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

dthomas@rocketbuilders.com

www.rocketbuilders.com

Ready to Rocket and Emerging Rockets

Past NVBC award winners – Announced Mar 23rd

https://venturelabs.ca/announcing-2021-ready-to-rocket-list/

About Me

- Mentor in Residence – SFU Venture Connection, Director Programs Venture Labs

- Rocket Builders 'Go to Market' and 'Sales' Programs in BC for growth companies

- Teach introduction to business and introduction to Innovation

- 4+1

Sailing lessons for children & adults

MACSAILING

Rentals
School Groups
Corporate Events

604 224 SAIL (7245)

www.MacSailing.com

Sailing School at Jericho Beach

www.macsailing.com

info@macsailing.com

Lesley Duncan, PhD

lesley@venturelabs.ca

www.venturelabs.ca
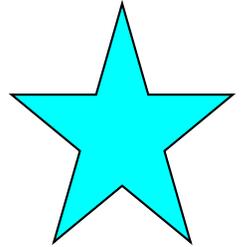
ABOUT ME

- Operations Director & Mentor, SFU VentureLabs
- Co-Founded a Fintech Company
- 10+ years in Market Research, UX Research, Program Evaluation
- Doctorate in Social Psychology

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

Designed for:

Designed by:

On:

Iteration:

Key Partners

Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

Key Activities

What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

Value Propositions

What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

Customer Relationships

What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

Customer Segments

For whom are we creating value?
Who are our most important customers?

Key Resources

What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

Channels

Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

Cost Structure

What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

Revenue Streams

For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

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

ROCKET BUILDERS

new ventures bc
competition
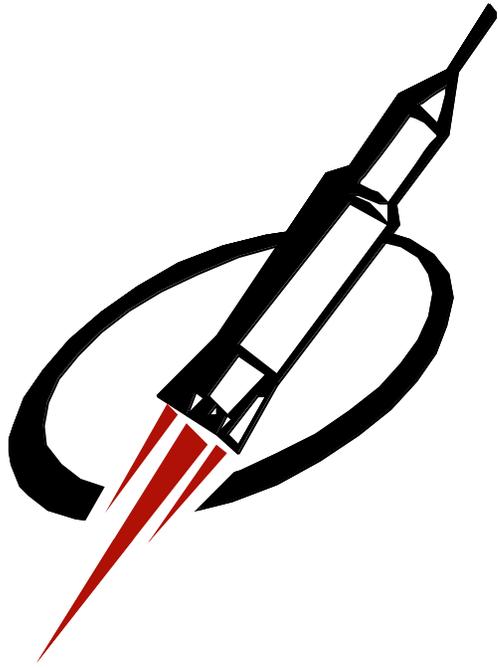
Marketing Research & Segmentation
Understanding Consumers
'Whole' Solution Offerings
Product Positioning
Metrics

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
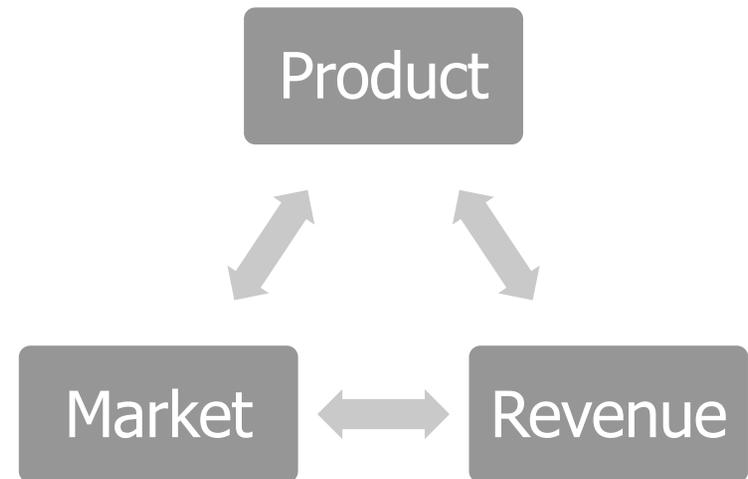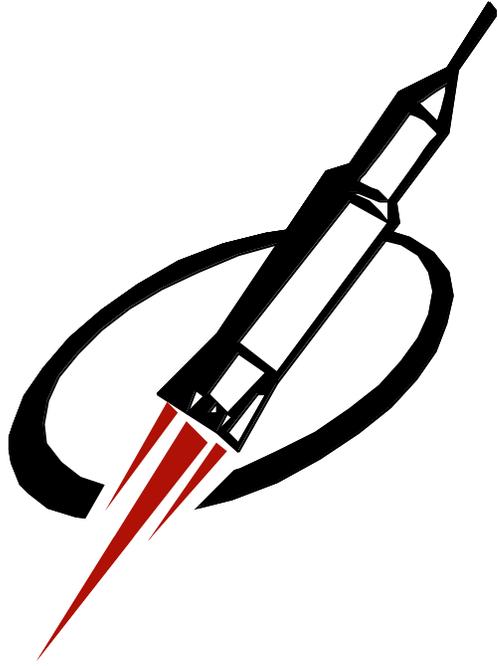
Product

Market ⟷ Revenue

ROCKET BUILDERS

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

Walmart ✳

Value of Your Offering

Value Offered by Competitors

The Value of Testing Your Value Proposition

- Learning who your customer is
- What their problem is
- What they need to solve it
- If your product can offer that solution
- If they prefer your solution over other possible solutions
- If they'd pay (enough) for it
- If they can purchase and implement it

16

Scientific Approach to Market Research

Question

Null and Alt. Falsifiable Hypotheses

Prediction

Testing & Sample

Analysis

Your value proposition is true

=

A segment of the market will buy
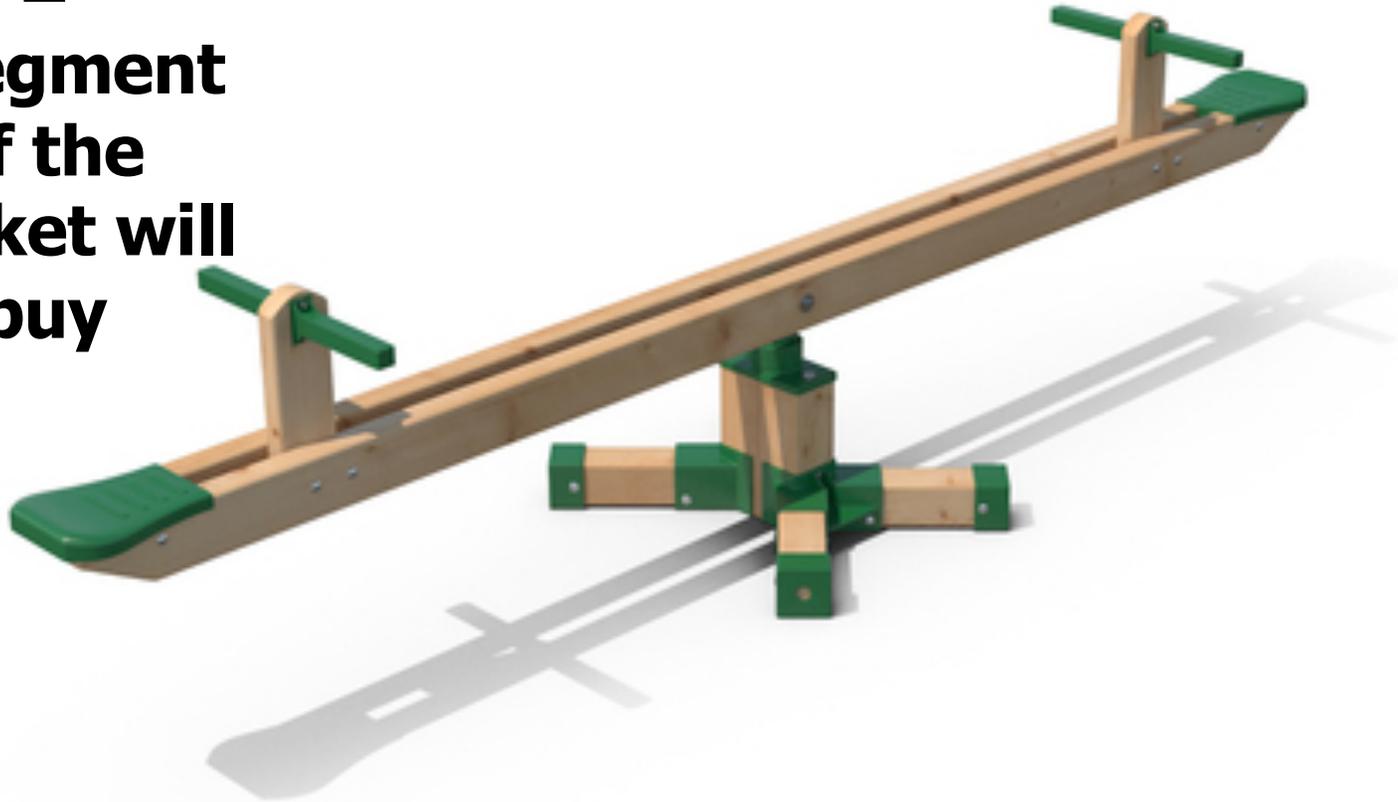
Your value proposition is true
=
A segment of the market will buy
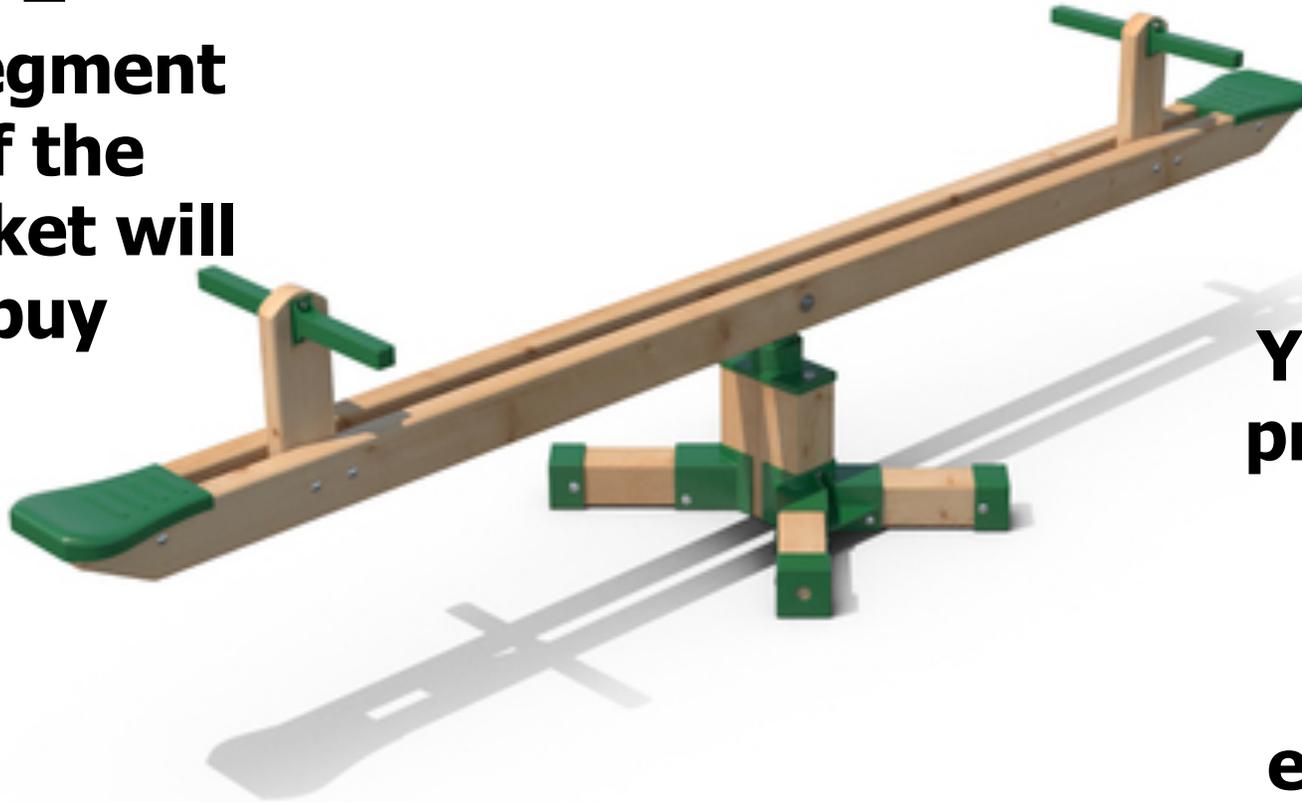
Your value proposition is false
=
Not enough of the market will buy

Be Humble in your Research

The value is in the strength of the test.

Everything should be set up to rigorously test your assumptions about your value proposition and find where it doesn't hold up.

Build it like you're right, test it like you're wrong.

21

Market Research Approach by Stage - examples

	IDEA
Question	Is X a problem?
Hypothesis	There is a problem with X that could be solved with Y
Prediction	People with this problem share Z characteristic
Testing	Customer Discovery Interviews
Analysis	Synthesis of feedback

Market Research Approach by Stage - examples

	IDEA	MVP
Question	Is X a problem?	Does Product Y solve Problem X?
Hypothesis	There is a problem with X that could be solved with Y	Product as shown effectively solves problem X
Prediction	People with this problem share Z characteristic	Using product Y makes people ##% faster at X
Testing	Customer Discovery Interviews	MVP focus group, UX experience
Analysis	Synthesis of feedback	What works, what doesn't

ROCKET BUILDERS

Market Research Approach by Stage - examples

	IDEA	MVP	SALE
Question	Is X a problem?	Does Product Y solve Problem X?	Will people pay for Product Y to solve Problem X?
Hypothesis	There is a problem with X that could be solved with Y	Product as shown effectively solves problem X	Product effectively solves problem X better than existing solutions/no solution
Prediction	People with this problem share Z characteristic	Using product Y makes people ##% faster at X	People are willing to pay $AA for Product Y
Testing	Customer Discovery Interviews	MVP focus group, UX experience	Pricing testing, # of purchasers
Analysis	Synthesis of feedback	What works, what doesn't	Price points, volume estimates, who buys, uses

ROCKET BUILDERS

Market Research Approach by Stage - examples

	IDEA	MVP	SALE	SCALE
Question	Is X a problem?	Does Product Y solve Problem X?	Will people pay for Product Y to solve Problem X?	Can enough people buy X to be a viable business?
Hypothesis	There is a problem with X that could be solved with Y	Product as shown effectively solves problem X	Product effectively solves problem X better than existing solutions/no solution	Lots of people willing and able to buy and use this product
Prediction	People with this problem share Z characteristic	Using product Y makes people ##% faster at X	People are willing to pay $AA for Product Y	ARR will be $AA, because ### users will pay $### each/yr
Testing	Customer Discovery Interviews	MVP focus group, UX experience	Pricing testing, # of purchasers	Markets, sales processes, conversion
Analysis	Synthesis of feedback	What works, what doesn't	Price points, volume estimates, who buys, uses	Conversion, retention, efficiencies

How do I do effective market research for my company?

Business Model Canvas

This is the overarching theory of your business

- Each block allows you to clearly lay out the has a number of hypotheses (null and alternative) that need to be tested

- Each block is linked to the others – consider the flow and impact if your assumptions don't hold

Develop your Business Model Canvas to define the scope of work

Customer Discovery Plan

- Determine where you'll do some work – what parts of your value proposition /BMC content is based on assumptions?

- Define your priority questions, hypothesis, predictions based on the best information you have available

- Determine who you need to hear from (sample), and what methods can be implemented to do so

Customer Discovery Plan Advice

Prioritize De-Risking:

- Test ideas, prototypes, sales channels, etc. early and often.

- Seek information so you can adapt your approach and your product based on data from customers, prospective customers.

Customer Discovery Plan Advice

Ask both What and Why

- Don't be satisfied with knowing what, ask why.

- Use available data as starting points to both generate questions, and provide answers.

- Use what you learn for positioning and marketing

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

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 x 2% penetration = $20 M)

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

-     L x % x 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
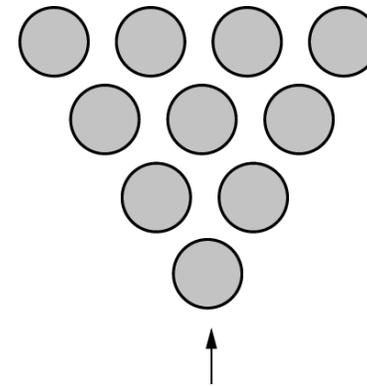
Bottom-up – The Market

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

  - Available Budgets

  - Market Reach

  - Attach Rate

  - Conversion Rate

  - Win Rate
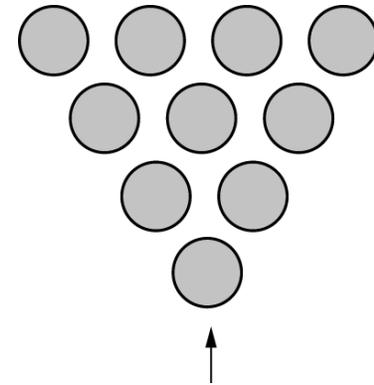
Bowling Alley Model – Headpin Segment

"Target a single niche market segment with a 'must-have' value proposition"

(In Bowling Alley)
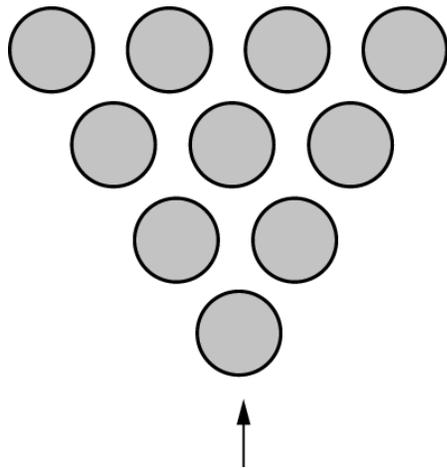
• Identify a segment you can dominate

• Win market share leadership in that segment

• Leverage leadership to win over adjacent segments

Market Penetration
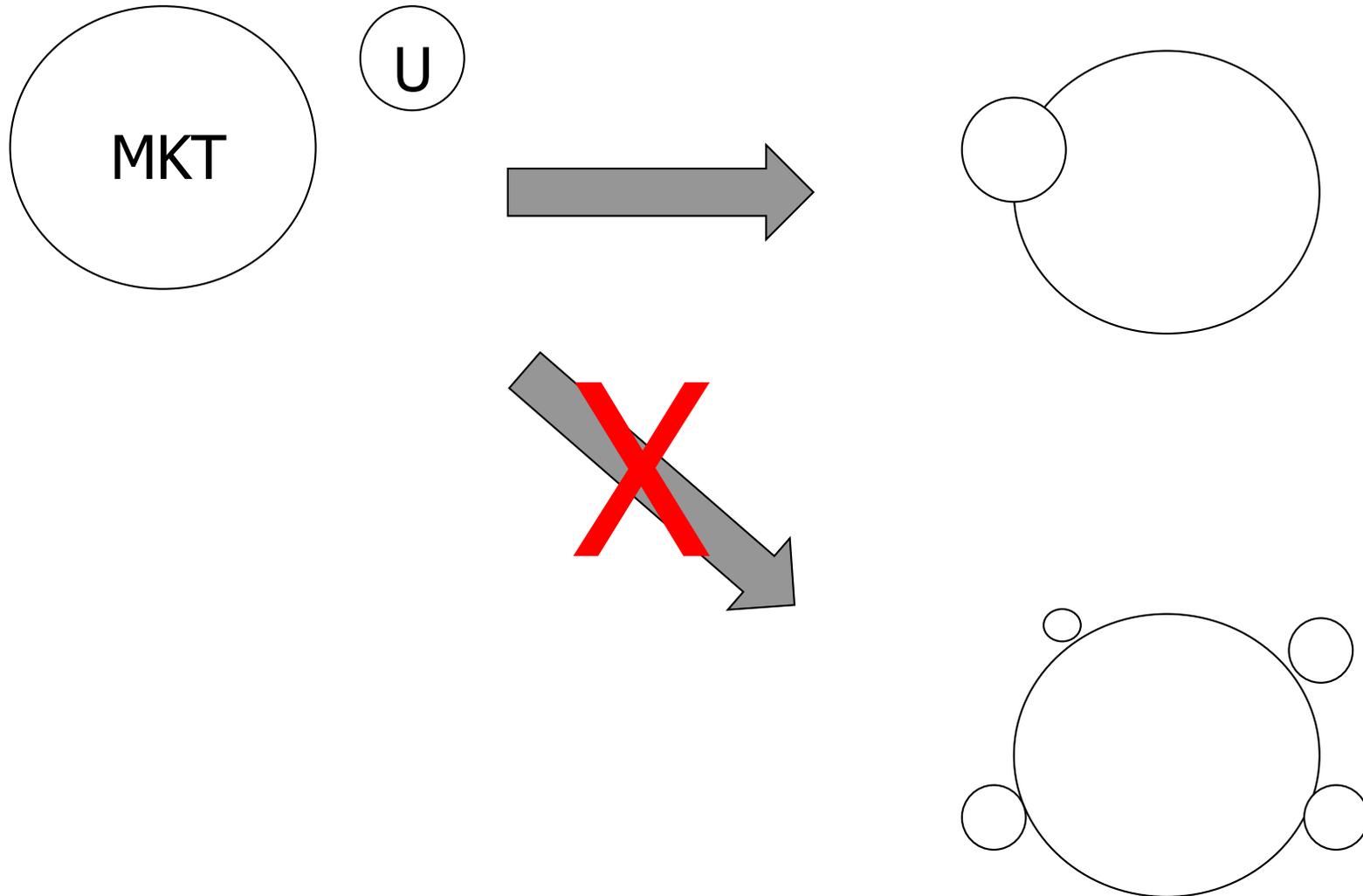
MacSailing - Helly Hansen Jacket Sales

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

External Focus

Product & Feature → Customer Value

Lots of Features → Differentiation

Reactive R&D → Headpin Segment

Unpredictable Results → Reliable Customers

Buyer Internet Behaviour

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

Behaviour	Percentage
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

Keyword Usage Patterns Through the Buying Process
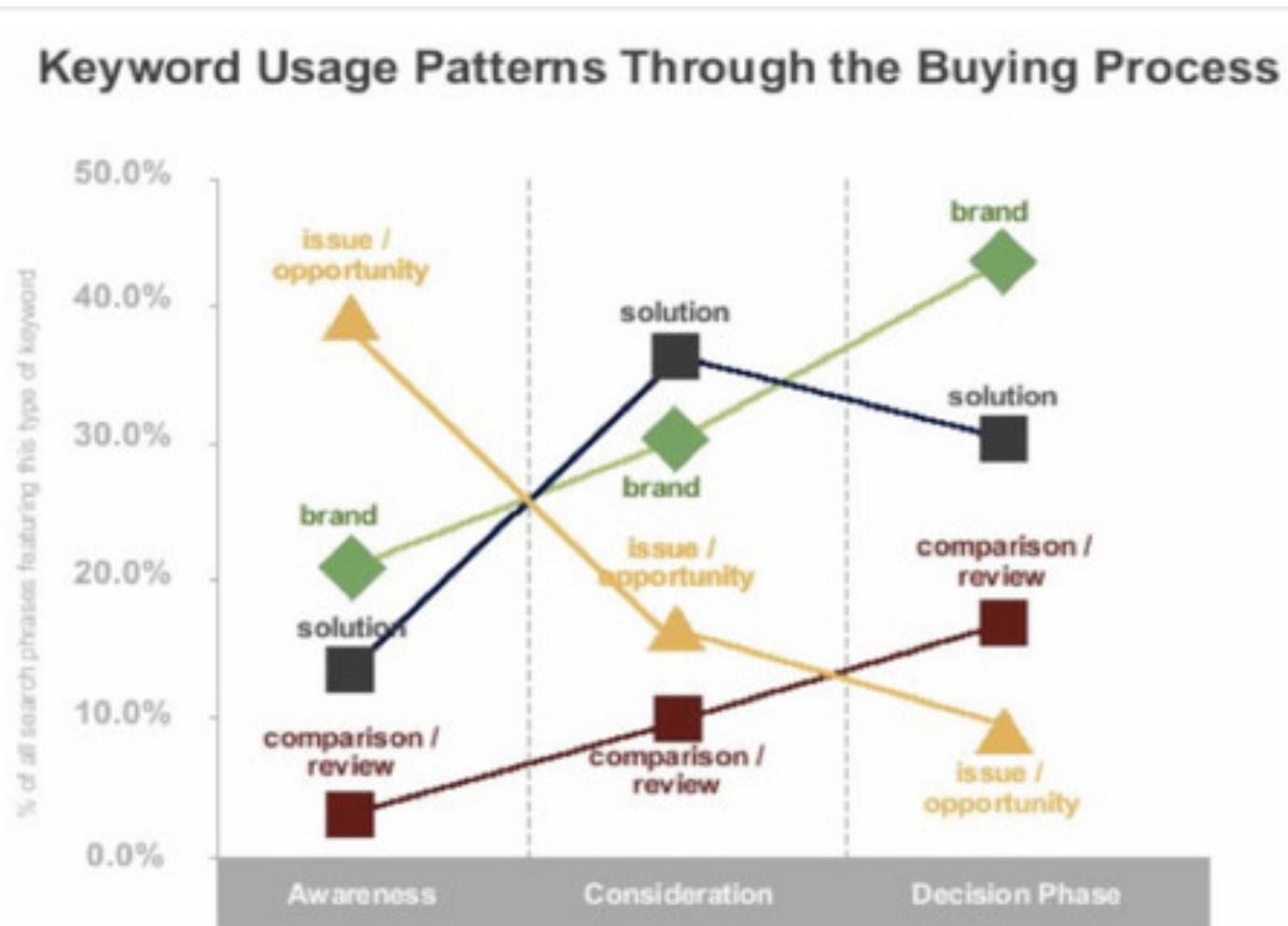
How many people are involved?

- "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

Content Copyright 2013, Rocket Builders

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?

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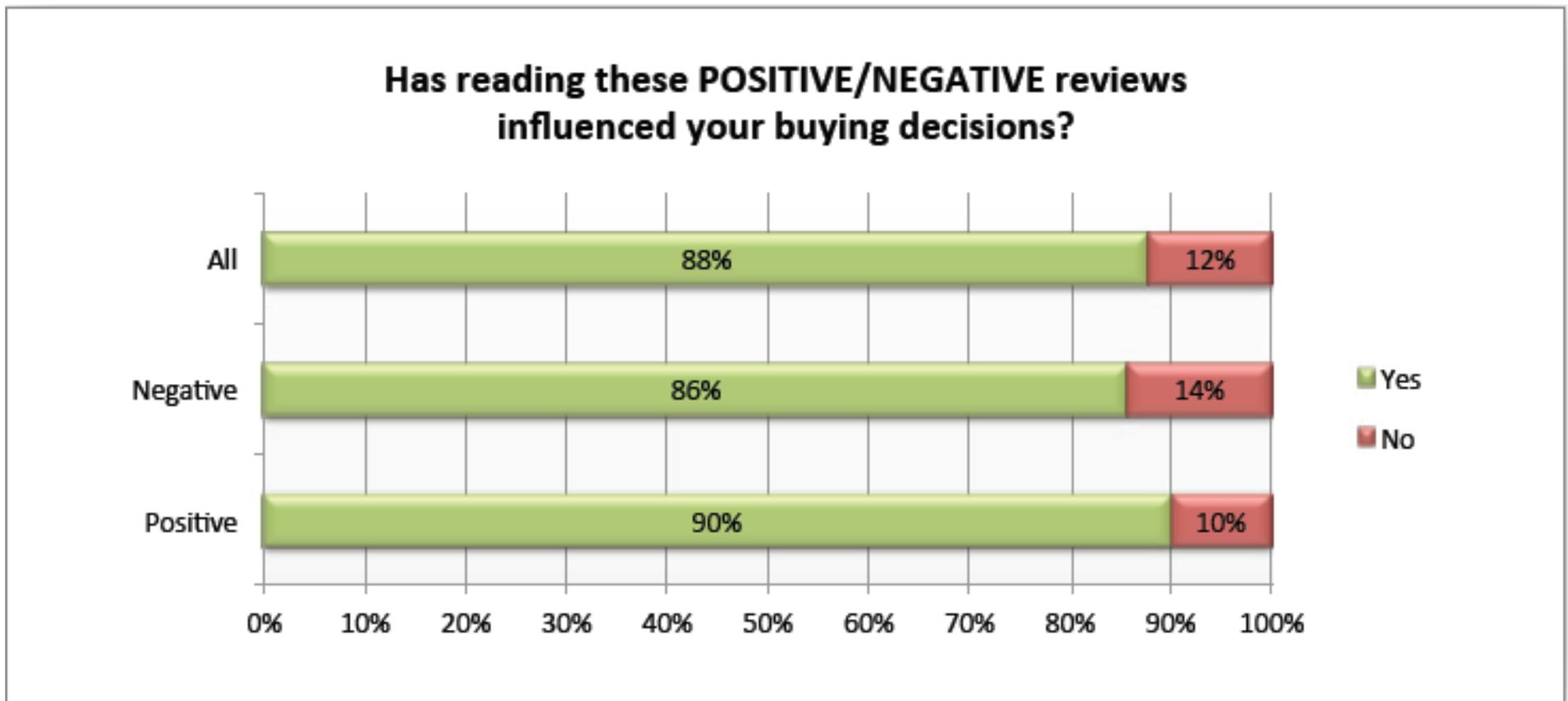
Hotel Room Shopping Poll

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

	Us	Competitor 1	Competitor 2
Largest Customers			
Key Partners			
Financial Health			
Market Share			
Key Products			
Pricing			
Key Product Features			
Value Proposition			
Sales Channels			
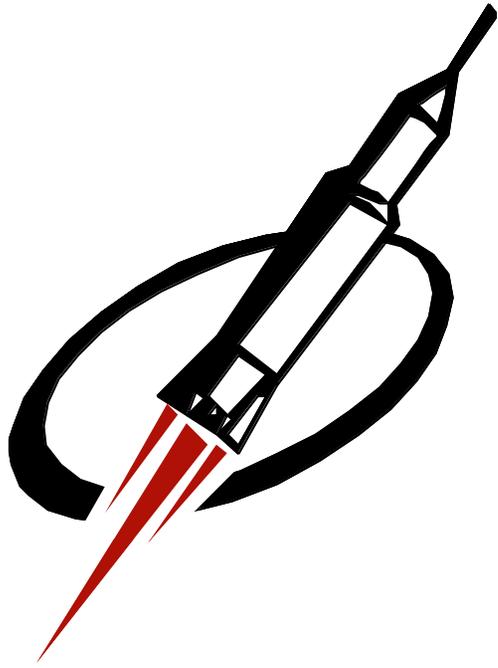
Whole Product

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

Complementary Services

Complementary Products

Core Product

Consulting

Hardware

Post-sales service & support

Software

Pre-sales services

Peripherals

Legacy interfaces

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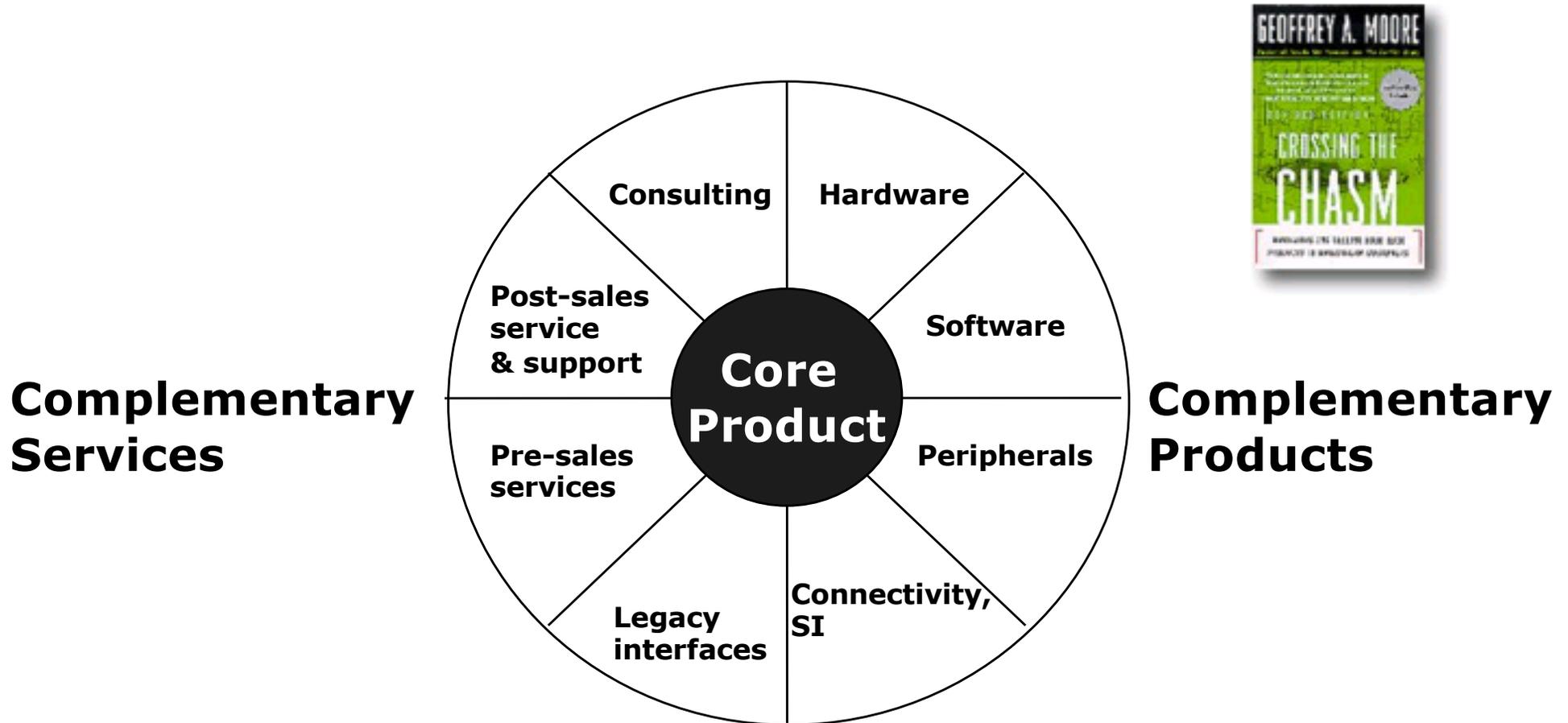
All other products, services and relationships needed by the target customer to fulfill their compelling reason to buy

Source: Crossing the Chasm, Geoffrey Moore

Hotels – Whole Product

Hotel for Vacation Travelers
- Kids Stay Free
- Shuttle Van
- Breakfast Buffet
- Late Check out
- Vacation Package
- Onsite Activities
- Kid Care
- Hotel Room
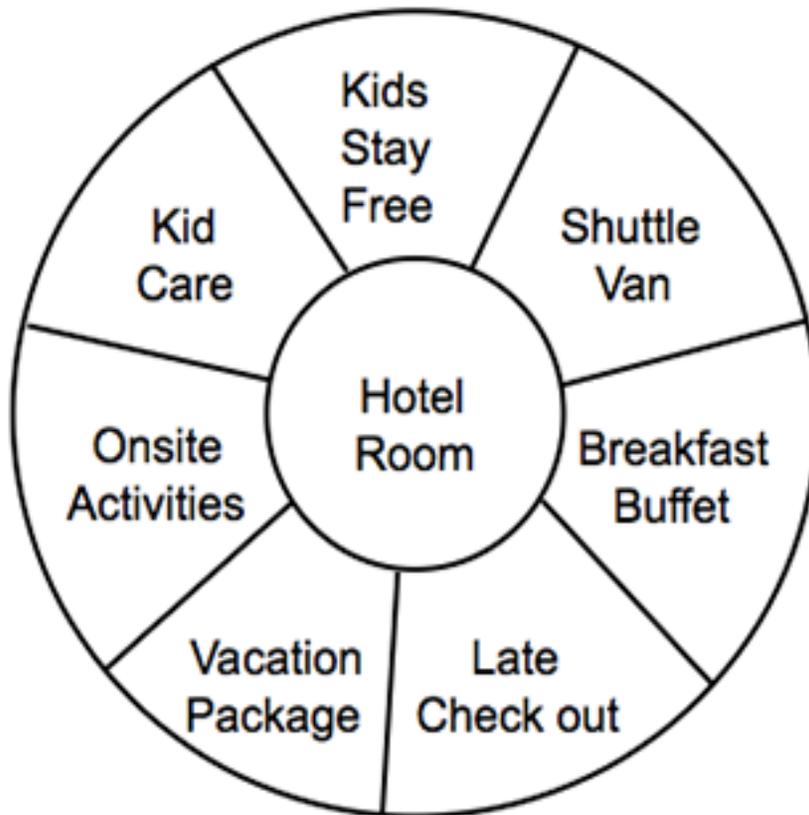
Hotel for Business Travelers
- Newspaper
- Quick Breakfast
- Meeting Space
- Late Check in
- Frequent Traveler Program
- Internet Connection
- Laundry & Dry Cleaning
- Hotel Room
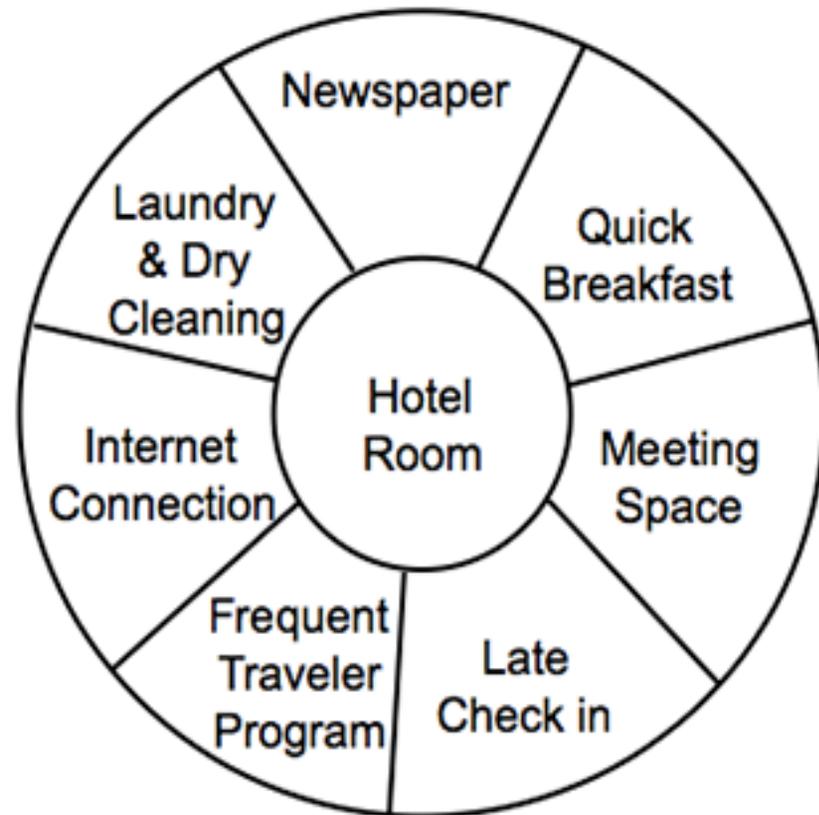
Coffee Example

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% _____
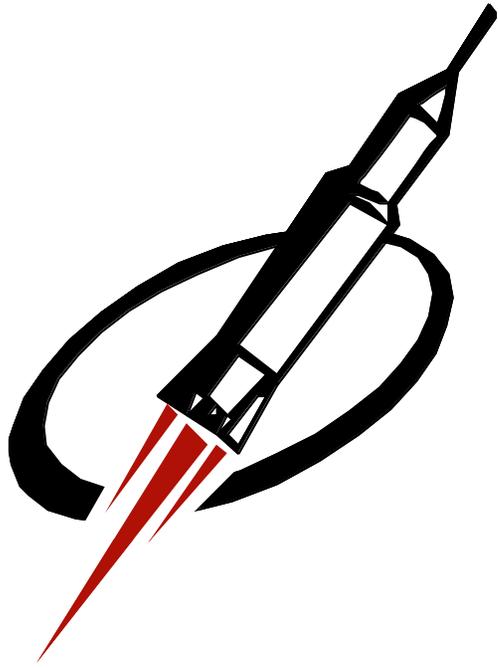
Positioning

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?

BMW   _____

Chevy   _____

Ford   _____

Honda   _____

Hyundai   _____

Toyota   _____

Volkswagen   _____

Volvo   _____

Positioning Impact

Partnerships

Competition

Pricing

Product Position

Company
Valuation

Whole
Product

Service/Support

Sales Cycle

Distribution
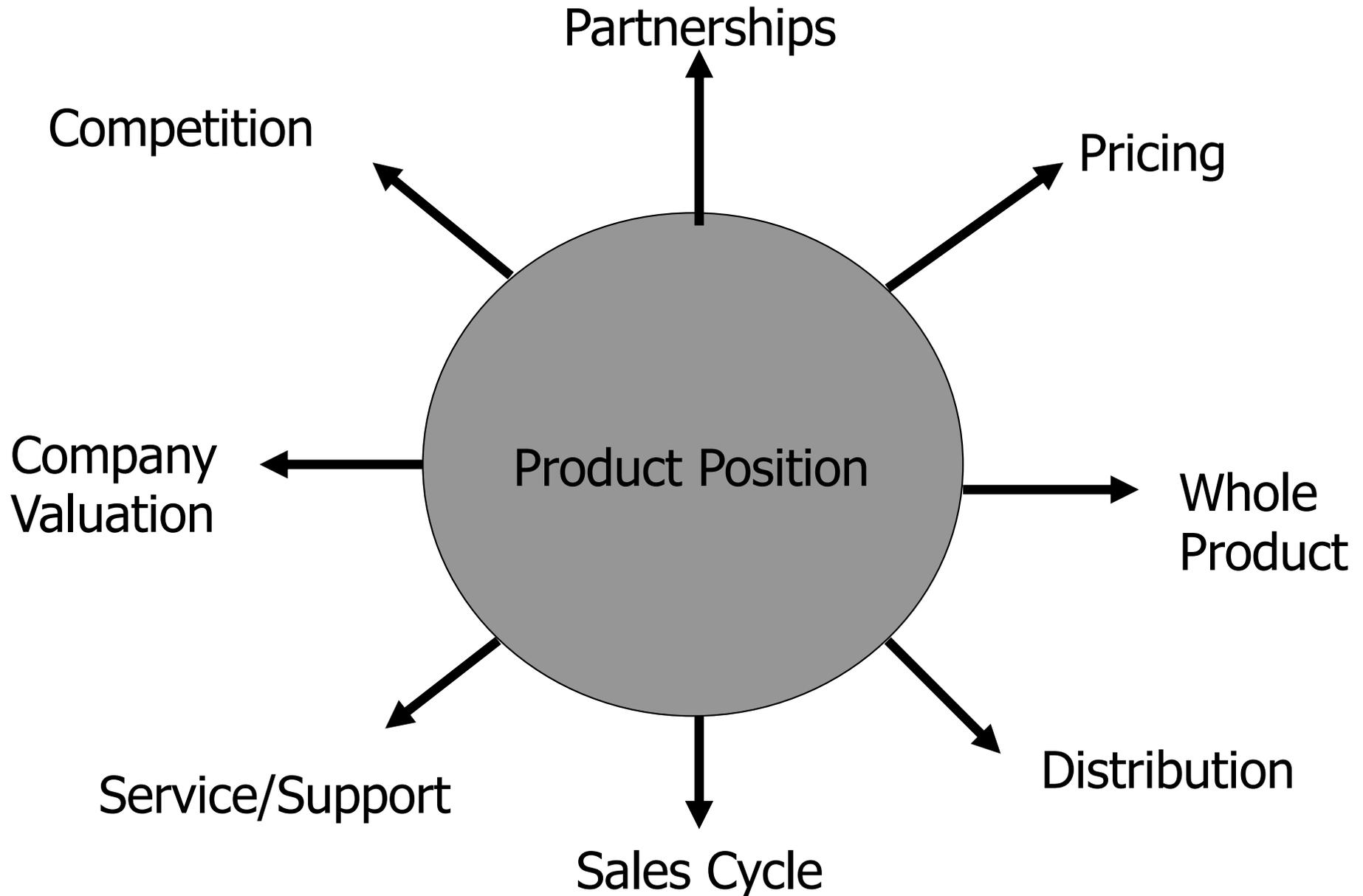
Product Positioning – How You Describe Your Product To Potential Customers

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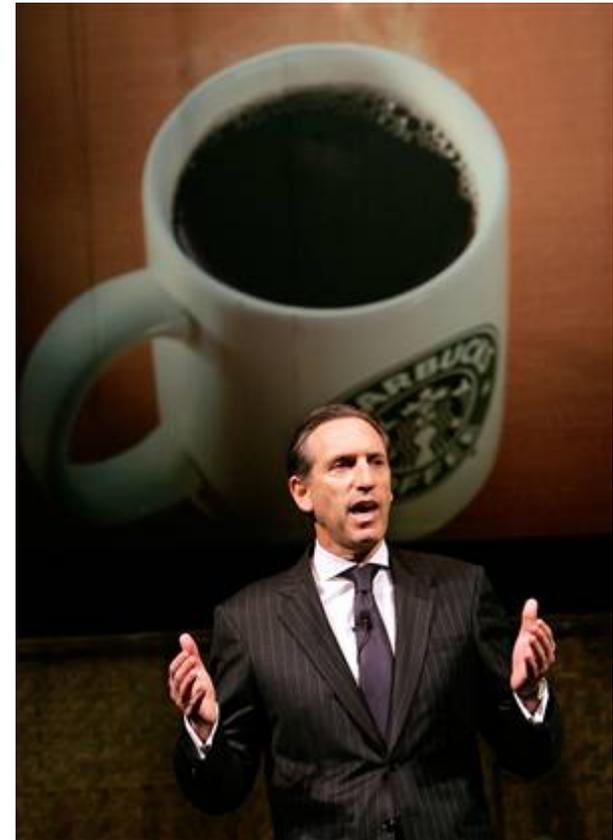
Market Category?
Brand Promise?
Tagline?
Differentiation?
Positioning?

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?
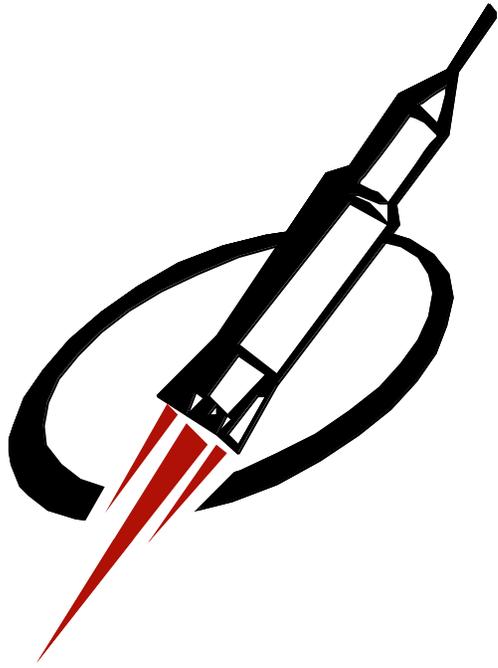
Pricing & Value

Common Pricing Issues

- What are some common price objections you hear? Is your price too high or too low?

- How does you 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?
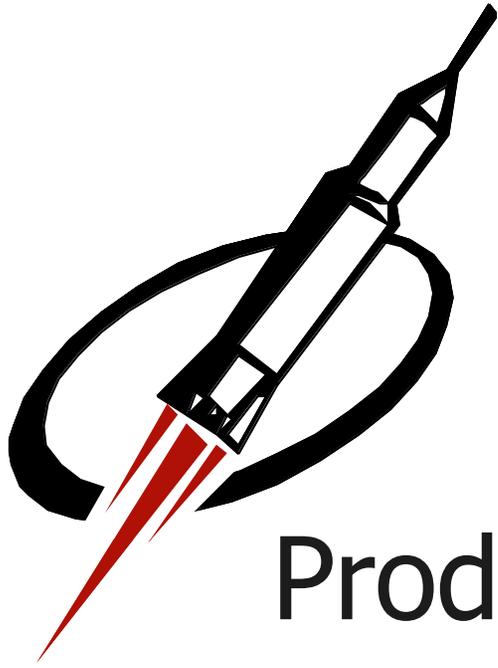
Product Marketing, Metrics and Analytics

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

THE ESSENTIAL, STEP-BY-STEP GUIDE TO

INTERNET MARKETING
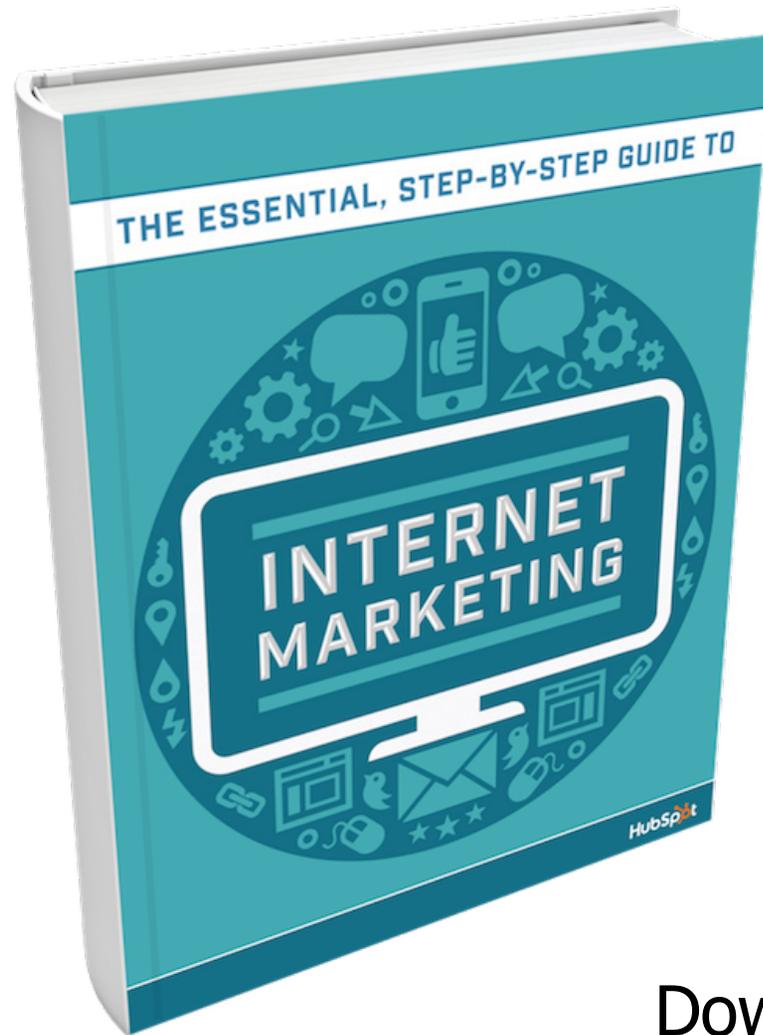
HubSpot

Download from Hubspot

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? _____

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

Top Tools in the B2B Toolkit

Publishing

Networking

Social Platforms

Sharing

Discussion

Content Copyright 2013, Rocket Builders
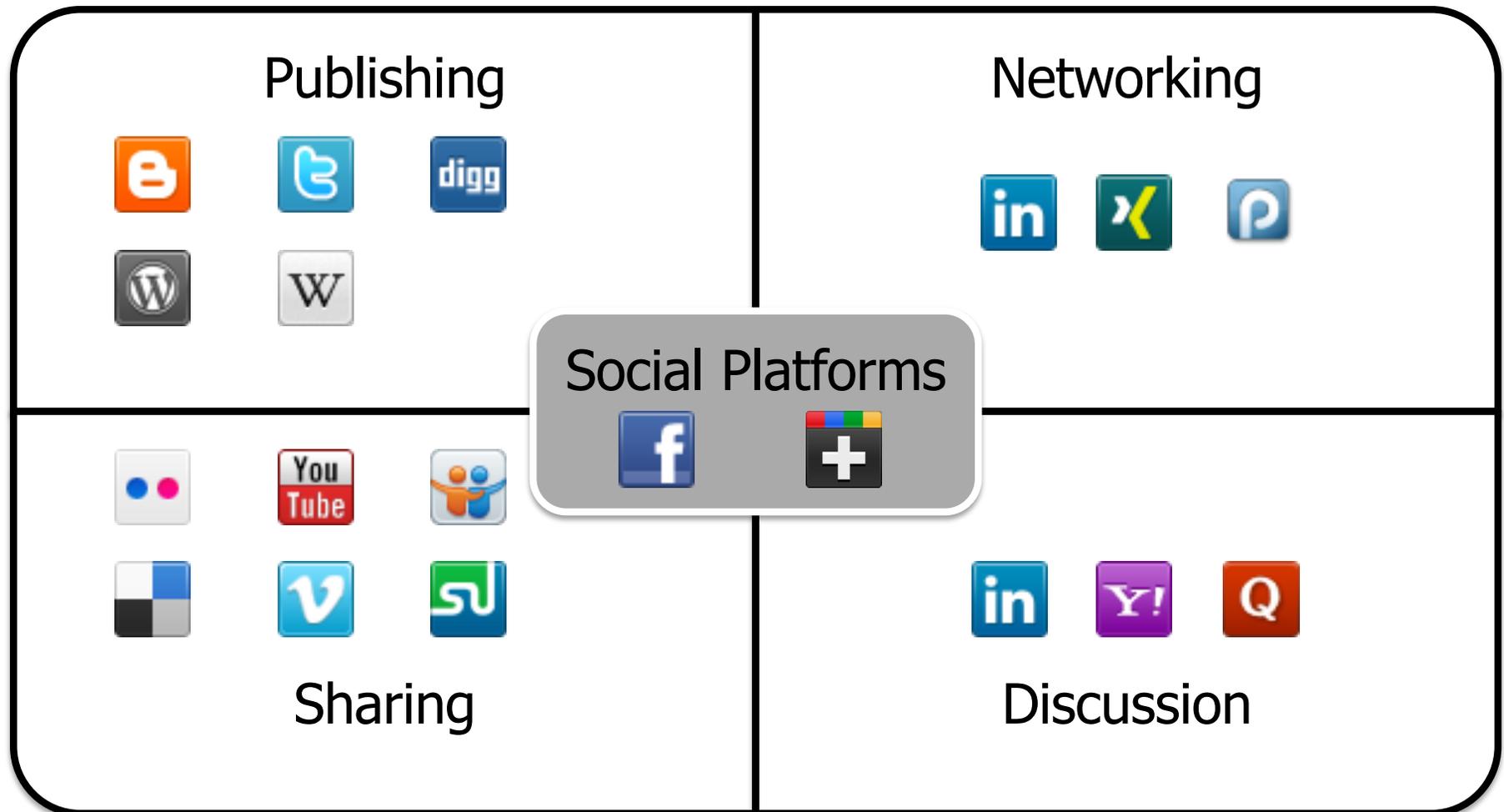
Which will be top 2 for your company?

- 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

How to get metrics?

Get started right away

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

  KISS Metrics   **KISS**metrics

  Hootsuite

  Hubspot   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

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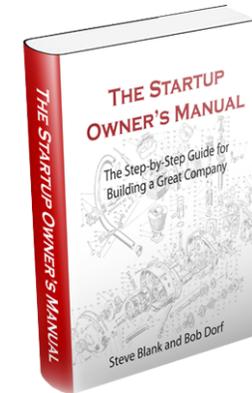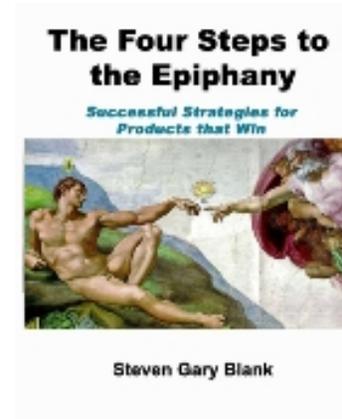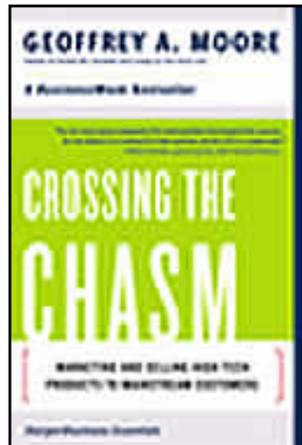
- First customer to first market
- Users **and** revenue
- Targeted marketing

Dave Thomas 604-603-8630

dthomas@rocketbuilders.com

www.rocketbuilders.com

Ready to Rocket and Emerging Rockets

Past NVBC award winners – Announced Mar 23rd

https://venturelabs.ca/announcing-2021-ready-to-rocket-list/