Product/Market Fit

“Product Marketing Overview”
Dave Thomas 604-603-8630

dthomas@rocketbuilders.com

www.rocketbuilders.com

Ready to Rocket and Emerging Rockets

Past NVBC award winners

http://www.readytorocket.com/
Sailing School at Jericho Beach
www.macsailing.com   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
Begin With The End In Mind

Start here…

Key Market Research Questions

Up to 3 X

Market Research Plan & Budget

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
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
- $(1B \text{ market} \times 2\% \text{ penetration} = 20M)$
- 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
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

- 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>
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</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>
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<tr>
<td>Broad strokes</td>
<td>Targeted</td>
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<td>Available to all</td>
<td>For your eyes only</td>
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<tr>
<td><strong>QUALITATIVE</strong></td>
<td><strong>QUANTITATIVE</strong></td>
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<tr>
<td>-------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>A few people</td>
<td>Lots of people</td>
</tr>
<tr>
<td>In-person or telephone interview</td>
<td>Surveys</td>
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<tr>
<td>In-depth</td>
<td>Stats</td>
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<tr>
<td>Directional</td>
<td>Decisions</td>
</tr>
<tr>
<td>Answers the Why</td>
<td>Answers the other Ws</td>
</tr>
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</table>
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.

- 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%
Buyer’s Process

Executive involvement in the buying cycle

- Understand Current Issues
- Establish Objectives
- Set Strategy
- Explore Options
- Set Vendor Criteria
- Examine Alternatives
- Plan Implementation
- Measure Results

Early | Middle | Late

Phase in the Purchase Decision Cycle

Study 1 | Study 2

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

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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>
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<tbody>
<tr>
<td>100 to 500 employees</td>
<td>6.8</td>
</tr>
<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.
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 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 + 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

Product Position

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

Understand

Market Research

Choose

Market Segmentation
- Demographics
- Psychographics
- Channels

Competitive Differentiation

Differentiate

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
Competitive Examples

- Apple Macintosh versus Windows/PC
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
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

Pricing Decisions
What is Your Price Range?

DEMAND = REVENUE POTENTIAL

The price ceiling

Competitor’s Prices

The price floor

COSTS

What the customer will pay

Competitive Environment

Cost Recovery Key to Survival

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Price Range

- **Your + Differentiation Value** (What you do better)
- **Your – Differentiation Value** (What your competitor does better + your unique costs)

Price in this Range (Where it depends on your strategy)

Your customer does not care what your costs are.

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# Neartuit - Museum Technology Value Drivers

<table>
<thead>
<tr>
<th></th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
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<tbody>
<tr>
<td>Visitors/month</td>
<td>1,500</td>
<td>3,500</td>
<td>6,000</td>
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<tr>
<td>Ticket Cost</td>
<td>$ 5</td>
<td>$ 15</td>
<td>$25</td>
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<tr>
<td>Repeat Visits</td>
<td>22%</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Referrals</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Value Increase</td>
<td>.15</td>
<td>.3</td>
<td>.45</td>
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<tr>
<td>Adoption Rate</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>$ per month</td>
<td>$ 90</td>
<td>$ 420</td>
<td>$ 1,080</td>
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</tbody>
</table>
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
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
Social Media Platform Tools
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
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

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Top Tools in the B2B Toolkit

Publishing

Networking

Sharing

Discussion

Social Platforms
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
THE ESSENTIAL, STEP-BY-STEP GUIDE TO
INTERNET MARKETING
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

1. ACQUISITION
   Customers come from various channels
   - SEO / SEM
   - Campaigns / Contests
   - Social Media
   - Email
   - Domains
   - Apps / Widgets
   - Affiliates
   - PR
   - Business Development
   - Offline

2. ACTIVATION
   Customers use product for first time
   - Entry Pages
   - First User Experience
   - Product Features

3. RETENTION
   Customers come back multiple times
   - Alerts
   - Blogs (RSS)
   - Emails
   - News Feeds
   - System Events
   - Time-based Features

4. REFERRAL
   Customers refer others
   - Viral Loops
   - Emails
   - Widgets
   - Affiliates
   - Contests

5. REVENUE
   Customers make your business money
   - Ads
   - Lead Generation
   - Subscriptions
   - eCommerce
   - Sponsorships
   - Virtual Currency

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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
Hubspot – Find it!!
Resources – Reading Material

- First customer to first market
- Users and revenue
- Targeted marketing
Dave Thomas 604-603-8630
dthomas@rocketbuilders.com
www.rocketbuilders.com

Ready to Rocket and Emerging Rockets
Past NVBC award winners
http://www.readytorocket.com/