

Market Research & Product Marketing

“Marketing Overview”

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Ready to Rocket and Emerging Rockets
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Canadian Financing Forum – Venture Capital Event
February 2012 www.financingforum.com

An advertisement for MacSailing. The background is a collage of three images: a person on a sailboat, a smiling child, and an adult on a sailboat. The text 'Sailing lessons for children & adults' is overlaid in white. The MacSailing logo is on the left, and contact information is on the right.

Sailing lessons for children & adults

MAC SAILING

Rentals
School Groups
Corporate Events

604 224 SAIL (7245) www.MacSailing.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>

Claire Booth

■ President, Lux Insights



■ 12+ years in market research

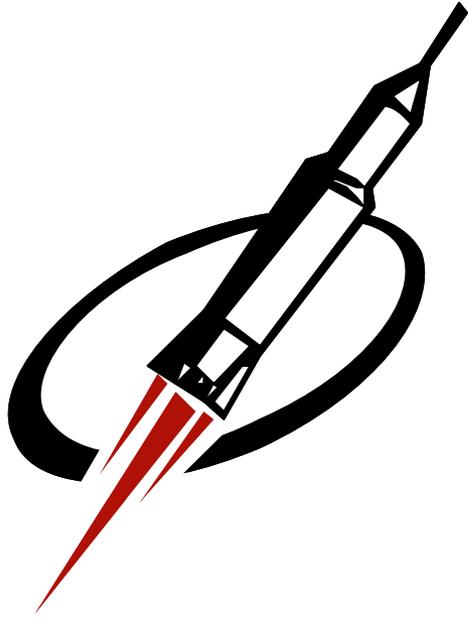
Academics
History

Vancouver
Big
Agency

Seattle
Big
Agency

Pivot!
Travel

My
Agency
Lux



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

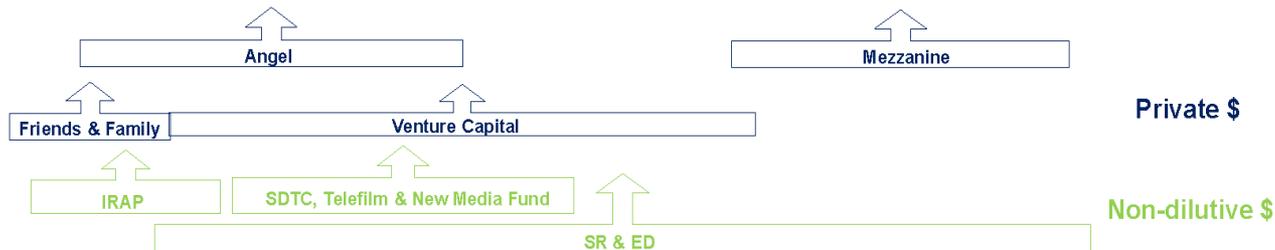
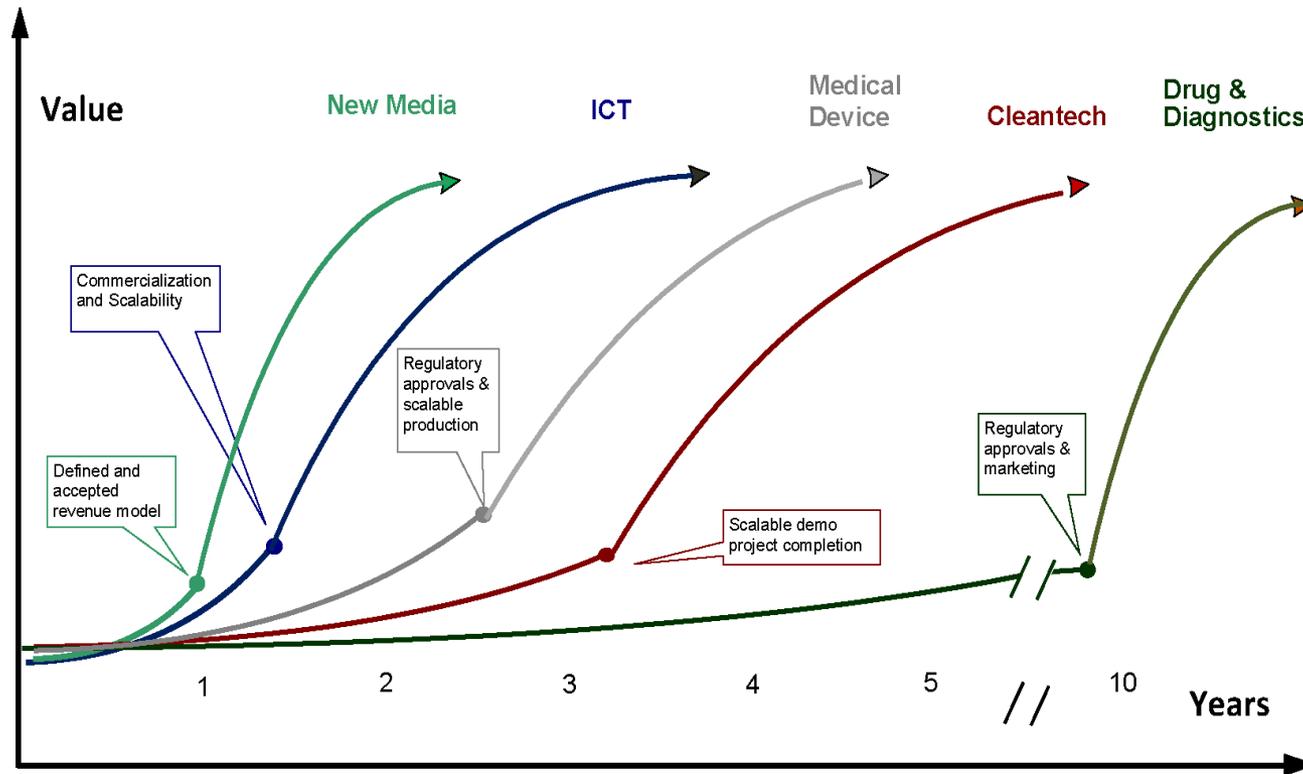


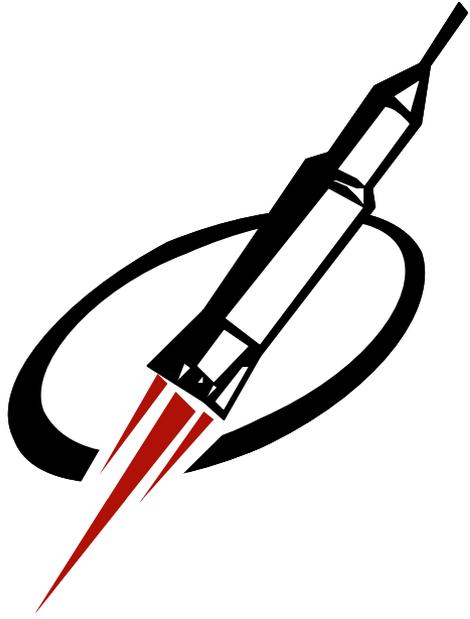
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Learning Objectives for Today

- Taking the time for **market research** increases your chances for success.
- Understand the concepts of **technology adoption cycles** and **whole product** and how it impacts market entry.
- Understand how **product positioning** influences all messages in marketing materials.
- Understand how **pricing** is determined and what models can be employed.

Growth Models

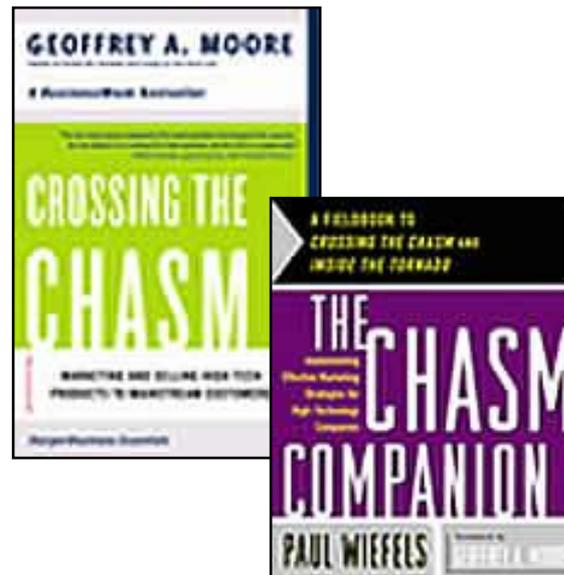




Market Research

Markets: Why is research important?

- “Measure twice, cut once.”
- “Chase two rabbits, catch none.”



Marketing and Focus

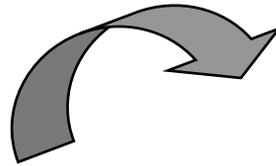
A company can..." cross the chasm by targeting a very specific niche market where you can dominate from the outset, force your competitors out of that market niche, and then use it as a base for broader operations. Concentrate an overwhelmingly superior force on a highly focused target."

(Geoffrey Moore. 2002. Crossing the Chasm. P.99)

Begin With The End In Mind

Start here...

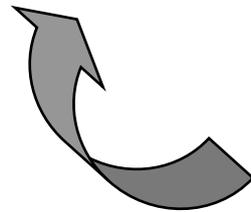
Key
Market
Research
Questions



Up to
3 X

Market
Research
Report
(Outline)

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



Market
Research
Plan &
Budget

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

Markets, Pains & Requirements

- Markets
 - Size
 - Trends
 - Segments
- Pains
 - Customer Pain
 - Value Chain Pain
- Requirements
 - Customer Requirements
 - Channel Requirements

Key Market Research Questions

- What is your target market?
- How big is it?
- Who buys your product?
- **Why do they need it?**
- Who pays for it?
- Who uses it?
- How does the customer fix the business problem you are addressing today?
- How much are they willing to pay?
- Why would they buy from you?
- What business problems are more important to them than this one?

"BusinessWeek October 20, 2004. "Taking the Trouble to Research Your Market."
http://www.businessweek.com/smallbiz/content/oct2004/sb20041020_9945.htm

Market Segmentation

■ Revolutionary Products

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

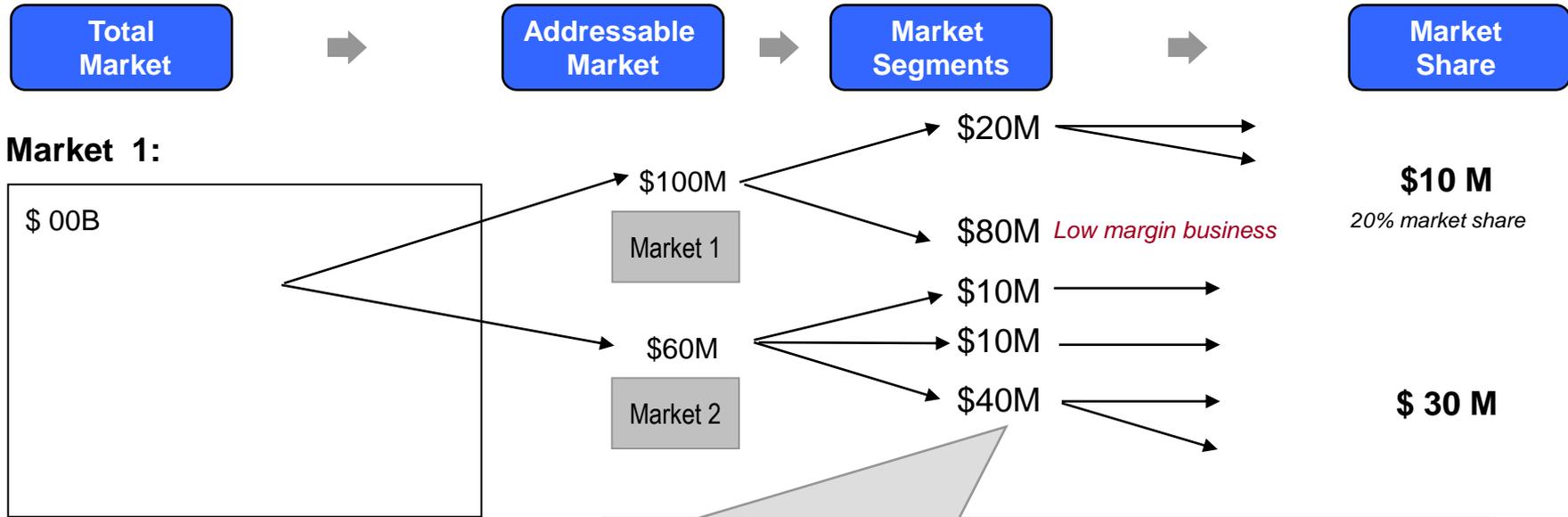
■ Evolutionary Products:

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

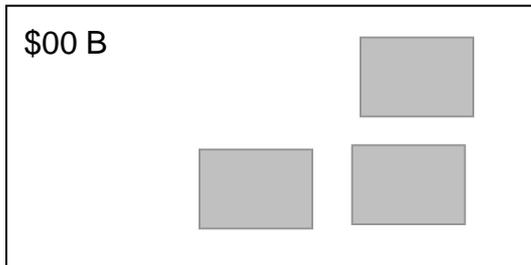
Why Segment?

- **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

Market segmentation



Market N:



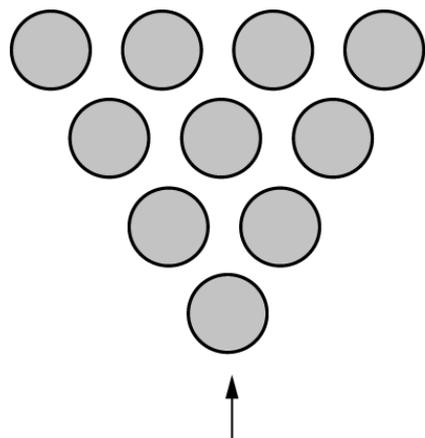
Here is where an organization develops a unique, competitive view of the market and identifies specific opportunities to pursue which will provide significant, sustainable growth! Within overall markets, identifying markets that an organization can realistically address is a critical challenge.

From here, market opportunities can be broken down further to uncover the segments that offer the best growth and margin. This will lead an organization to revenue opportunities which are grounded in market realities and therefore more attainable over the short to long term.

Bowling Alley Model

“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 Research An insider's point of view

Why bother with research?

- You...
 - Think positive
 - Believe in your idea
 - Are emotionally invested
 - Are financially invested



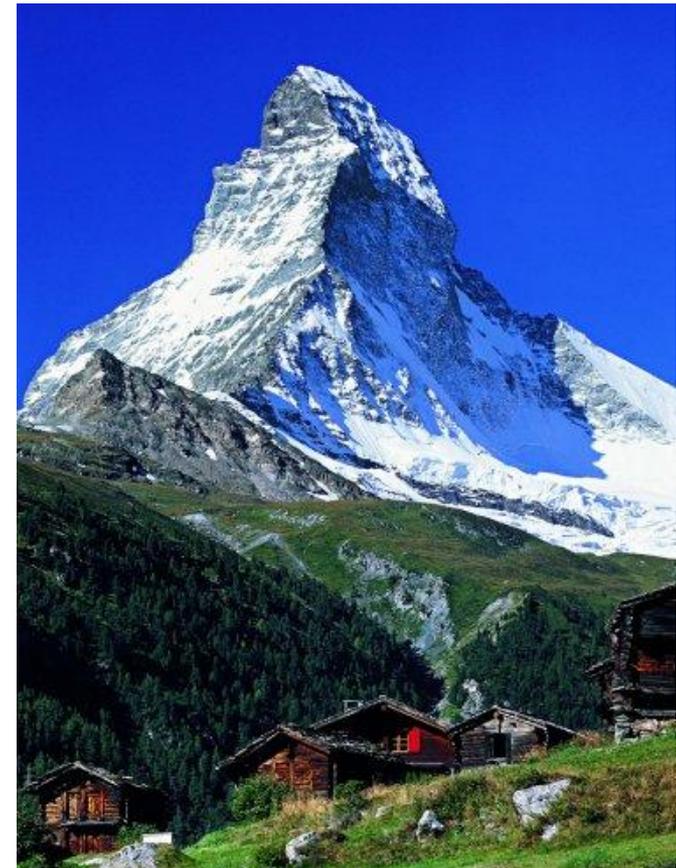
Why bother with research?

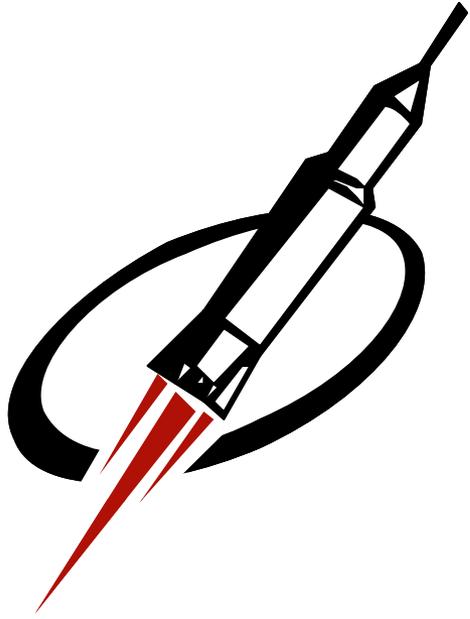
■ Need Impartiality

- Are you communicating your idea properly?

- Are you asking the right questions?

- Is your idea viable?





Market Research... In 2 Slides

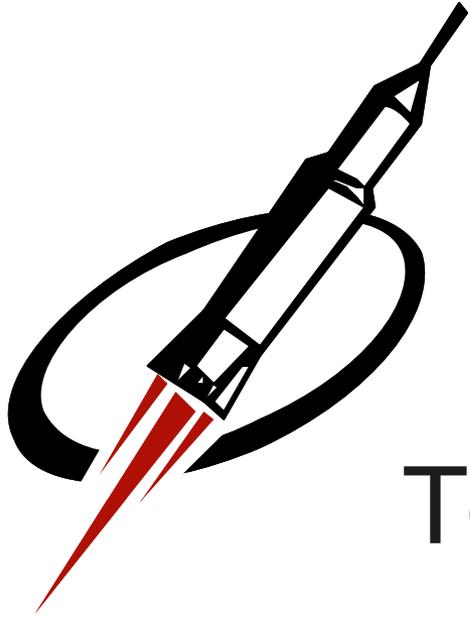
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Market Research 101

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

Market Research 201

PRIMARY RESEARCH	
QUALITATIVE	QUANTITATIVE
A few people	Lots of people
In-person or telephone interview	Surveys
In-depth	Stats
Directional	Decisions
Answers the Why	Answers the other Ws



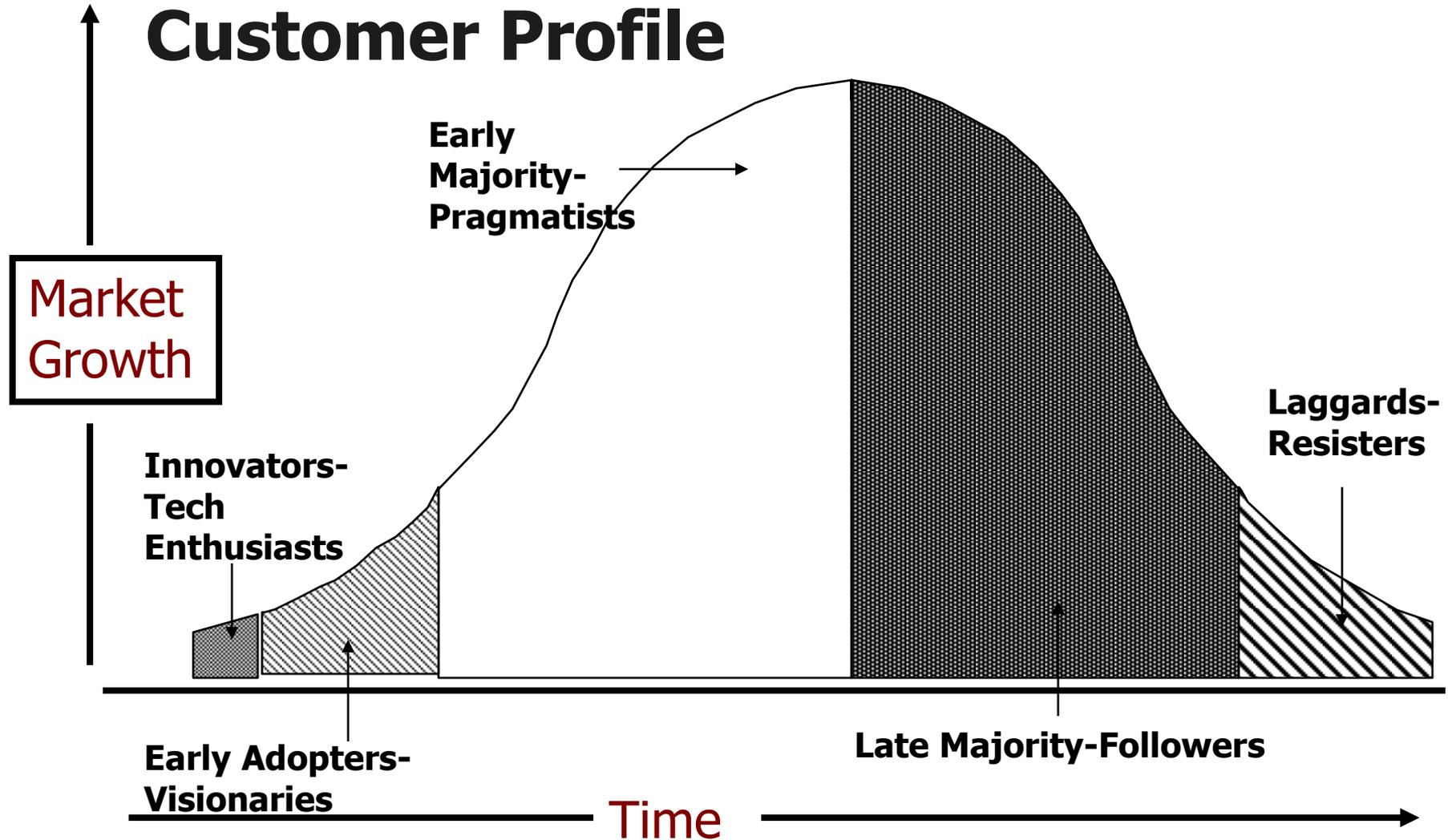
Technology Adoption Cycle

'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.

Technology Adoption Cycle: Customer Profile



Source: Everett M. Rogers, *Diffusion of Innovation*, 1st ed.

Why Chasm Develops

Visionaries

- Adventurous
- Early buy-in
- Go it alone
- Think big
- Spend big
- Think Pragmatists are pedestrian

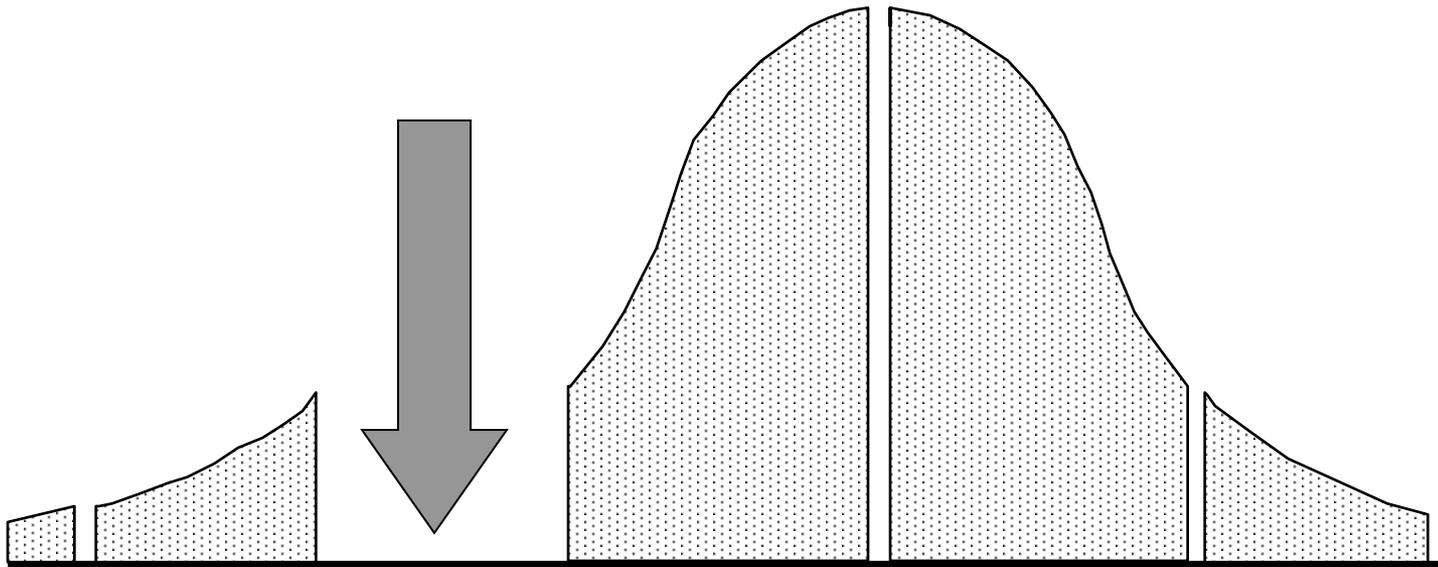
vs.

Pragmatists

- Prudent
- Wait & see attitude
- Expect relationships
- Management expectations
- Spend to budget
- Think visionaries are dangerous

These two groups are not compatible!

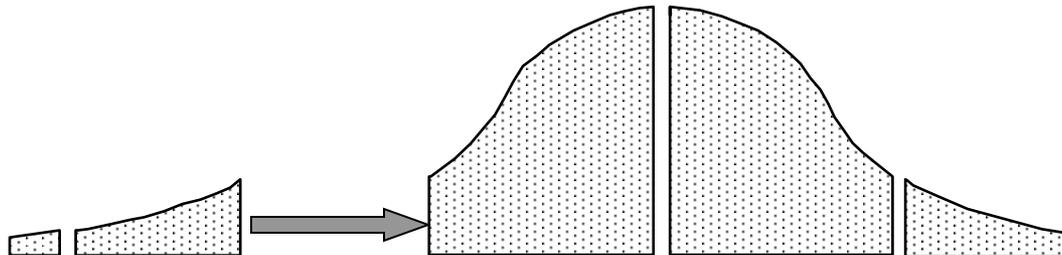
The Chasm: A 'Non-Market'



- **Early market saturated; revenue growth slows; sales cycles extended**
- **Credible references for pragmatists aren't apparent**
- **How wide & deep is the Chasm?**

How to Cross the Chasm?

- **Segment** - Vertical applications/target customer
- **Redefine** & understand target customer's whole problem/compelling reason to buy
- Define & develop **whole product** (and how can you do it better than the competition?)
- Develop **marketing plan**



In-Stat: Early Adopters (consumer)

In-Stat's research (2010) identifies that early adopters are much more likely to:

- Subscribe to premium pay-TV channels
 - Two-thirds get at least one premium channel
 - Over 50% receive HBO
- Subscribe to a DVR service
- View VoD content
- View fee-based on-demand movies
- Purchase pay-per-view content
- Subscribe to fee-based sports content (e.g. NFL Sunday Ticket)
- Spend more than 5 hrs per day viewing video content

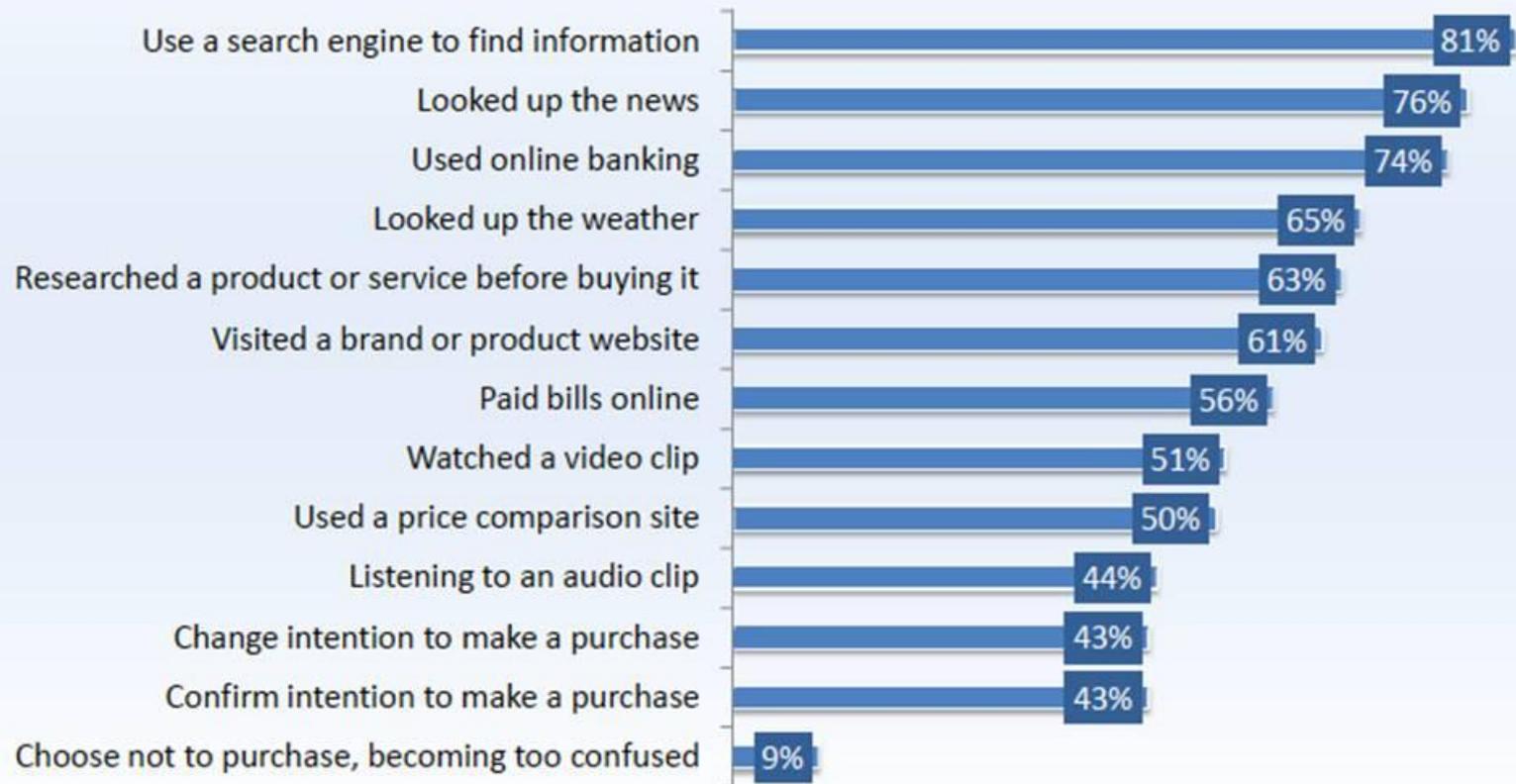
In-Stat: Early Adopters (consumer)

Recent research (2009) by In-Stat found the following:

- By 2013, nearly half of total US households will have an adult that considers themselves to be a leading-edge or early adopter of technology.
- In-Stat recently developed new end-user segmentation that identifies "Power", "Social", and "Passive" Internet Users. Segmentation is based on the number of different Internet activities and the frequency that they are performed.
- Over the next five years, Internet power-user households will double in number, and nearly two-thirds of US broadband households will be power or social users.

Buyer Internet Behaviour

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



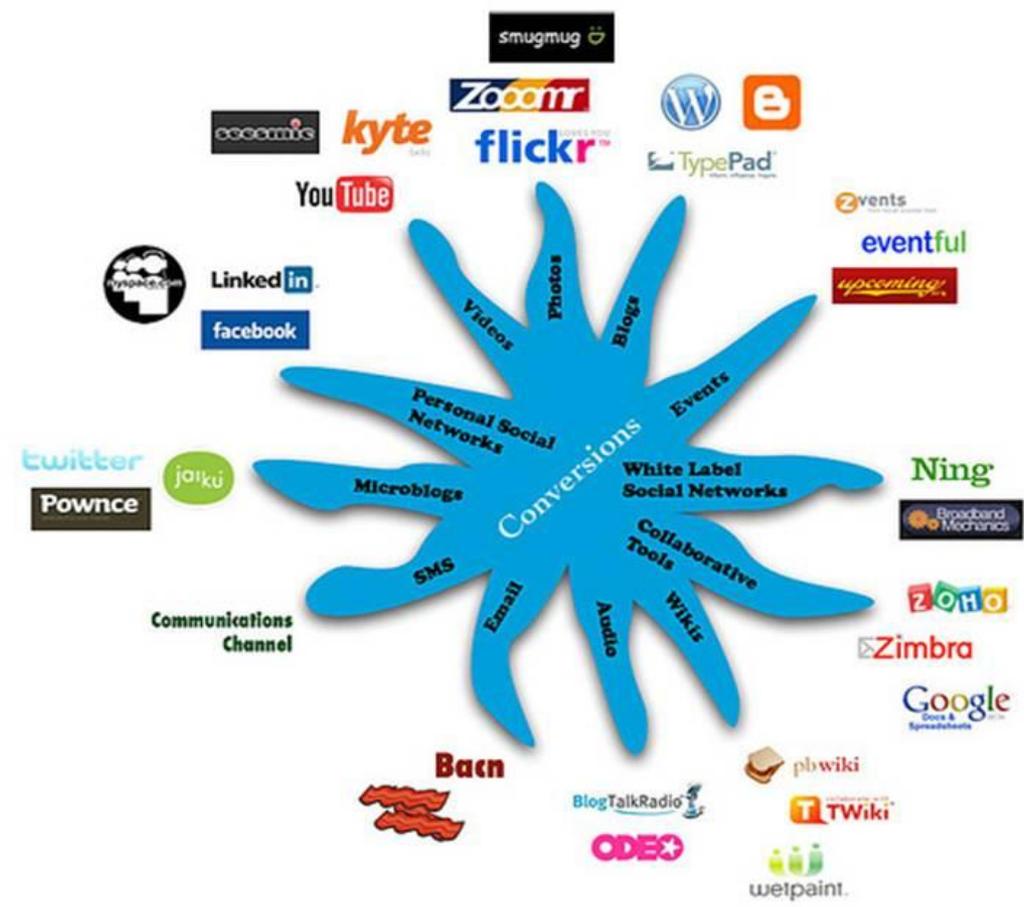
Social Networking Sites

- Why do people join?
 - Affiliation & friends
 - Profile & visibility
 - Job Seekers
 - Discussion Forums and Feeds
 - Groups – Targeted Discussion

Social Media Platforms



Social Media Platform Tools



Four Step Approach

The four-step approach to the social strategy

P

People

Assess your customers' social activities

O

Objectives

Decide what you want to accomplish

S

Strategy

Plan for how relationships with customers will change

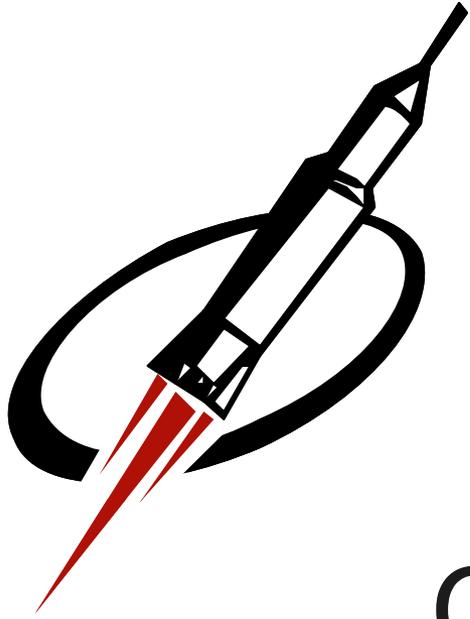
T

Technology

Decide which social technologies to use

T

Decide which social technologies to use



Customer Development

Customer Development

- Must evolve at the same time as your product development
- Getting out of the building
 - Your friends and family
 - Your peers
 - Social media (e.g. LinkedIn)



But...

- Getting out of the building means...
 - Your time
 - Your contacts
 - Your questions
 - Your bias

Researchers...

- Are already out of the building
- Have that third party impartiality
- Will find you your EARLY ADOPTERS and manage them
- Will help coach you through your customer development

Recruiting your target



Target acquired...

- One time or longitudinal
- Quali-Quant
 - Surveys
 - One on one interviews
 - In-person labs
 - Other

Example: Minimum Viable Product

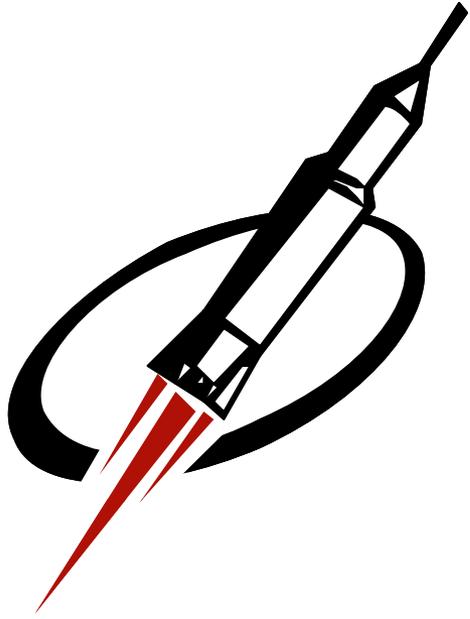
- Show your MVP to your Early Adopters
- Test / feedback
- Iterate
- Test / feedback
- Pivot

What else can you do?

- Ideation
- Targeting
- Segmentation
- Basic concept testing
- Competitive Assessment
- Usability
- Creative Testing
- Etc.

Things to consider

- This is an investment, it's not free
- You have to be open to criticism
- Research is a marketing touchpoint
 - This is an opportunity to communicate your idea/feature



Whole Product

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Whole Product Definition

Physical Product

+

All Associated Factors

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

=

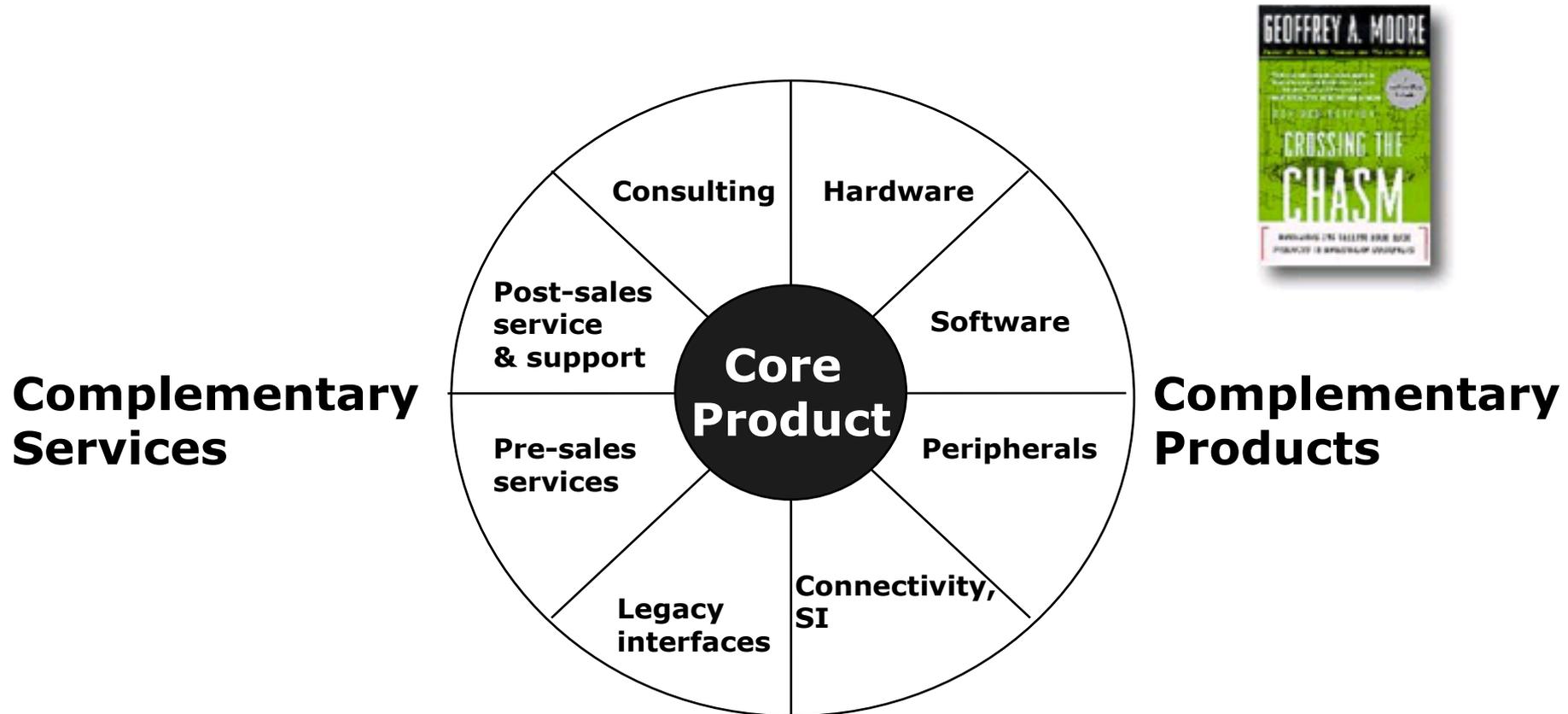
“The Whole Product”

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

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?

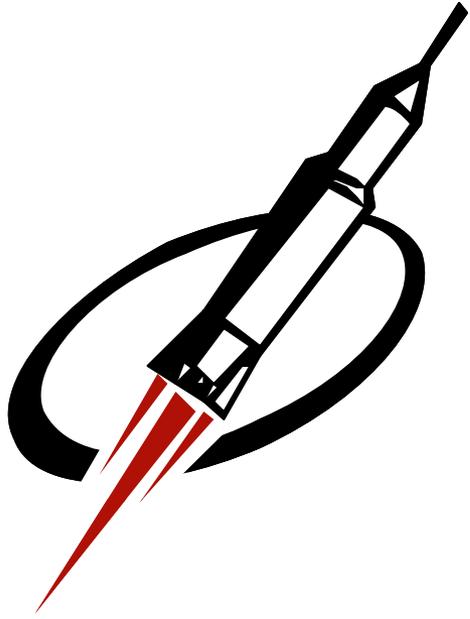
How Do you Market the Whole Product?

- 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

Exercise: Ad-Hoc Whole Product Audit

❖ For your company's primary product, make some quick notes off the top of your head on:

- 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?



Positioning

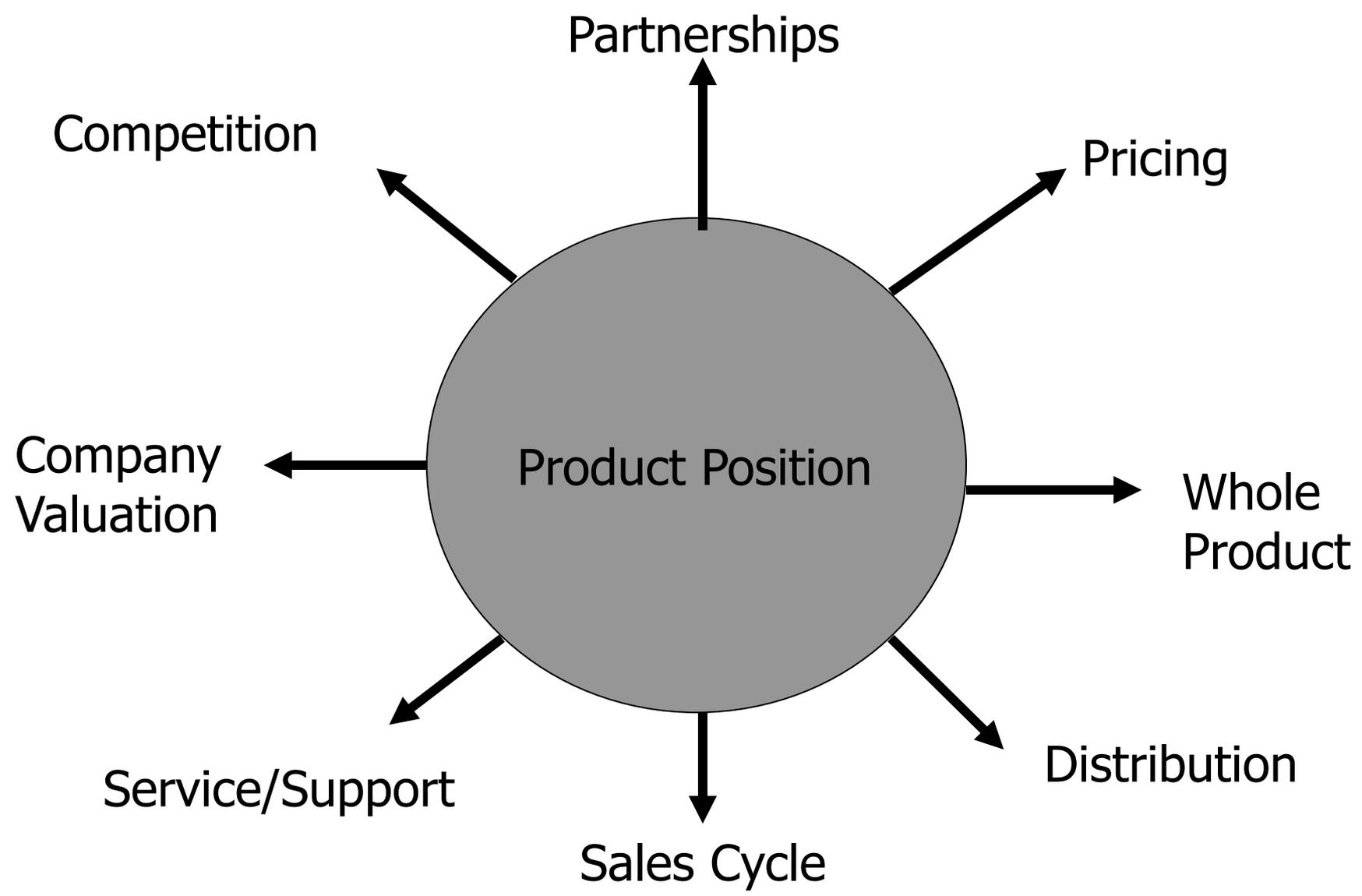
Definition

- **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

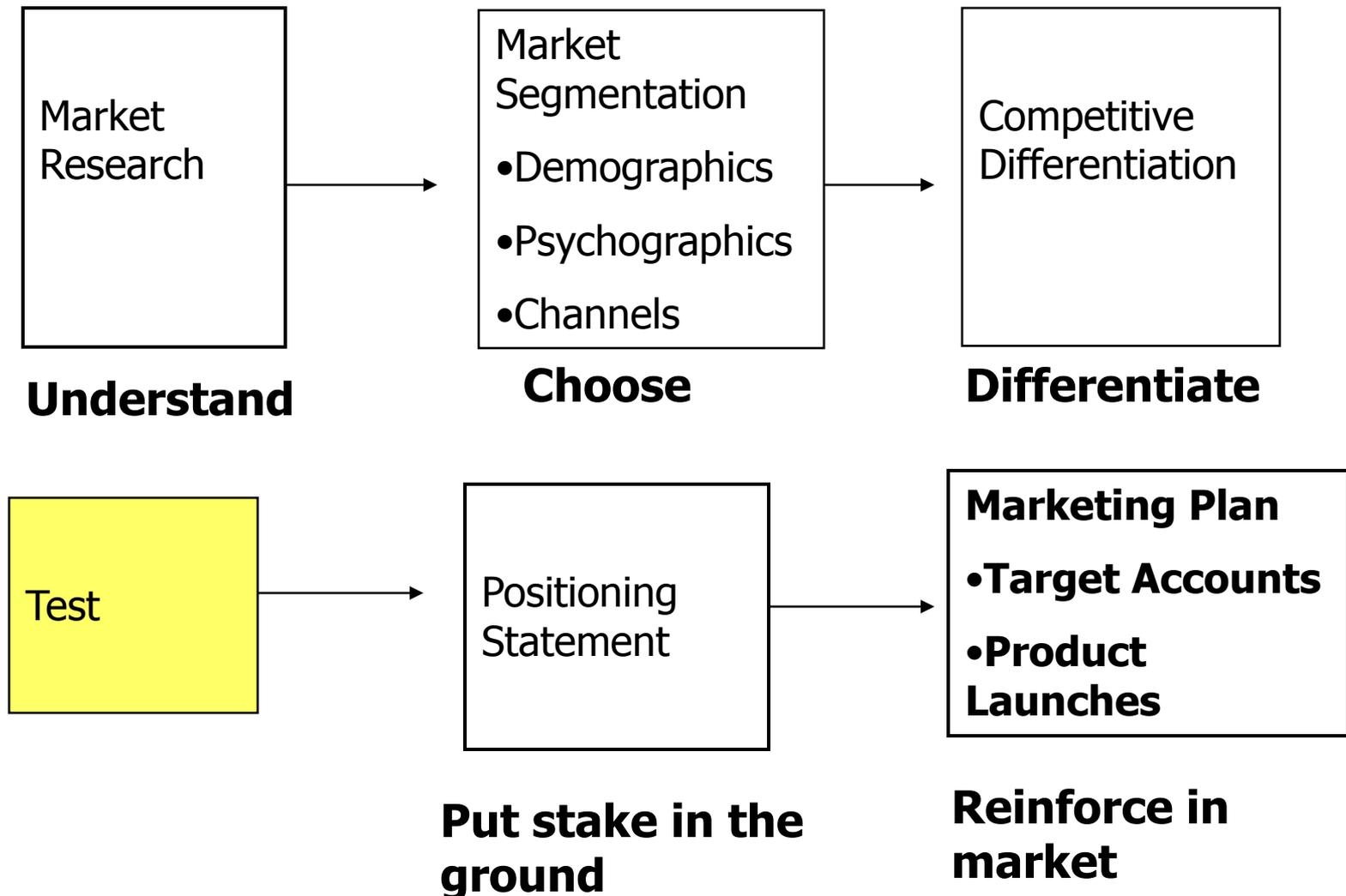
More Definitions.....

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

Positioning Impact



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



Competitive Examples

■ Apple Macintosh versus Windows/PC

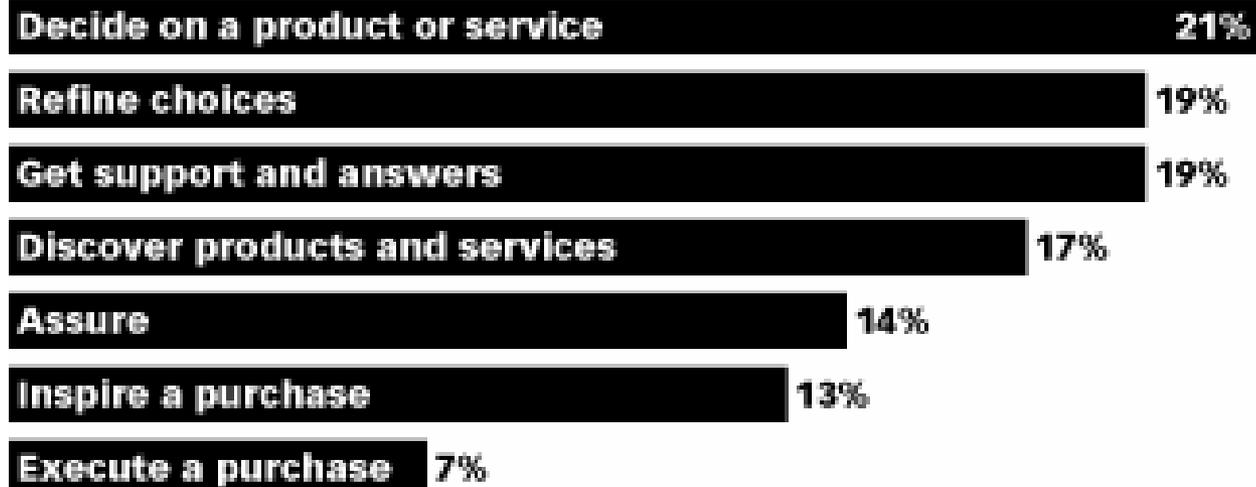


I'm a PC.

I'm a Mac.

Buyers and Blogs

Aspects of the Purchase Process in Which Blogs Play a Role According to US Blog Readers, August 2008 (% of respondents)



Source: BuzzLogic, "Harnessing the Power of Blogs" conducted by JupiterResearch as cited in press release, October 28, 2008

099366

www.eMarketer.com

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

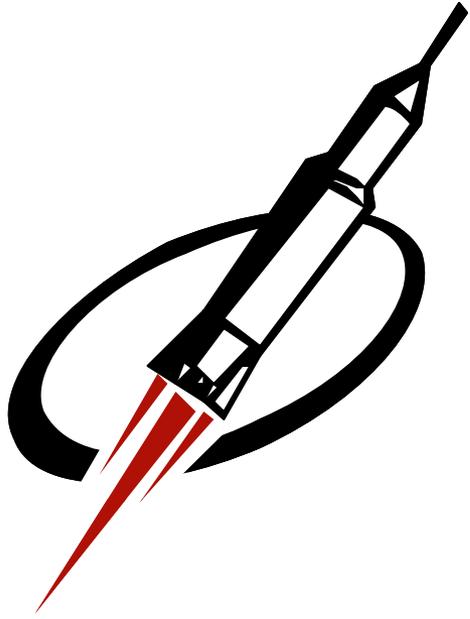
- Credible
- Relevant
- Unique
- Durable
- Emotionally appealing

■ 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

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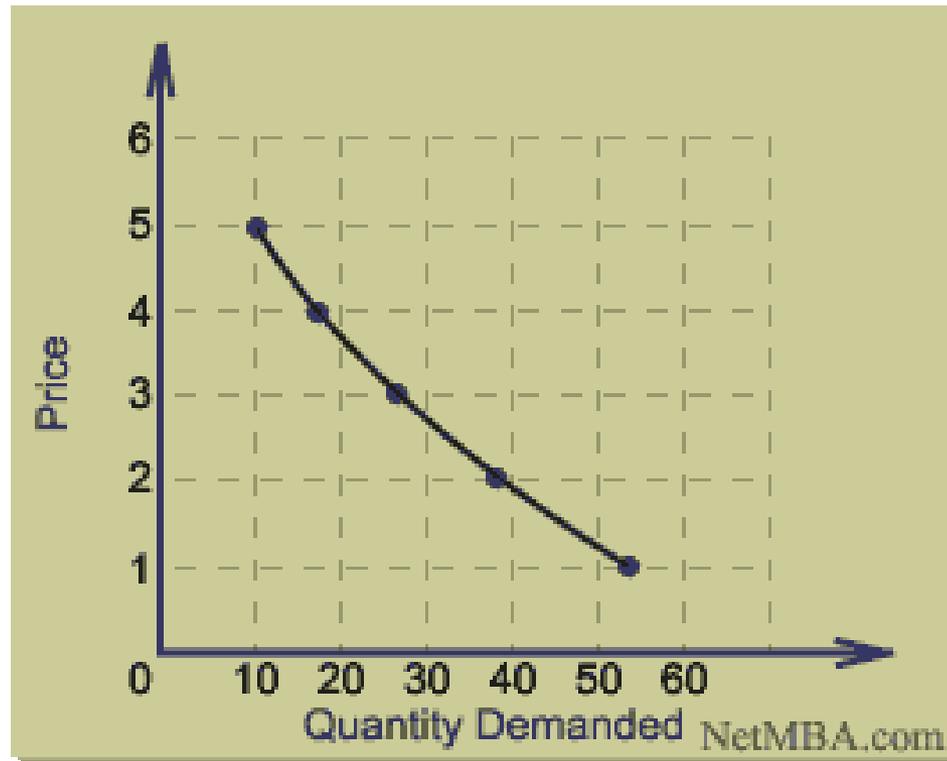
Common Pricing Issues

- 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

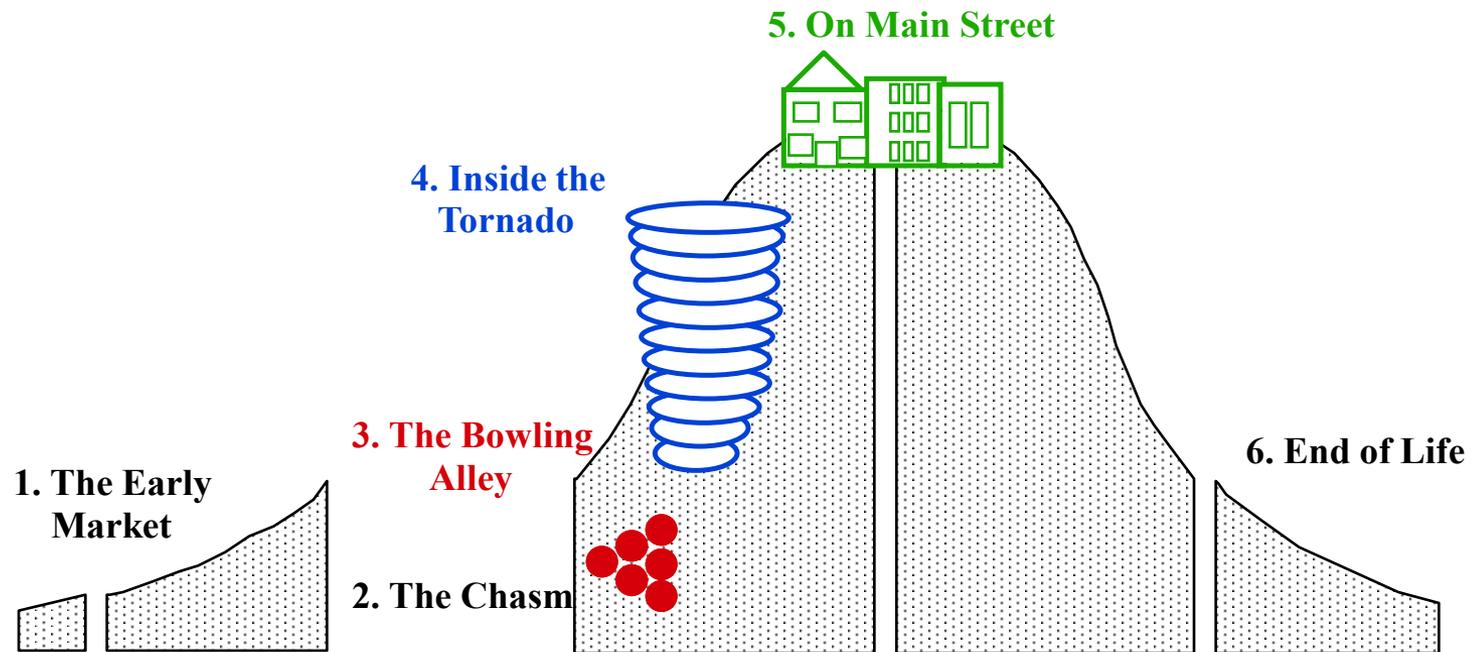
- Price Ceiling
- Channel
- Competitive Pressures
- Customer Buying Restrictions
- Value Proposition
- Reputation of Seller
- Total Cost of Ownership

Demand Curve



Pricing as Per Life Cycle Stage

Stages of the Technology Life Cycle



Pricing Factors

Internal Factors

- Objectives of the Firm
- Marketing Mix strategy
- Costs

External Factors

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

```
graph TD; I[Internal Factors] --> P[Pricing Decisions]; E[External Factors] --> P;
```

Pricing Decisions

Pricing Strategies

- **Cost-plus pricing** - set the price at the production cost plus a certain profit margin.
- **Target return pricing** - set the price to achieve a target return-on-investment.
- **Value-based pricing** - base the price on the effective value to the customer relative to alternative products.
- **Psychological pricing** - base the price on factors such as signals of product quality, popular price points, and what the consumer perceives to be fair.

Pricing Methodology

- Determine Market Size and Segments
- Define Whole Product and Product Positioning.
- Determine Cost of Goods and Cost of Sales.
- Estimate the Demand Curve
- Choose Pricing Model
- Set Pricing Objectives
- Choose Pricing Strategy
- Select Pricing

When Should I Sell on Price?

Groupon - Team Buy – SwarmJam - Living Social – Social Shopper – Socials - ??????

'US adult internet users subscribe to an average of almost three daily or weekly shopping emails or newsletters, and 56% of internet users subscribe to at least two of the emails.

Subscribers also say they regularly read the emails. Among those who subscribe to at least two, 61% said they read all of the messages. And most access the emails at least once a day.'

eMarketer.com March 2011

What's the upside, downside?

Discounting – Groupon, et.

1. Do the Math
2. Set a Cutoff
3. Be Careful with your Contact Information
4. Discount Sparingly

Make sure it doesn't degrade your pricing model.

Introductory pricing versus discounting.

\$30 for Two-Hour Introduction to Sailing Class at MacSailing (\$60 Value)

MacSailing West Point Grey

C \$30 Sold Out

Value	Discount	You Save
C\$60	50%	C\$30

Buy it for a friend!

 This deal sold out at:

- 2:54PM
- 04/10/2011

SOLD OUT



The Fine Print

- Expires Jun 30, 2011
- Limit 1 per person, may buy 1 additional as a gift. Limit 1 per visit. **Reservation required; subject to availability. Must be 19 or older. New clients only.** Must use in 1 visit. Tax not included. Not valid with other offers.
- [See the rules](#) that apply to all deals.

Highlights

- Canadian Yachting Association-certified
- Hands-on sailing experience
- Small class sizes
- Equipment provided

Exercise: Session Self-Assessment

- This is a quick self assessment with 5 True/False questions:
 - Our product positioning is consistent in all marketing materials. (True/False)
 - Our pricing is well understood by sales prospects. (True/False)
 - The whole product is well understood by sales prospects. (True/False)
 - Our current pricing is consistent with our market objectives. (True/False)
 - Our positioning, pricing and whole product definition are well packaged for resellers. (True/False)

Some useful references & resources

Geoffrey A Moore. 2002. Crossing the Chasm. Marketing and Selling High-Tech Products to Mainstream Customers.

Clayton M. Christensen, Michael E. Raynor. 2003. The Innovator's Solution. Creating and Sustaining Successful Growth.

Herbert E. Meyer. 1991. Real – World Intelligence. Organized Information for Executives.

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Past NVBC award winners
<http://www.readytorocket.com/>

Canadian Financing Forum – Venture Capital Event
February 2012 www.financingforum.com