

## Product/Market Fit

“Product Marketing Overview”

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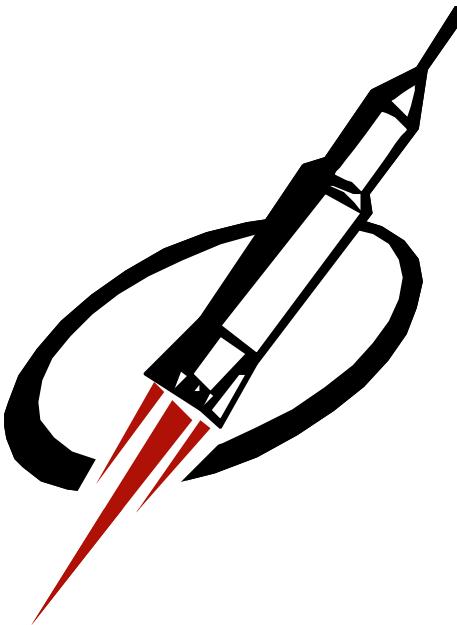


Sailing School at Jericho Beach

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

Shenzhen Sun Sailing, Shenzhen China

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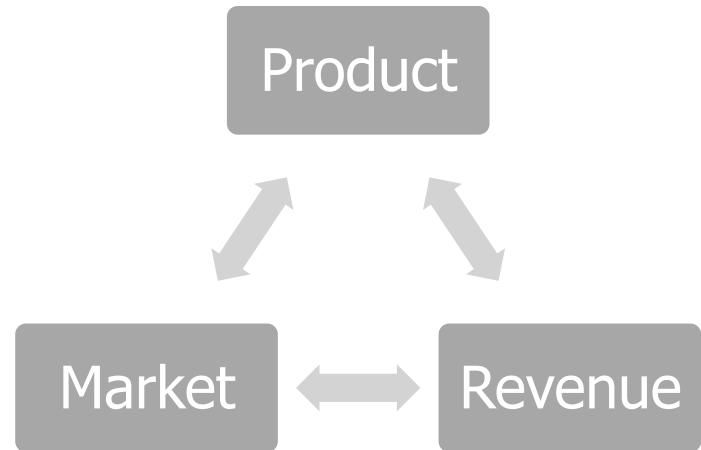


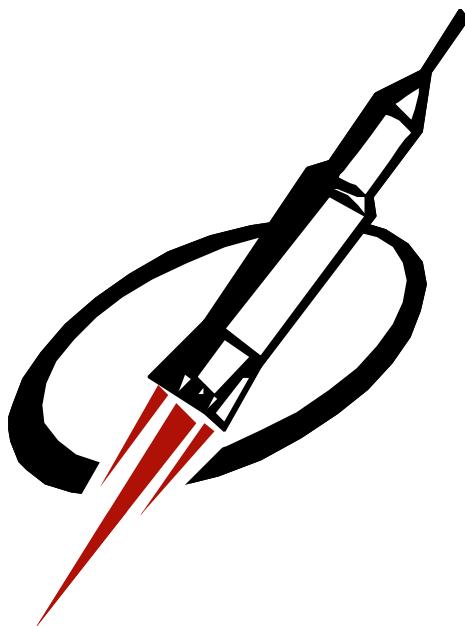
Marketing Research & Segmentation  
Understanding Consumers  
'Whole' Solution Offerings  
Product Positioning  
Metrics

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

## Successful Growth Companies

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





## Market Research

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# 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**



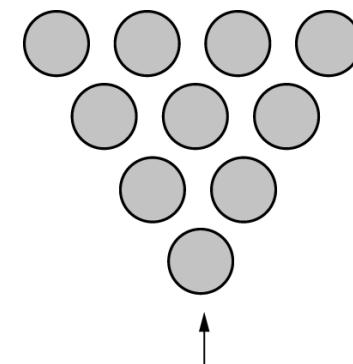
- Make a prediction, ship, measure the results, repeat and then see what happens again
- Prove that your product fits the market - **Reality**

## Top Down Versus Bottom-up

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

## Top Down is Valuable

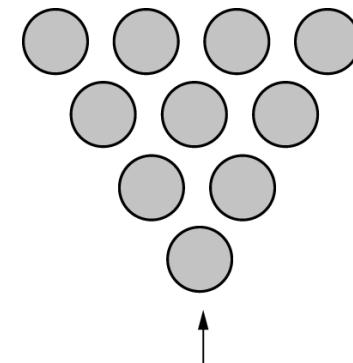
- **Total addressable market (TAM)** is a term that is typically used to reference the revenue opportunity available for a product or service.
  - Theoretical Market
  - Potential Market
  - Available Market
  - Addressable Market
  - Target Market
  - Market Demand



## Bottom-up – The Market

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

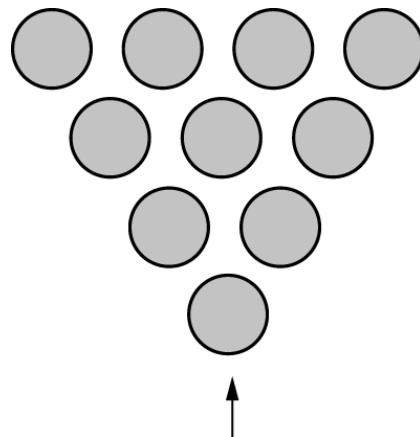
- Available Budgets
- Market Reach
- Attach Rate
- Conversion Rate
- Win Rate



# 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

# Understanding the Market

## Internal Focus

Product & Feature



## External Focus

Customer Value

Lots of Features



Differentiation

Reactive R&D



Headpin Segment

Unpredictable Results



Reliable Customers

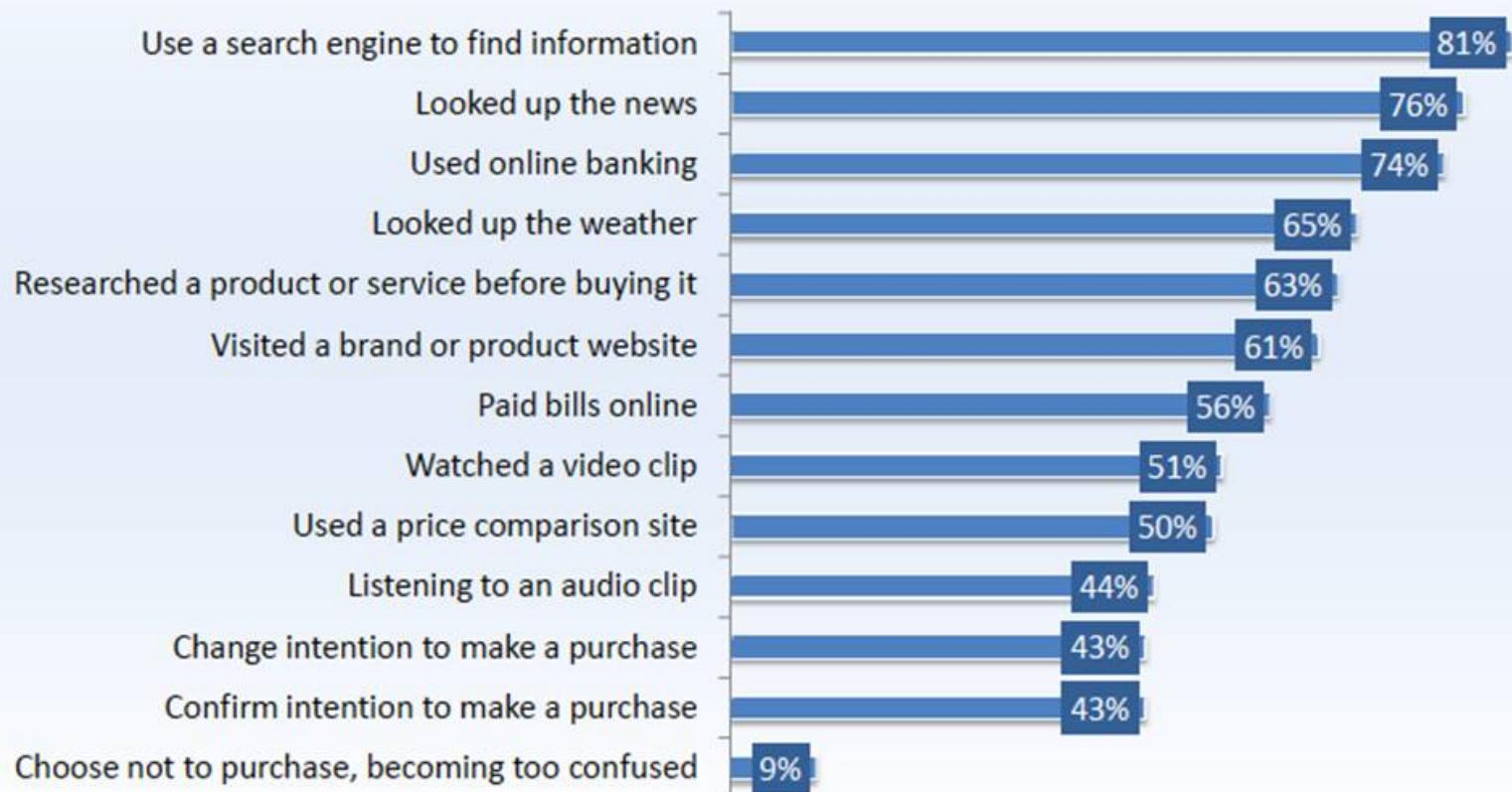
SECONDARY RESEARCH	PRIMARY RESEARCH
Internet, books, articles	Face to face, surveys
Free or easily purchased e.g. StatsCan/Census	Cost investment (time or money)
Fast	Less fast
Broad strokes	Targeted
Available to all	For your eyes only

# 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.

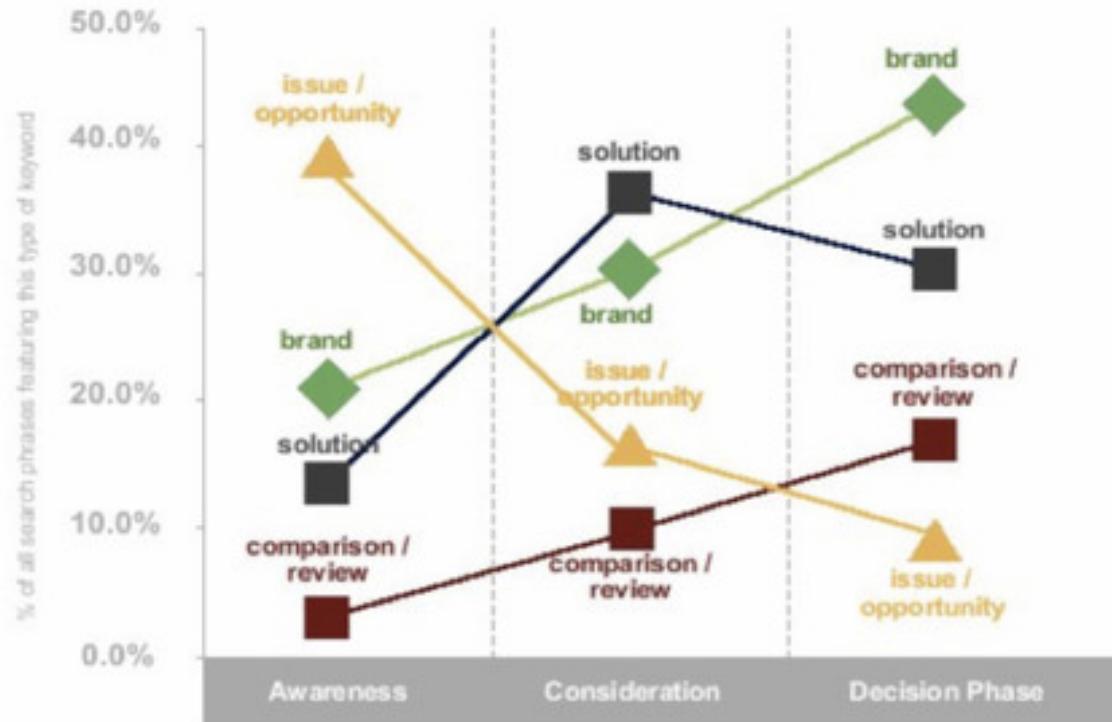
# Buyer Internet Behaviour

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



# Role of Search in Buyer's Process

Keyword Usage Patterns Through the Buying Process



# How many people are involved?

■ “Business Technology Buyers Survey”

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

# Participants in Buying Process

## ■ **Users**

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

## ■ **Influencers**

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

## ■ **Buyers**

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

## ■ **Deciders**

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

## ■ **Gatekeepers**

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

## Segmentation 101

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

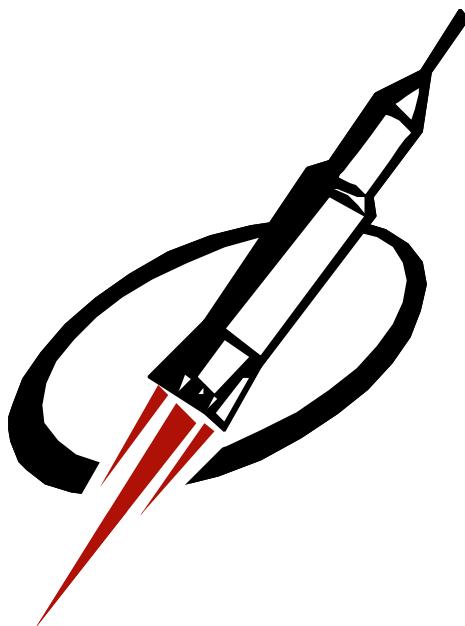
Why or why not?

Is differentiation based only on your product?



## 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

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# Whole Product Definition

**Physical Product**

+

**All Associated Factors**

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

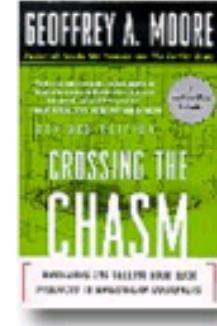
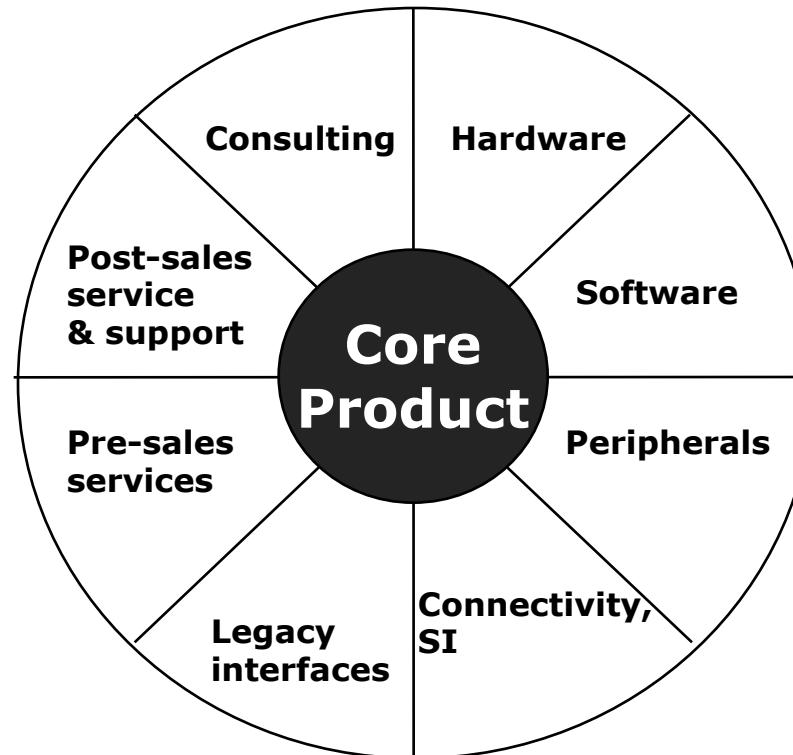
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**“The Whole Product”**

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

# The Whole Product

**Complementary Services**

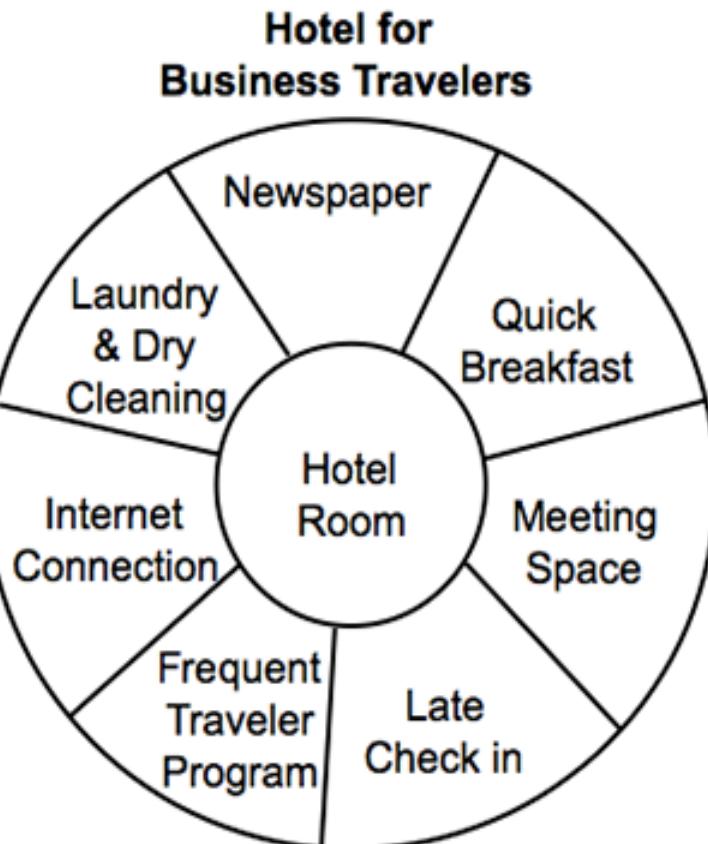
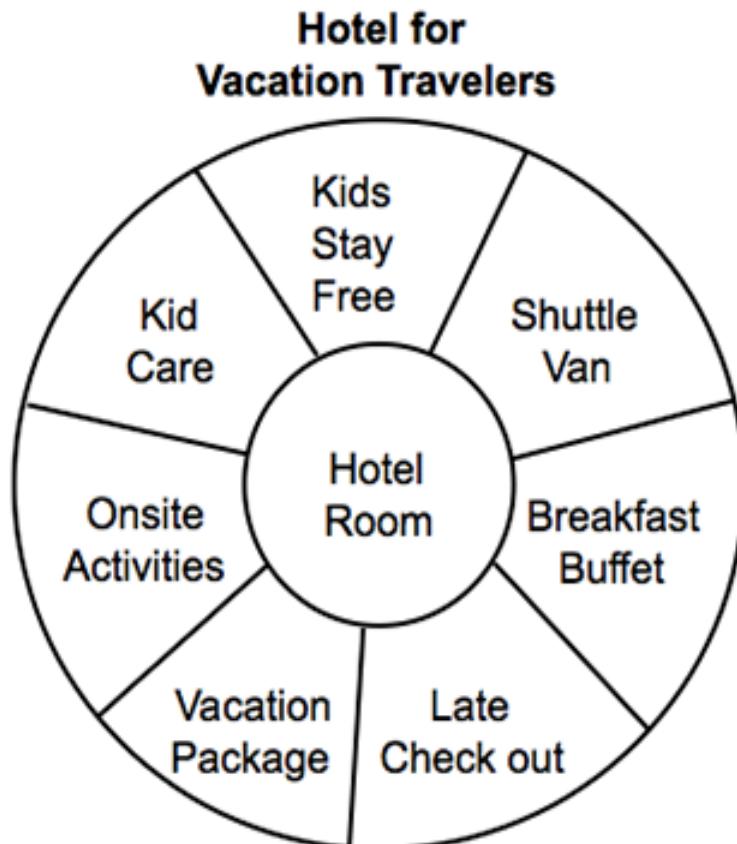


All other products, services and relationships needed by the target customer to fulfill their compelling reason to buy

Source: Crossing the Chasm, Geoffrey Moore

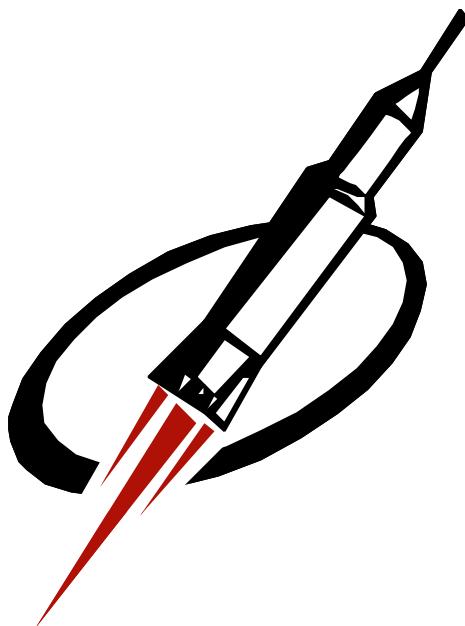


## Hotels – Whole Product



## Coffee Example





## Positioning

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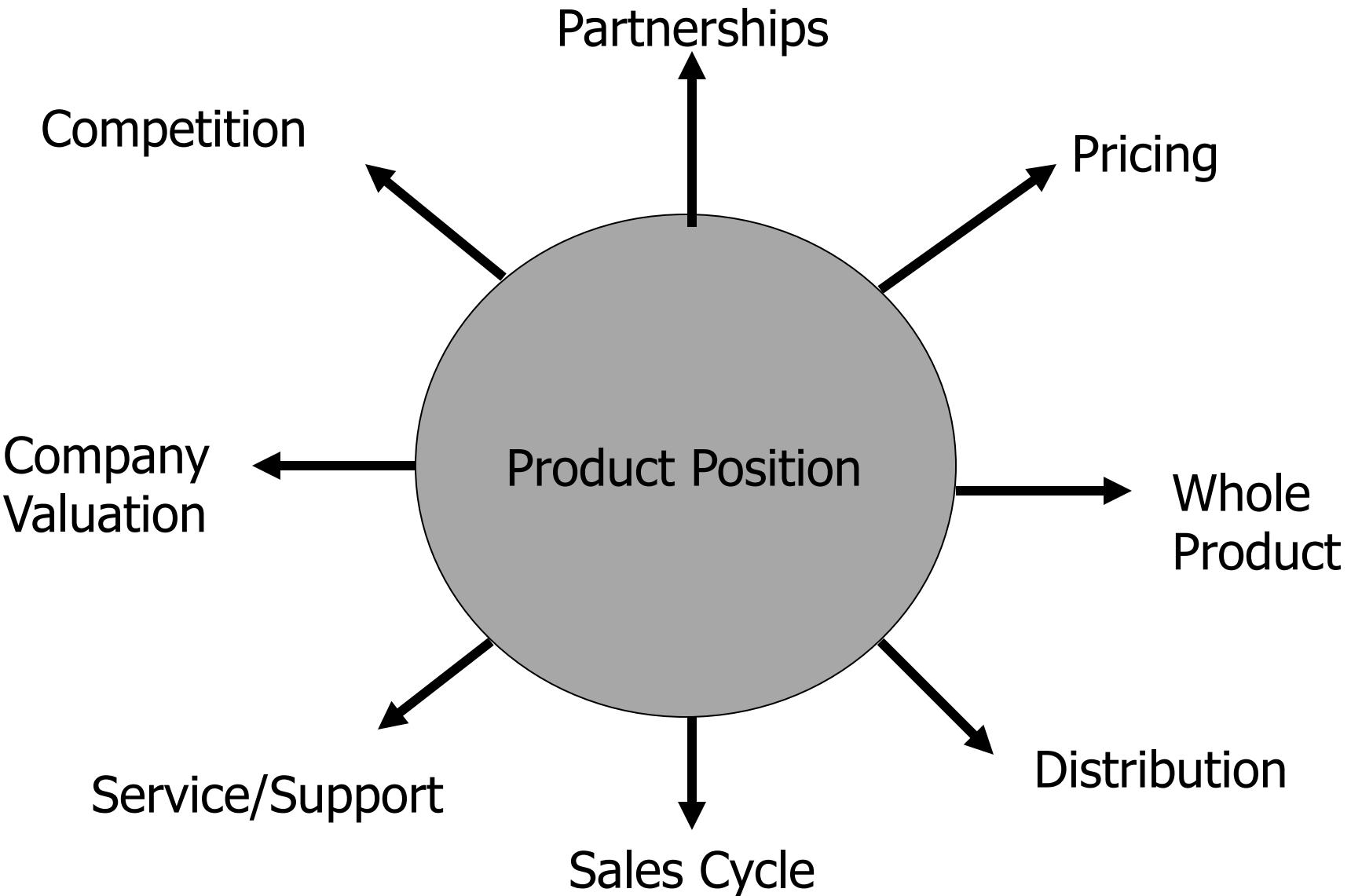
# Definition

- **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**

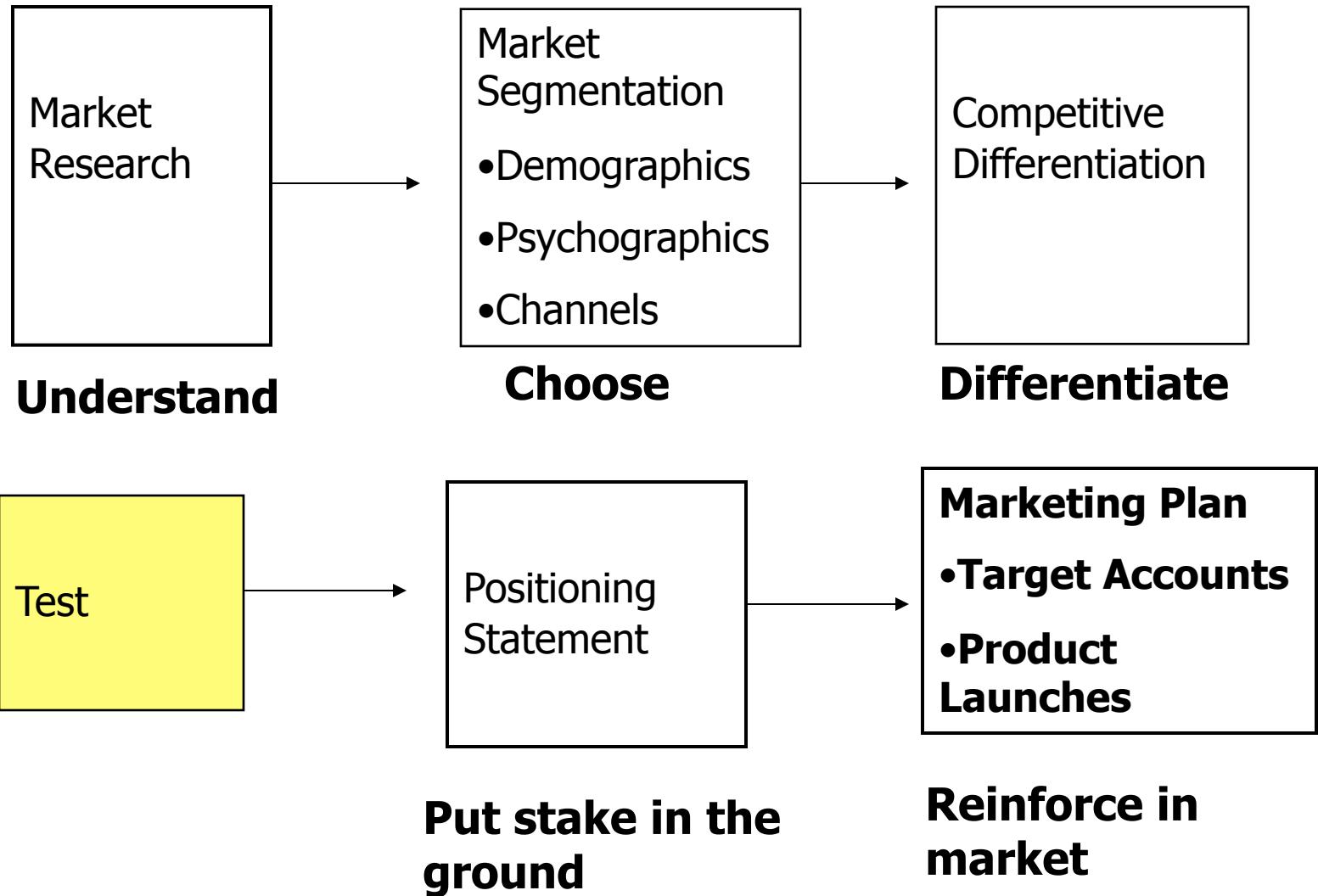
# More Definitions....

- **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





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

# Competitive Examples

## ■ Apple Macintosh versus Windows/PC

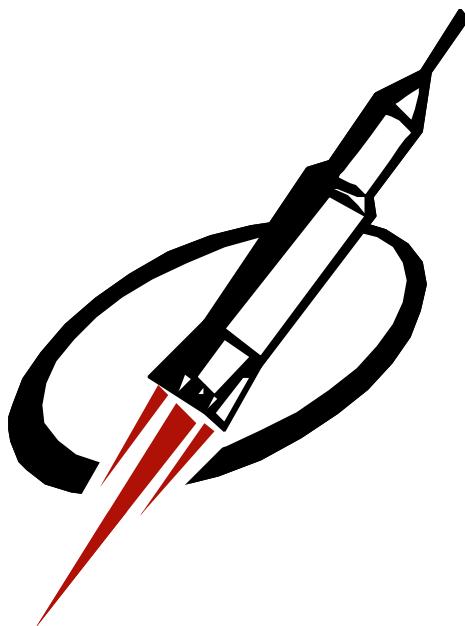


I'm a PC.  
I'm a Mac.

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Program Participants

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

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



## Pricing & Value

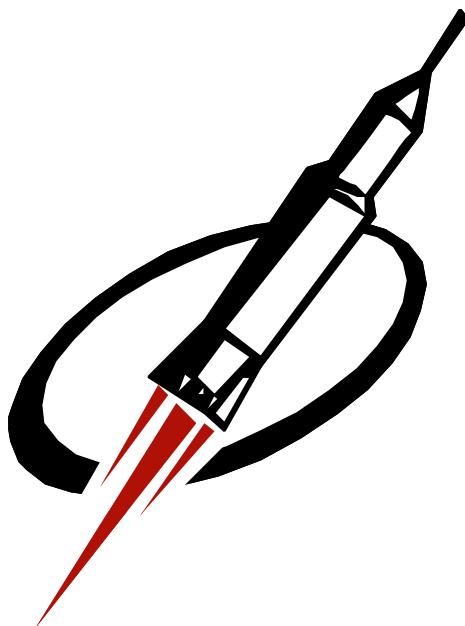
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# Common Pricing Issues

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

# Pricing 101

Do you need to have the lowest price to compete when you enter the market?

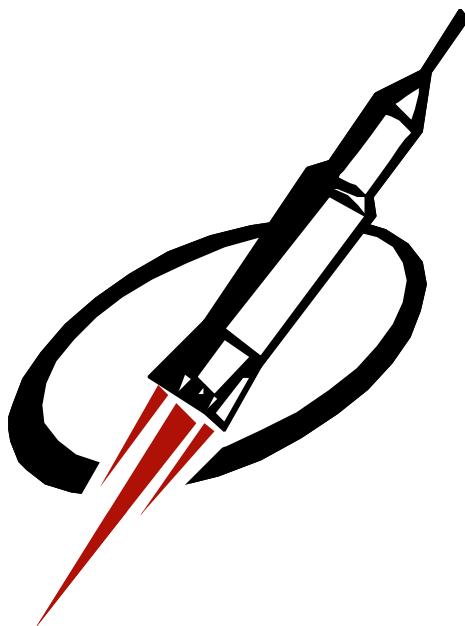


## Product Marketing

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## Great Internet Tools – Use more than One

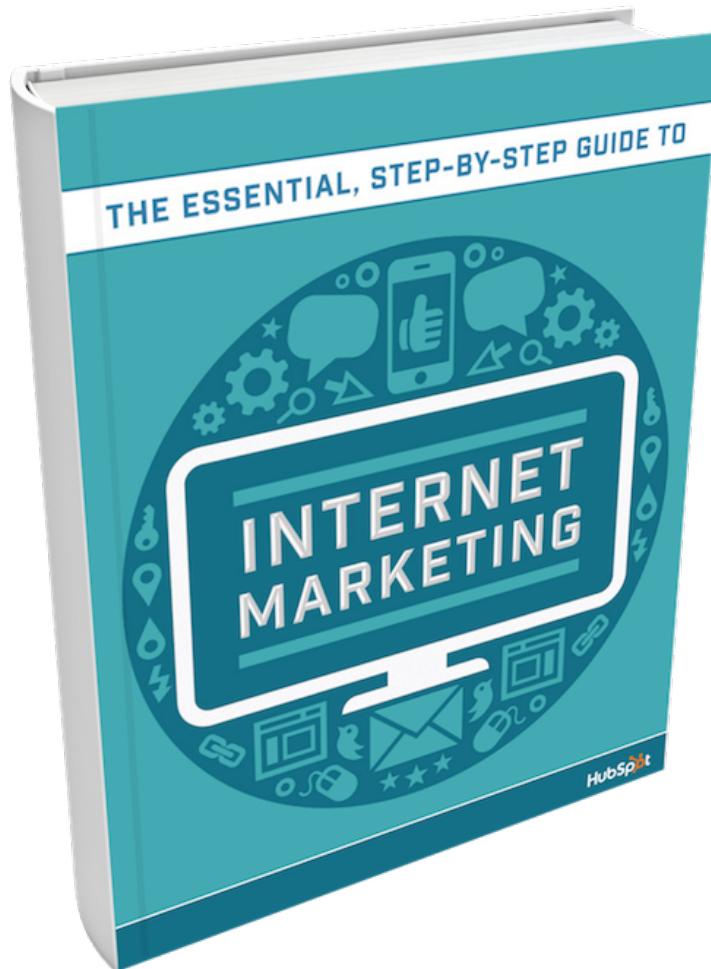
1. Alexa
2. Google Analytics
3. Microsoft adCenter Labs
4. Google AdWords Keyword tool
5. Unbounce
6. Kissmetrics
7. Hubspot
8. Hootsuite



## Metrics & Analytics

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# Hubspot eBook 160,000 Copies

6 essential steps to internet marketing success:

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

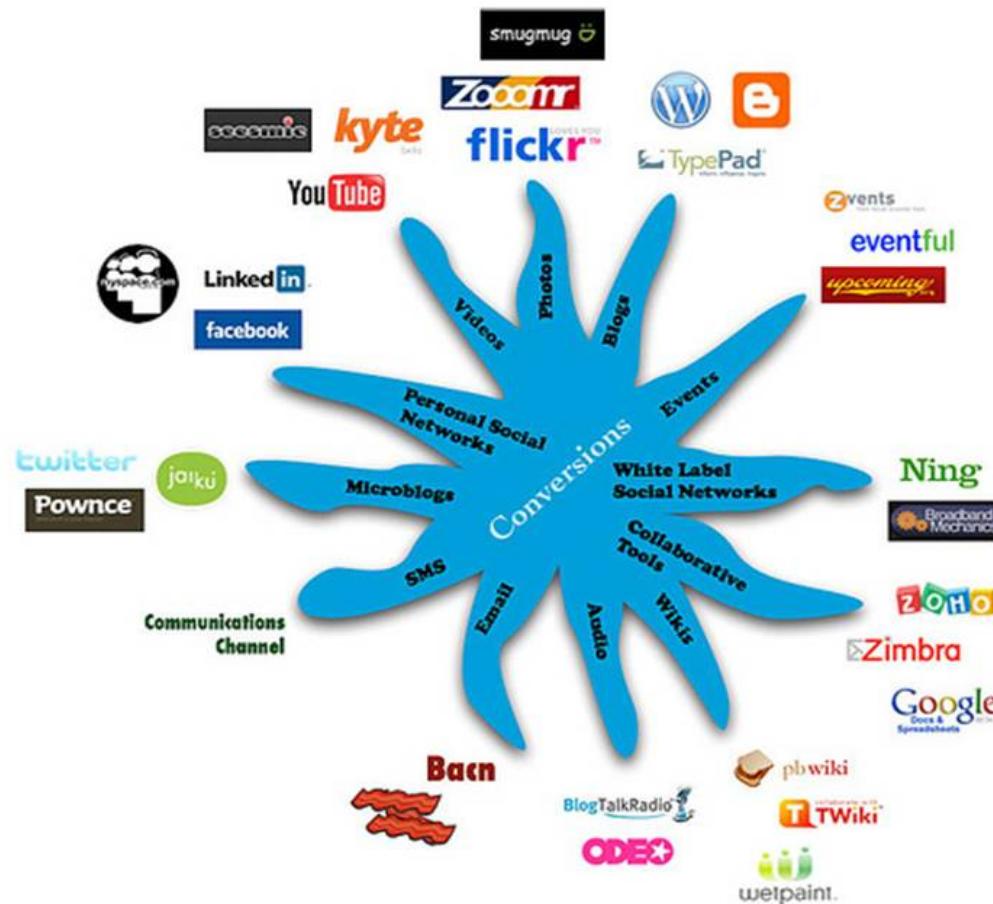


## Range of Marketing Methods

Which fit your Market and why



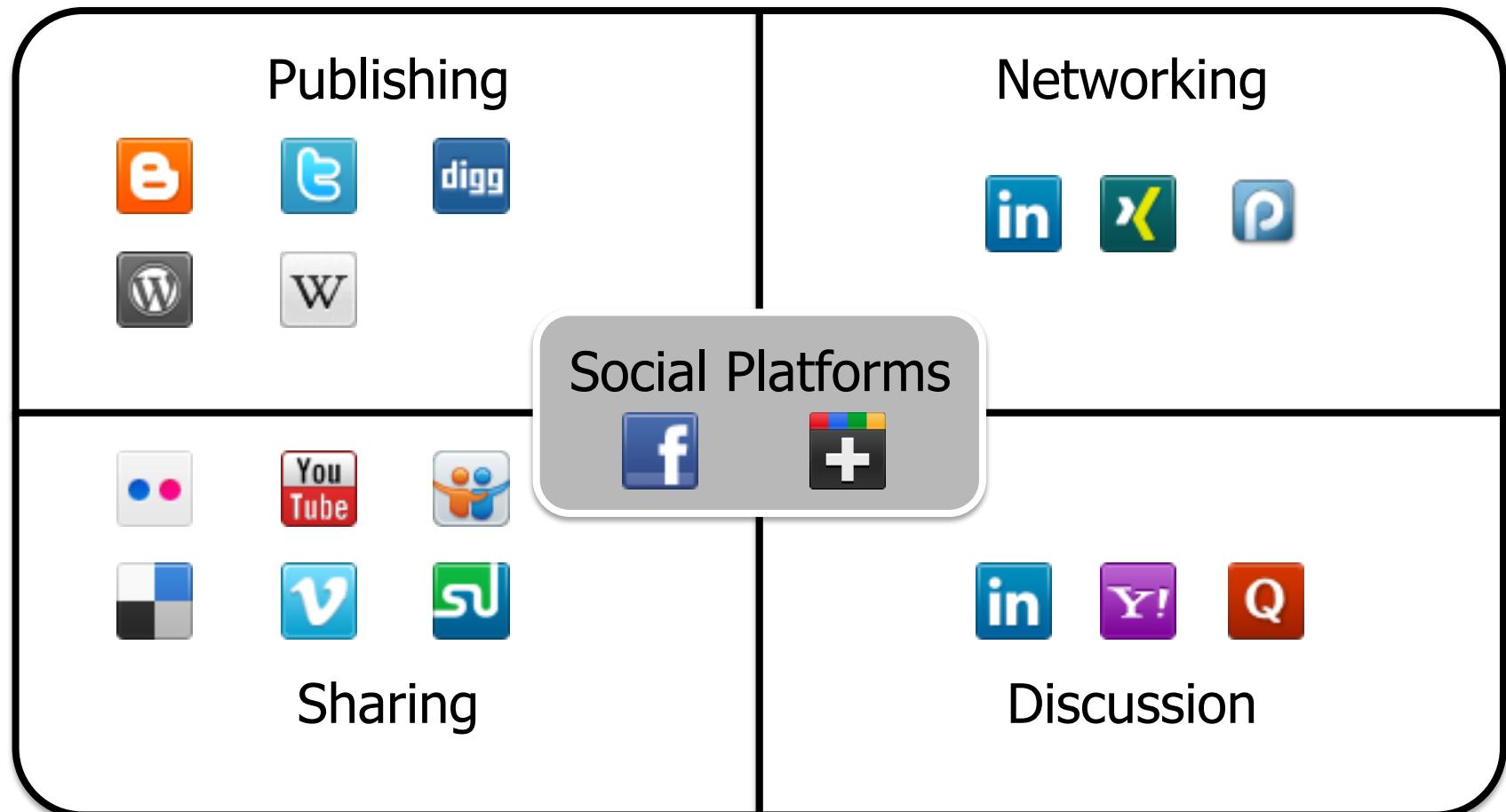
# Social Media Platform Tools



# B2B Social Media Marketing

- **93%** of all B2B marketers are engaged in some form of social media marketing
  - with most putting their focus on the most popular channels
    - LinkedIn
    - Facebook
    - Twitter
    - Instagram

# Top Tools in the B2B Toolkit



## What Type of Company are you Building?

They are not all the same!

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

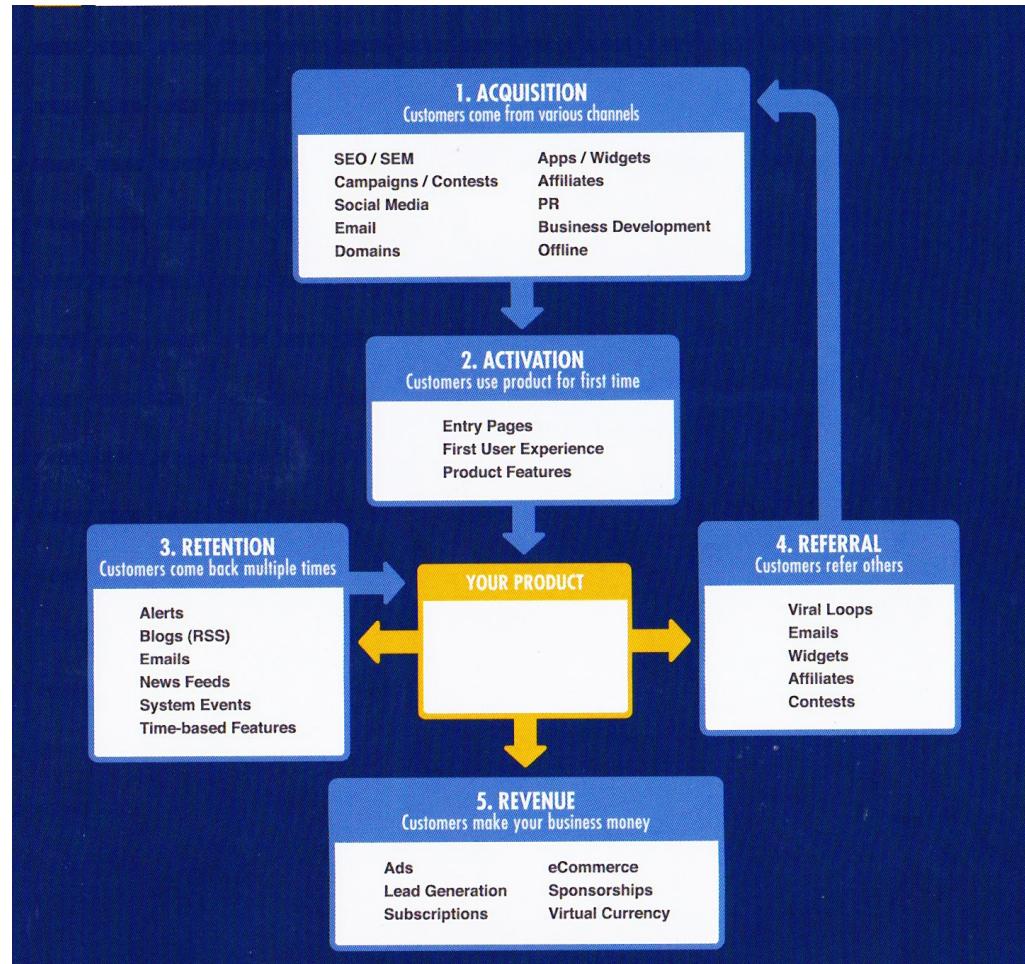
*Credit: Kevin Swan, iNovia Capital*

## Customer Validation Metrics

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

# Pirate Metrics

Copyright David  
McLure  
[500hats.com](http://500hats.com)  
Courtesy of KISS  
Metrics



## Vanity Metrics

1. Web traffic
2. Unique visitors
3. Return rate
4. Subscribers/users

---

5. Conversion Rate
6. Churn

## Example

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

What does he want?

Does the web traffic help him?

# How to get metrics?

## Get started right away

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

KISS Metrics



Hootsuite



Hubspot



- For engagement

Design your product so that you can collect the metrics you need (even if you need to embed a small cloud app)

- For CAC and LTV

Design your management system to collect this data

# 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

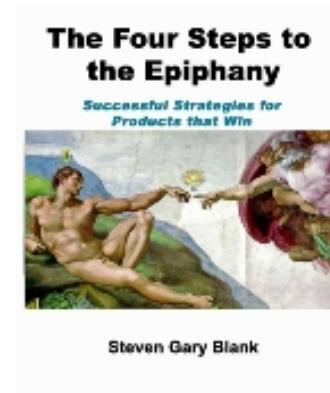
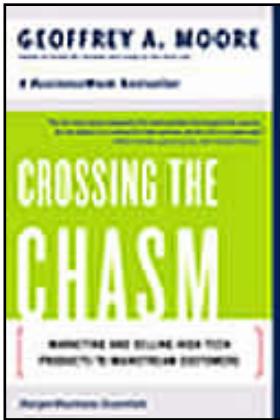
1. For each segment, identify which methods you will use. (this will depend on the Pros/Cons for your solution/segment combinations)
2. Then prioritize each method for each segment
3. For Priority segments create a budget



## For each Segment – Create a Budget

	<b>Marketing Method</b>	<b>Segment 1</b>	<b>Budget</b>	<b>Segment 2</b>	<b>Budget</b>
1	Traditional Advertising				
2	Events				
3	Public Relations				
4	Corporate Communications				
5	Direct Mail				
6	Web Presence				
7	Mobile				
8	Search Engine Optimization				
9	Content				
10	Email Marketing				
11	Social Media				
12	Search Engine Marketing				
13	Internet Advertising				
	Total For Year 1				

## Resources – Reading Material



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

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