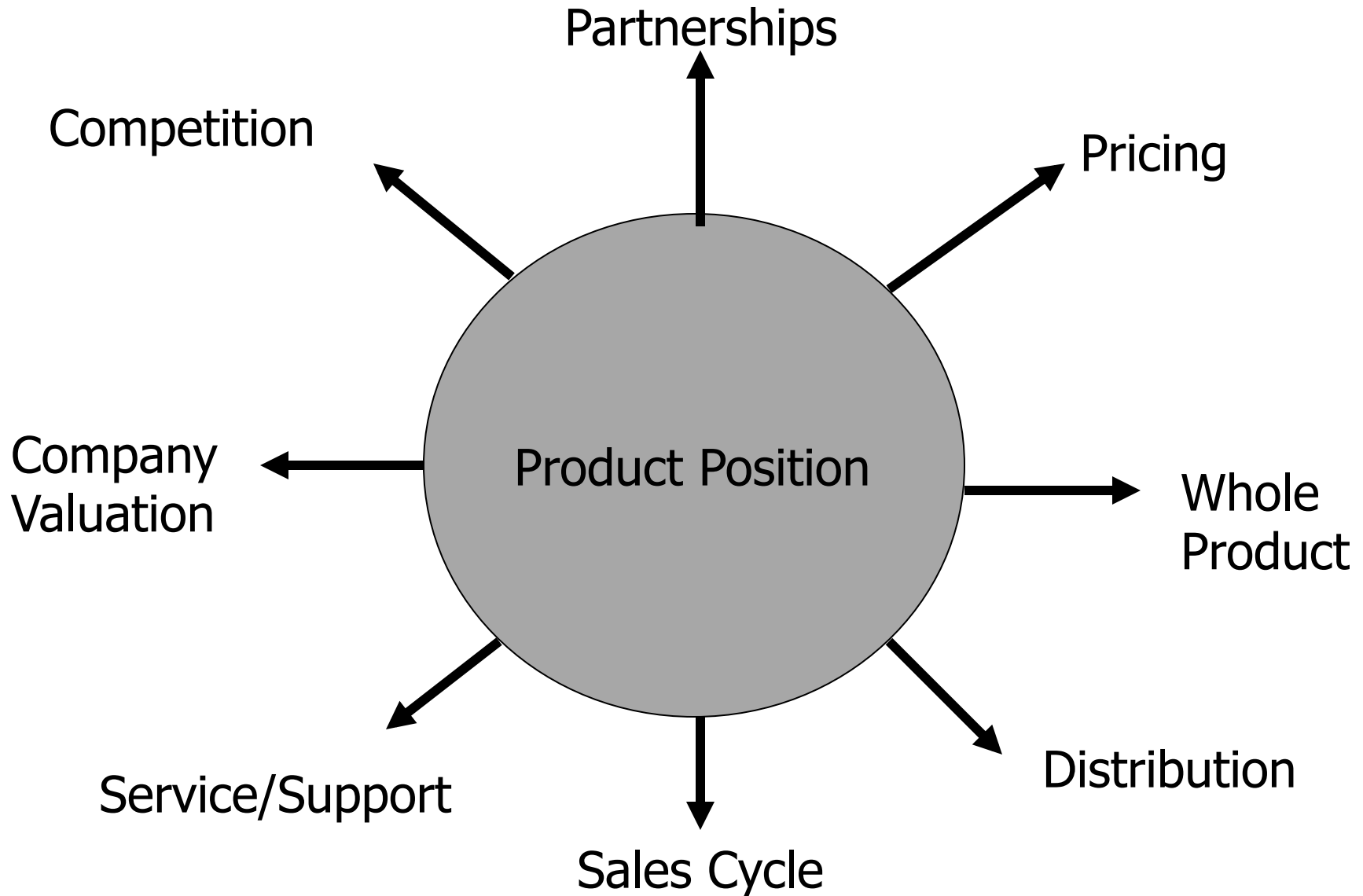
# Definition

- **Why** will they buy from us vs. our competition?
- **Positioning** = Managing the product and its presentation to fit a predetermined place in the mind of the customer
- Positioning = Market  $\div$  Competitive  
Segmentation      Differentiation

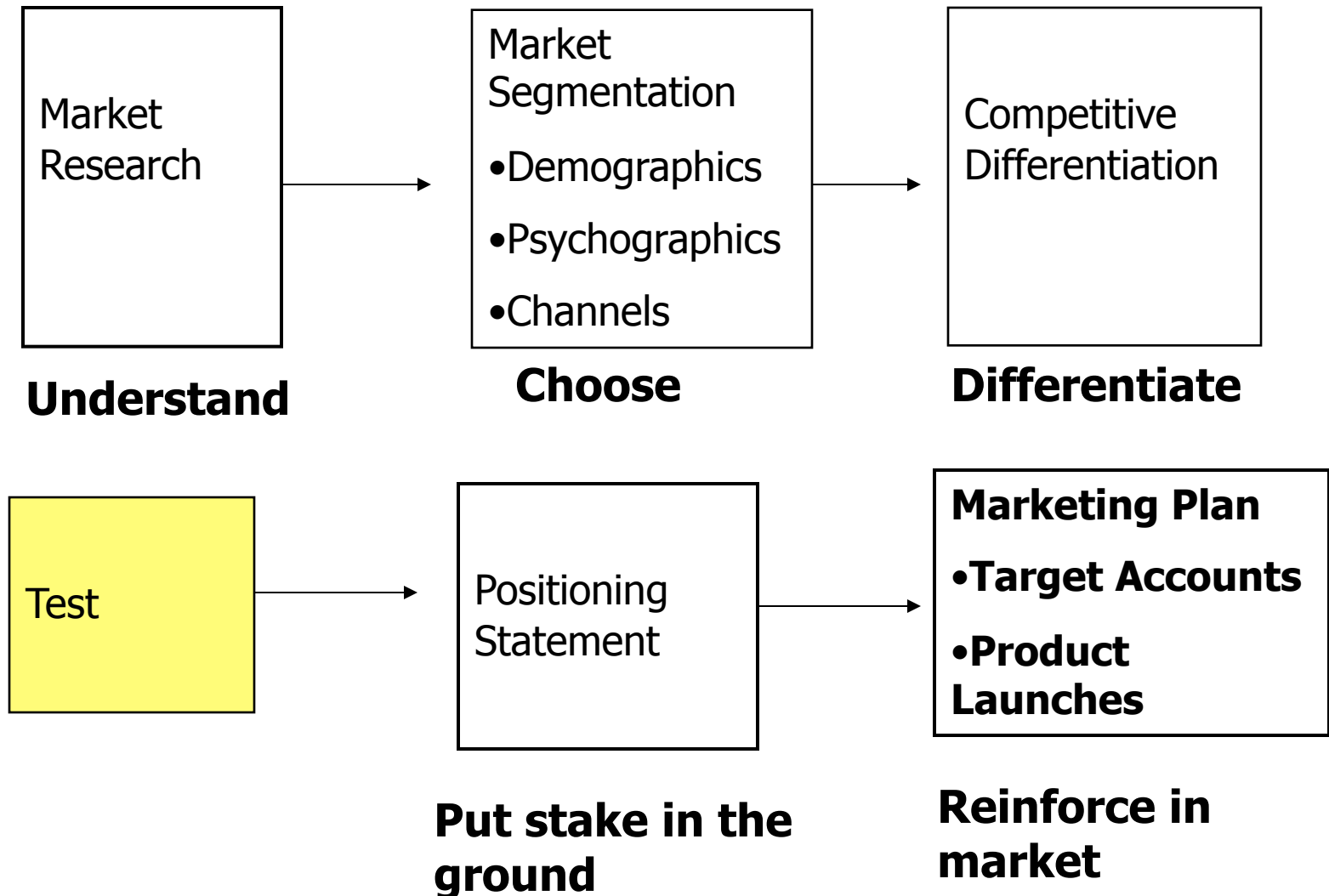
# More Definitions.....

- **Perceived** status within market segment. (Exists in people's heads)
- **Build relationships** to secure & communicate competitive advantage. (Something marketing folks do)

# Positioning Impact



# Positioning Process



## **Product Positioning** – How You Describe Your Product To Potential Customers

1. Customer: Who do we / could we sell to?
2. **Need:** What problem is our customer trying to solve, or opportunity to address?
3. Products: What do we / could we sell to meet our customer's need?
4. Differentiation: Who else can address our customers' needs. How are we different?
5. Whole Product: What else is needed to get a solution to the problem?
6. Positioning Statement Development.



# The Positioning Statement

## ■ Positioning Criteria:

- Who is the target customer? Is this the decision maker?
- What is the compelling reason to buy?
- What is the product category?
- What is the key benefit of that product category?
- Who is the main competitor?
- What is the key differentiation of this product?

## ■ Positioning Statement:

- For (target customer)
- Who (compelling reason to buy)
- Our product is a (product category)
- That (key benefit)
- Unlike (main competitor)
- Our product (key differentiation)

# Positioning Example: Apple iPod

**For** mobile, high-income individuals

**who** need a way to listen to their entire music collection in different settings

**the** Apple iPod is a small, portable digital music player

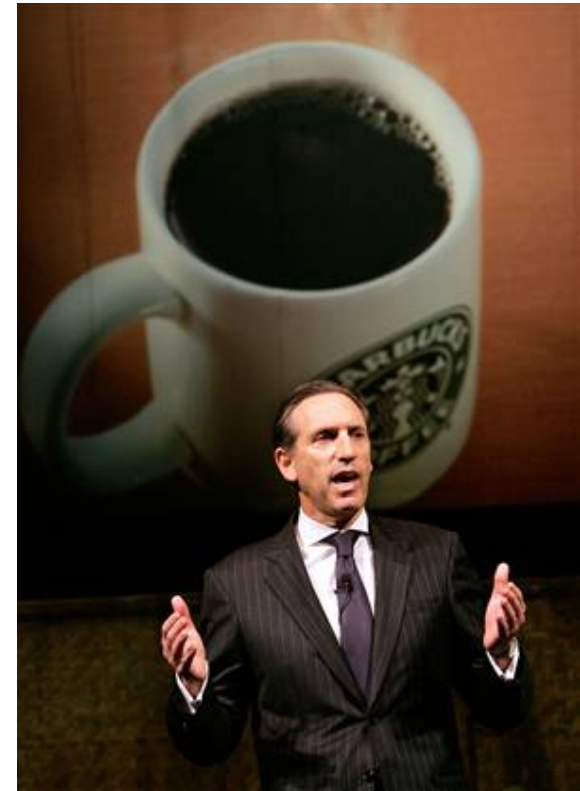
**that** offers elegance of design, the ability to store an entire music collection, and easy purchasing of new digital music.

**Unlike** flash mp3 players (Creative, Rio, etc),

**the product** stores an entire music library and is integrated into a service to purchase new digital music (iTunes)

## EXAMPLE FROM 1985 - Starbucks

- **For:** Sophisticated coffee drinkers
- **Who:** value excellent coffee and an amazing customer experience
- **The:** Starbucks experience is a unique retail chain
- **That:** adds to the quality of coffee-drinkers' lives.
- **Unlike:** Drip coffee served in a plastic cup
- **At Starbucks:** we're making coffee a new way and providing a unique environment for drinking it





Market Category?  
Brand Promise?  
Tagline?  
Differentiation?  
Positioning?

# Competitive Examples

## ■ Apple Macintosh versus Windows/PC



I'm a PC.

I'm a Mac.

# Product Positioning Exercise

(12-18 months out)

**FOR** [target customer segment]

**Who wants/needs** [solution to problem]

**The** [product name] is a [product category]

**That provides** [compelling reason to buy from vendor]

**Unlike** [main competitor]

**The** [product name] [key differentiator]

# Elements of a “Great” Positioning

## ■ Company

- Fit with company strategy
- Fit with company capabilities
- Fit with corporate culture
- Fit with product strategy
- Fit with physical product
- Fit with brand

## ■ Customer

- Credible
- Relevant
- Unique
- Durable
- Emotionally appealing

## ■ Context

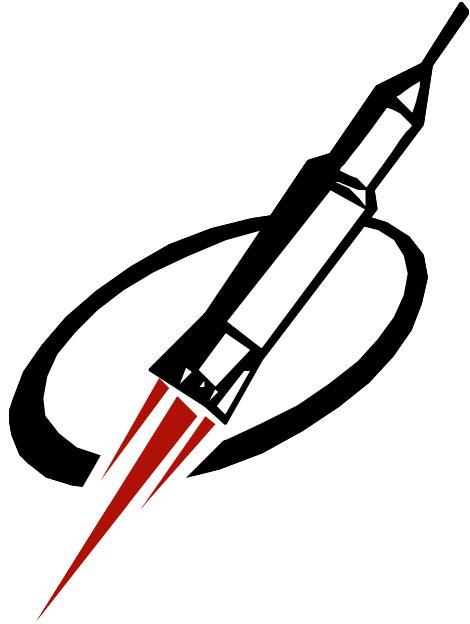
- Fit with trends
- Unique vs. Competition



# Acid Test for Product Positioning (ask yourself the following)

- Can competitor's product name be substituted?
- Is there a relationship between compelling reason to buy and key differentiator?





## Pricing & Value

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# Common Pricing Issues

- What are some common price objections you hear? Is your price too high or too low?
- How does your pricing model compare with the industry? With your competition?
- Do you offer promotional pricing? How effective is it?
- What licensing alternatives do you offer?
- What discounts do you provide to resellers?

# Price Constraints

- Price Ceiling
- Channel
- Competitive Pressures
- Customer Buying Restrictions
- Value Proposition
- Reputation of Seller
- Total Cost of Ownership

# Pricing Factors

## Internal Factors

- Objectives of the Firm
- Marketing Mix strategy
- Costs

## External Factors

- Nature of the market
- Demand
- Competition
- Channel pressures

```
graph TD; A[Internal Factors] --> D[Pricing Decisions]; B[External Factors] --> D;
```

**Pricing Decisions**

# What is Your Price Range?

DEMAND = REVENUE POTENTIAL

What the customer will pay

The price ceiling

Competitor's Prices

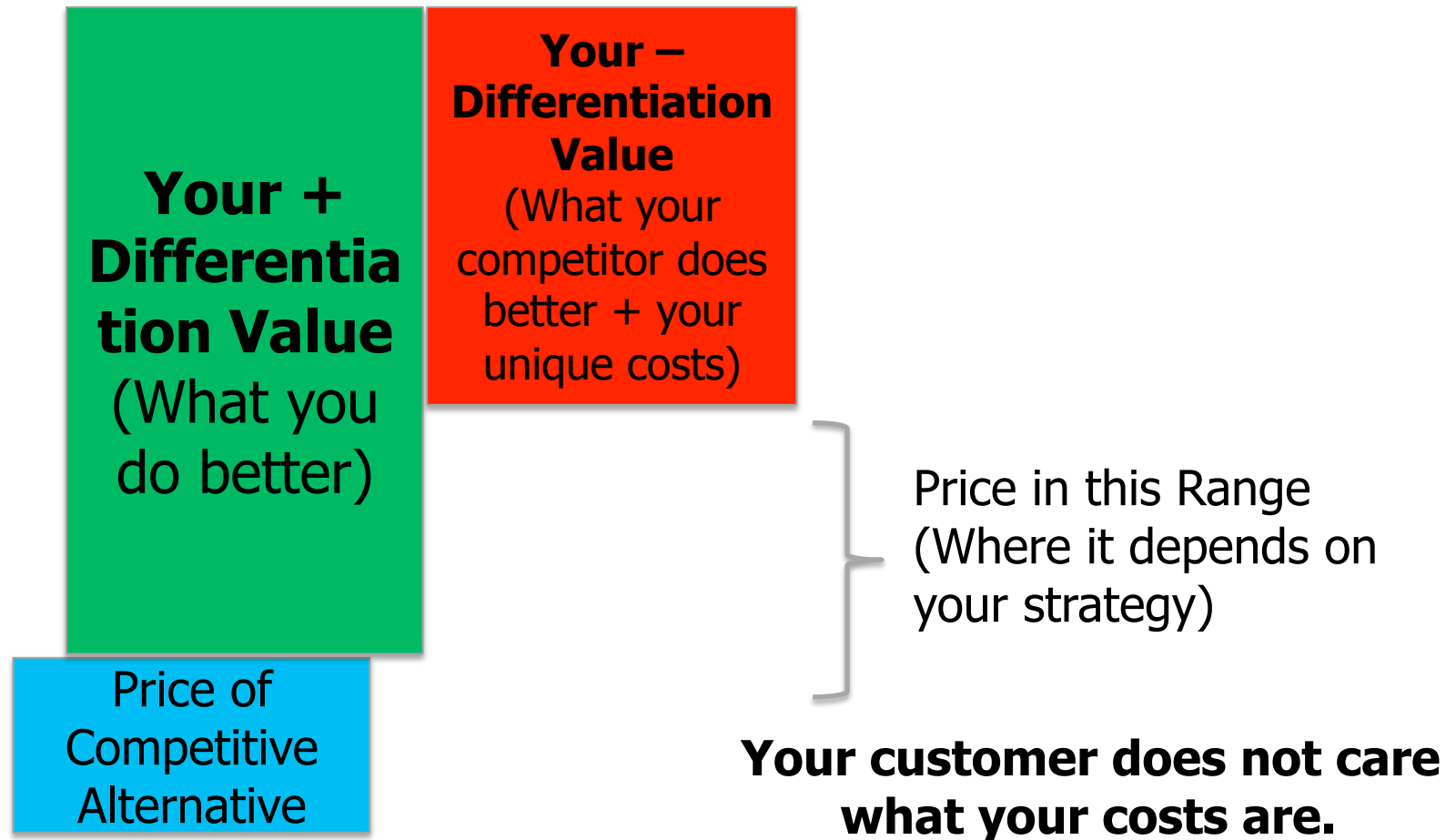
Competitive Environment

The price floor

Cost Recovery  
Key to Survival

COSTS

## Price Range



# Neartuit- Museum Technology Value Drivers

	Small	Medium	Large
Visitors/month	1,500	3,500	6,000
Ticket Cost	\$ 5	\$ 15	\$25
Repeat Visits	22%	22%	22%
Referrals	11%	11%	11%
Value Increase	.15	.3	.45
Adoption Rate	40%	40%	40%
\$ per month	\$ 90	\$ 420	\$ 1,080

# Neartuit – Segments & Pricing

Less value in Museum and Gallery segment.

Cost outweighs the value provided.

Neartuit should choose another beachhead market that is more profitable.



# Pricing Methodology

1. Determine Market Size and Segments
2. Define Whole Product and Product Positioning.
3. Determine Cost of Goods and Cost of Sales.
4. Estimate the Demand Curve
5. Choose Pricing Model
6. Set Pricing Objectives
7. Choose Pricing Strategy
8. Select Pricing

# Common Pricing Errors

## Customer

- Differentiation value not clear
- Pricing metric does not fit buying process
- Different segments with different value drivers are combined

## Competitor

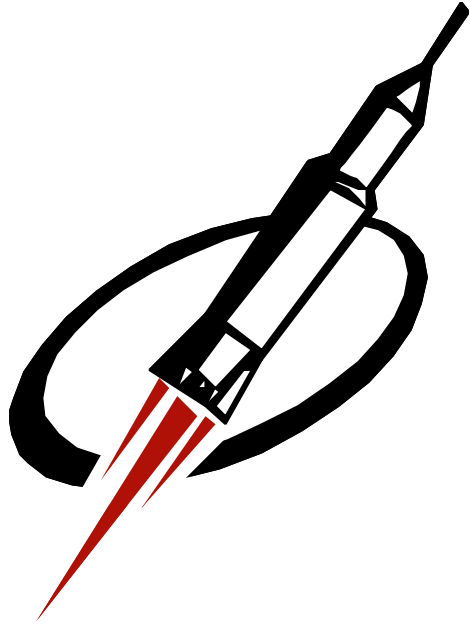
- No negative value drivers acknowledged
- Compare to wrong competitor (compare to customer's real alternatives not who you want to compete with)

## Strategy

- No clear or consistent strategy
- Strategy not aligned with partners strategy (you are running a penetrate and they are committed to skimming)

## Execution

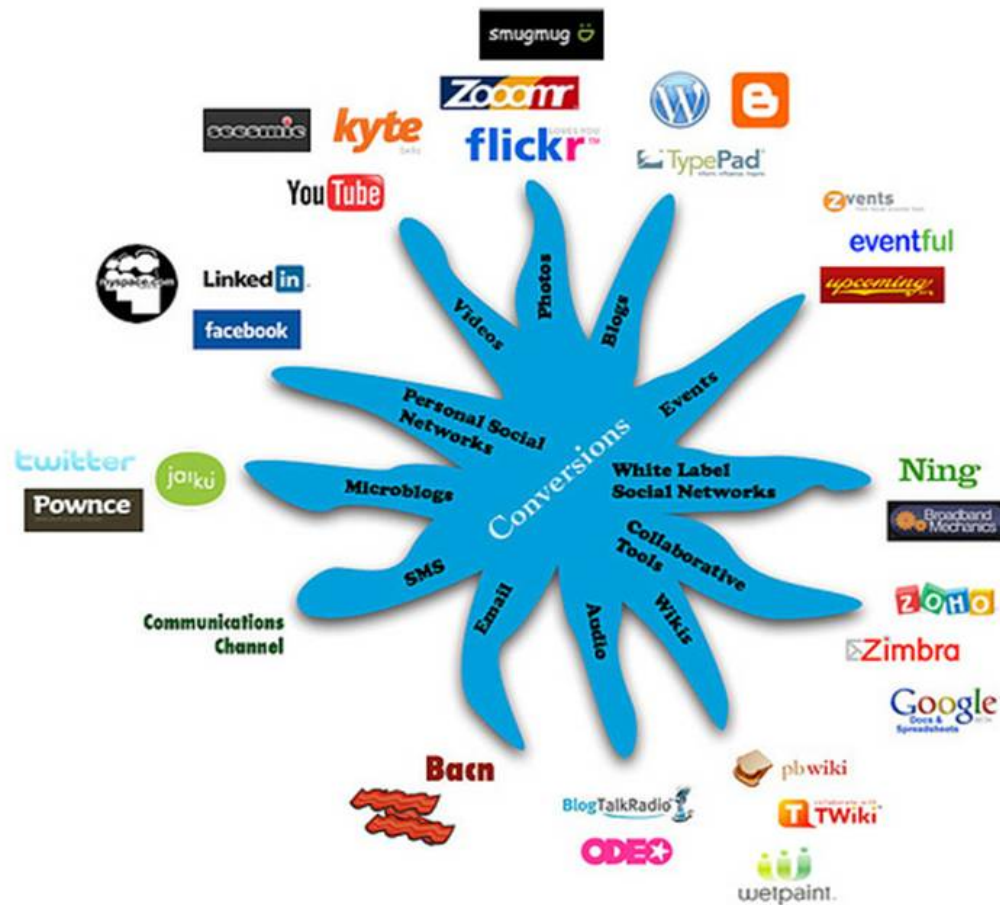
- Value not communicated by marketing and sales
- Segmentation does not align with value
- Random and ad-hoc discounting



## Social Media

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# Social Media Platform Tools



# B2B Social Media Marketing

■ **93%** of all B2B marketers are engaged in some form of social media marketing

■ with most putting their focus on the most popular channels

■ LinkedIn

■ Facebook

■ Twitter

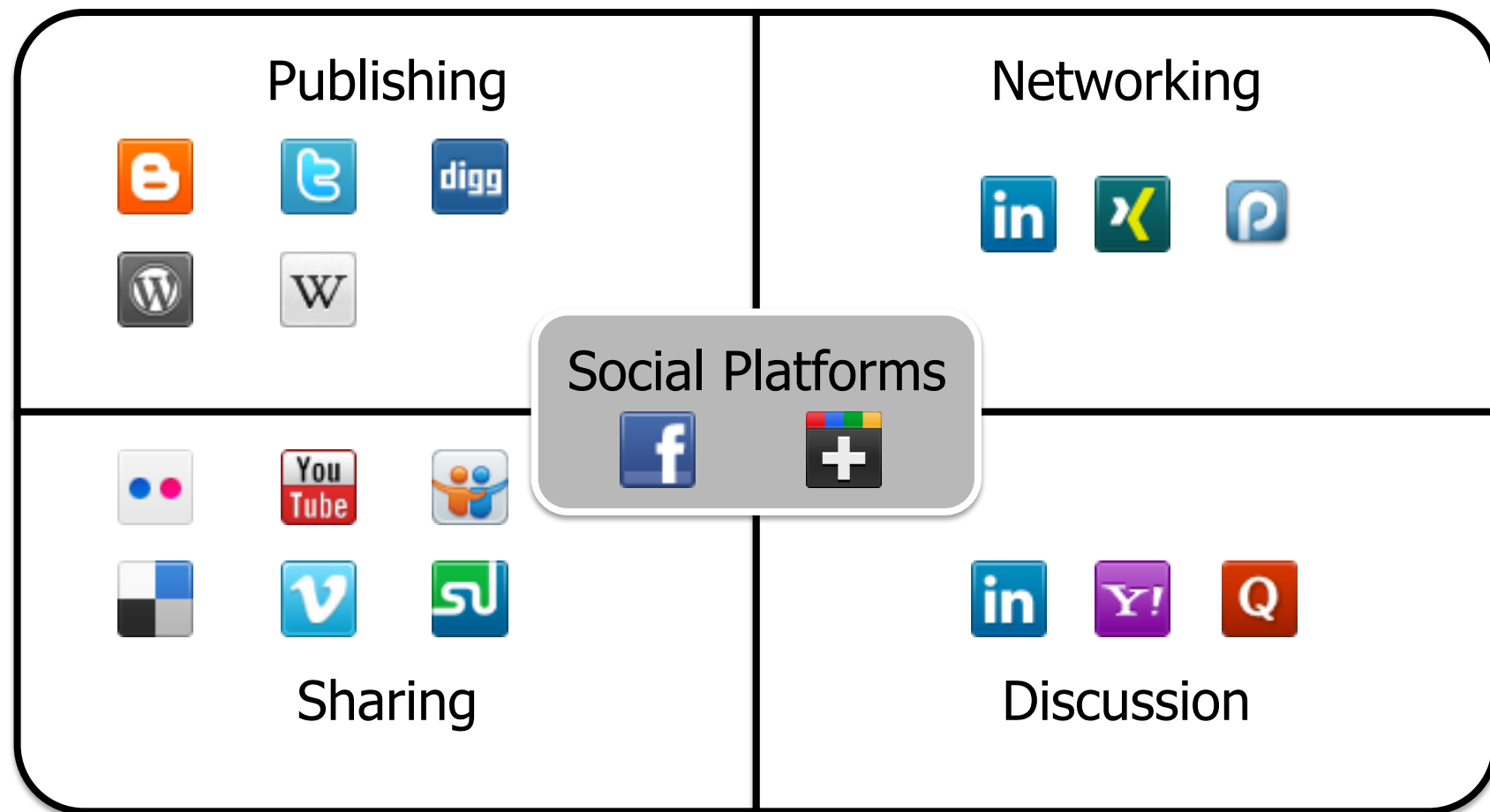
■ Instagram

# Social Media Stats



- Facebook
  - >1 Billion users, up from last year
  - 30 billion pieces of content shared per month
- LinkedIn
  - over 200 million user accounts,
- Twitter
  - over 200 million active users
  - one billion Tweets published every day
- Blogs
  - over 156 million public blogs in existence
- Videos
  - 2 Billion videos viewed per day on YouTube

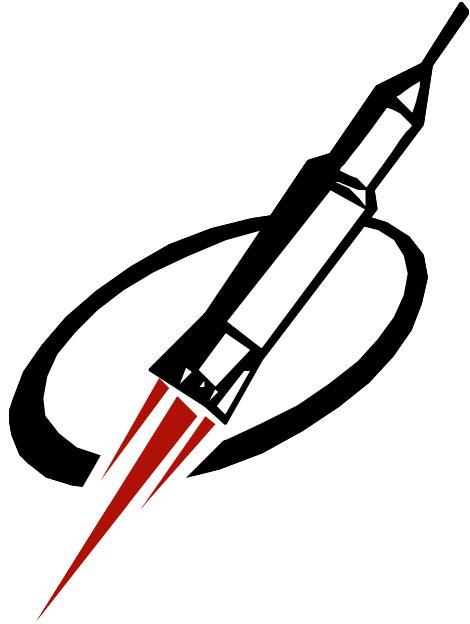
# Top Tools in the B2B Toolkit



## Great Internet Tools – Use more than One

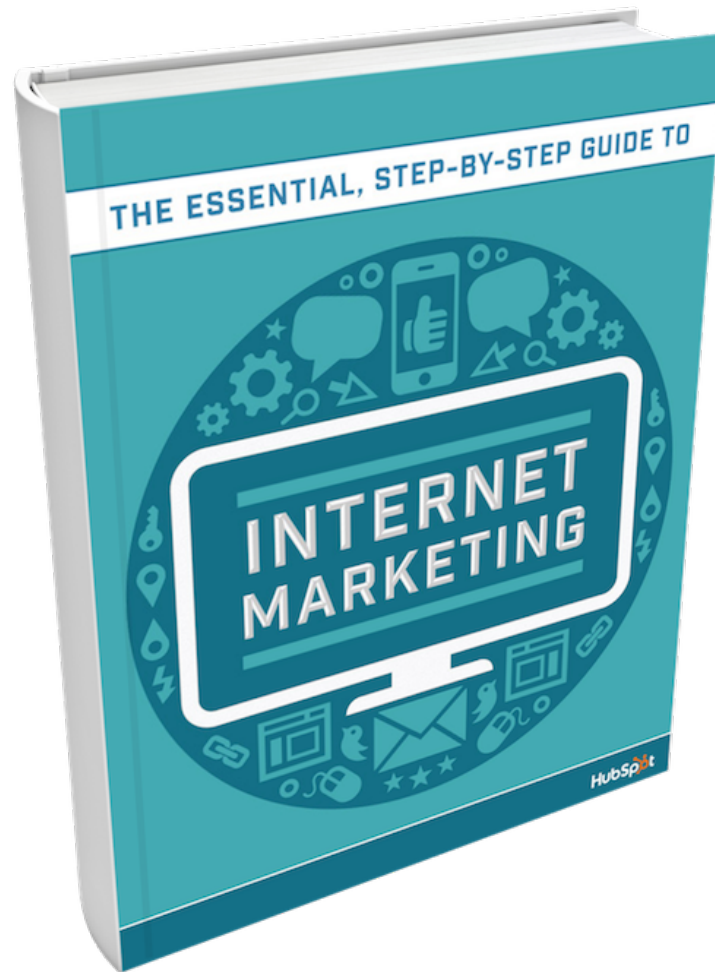
1. Alexa
2. Google Analytics
3. Google DoubleClick Ad Planner
4. Google Insights for Search
5. Microsoft adCenter Labs
6. Google AdWords Keyword tool
7. Unbounce
8. Kissmetrics
9. Hubspot
10. Hootsuite





## Metrics & Analytics

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# Hubspot eBook 160,000 Copies

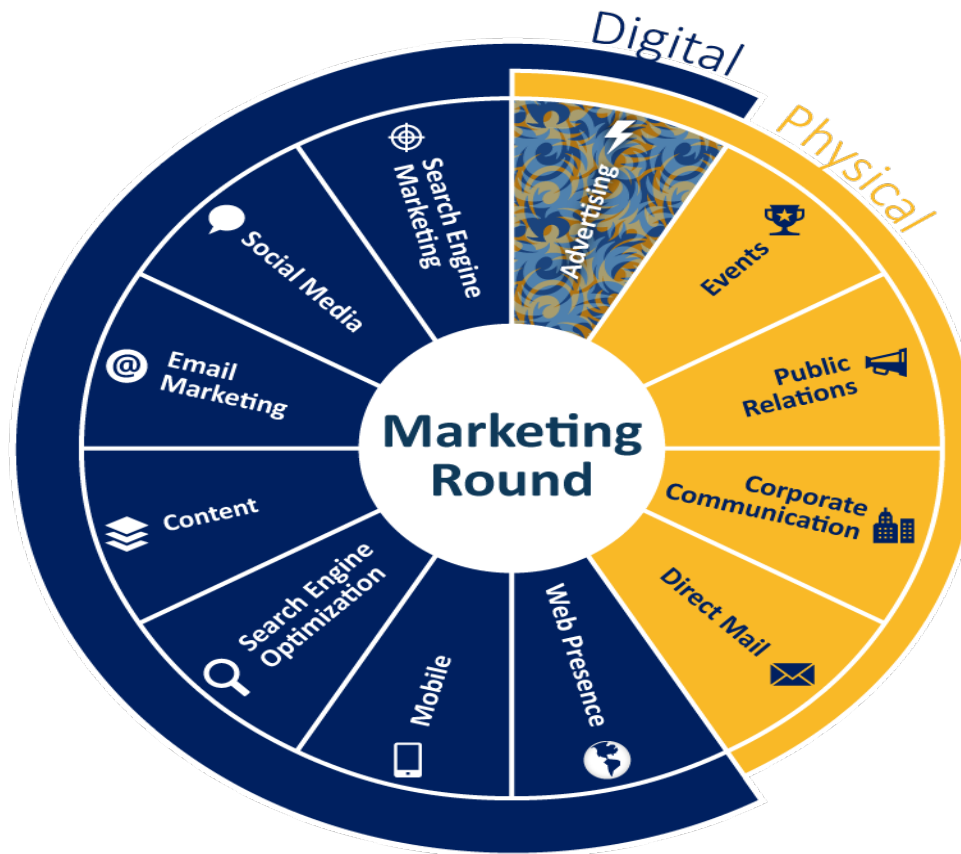
**6 essential steps** to internet marketing success:

- ✓ Optimizing Your Website
- ✓ Creating Content
- ✓ Implementing a Social Strategy
- ✓ Converting Visitors into Leads
- ✓ Nurturing Leads into Customers
- ✓ Analyzing & Refining Data



## Range of Marketing Methods

Which fit your Market and why



## What Type of Company are you Building?

They are not all the same!

- Most start-ups turn into small businesses
- Most start-ups are not scalable
- Most can emulate a business model
- Most are not disruptive (10x rule)
- Each will market via the Internet

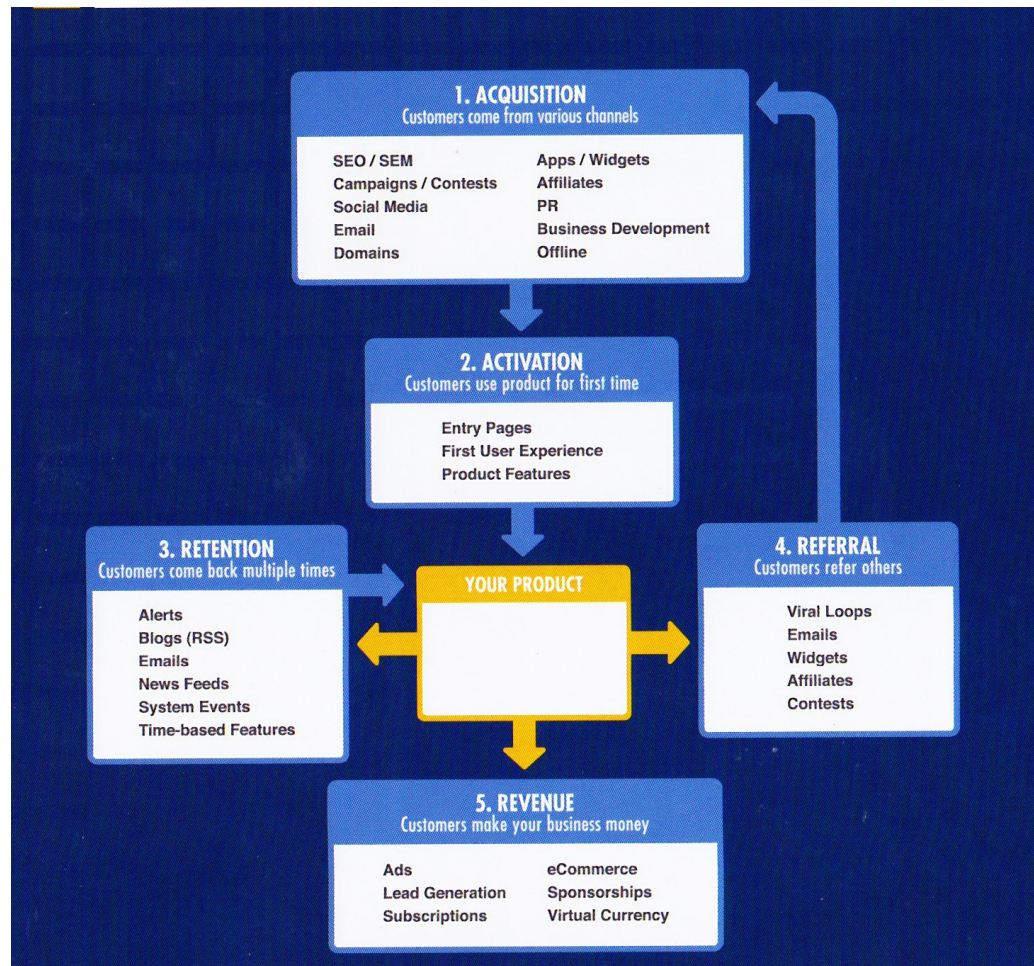
*Credit: Kevin Swan, iNovia Capital*

## Customer Validation Metrics

1. Average order size
2. Customer lifetime value
3. Average time to first order
4. Rate of sales pipeline growth
5. Improvement in close rate
6. Revenue per salesperson or employee

## Pirate Metrics

Copyright David  
McLure  
500hats.com  
Courtesy of KISS  
Metrics



## Vanity Metrics

1. Web traffic
  2. Unique visitors
  3. Return rate
  4. Subscribers/users
- 
5. Conversion Rate
  6. Churn



## Example

[www.phildub.com](http://www.phildub.com)

What does he want?

Does the web traffic help him?

# How to get metrics?

## Get started right away

- For Inbound Marketing you have several choices (that you can mix and match)

KISS Metrics



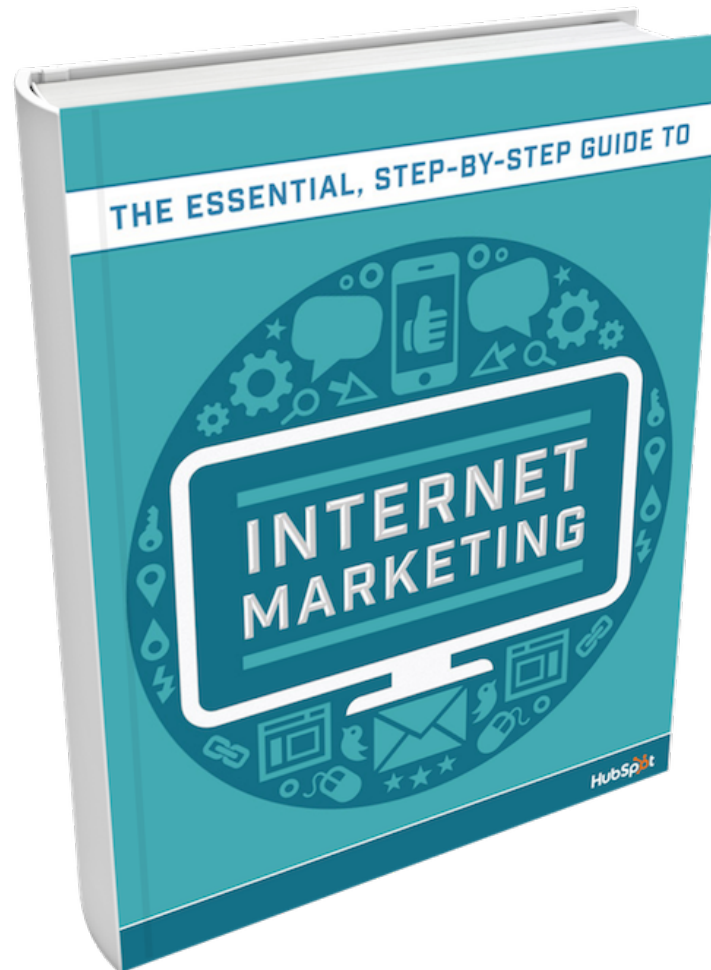
Hootsuite



Hubspot

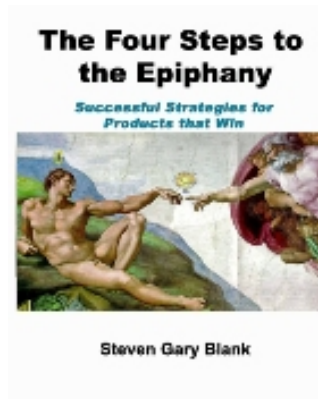
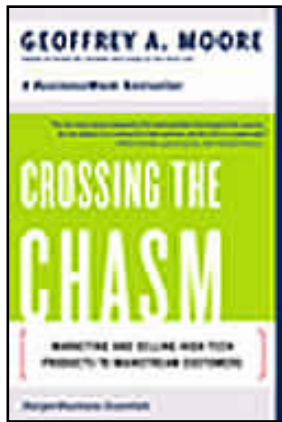


- For engagement  
Design your product so that you can collect the metrics you need (even if you need to embed a small cloud app)
- For CAC and LTV  
Design your management system to collect this data



Hubspot – Find it!!

## Resources – Reading Material



- First customer to first market
- Users **and** revenue
- Targeted marketing

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