Product/Market Fit

“Product Marketing Overview”

Really about ‘Product Management’

To succeed as a tech company you need to manage your product before, during and after MVP
Dave Thomas 604-603-8630
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www.rocketbuilders.com

Ready to Rocket and Emerging Rockets
Past NVBC award winners - April 14, 1:30 – 2:30
http://www.readytorocket.com/
About Me

- Mentor in Residence – SFU Venture Connection, Director Programs Venture Labs
- Rocket Builders ‘Go to Market’ Program in BC & Alberta for growth companies
- Teach introduction to business and introduction to Innovation
- 3+1+1 becoming 4+1
Sailing School at Jericho Beach

www.macsailing.com

info@macsailing.com
Round 2 – Early May

- Business Model Canvas + 60 sec video
- Baseline info – Four Topics
  - Only one is about the product
- Four Questions
  - Three about the market
  - One about revenue and money

The jury is hoping for concise, consistent answers to those items
Business Model Canvas

The Business Model Canvas

Key Partners
- Why join? Key Partner?
- Why pay subscribes?
- What other companies are we aspiring to partner with?

Key Activities
- What activities do our Value Proposition require?
- Core Activities
- Supporting Activities
- Enablers

Value Propositions
- What is the value we deliver to the customer?
- How will your Customer Segments see this as valuable?

Customer Relationships
- What type of relationship does your Customer Segments expect?
- How do you differentiate?
- How do you engage?
- How do you price?
- How do you measure success?

Customer Segments
- Who are your target segments?
- What are their needs?
- What do they expect from you?

Key Resources
- What are the most critical resources for your business?
- Key Resources
- Key Resources
- Key Resources

Channels
- How do you reach your Customer Segments?
- How do you deliver your Value Proposition?
- Direct vs. Indirect

Revenue Streams
- What do you expect to charge?
- How will you price?
- How do you generate revenue?

Cost Structure
- What are the most important cost elements in your business model?
- Key Cost Elements
- Key Cost Elements
- Key Cost Elements

www.businessmodelgeneration.com
Most Important Question - DT

1. How will you win in the marketplace?

2. More than just the product and the fact that there is a market. How will you move into the market?

3. Show the revenue model, not just some Uber number
Not Sure How to Answer a Question

1. Work in Progress is an acceptable answer

2. Look in your business model canvas - it will have answers
Getting ‘down’ to Five pages

1. A sophisticated audience - Don't have to explain simple things in detail
2. Tables and Point Form
3. Talk mostly about the company and how it will succeed in the market rather than about 'massive' market need
Marketing Research & Segmentation
Understanding Consumers
‘Whole’ Solution Offerings
Product Positioning
Metrics

Answer Questions: 1, 2, 1, 2, 3
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
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
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? - 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

- 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 $2% penetration = $20 M)

- Revenue IS a function of the leads you attract, conversion rates, price and individual customers

- $L \times \% \times P = R$
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
Target markets are groups of individuals separated by distinguishable and noticeable aspects.

- Available Budgets
- Market Reach
- Attach Rate
- Conversion Rate
- Win Rate
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
Market Penetration
MacSailing HH Jacket Sales

MacSailing sold ______

Jackets when we added

Fancy ‘Sailing’ clothing

To our website?

1. 0 – 10
2. 10 – 25
3. 25- 100
4. 100-500
Understanding the Market

**Internal Focus**
- Product & Feature
- Lots of Features
- Reactive R&D
- Unpredictable Results

**External Focus**
- Customer Value
- Differentiation
- Headpin Segment
- Reliable Customers
<table>
<thead>
<tr>
<th>SECONDARY RESEARCH</th>
<th>PRIMARY RESEARCH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet, books, articles</td>
<td>Face to face, surveys</td>
</tr>
<tr>
<td>Free or easily purchased e.g. StatsCan/Census</td>
<td>Cost investment (time or money)</td>
</tr>
<tr>
<td>Fast</td>
<td>Less fast</td>
</tr>
<tr>
<td>Broad strokes</td>
<td>Targeted</td>
</tr>
<tr>
<td>Available to all</td>
<td>For your eyes only</td>
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</table>
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.

- Use a search engine to find information: 81%
- Looked up the news: 76%
- Used online banking: 74%
- Looked up the weather: 65%
- Researched a product or service before buying it: 63%
- Visited a brand or product website: 61%
- Paid bills online: 56%
- Watched a video clip: 51%
- Used a price comparison site: 50%
- Listening to an audio clip: 44%
- Change intention to make a purchase: 43%
- Confirm intention to make a purchase: 43%
- Choose not to purchase, becoming too confused: 9%
Role of Search in Buyer’s Process
How many people are involved?

“Business Technology Buyers Survey”

<table>
<thead>
<tr>
<th>Size of Buying Organization</th>
<th>Participants in Buying Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 to 500 employees</td>
<td>6.8</td>
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<tr>
<td>501 to 1000 employees</td>
<td>13.5</td>
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<tr>
<td>Over 1000 employees</td>
<td>21.0</td>
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</table>
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.
Third Party Validation

Has reading these POSITIVE/NEGATIVE reviews influenced your buying decisions?

- All: 88% Yes, 12% No
- Negative: 86% Yes, 14% No
- Positive: 90% Yes, 10% No
Hotel Room Shopping Poll

When you book a hotel room do you read the comments from past customers that rate the hotel? Yes _____ N _____

When you book a hotel room do you insist that it has everything you want even if it costs more?
Everything ______________
Most Important things and value ____________
Segmentation 101

Do you need to build every feature potential customers ask for?

Why or why not?

Is differentiation based only on your product?
Buyer Personas - Example

- Marketers need to align their messages to the way real people think

https://www.youtube.com/watch?v=t-E9cYyaSRI
# Building a Competitive Matrix

<table>
<thead>
<tr>
<th></th>
<th>Us</th>
<th>Competitor 1</th>
<th>Competitor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Largest Customers</td>
<td></td>
<td></td>
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<tr>
<td>Key Partners</td>
<td></td>
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<td></td>
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<tr>
<td>Financial Health</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Market Share</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Key Products</td>
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<tr>
<td>Pricing</td>
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<tr>
<td>Key Product Features</td>
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<tr>
<td>Value Proposition</td>
<td></td>
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<tr>
<td>Sales Channels</td>
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</tbody>
</table>
Whole Product
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

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

Source: Crossing the Chasm, Geoffrey Moore
Hotels – Whole Product

Hotel for Vacation Travelers
- Kid Care
- Kids Stay Free
- Onsite Activities
- Vacation Package
- Breakfast Buffet
- Late Check out
- Shuttle Van

Hotel for Business Travelers
- Newspaper
- Quick Breakfast
- Internet Connection
- Frequent Traveler Program
- Late Check in
- Meeting Space
- Laundry & Dry Cleaning
Coffee Example
Starbucks/Dunkin Donuts

What percentage of the people switched to the other coffee shop after a month?

0 – 5 _____
5 – 10 _____
10 – 25 _____
25 – 50 _____
> 50% _____
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 + 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)
"My wife drives a very safe car" What type of car does she drive?

<table>
<thead>
<tr>
<th>Brand</th>
<th></th>
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<tbody>
<tr>
<td>BMW</td>
<td></td>
</tr>
<tr>
<td>Chevy</td>
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<td>Ford</td>
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<td>Honda</td>
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<tr>
<td>Hyundai</td>
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<td>Toyota</td>
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<td>Volkswagen</td>
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<tr>
<td>Volvo</td>
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</tbody>
</table>
Positioning Impact

- Partnerships
- Pricing
- Whole Product
- Distribution
- Sales Cycle
- Service/Support
- Company Valuation
- Competition
Positioning Process

Understand

Market Research

Choose

Market Segmentation
- Demographics
- Psychographics
- Channels

Differentiate

Competitive Differentiation

Test

Positioning Statement

Put stake in the ground

Marketing Plan
- Target Accounts
- Product Launches

Reinforce in market
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?

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
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
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?
Pricing 101

Pricing is a combination of..........

1. Cost plus

2. The Market sets the price

3. Value of the product to the buyer
Pricing 101

Do you need to have the lowest price to compete when you enter the market?
Product Marketing, Metrics and Analytics
Great Internet Tools – Use more than One

1. Alexa
2. Google Analytics
3. Google AdWords Keyword tool
4. Unbounce
5. Kissmetrics
6. Hubspot
7. Hootsuite
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
How often do you check your Google analytics?

Daily ______
Weekly ______
Monthly ______

How do you do that? ______
Range of Marketing Methods

Which fit your Market and why

Marketing Round
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

Source: BtoB Magazine
Top Tools in the B2B Toolkit

Publishing

Networking

Sharing

Discussion

Social Platforms
Which will be top 2 for your company?

- LinkedIn
- Facebook
- Instagram
- Twitter
- Shopify
- YouTube
- Weibo
- Industry Specific Site/Publication
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
Vanity Metrics

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

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
Marketing Execution & Budget

How many of you have a product that sells itself?

If not, how will you spend your marketing budget?
Market Segment Fit

1. For each segment, identify which methods you will use. (this will depend on the Pros/Cons for your solution/segment combinations)

2. Then prioritize each method for each segment

3. For Priority segments create a budget
Segments Poll

How many segments will you target initially?

1  ______

2  ______

3  ______

>3  ______

If it is more than 3 you’re fired
For each Segment – Create a Budget

<table>
<thead>
<tr>
<th>Marketing Method</th>
<th>Segment 1</th>
<th>Budget</th>
<th>Segment 2</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Traditional Advertising</td>
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<tr>
<td>2 Events</td>
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<tr>
<td>3 Public Relations</td>
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<tr>
<td>4 Corporate Communications</td>
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<td>5 Direct Mail</td>
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<td>6 Web Presence</td>
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<td>7 Mobile</td>
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<tr>
<td>8 Search Engine Optimization</td>
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<td>9 Content</td>
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<tr>
<td>10 Email Marketing</td>
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<tr>
<td>11 Social Media</td>
<td></td>
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</tr>
<tr>
<td>12 Search Engine Marketing</td>
<td></td>
<td></td>
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<tr>
<td>13 Internet Advertising</td>
<td></td>
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<tr>
<td><strong>Total For Year 1</strong></td>
<td></td>
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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_
Resources – Reading Material

- First customer to first market
- Users and revenue
- Targeted marketing
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Past NVBC award winners - April 14, 1:30 – 2:30
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