CHAPTER 1
A COMPREHENSIVE FRAMEWORK FOR DEVELOPING YOUR PRICING STRATEGY THAT DRIVES GROWTH

PRICING STRATEGY VERSUS PRICING STRUCTURE

How do you choose a price for your product and decide what to include in your different product tiers?

This will be a deeper dive into pricing beyond what I talked about in my foundational book *The 1st-Time B2B SaaS Startup Founder's Compass.*

In that book, I gave you a high-level overview of pricing **structure** but here we'll get into the details about how to build a pricing **strategy** to achieve your big picture objectives.

What's the difference?

Pricing structure comprises the four foundational elements of your price point, how often you bill your customers and what you offer them, along with your different product tiers (if more than one).

Pricing strategy is how you deploy your pricing structure – for example, choosing a deliberately low price to gain users and market share (penetration pricing) or dynamic pricing (adjusting price based on supply and demand like Uber).

THE STARTING POINT: FOUR ELEMENTS OF PRICING STRUCTURE

To understand pricing strategy, let's start with the part that people tend to be most familiar with: pricing structure.

As I mentioned above, pricing structure is:

- Price point
- Billing frequency
- Feature set
- Product tiers

Here's what they mean:

- **Price point:** How much do you charge? Freemium, $29, $299 or $2,999?
- **Billing frequency:** How often you bill your customer. Is it perhaps a one-time fee or a recurring monthly payment? Or maybe you charge once a year?
- **Feature set:** What your buyers get. This are the specific features you give them such as user seats, storage space, download limits, support options, etc.
- **Product tiers:** The different versions of a product you offer (e.g. Basic, Standard, Pro, etc). Only applicable if you have more than one tier.

Think of these as four empty containers, each assigned different characteristics.

The first container is assigned a price, the second is assigned payment terms, the third is given a suite of features and the fourth represents different variations of that same product.

Pricing structure is us knowing we have four empty containers in front of us, each representing a different type.

Pricing strategy is knowing what characteristics to assign to each of these four containers. More broadly speaking, pricing strategy is the underlying thinking process of knowing WHY we assign what we assign.

Here's an example of us giving each container an assignment, using an email marketing platform to illustrate:

- Container One (Price point) = $29
- Container Two (Billing frequency) = Monthly billing
- Container Three (Feature set) = 1 user seat, 5,000 emails/mo, basic analytics
- Container Four (Product tier) = Basic

Putting everything together, we get:

Basic Tier = $29 + Monthly billing + 1 user seat, 5,000 emails/mo, basic analytics

What we've just now done is put together all the key pricing elements required to make our very first offer to our prospects.

The next step (if applicable) is to create additional price tiers and corresponding feature sets. For this same email marketing product, here's how Standard and Pro tiers might look:

Standard Tier = $59 + Monthly billing + 3 user seats, 20,000 emails/mo, advanced analytics, A/B testing suite, standard email templates, customer support (email only)

Pro Tier = $99 + Monthly billing + 5 user seats, 50,000 emails/mo, comprehensive analytics with 3rd-party integrations, A/B testing suite, premium email templates, personalization options and dedicated customer support (phone and email with guaranteed 24 hour turnaround)

As you can see, your feature set is not just your core product itself, but also other "bonuses" that are complementary and/or supplementary. These bonuses could be support options (as above), educational webinars, consulting services or certification programs. Basically, bonuses are deliverables that are outside the core product but offered alongside it to differentiate between your own product tiers, but also to distinguish your offerings from those of your competitors.

But the question is: How do you determine your own price point, billing frequency and feature set of your different product tiers in the first place?

What you ultimately decide to assign to the 4 elements of pricing structure should not be random, and is instead a combination of intuition, research and strategic thinking that takes into account your audience and your competition.

This is the essence of pricing strategy.

A DETAILED GUIDE TO CRAFTING YOUR PRICING STRATEGY: START BY KNOWING YOUR OBJECTIVE AND THE STRATEGY TO ACHIEVE IT

So where do we start with pricing strategy?

The first thing to do is to get clear on your overall objectives because different end goals will call for different strategies.

Here are some possible objectives, along with general, big picture strategies you might use to achieve them:

1. An **objective** of getting your first customers using a **strategy** of a free trial (e.g. 30 days) with credit card requirement. Once 30 days are over, the trial converts to a paid monthly subscription unless customers opt out
2. An **objective** of gaining greater market share using a **strategy** of pricing below competitors to attract market share and gradually raise prices as you gain an increasingly bigger slice of the pie and brand loyalty
3. An **objective** of building greater brand visibility using a **strategy** of a freemium model with a referral fee if a referred user becomes a paid customer

4. An **objective** of retiring an old product and migrating customers to a new version using a **strategy** of offering existing users a discounted price and incentives not available to brand new customers

KNOW WHAT YOUR COMPETITORS OFFER THE MARKET

With your own objectives clear, you as a founder or executive must also clearly identify the following through research:

- Who are your competitors (your competitors may not be the same across your different product lines)
- Their product tiers
- Price points for each tier
- Billing frequencies for each tier
- Feature set for each tier

This is just data collection though. You actually need to do something with this information. First, you use this information to guide decision making. Then, this decision making drives your action taking.

Therefore, based on this information about each competitor's product tier, you then ask yourself:

- “What do buyers get for the price?”
- “How much flexibility is there in the buying relationship?”
- “For the totality of functionality buyers get for the price, how much of it actually generates the outcomes they desire?”

At this point, there are a couple clarifications I need to make for questions 2 and 3.

To clarify the second question, flexibility in the buying relationship means “From the buyer’s perspective, how easy is it to leave or enter the relationship?”

For example, a monthly subscription is easier to leave than a fixed annual contract. And from the other direction, installment plans generally make entering into a relationship easier for the would-be customer.

Then, for question 3, it’s important to remember that certain functionality is not relevant to a buyer if it fails to generate desired outcomes for them.

In other words, it's not so much about stacking different functionality as it is about offering the specific functionality that creates desired benefits and/or solves current or anticipated problems for the buyer. Put another way, it’s not about having a whole bunch of functionality as it is about having the specific functionality desired by the buyer.

Of course, if you can stack multiple types of desired functionality, then all the better.

The key is to determine how many of the features advertised by your competitors actually create functionality that consequently create your buyers' desired outcomes. And yes, this applies equally to you as well. In other words, as part of your pricing strategy, be conscious of the features to include in your different product tiers in order to produce the levels and degrees of functionality desired by your buyers.

(An important note: you'll notice I make the distinction between "functionality" and "features". This is deliberate. Features are the things your product can do. Functionalities, on the other hand, are the outcomes generated for the user AS A RESULT of the things that your features can do. In other words, functionality is the end utility the user derives in their business and/or personal life as a result of what your features are capable of. For example, a chat app has the *features* of spell-check and grammar-check. In this case, these spell and grammar check features enable the user to enjoy the *functionality* of writing and sending error-free messages.)

DIFFERENTIATE YOUR OFFERINGS FROM YOUR COMPETITION

Next, with the above information in mind, you should then ask yourself:

- “When compared to my competition, what is the minimum level of features (and consequently, functionality) I can include in an individual product tier such that it produces something more attractive than my competitor’s equivalent tier?
- “At what point does the combined effect of all my features, functionality and price within a product tier make that tier not only more attractive, but a “no-brainer” purchase when compared to my competition?”

A quick note: What does “more attractive than your competitor’s tier” mean?

It doesn’t ONLY mean that your equivalent tier creates a greater number of outcomes specifically desired by buyers.

It can also mean that each of your product tiers creates a greater number of outcomes desired by your buyers AND/OR each (or a substantial number) of these outcomes are at a higher level compared to your competitors - all at an acceptable price point for that tier.

So it’s not necessarily just one or the other - but it can be both (and ideally it is both).

In any case, the purpose of the above questions is to create an overall value proposition for each product tier that prevents (or at least makes more difficult) an apple-to-apples comparison between you and your competition.

And that’s because when you’re judged on an exact, like-for-like basis by buyers, their decision often then comes down to whichever company is charging less. And you definitely don’t want to compete on price because it’s a race to the bottom through erosion of your profit margins and overall brand image (unless you've specifically positioned yourself as a discount provider).

Overall, the questions above are about getting you to think about what creates material differentiation and positioning of your product tiers such that they are regarded by buyers as unique - to the maximum extent possible with the product and bonuses that you have.

And be honest with yourself. Sometimes you're not quite at the point where you can offer buyers a better alternative to your competition. In this case, price yourself lower than the competition because there will still be a part of the market where your product will be sufficiently satisfactory despite your reduced capabilities at that particular tier.

On the other hand, the opposite is true. In other words, if you can realize more of your buyers' desired outcomes (and particularly to a greater degree), then you can charge more – and your niche will pay for it (or at least the segments of your overall niche who have the ability to pay such higher prices).

PREVENT DOLLAR-TO-DOLLAR COMPARISONS

Another thing you want to do is to scramble "what one gets per dollar" comparisons between you and your competition's equivalent tiers.

Ways to prevent (or at least make more difficult) these comparisons is to include features and bonuses that complement and/or supplement your core product. These include thing such as dedicated customer support options, certification programs, third-party integrations and analytics reporting. These are examples of things that are (depending on your target market) desired by buyers, but generally fairly difficult to quantify on a per dollar basis (or by numbers in general).

This is crucial for differentiating your product tiers from the competition. Not only do you not want to compete on the overall price itself, you also do not want to be compared on a per dollar basis either.

Let's look at these concepts with an example.

Let's say you were a project management platform that offered 150 project boards for $20/mo while your competitor offered 100 project boards for $10/mo.

That works out to 7.5 projects per dollar for your product, and 10 projects per dollar for your competition. In other words, your competitor offers 2.5 more project boards per dollar.

This produces a not so favorable look for you when you're being compared strictly on the number of boards offered per dollar. The solution therefore is to, as much as you can, scramble this comparison by turning a dollar-to-dollar, apples-to-apples comparison into one of apples-to-oranges. And the way you do this is by including hard to quantify features, functionalities, bonuses and payment flexibility that when combined together, produce the specific outcomes desired by your buyers.

So using the same example, you could perhaps add in the ability to share project management boards with colleagues, as well as team communication features for that $20 monthly price. In other words, although you are priced more expensively on a per project board basis than your competitor, you offer relevant supplementary and complementary features that erase (or at least reduce) their overall price advantage, as well as their per dollar advantage. This has the effect of increasing the attractiveness of your offer relative to the competition.

KNOW THE STRENGTHS AND WEAKNESSES OF YOUR PRODUCT AND LOOK OUTSIDE YOURSELF

As you go through the above process, it is also worth keeping the following questions in mind:

- The strengths and weaknesses of your product
- The strengths and weaknesses of your business
- The competitive forces of your niche
- The consumer behavior in your niche

The answers to the first two questions will help you more objectively see what your product and business can do, cannot do and/or cannot do well.

For example, perhaps a strength of your B2B enterprise product is that it offers exceptionally deep, accurate and comprehensive analytics abilities. However, say you find this complexity translates into a weakness of having higher than industry average volume of user support inquiries. This consequently strains your ability to quickly scale until you can hire or train more support staff.

Next, answers to the third and fourth questions about competitive forces and consumer behavior will aid in assessing how the strengths and weaknesses of your product and/or business may affect the market's current desire for your offering (along with forecasting how that demand might change over time).

The reason I suggest asking yourself these four questions is that I've found that too many founders and executives are "too close" to their product and/or business. What this often means is that they gradually overly focus on their own product and/or business while also neglecting to look around to see how their competitors (and market) are evolving.

This results in these founders and executives underestimating their competition while overestimating the capabilities of their product/business as well as the strength of consumer demand for their offering.

The end consequence?

They inaccurately assess their capabilities and how those capabilities will be received by consumers, as well as how effectively their competition can respond.

Being able to answer the above questions objectively will allow you to craft pricing strategies more in line with how the market will actually respond once you leave the theoretical stage of "thinking about pricing strategy" versus actually releasing that strategy into the real-world.

FROM THEORY TO APPLICATION: A PRICING STRATEGY EXAMPLE USING PENETRATION PRICING FOR AN EDTECH STARTUP

What follows will be an example of everything we've discussed so far in action.

In this instance, you are an education technology (edtech) startup in the online course hosting niche. You are executing a penetration pricing strategy as the "new kid on the block" competing against an established competitor across 3 tiers (Basic, Pro and Enterprise).

Three important notes about the following examples:

- The numbers have deliberately been set (relatively) small to keep things simple and make comprehension easier
- The differences between the offerings between the two companies have been somewhat exaggerated to make the differentiation concept discussed above easier to see right away
- When choosing what features go into each product tier, you obviously need to also think about what it costs you to produce (and maintain) these features compared to what you're charging. It is therefore a smart idea to include things that don't cost you a lot while providing high perceived value to the consumer. For example, a refund policy would fall into this category (if your product is good, refund rates tend to be fairly low)

BASIC TIER COMPARISON

Basic Tier (You)

FEATURES	PAYMENT FLEXIBILITY	WHAT FUNCTIONALITIES DO THE FEATURES AND PAYMENT FLEXIBILITY GIVE USERS?	PRICE POINT	PER UNIT PRICES
Hosting for 15 courses Supports 150 students Basic analytics tracking	Monthly and annual subscriptions No questions asked, full refund in the first 30 days	Basic course hosting Ability to track student learning patterns Easy to opt out of subscription if unsatisfied with product	$30/mo	$2.0 per course $0.20 per student

Basic Tier (Your Competitor)

FEATURES	PAYMENT FLEXIBILITY	WHAT FUNCTIONALITIES DO THE FEATURES AND PAYMENT FLEXIBILITY GIVE USERS?	PRICE POINT	PER UNIT PRICES
Hosting for 10 courses Supports 100 students	Monthly and annual subscriptions	Basic course hosting	$35/mo	$3.5 per course $0.35 per student

<u>How your company's Basic Tier is differentiated from your competitor's:</u>

- The obvious differentiator is your lower monthly price and the per unit prices for enrolled students and course hosting. This makes your offering an overall more cost-effective option for customers
- You include a basic analytics package. This allows users to track student progress, course completion rates, and other essential metrics without additional costs, providing valuable insights for improving course content and student engagement
- You offer a risk-free experience with a "no questions asked" refund policy. This reassures customers that they can get their money back if they are not satisfied, reducing the perceived risk of trying your product (i.e. "risk reversal")
- The purpose of this differentiation is intended to scramble "like-for-like" comparisons between your Basic product tier and your competitor's equivalent tier

PRO TIER COMPARISON

Pro Tier (You)

FEATURES	PAYMENT FLEXIBILITY	WHAT FUNCTIONALITIES DO THE FEATURES AND PAYMENT FLEXIBILITY GIVE USERS?	PRICE POINT	PER UNIT PRICES
Hosting for 100 courses Supports 1,000 students Advanced analytics tracking Advanced marketing tools	Monthly and annual subscriptions Get 1 month free by buying an annual plan Discounts for referring other customers All payment flexibility from your Basic tier	Ability to track student behavior at an advanced level Ability to increase student acquisition and retention with advanced marketing tools Additional payment flexibility over your Basic tier	$80/mo	$0.80 per course $0.08 per student

Pro Tier (Your Competitor)

FEATURES	PAYMENT FLEXIBILITY	WHAT FUNCTIONALITIES DO THE FEATURES AND PAYMENT FLEXIBILITY GIVE USERS?	PRICE POINT	PER UNIT PRICES
Hosting for 90 courses Supports 900 students Mobile app Auto-generated multi-lingual subtitles Standard analytics tracking	Monthly and annual subscriptions	Standard-level tracking of student behavior Course providers can seamlessly serve students on mobile devices with dedicated mobile app Can cater to students in many different foreign languages	$95/mo	$1.05 per course $0.105 per student

<u>How your company's Pro Tier is differentiated from your competitor's:</u>

- Again, you have cheaper monthly price and per unit prices
- Your Pro tier supports hosting for 100 courses and up to 1,000 students, slightly more than your competitor's offering of 90 courses and 900 students, so from this perspective both of you are fairly evenly matched

- The big difference is that while you offer advanced analytics tracking and marketing tools, your competitor instead focuses on giving their customers a mobile app and auto-generated multilingual subtitles. These features allow their customers to serve students on mobile devices and cater to students in various languages
- Which is better? It depends. And that's because different customer segments will have different preferences reflecting what they find more relevant and important for their specific needs and desires
- In this tier, you now also offer additional payment flexibility in the form of "get 13 months for the price of 12" along with other discounts if your customer refers other buyers

ENTERPRISE TIER COMPARISON

Enterprise Tier (You)

FEATURES	PAYMENT FLEXIBILITY	WHAT FUNCTIONALITIES DO THE FEATURES AND PAYMENT FLEXIBILITY GIVE USERS?	PRICE POINT	PER UNIT PRICES
Hosting for unlimited courses Supports 5,000 students Premium support (email, phone and live chat with replies guaranteed within 24 hours) Content creation tools All features from your Pro tier	Monthly and annual subscriptions Get 2 months free by buying annual plan You get discounts for referring other customers. Those you refer also get discounts All payment flexibility from Pro tier	Resolution to uncertainty within 24 hours Included content creation tools means no need to buy separate third-party tools Even more payment flexibility over the Pro tier Your network can also enjoy discounts	$120/mo	Hosting for unlimited courses $0.024 per student

Enterprise Tier (Your Competitor)

FEATURES	PAYMENT FLEXIBILITY	WHAT FUNCTIONALITIES DO THE FEATURES AND PAYMENT FLEXIBILITY GIVE USERS?	PRICE POINT	PER UNIT PRICES
Hosting for unlimited courses Supports 4,500 students Dedicated account manager Priority support (email, phone and live chat with replies guaranteed within 6 hours) Integrations with 100+ third-party tools Ability to issue certificates of completion to students All features from their Pro tier	Monthly and annual subscriptions Nominal setup fee	A direct line to communicate your needs, wants and complaints via your dedicated account manager Resolution to uncertainty within 6 hours Integrations with 100+ tools to enhance areas such as marketing, sales, course management, etc Customers can position their courses as premium offerings via accreditation with certificates of completion	$190/mo	Hosting for unlimited courses $0.042 per student

<u>How your company's Enterprise Tier is differentiated from your competitor's:</u>

- In this tier, your competitor is much more overtly and clearly positioning itself as the obvious premium option with the price gap in this Enterprise tier much larger than the gap in the lower tiers. Here, they're charging 75% more than you
- But it's not just the higher price point that signals this desired premium positioning, but also what they're offering at their $190 price point relative to you. Their customers at this tier get a dedicated account manager, replies to support inquiries within 6 hours (compared to your slower 24 hour guarantee), 100+ integrations with third-party tools and the ability to issue certifications of completion to students
- On the other hand, while your functionality may be less robust, you continue to offer more flexibility with payment, including 14 months of use for every 12 months purchased (meaning your Enterprise customers get one extra free month

over Pro customers). You now not only give your customers discounts if they refer other buyers, but those being referred also get discounts
- Again, the intention of both companies in this example is to differentiate themselves from the competition and prevent buyers from making an apples-to-apples comparison
- While your competitor positions itself as a premium option with significantly higher prices, student certifications and extensive integrations, your focus is instead on cost-effective pricing, content creation tools and payment flexibility that provides a compelling alternative for different customer segments

THE PSYCHOLOGY BEHIND WHAT CREATES SUCCESSFUL PREMIUM PRICING

In the example above, you've seen that your more established, incumbent competitor positions themselves as a premium option. They charge a higher price while (appearing) to provide fewer concrete features that can be listed on a pricing page.

However, effective premium positioning (or any positioning, for that matter) is not necessarily about a greater number of features, but the end result of successfully satisfying a buyer's basket of desired outcomes (for example, to enroll 30% more students from Spanish-speaking markets while simultaneously reducing the amount of enrollment-related administrative work).

More specifically, it's BETTER satisfying these baskets of desired outcomes compared to competing solutions.

From the buyer's perspective, it's not just the number of features or functionalities. It's also (and in fact, more so) how these features (and the consequent functionalities derived from these features) solve the buyer's specific problems and/or create the opportunities they want.

For example, a software suite designed specifically for freelancers integrates invoice creation, tax estimation, and financial tracking in one very intuitive and attractive interface that makes the entire process a (relative) breeze. While it may lack some of the advanced features of their competitors, its simplicity and freelancer-focused functionality make it highly valuable to a typical (harried) small business owner.

Similarly, consider how iPhones are less customizable than comparable Android competitors, yet Apple can consistently charge more. iPhones are generally more intuitive to use than Android devices, and also incorporate attractive design aesthetics and engineering along with leveraging the cachet of the Apple name, the halo effect of the company's other premium product lines and the social proof of widespread adoption by celebrities, influencers, and technology leaders.

Meanwhile, the greater number of desired specific outcomes you create (along with the degree to which you successfully produce each desired outcome), the greater ability you have to charge more while ostensibly offering less than your competitors.

At the same time, these outcomes may also include feelings and emotions the buyer desires to experience.

For example, a buyer may want to feel they're participating in a rising trend (e.g. online education).

Or perhaps they want to feel complete confidence and safety in their choice of digital banking services. In this case, they may choose a larger, more established bank with more resources to devote to online security rather than a fledging fintech startup.

Or, it could be buying perfume or cologne that makes them feel they are more attractive to the opposite sex.

As I mentioned above, premium positioning isn't just about concrete features you can list on a pricing page.

This is what I mean: as a vendor, you can effectively build the perception in your buyer's mind that your product is premium by leveraging individual non-feature assets (or a combination of them) that may not be readily apparent to you.

These things include (but are not limited to) a respected reputation, an intuitive UX, an attractive UI or the professionalism of your sales and support staff. It could also be social proof (e.g. testimonials and/or logos) from well-known brands.

In fact, social proof from clients with high social currency is oftentimes the most powerful ingredient for building premium positioning.

For example, if you were shopping around for a project management tool, just think of how much more implicit trust you would have in that product if you knew it was being used by established brands such as Google, McKinsey, Goldman Sachs - or whichever brands you consider to have high social currency.

In any case, the net result is that the company selling this project management tool has the ability (if they so wish) to charge more for fewer concrete features than its less premium competition because of this intangible asset. And what's very likely is that this intangible asset of social currency will likely be used in combination with other assets that also add to its premium positioning.

ADDITIONAL NOTES ABOUT PRODUCT DIFFERENTIATION

An additional note about differentiation in general. It's important to keep in mind that you're not just bundling a bunch of random features into each product tier. Recall that each feature needs to (either on its own or in conjunction with other complementary and/or supplementary features) produce functionality that generates outcomes desired by your buyers.

Here's an example, using your competitor's Enterprise tier feature of integration with 100+ third-party tools:

Integration with a plagiarism detection tool **(feature)** = Raise the perceived integrity of the course provider's academic standards **(functionality)** = Ensure originality of student work which upholds the course provider's reputation for quality/reputable outcomes and increasing their attractiveness to prospective students **(customer's desired outcome)**

As you can see, each feature (or features) included in your offering(s) produces specific functionality that is directly tied to the creation of a customer's desired outcome(s).

The inclusion of such a feature (or features) is then used to differentiate from the competition by highlighting the superior degree of desired outcomes produced by your product compared to theirs.

And of course, you'll then need to effectively communicate such functionality and outcomes created by your product to your buyer.

KNOW WHAT YOUR COMPETITORS ARE UP TO: PRICING STRATEGY IS NOT A THEORETICAL EXERCISE CREATED IN ISOLATION FROM THE REAL WORLD

So far we've talked a lot about these three things:

- Finding out what your competitors are offering
- Using their prices as your pivot points
- Positioning your overall strategy relative to theirs

You're probably asking why we've spent so much time talking about these.

And that's because your product does not exist in isolation from the market. What I mean is that your product (and the level(s) of service you offer for it) is constantly being compared by your buyers against all other options they consider viable competitors to your offering.

But beyond this basic level, the overall effectiveness of the pricing strategy, positioning and the consequent marketing and sales messages you craft is also affected by:

- How effectively (based on their strengths and weaknesses) your competitors craft these same components of their product
- How effectively you exploit your competitors' weaknesses and/or mitigate their strengths with respect to each of these components

All of this requires an awareness of:

- Who is viable competition in the market
- What these viable competitors are offering
- What is the ongoing – perhaps even changing – real-time behavior of your target consumers. This consumer behavior is shaped not only by their own internal desires but also by the actions (including marketing and sales messages) of your competitors

Far too often, I work with founders and executives who try to design (or redesign) their pricing without taking into account what other options are available to consumers (and how these consumers feel about these options). This includes direct competitors and alternatives (indirect competitors).

For example, Coca-Cola not only competes against Pepsi (a direct competitor), but also other soft drinks and non-soft drink beverages (such as water, milk, juice, etc) when a consumer is looking to achieve the specific desired outcome of satiating their thirst.

Now, if they instead wanted to satisfy their thirst only with beverages that are carbonated, sweet and produced in Japan, then this would change how they feel about the just mentioned slate of viable options.

It would consequently narrow the list of viable options from Pepsi, water, juice, etc to just a variety of soft drinks produced in Japan (for example, those by Suntory, Kirin and Asahi).

Similarly, if you sold project management software, your market would be comparing you against direct competitors (such as Asana, Monday, JIRA, etc) but also alternatives such as free spreadsheet software (Google Sheets).

The important point to grasp is that your prospects (along with current customers who are considering whether to renew their contract with you) are comparing what outcomes you can generate via your functionalities and feature set, against the price they must pay and the flexibility in billing.

This is then compared to the other options on the market, along with the outcomes these other products generate via their functionalities and feature set. And just like they did with your product, these characteristics of your competitors are compared against their respective asking prices and billing flexibility.

And how buyers then view all the offerings available to them are consequently influenced by the positioning, marketing and sales messages of each respective vendor to each other (including you).

As you can see, the performance of your pricing strategy in the real world is influenced by a whole host of factors – unlike the theoretical world of brainstorming or spreadsheets.

It's important to be aware of what influences the relative success (or failure) of a pricing strategy, and to act accordingly when designing it.

And one of the most important factors influencing your pricing strategy should be your awareness of what your direct competitors and alternatives are offering, and how these competing offers are perceived (and thus valued) by buyers when compared to your offer.

PRICING STRATEGY (AND PRICING POWER) ARE ALSO DETERMINED BY WHAT YOUR BUYERS BELIEVE YOUR PRODUCT IS WORTH TO THEM

We've gone pretty deep thus far so let's take a step back and focus on the essence of what we need to understand.

So let's start with this: at the end of the day, you have what is essentially a transactional relationship with your buyers in which, when the opportunity arises, they will shop around with competitors on price, features and functionality. This is true even if they say how much they love you and your product.

In other words, it's a strict commercial exchange in which you help them achieve their desired outcomes and they then pay you a price they find acceptable based on:

- The way your product produces their desired outcomes;

- How many of their desired outcomes you generate (from the total universe of their desires); and
- To what degree each of those desired outcomes is realized

It's therefore important to realize that unless you can read their minds (and I doubt you can), what YOU THINK your prospects and customers are willing to pay for your feature set (and its associated functionalities) may not match what THEY BELIEVE your product is worth to them.

Therefore, your pricing strategy should be designed from the point of view of your prospects and current customers - or more specifically, your best current understanding of how they perceive the value of your product.

And as we discussed earlier, this point of view should also take into account how they perceive the value of viable alternatives relative to your product. The more competing products they can viably switch to, the less pricing power you have.

Conversely, the fewer viable options for your target buyers, the greater your pricing power - this is why it’s so important to be legitimately differentiated from your competition.

Another thing to keep in mind is that prospects and customers are actively searching for what they believe are superior ways to get what they want. At the same time, many (if not most) of your buyers are also open to invitations (either active or passive) by your competitors to switch over to them.

Of course, your buyers may not be searching for new options everyday (and they’re most certainly not). But it would be foolish for you to assume that they’re not open (at some point in their relationship with you) to trying other alternatives that they believe will give them superior (or roughly similar) ways to achieve their desired outcomes (with potentially better prices and/or billing flexibility too).

Unless you are a monopoly in a niche selling a must-have good, you don’t determine prices so much as you discover what prospects and customers are willing to pay.

In other words, if you were (for example) the sole supplier of drinking water to a town (and not subject to price regulations), then you would have complete power to set however high a per unit price you wanted and still have people buy out of necessity.

But you're likely not in this monopolist situation and most of you aren't selling anything that is "must-have".

What about things that are close to being "must-have" – i.e. "critical but not must-have" products?

Even in these cases, prospects and customers could likely find (and would ultimately be willing to try) alternatives – even if these are somewhat inferior to your product.

Examples of "critical but not must-have" products would be advanced customer relationship management (CRM) tools or high-speed internet. They're important to a company, but business could still be conducted with poorer substitutes – albeit with reduced effectiveness and/or efficiency.

All this is worth remembering.

The lesson is this: avoid committing the same mistake that too many founders and executives knowingly or unknowingly make. That is, designing your pricing components in isolation without taking into account either:

- The various internal and external factors each influencing the behavior of your consumer to various degrees; or
- Other products that produce the same (or sufficiently similar) outcomes desired by your consumers, and which these consumers could viably jump ship to with minimal (or reasonably minimal) switching costs

Overall, an accurate awareness of these things will ultimately prevent (or at least mitigate) the risk of you either overestimating or underestimating the amount of pricing power you have with your target market.

THE SKY'S THE LIMIT: COMBINING MULTIPLE PRICING STRATEGIES FOR DIFFERENTIATION

For the sake of clear understanding, we've kept the different examples so far fairly simple.

But there is a lot of flexibility in mixing and matching individual pricing strategies to position your offerings in ways that stand out to your market.

For example, for a hypothetical cloud-based video editing and hosting product, you could mix the following:

- Freemium pricing
- Usage-based pricing
- Decoy pricing
- Charm pricing (for e.g. ending prices in ".49", ".79" or ".99")
- Pay-per-feature pricing

Here's how it could work out:

TIER	PRICE	PROJECTS	STORAGE	SUPPORT	CHARGES FOR ADDITIONAL USAGE	PAY-PER-FEATURE ADD-ONS
Freemium	$0	2	1 GB	None	N/A	N/A
Basic	$19.99/mo	5	10 GB	Email only	$10.99 for every extra 10 GB	N/A
Standard	$24.99/mo	50	100 GB	Email and chat	$8.99 for every extra 10 GB	Premium sound effects library for $4.99/mo High-resolution export for $4.99/mo
Premium	$59.99/mo	Unlimited	1 TB	Phone, email and chat with guaranteed 12 hour response time	$4.99 for every extra 10 GB	Same pay-per-feature add-ons as Standard tier, but also now premium-level features such as: Collaboration suite for team projects for $4.99/mo 3D editing tools for $4.99/mo

Here are the key points of this example:

- **<u>Freemium tier:</u>** Basic access with limited projects and storage to introduce new users to the product and to expand market penetration through general brand awareness. In other words, the Freemium tier helps in gaining a large (or at least, material) user base by lowering the entry barrier
- **<u>Basic tier:</u>** Acts specifically as the decoy to nudge customers towards the Standard tier by presenting itself as a less attractive option that makes the next tier(s) seem more valuable. This is largely due to the fact that each project is

priced at $4 in the Basic tier while it's priced at 50 cents in the Standard tier. Similarly, storage space is priced at $2 per gigabyte in Basic while it's 25 cents in Standard

- **Standard tier:** Designed to be the most popular option (i.e. the "sweet spot") by balancing features, and pricing to appeal to the majority of users. This tier introduces features that may be bought on an à la carte basis, potentially increasing customer satisfaction and revenue from additional feature purchases. You'll also notice that the overuse charges for every 10 gigabytes of additional usage is lower than what was charged in the Basic tier
- **Premium tier:** Designed for large organizations or individual customers with extensive needs. Highest level of customer support offered in this tier. There are also additional (and exclusive) premium features that may be bought individually on an as-needed basis and not available in lower tiers. Overuse charges for additional storage is priced the lowest per 10 gigabytes. The Premium tier is priced to maximize revenue from customers who are willing to pay more for additional value in the form of convenience, time saved, comprehensiveness or any multitude of factors which they put a particular premium on

This is just one example of what's possible when you combine different pricing elements. When you're doing this on your own, feel free to experiment with different strategies to find combinations that make certain tiers more attractive than others – not only with respect to your own product, but also when compared with those of your competitors.

This could include geographic pricing, captivity pricing, surge pricing…the sky's the limit.

THE CRITICAL ROLE OF EFFECTIVE MARKETING AND SALES MESSAGES IN DETERMINING YOUR PRICING POWER

Earlier, we mentioned some of the things that increase your "pound for pound" pricing power. This includes attractive UI design in your product and market-facing assets (including your landing page), intuitive UX, social proof, reputation and the buying experience.

One thing I want to leave you with is the importance of seeing things through the buyers' eyes. As we discussed earlier, a large degree of a pricing strategy's effectiveness comes from understanding their psychology.

More specifically, it's understanding (or having a degree of understanding for) how they perceive your offering in relation to all other viable alternatives they are currently aware of. This perception is itself influenced by logical and emotional assessments of how well each offering will produce the buyer's desired outcomes (i.e, solving current and/or anticipated problems alongside creating any potential new opportunities).

Creating pricing strategy that works in the real-world therefore requires that you effectively explain (i.e. storytell using text, video, images, audio and overall design) how and why your product (out of all their possible alternatives) is the best one that can best realize their hopes, dreams and desires while dispelling their fears and uncertainties.

A price menu alone with a bunch of price points, features and billing frequencies doesn't do that type of storytelling.

Rather, you need to demonstrate the "before and after" transformation or improvement in their situation if they buy (and use) your product. And once they do buy your product, you need to make sure that the promises you originally made during the storytelling phase are actually kept (and ideally exceeded)!

Not only that, a subtle nuance that many founders and executives often overlook is that they fail to adequately elucidate to the buyer the varying degrees of "before and after" that will be experienced at different product tiers. In other words, if they buy your Standard tier, they can expect this type of transformation, but if they pay an extra 15% for your Pro tier, they can expect much bigger changes in their business and/or personal life (much more than the extra 15% they paid).

Of course, all of this assumes you've picked a right market niche in the first place that is both receptive (they are open to hearing what you have to say) and responsive (they will take action on what you say) with respect to your features and benefits.

SUMMARY

1. Determine what are your objectives since this will influence your pricing components (i.e. all the steps below) and how you deploy them in the market
2. Determine what can be monetized from your core product (and if applicable, any complementary or supplementary bonuses you can include)
3. Determine how many product tiers you have
4. Determine the feature set for each tier
5. Determine the price point of each tier
6. Determine the billing frequency for each tier
7. Mix and match different pricing strategies (e.g. decoy pricing, geographic pricing, etc) if appropriate
8. More features are not necessarily better. It's about stacking different forms of relevant value – and the more relevant each form is, the more effective your pricing strategy
9. **Creating effective price strategies is much more than a simple technical exercise.** Getting the most out of it **requires some level of understanding buyer psychology** – as well as the ability (and willingness) to execute on this understanding. **You will need to do this while also positioning your pricing strategy against the pricing strategies of competitors** seen as viable alternatives by your buyers

CHAPTER 2
FOUR KEY INDICATORS OF PRODUCT-MARKET-FIT STRENGTH FOR NEW AND MATURE PRODUCTS USING THE LIGHT SWITCH AND LIGHT DIAL MODEL

PRODUCT-MARKET-FIT IS WHEN PRODUCT, MARKETING AND SALES EXPECTATIONS ALL ALIGN

Achieving Product-Market-Fit (PMF) involves three parts: product, marketing and sales:

- **Product component:** Your widget creates desired outcomes* for your target market
- **Marketing component:** Targeting the right people† and

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* "Desired outcomes" are produced for buyers when you:
1. Solve their current problems
2. Solve their anticipated problems
3. Generate opportunities they want

† The "right people" are those who want the desired outcomes your product produces.

informing* them about your solution via the places where they spend their time and attention

- **Sales component:** Taking leads and identifying the ones who are qualified prospects. Then it's turning a percentage of these qualified prospects into customers. In this chapter, we will be looking at this component in a very specific way (from the perspective of companies who do not have a self-service sales process - you'll see why we take this approach)

PMF happens when the marketing component successfully communicates the relevant benefits of the product component to the right audience - and when this product component meets (and ideally, exceeds) the expectations of said audience in producing their desired outcomes.

This PMF process also applies to companies who do not have a self-service sales model, but with the additional requirement that their in-person sales team is able to find out, and then manage the logical and emotional factors influencing various buyer/user constituents during the sales process in order to get a signed contract.

THE LIGHT SWITCH AND LIGHT DIAL MODEL OF PMF

So what is a concrete, measurable sign that PMF has been achieved?

In my opinion, it's been achieved when you have your first paying customers.

But beyond that, the way I look at PMF is a little different than others.

To me, PMF is both a threshold and a dial.

Or, as I like to call it - the Light Switch and Light Dial Model.

What do I mean by this?

Here's how to think about this model.

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* "Informing" means telling these right people:
1. What the overall "before-and-after" transformation looks like
2. The individual beneficial changes that add up to the overall transformation
3. How these individual beneficial changes are themselves produced

Before you've made your first sale you don't yet have PMF and the switch remains set to off. But once you cross that threshold, you've flipped the PMF switch to the on setting. And once you have it, the dial model comes into play – i.e. you can have varying degrees of PMF.*

This is akin to the flicking of a light switch (i.e. - is the light on? Or is it off?)

If it's set to off, then that's the same as not yet achieving PMF.

If it's flicked to on, then you've achieved PMF.

Once the light has been switched on, you can adjust the degree of the light's brightness using the light dial - similar to how the strength of a product's PMF can be increased.

In other words, what you're offering the market can be in varying degrees of alignment with what it wants. And on top of that, even if the outcomes that your product produces aligns on some level with what your target market wants, you still need the marketing component to tell new prospects from that market (most of whom are not yet aware of your offering) about your product in order to maintain, or further grow, your PMF.

THE FOUR INDICATORS OF PMF STRENGTH

How then to measure the strength of your PMF?

My suggestion is to look at whether sales become:

- Faster
- Easier
- More frequent
- Bigger in terms of deal sizes

For absolute clarity, here's what I mean:

* This is different than others who think of PMF as purely a binary thing (i.e. you have it or not), but then fail to consider the question of "If you have it, how strong is it?"

- **Faster:** Prospects make decisions and act faster on their own accord to complete the deal
- **Easier:** They raise fewer objections
- **More frequent:** There is an increase in the number of deals within a defined timeframe
- **Bigger deal sizes:** Larger individual transaction sizes in terms of dollar value

The stronger your PMF, not only will there be greater positive activity amongst any number of these four factors, but there will be more of these factors increasing simultaneously.

For example, a product with weaker PMF may have only measurable progress made in the "faster" and "easier" categories while another product with stronger PMF would experience measurable progress in all four.

TWO SIGNS OF INITIAL PMF

In general, you're more likely to see "faster" and "easier" increasing first as you get that initial PMF.

It's an early sign that your product:

- Has sufficiently strong value and...
- Said value is effectively communicated through the marketing and sales processes...
- Such that prospects recognize the benefits for their business and/or personal life

This recognition translates into a willingness to buy faster and with less "what abouts" or "what ifs" (i.e. objections)

INDICATORS OF MORE MATURE PMF

On the other hand, more frequent sales and larger deal sizes tend to come later as these tend to be downstream implications of a growing reputation, effective marketing and the cumulative effect of faster and easier sales.

In addition:

- Increased frequency is a signal of sustained PMF, indicating growing market demand and the operational ability of your company to fulfill those deals
- Bigger deal sizes reflect your ability to sell a greater number of features (and/or more expensive features), as well as the ability to build and sell cross-sells and up-sells based on established trust and proven value

Again, consistently achieving greater frequency and larger deal sizes tend to be the consequences of a more mature PMF that has progressed beyond the early-stage PMF threshold of "faster" and "easier" sales.

BUILDING A PRODUCT THAT IS IMPORTANT AND RELEVANT TO BUYERS AND USERS

At its core, the product component of PMF is pretty straightforward: create something (whether it's a brand new product or new features for an existing product) that your target market wants.

And hopefully you've done your research correctly and the target market you've identified falls into the definition of the "right people" we mentioned at the beginning of the chapter (i.e. those who want the outcomes your product produces).

In any case, although the concept of PMF at a high-level is straightforward, it does not mean it is simple.

And that's because the key to building what people want is…finding out what they want. Or at least finding out to the best of your ability. And you already know that this is not an easy task given how much of one's motivations is left unspoken by members of your market – or even unknown to themselves.

But at the crux of finding out what people want is building something based on an initial hypothesis (which itself is ideally informed by some level of research), getting feedback on this first version and then progressively revising and iterating based on each tranche of updated understanding.*

In this case, a helpful mindset to take is to understand the differences between user and buyer† - and to build something that satisfies the desired outcomes of both (not one or the other).

And while in many cases the buyer and user will be the same person, it's vital (in fact, obligatory) to know the differences in what's important to them if your product serves a market where the two roles are not held by the same person.

(And if you're selling to a market where the two roles are the same person, what follows is still relevant to you, so stick with me)

For example, a seller of medical equipment will need to contend with these different user and buyer priorities:

- **User (surgeons, doctors, nurses and other frontline staff):** Prioritizes cutting-edge technology, precision, quality, reliability, portability, ergonomics, and ease of operation
- **Buyer (administrators of for-profit hospitals):** Prioritizes compliance with regulations, initial purchase price, long-term maintenance costs, bulk purchase discounts, Return on Investment (ROI)

You'll see that these two groups emphasize different things, and in some cases, these priorities may come into conflict. In this example, the user's desire for cutting-edge features may come into conflict with the buyer's desire for a low (or lower) initial purchase price and concern for long-term maintenance costs of delicate, cutting-edge equipment.

Within the product component of PMF, it's therefore important to

* For a step-by-step framework into finding out what drives your target, see *Chapter 15: The Three Questions That Reveal Customer Motivations*.

† In more complex, high-end sales, the buyer role may be further split into two: Economic Buyer and Decider. We note the differences in the section below titled *The Sales Process as Part of PMF.*

understand the priorities that form the respective desired outcomes of each group so that you know which directions to build in, and which ones to avoid.

More specifically, it's important to understand which priorities of a user or buyer:

- Complement those of the other group
- Conflict with those of the other group
- Do not affect those of the other group

To gain, maintain and grow PMF on the product-side of things, you will need to successfully "thread the needle" in satisfying the most important and heavily weighted priorities of both groups, and not one or the other.

I say this because it's important to remember that there will be a "priority of priorities" for each group, and while you don't need to satisfy all their priorities, you do need to satisfy the key ones of each group (some of which may conflict with those of the other group's).

And in cases where the buyer and user are the same person, then the above points about identifying what are the most important hopes, dreams, desires or fears motivating the person – and which of these conflict or complement other such hopes, dreams, desires or fears still stands.

In cases where some of these hopes, dreams, desires or fears complement each other and at least one is heavily weighted in importance by the target person, then prioritize leaning into building features or products that allow your target to realize (or avoid) the outcomes (or anticipated outcomes) that drive the feeling of said hopes, desires, dreams or fears.

In cases where some of these conflict and at least one is heavily weighted in importance, then see if it's first possible to directly resolve such a contradiction either:

- With one of your existing products and/or features; and/or

- By building something to lessen, or even completely dissolve, the conflict.

This may be possible in cases where the degree (i.e. scale and/or depth) of such conflict is small enough that an acceptable middle ground can be found between the conflicting elements. The objective here is to unblock important internal and/or external conflicts that are currently impeding (or inhibiting) your target's decision-making and action-taking.

If this isn't possible, then try your best to side-step (i.e. avoid) it. As the saying goes, let sleeping dogs lie. In such cases the degree (i.e. scale and/or depth) of conflict is much higher. These likely fall into the camp of conflicts that are in strong (or even direct) opposition to each other - i.e. trying to solve one side of the conflict produces more of what's undesired by the other side, and dwelling on the issue causes the buyer to even more so unnecessarily amplify its magnitude in their mind.

It's also important to understand that the product component of PMF is not just about your product (i.e. your "widget") itself, but your entire offer.

By "entire offer" I mean the price point, billing frequency (how often you invoice), feature set and product tiers.

In other words, it's not just about your widget performing at (or above) the expectations of the user and buyer, but also that you offer terms (price, payment terms, features included for that price and the different product tiers available) that are acceptable to them.*

The point of everything mentioned in this section is to encourage you to consider (or even reconsider) what truly drives members of your target market, and to use this understanding to build products and/or features that incorporate this knowledge.

By doing so, you raise the odds of creating products (and offers built

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* For an in-depth dive into this, see *Chapter 1: A Comprehensive Framework for Developing Your Pricing Strategy that Drives Growth*.

around these products) that speak directly to the desired outcomes of your target - and it is their aspirations towards achieving these desired outcomes that influence their decision to buy (or not)

The Importance of Marketing in PMF (It's Not Only About Selling a Great Product)

At the beginning of this chapter, I said that the second part of PMF is the marketing component, and it's key to not underestimate the importance of marketing/communication in gaining, maintaining and growing PMF.

Most make the mistake of assuming that PMF is strictly about creating a great product. But as you know, a great product (even an excellent one) will not sell if people don't know about it in the first place.

You may have fallen victim to this yourself - and this is understandable, as this is quite common.

Therefore, make sure you not only build capabilities that your target market finds valuable and will pay for, but also that you communicate (on an ongoing basis) the existence of new and current features that enhance their business and/or personal lives.

In addition, it's also important to communicate how these new features and functionalities are relevant to them.

Again, how you actually do this communication is up to you. It can be email, social media, YouTube, snail mail, trade shows, transit ads… whatever works for your niche. Just make sure you're actually marketing what you build lest it be consigned to the purgatory of low (or zero) market awareness.

In other words, make sure you turn eyeballs into prospects (and prospects into new buyers), and that *current* customers understand your continued relevance to them.

If not, you risk losing not only on the customer acquisition front but on the churn front as well.

While not all of your competitors may be simultaneously marketing and building, it's likely that at least one is.

And as we mentioned before, it's not always the best quality product that gets the sale. Oftentimes, it's the competitor who builds a good (or good enough) product but who has the willingness and ability to effectively communicate the good (or good enough) value of their product to prospects (or even YOUR customers) such that it causes you to lose out on a sale (or renewal).

THE SALES PROCESS AS PART OF PMF

Though the formal sales process is not commonly mentioned in the context of the PMF process, I would argue that it is.

And by sales, I mean in the context of companies that do NOT use a self-service sales process but instead rely (or rely substantially) on sales teams to close deals.

In a self-service model, marketing drives most (if not all) of the sales process, turning prospects into buyers from afar, from the very first interaction (perhaps through an ad or a Google search ranking) all the way to a purchase through an online checkout page.

In the self-service model, it is primarily marketing, rather than sales, that helps drive PMF's faster, easier, more frequent and bigger sales. In other words, marketing generates the leads, identifies qualified prospects and closes a percentage of these qualified prospects. In many respects, in this model, marketing IS sales.

In contrast, while marketing still plays a significant role for companies that choose not to go the self-service route (either by deliberate choice or because their product does not lend itself to it, such as very expensive enterprise products), the buying process ultimately moves through different stages to its final conclusion through direct, and usually substantial, interaction with sales personnel.

In these cases, it is up to the sales team to nurture the relationships and then secure the contracts that drive the faster, easier, more frequent and bigger sales of growing PMF.

It is this aspect of companies that do not go the self-service sales route that we will be focusing on in this particular section.

As mentioned earlier in this chapter, achieving (and then strengthening) PMF requires building a product that aligns with buyer expectations and then successfully marketing it to get the relevant attention and then intensifying that attention into desire (and trust). This is common to all companies.

But for companies using a non-self-service sales model, an additional component of PMF is being able to successfully satisfy the different professional (and often, unspoken personal) demands of various constituents within a company that is considering purchase of your product(s) before a contract can be signed.

Here's what I mean: in complex B2B sales, there are often different constituent groups you may end up needing to manage during the sales process:

- **Economic Buyer:** Owns the budget and evaluates the purchase's financial and ROI aspects
- **Decider:** Makes the final decision to proceed with the purchase. Often the same as the Economic Buyer but not always
- **End User:** The person (or persons) who actually end up using the product
- **Influencer:** Provides opinions and assessments that influence the purchase. Often overlaps with the End User
- **Champion:** A supportive Influencer who actively advocates for the product within the prospect's company
- **Technical Buyer:** Assesses the product's technical aspects, such as integration, security, and scalability. Another subset of the Influencer
- **Gatekeeper:** People such as secretaries or executive assistants who control access to key decision-makers

As mentioned, these constituents will have their own professional and personal hopes, fears and desires - some spoken and some unspoken.

For example, an Economic Buyer may be concerned first and foremost about keeping costs low without regard (or an understanding) for the technical suitability of the product for the company (which is something the End User and Technical Buyer would be focused on).

On the more personal side, an Influencer may deliberately try to sabotage the sale because they are concerned about potential changes to their existing, well-established workflow, which impacts their job security and thus ability to provide for their family.

(Sound too far-fetched? Not really. Such resistance is akin to the Luddites of the 19th century, who famously destroyed textile machinery to protest against technological advancements that threatened their traditional livelihoods)

In any case, for companies without a self-service sales component, part of achieving, maintaining and strengthening PMF is being able to simultaneously manage four things that occupy the minds of the different constituents during every single online and face-to-face interaction through the sales cycle.

These four things are:

- Logical professional reasons
- Emotional professional impulses
- Logical personal reasons
- Emotional personal impulses

Therefore, a key skill of sales teams is not only being able to articulate the positioning and demonstrating the benefits of the product (basic Sales 101 which you can teach most salespeople), but also successfully dealing with these logical reasons and emotional impulses of relevant constituents on an ongoing basis - particularly in face-to-face and real-time situations. This requires not only technical skill, but strong emotional self-control and a strong social intuition.

Emotional self-control is important because salespeople will often be dealing (particularly during real-time and face-to-face encounters) with constituents' baggage created by their personal and professional emotional impulses. This baggage in turn may manifest outwards toward you as passive-aggressiveness, indecisiveness, aloofness, a confrontational attitude or even outright hostility.

(If you've been in any client-facing role, then you likely already have experienced this)

Self-service sales (i.e. marketing-driven sales) is far easier in the sense that you don't need to deal with this type of real-time, face-to-face challenges, but if your PMF is largely (or entirely) driven by a sales team, then it's imperative that emotional self-control is something that all the key members of that team have.

Meanwhile, social intuition comprises two parts:

- **Social acuity:** The ability to perceive social situations, including power balances (or imbalances) from the formal and informal hierarchy of constituents - and how this influences people's interactions / responses with each other
- **Social acumen:** The ability to act and/or decide effectively to produce desired results from information gathered through social acuity. It's one thing to be able to perceive what's going on, but it's another to know how to appropriately respond (particularly in real-time and face-to-face)

Luckily, emotional self-control, social acuity and social acumen can all be developed. And while how to do this is out of the scope of this book, there are many resources (books, videos, etc) that teach this. The key is to consistently practice these skills (and progressively ramp up the difficulty) in the real-world once you've learned the core principles.

Finally, on top of all this, constituents may not be a single person. A single constituency may in some cases comprise multiple individuals (for example, multiple Deciders and multiple Economic Buyers who each have varying degrees of influence).

In this case, you will also need to understand (and successfully manage) how they influence each other within their own constituency - and not just how they are influencing members of other constituencies.

PMF APPLIES TO CURRENT CUSTOMERS TOO

Don't forget that the four measures of faster, easier, more frequent and bigger deal sizes apply not only to new customers, but also to current customers.

In other words, PMF also applies to current customers who are renewing their contracts and/or buying more features / up-sells / cross-sells. If your product didn't offer sufficient value to them (and you weren't communicating that value regarding current or newly developed capabilities), why would they spend more or continue to stay with you? As we discuss later, PMF with current customers can be lost if your product fails to be ongoingly relevant and/or you fail to communicate your ongoing value.

OTHER METRICS EXIST TO MEASURE PMF... BUT THEY FEED BACK INTO THE BASIC FOUR WE HAVE DISCUSSED

Are there other metrics you can use to measure PMF?

Yes, other measures such as NPS scores, product usage, market share growth and customer referrals (and others) can be used to gauge PMF.

But most measures (including these ones just mentioned) feed back into, and are ultimately reflected in, the four we have discussed.

For example, high user satisfaction as reflected in NPS scores and usage rates have a strong correlation with rates of renewal, up-sells and cross-sells. Meanwhile, market share growth is a direct result of more sales. And increased customer referrals often means faster sales cycles and easier sales from the pre-established trust.

Therefore, the selection of faster, easier, more frequent and bigger sales as our primary gauges of PMF is based on their nature as comprehensive indicators that already take into account movement in constituent metrics such as NPS, product usage or referrals.

In other words, faster, easier, more frequent and bigger sales encapsulate these various other measures, which is why we give them primacy over other indicators.

BE VIGILANT: PMF ONCE ACHIEVED, CAN STILL BE LOST

PMF, once grasped, can also be weakened (i.e. the PMF light dial can be turned back to dim) or completely lost (i.e. the light switch being flicked off).

This happens when your product no longer produces the outcomes demanded by your market.

Or perhaps your marketing is no longer as effective as it once was - changes in buyer behavior are a result of evolutions in your competitors, technology, the economy, culture, society, the law and other factors.

Or heck, maybe it's the double whammy of your product no longer producing desired outcomes relevant to your buyers combined with a decline in the effectiveness of your marketing (or far worse, maybe you even stopped marketing altogether).

Or maybe you had turnover in your sales team and the new replacements just aren't as skilled in closing sales as your previous team members.

Regardless of whether it's a product and/or marketing and/or sales issue, if you see any of the four key measures declining, you know your PMF is starting to slip.

And remember, we're not just taking into account new sales when measuring PMF via the four key metrics. We're also considering sales to existing customers via renewals, up-sells and cross-sells, and how fast, easy, frequent and big these are.

Once you notice any of the four indicators declining, you want to work backwards and find out what is causing any one of them to flag.

Is it because a comparable product has come onto the market that offers similar value at a better price?

Or perhaps the new ad copy you're using doesn't convert as well as your previous version?

Or maybe it's a UX overhaul you implemented that makes your product much less intuitive – and much more frustrating – to use? For example, remember Snapchat's controversial 2018 redesign that led to their first-ever decline in daily user numbers?

The key to finding out the root cause is to review both your qualitative data by speaking to users/customers, and your quantitative analytics data. Start by finding the bottleneck(s) within the respective system of individual moving parts comprising each of the four indicators we've discussed.

Whether you start by working backwards from the endpoint and pinpointing the bottleneck closest to the final outcome – or whether you begin the opposite way by first locating the bottleneck closest to the starting point – is up to you.

What's more important is that you work with whatever information is available to you at the moment (however little and/or vague), and that you take the initiative to fact-find (if necessary) additional quantitative and/or qualitative data that allows you to find the cause and a solution.

THE CHALLENGES OF OPERATIONALIZING PMF IN THE REAL WORLD

An additional note on PMF: we know that it's the result of actively finding out your market's desired outcomes and realizing those outcomes in the real world through your features and technology (either built-in house and/or leveraging something that others created).

Then it's communicating to your prospects and existing customers that those desired outcomes can be realized through using your product.

But this is the clean, "storybook" version of PMF that exists in the realm of ideas and frameworks.

What's not uncommon when you actually "operationalize" these ideas is that oftentimes reality may not (or may not immediately) reflect the idealized outcome you originally envisioned in your mind.

For example, the suggestion to "communicate your new features" to your market is relatively simple and straightforward advice.

But as you know, actually marketing in the real-world involves a lot of individual moving parts, many of which influence (and are influenced) by a myriad of other factors.

For example, writing an effective ad requires finding the right positioning, copy that reflects said positioning, and then placement of the ad in the right online/offline venues where your audience spends their time and attention.

And then these moving parts are themselves composed of other smaller decisions and actions (for e.g. finding a good copywriter, understanding media placement, etc) that also influence the ultimate effectiveness of your ad.

On top of that, even if you get most (or even all) of the operational details right, what you BELIEVE is an effective ad may not actually be received as such by your market once it moves from an idea into the real world.

And this applies to everything else you do during the PMF process.

In many ways, it's the difference between reading a book on how to ride a bike versus actually doing it.

So far we've discussed the overall process of PMF, and also explained each of its major components in order to help you shortcut the process of achieving PMF. But this framework does not (and cannot) tell you what the specific operational steps are for your specific, personalized situation.

The point of all this?

It's that while PMF sounds simple because this framework removes a lot of the proverbial groping in the dark (for many people, PMF is something they "stumble" into via random iteration), how the real-world responds to your application of this framework comes down largely to your own skill, willingness to evolve and willingness to endure failures before finding success.

However, this framework will at least give you a better chance of achieving PMF – and perhaps even strong PMF – which is something that cannot be said for the majority of businesses.

SUMMARY

1. **Product-Market Fit (PMF) involves aligning the product, marketing, and sales components to meet buyer expectations and desired outcomes**
2. PMF is both a binary threshold (like a light switch - you either have it or you don't) and a dial of degrees (the strength of PMF can vary, like a light dimmer)
3. **The four indicators of PMF strength are: faster sales, easier sales, more frequent sales, and bigger deal sizes.** Seeing progress in more of these simultaneously indicates stronger PMF
4. The product component of PMF requires building something that satisfies the key priorities and desired outcomes of both the user and buyer, which can sometimes conflict
5. Marketing and communicating the product's value and relevance to the target audience is a critical part of PMF. A great product alone is not enough without awareness
6. For non-self-service sales models, managing the logical and emotional factors influencing various constituents during the sales process is part of PMF
7. These constituents include the Economic Buyer, Decider, End User, Influencer, Champion, Technical Buyer, and Gatekeeper, each with their own priorities and concerns.
8. Sales teams need emotional self-control, social acuity, and social acumen to navigate complex B2B sales processes and strengthen PMF
9. PMF applies to both acquiring new customers and retaining/expanding current customers. The same four indicators apply
10. Other PMF metrics like NPS, product usage, market share ultimately feed into the four key indicators of faster, easier,

more frequent and bigger sales

11. PMF can be lost if the product stops producing desired outcomes or marketing becomes ineffective. Declining metrics indicate slipping PMF
12. Finding the root cause of declining PMF involves reviewing qualitative customer feedback and quantitative analytics data to identify bottlenecks
13. Operationalizing the PMF framework has real-world challenges. Success depends on execution skill and willingness to iterate based on market feedback
14. The PMF framework provides guidance but cannot prescribe exact steps for every unique situation. Skill, adaptability and perseverance are still required
15. Nonetheless, understanding and applying the PMF framework improves the odds of achieving and strengthening PMF compared to businesses that don't utilize it

CHAPTER 3
WHAT'S THE BEST WAY TO ADDRESS BUYER DOUBTS ABOUT YOUR PRODUCT'S CLAIMS?

THE (IN)EFFECTIVENESS OF CONTINUALLY ENLARGING YOUR PROMISES

A not insignificant portion of your prospects will harbor some level of skepticism towards what you claim your product can do.

And if the degree of skepticism outweighs the return they expect from your product as they currently understand it, this will ultimately show up as drop-offs in your sales and/or marketing funnels – or in its most explicit form as objections during calls or meetings.

And even if some part of them wants to buy, for these prospects sitting on the fence, how do you overcome this skepticism towards buying?

For many founders and executives, the natural (and understandable) inclination is to enlarge the claims about their product's abilities.

But is this the right way to go?

No.

If they're already skeptical of your current claims, will making them bigger make them less skeptical?

Of course not.

In fact, the wider the gap between where prospects currently see themselves (or their situation) versus your claims of what life will be like by using your product, the more likely they are to be skeptical – and the stronger such skepticism is.

Instead of amplifying (or worse, continually amplifying) your claims, the much more effective thing to do is to explain how it is that those features are able to produce the promises you make. In other words, you're explaining the mechanism by which your promises will be realized.

While, bigger promises (including ones bigger than similar claims by competitors) can often translate into more sales, there's a tipping point at which a claim becomes "too big" and is difficult to believe.

Once this threshold is crossed, the most effective thing to do is to explain the "how" (i.e. mechanism) of your promise. It's not just about amplifying your claims (what many people mistakenly think marketing is), but also explaining why your product can – and will – produce the results you tout.

FROM THE BUYER'S PERSPECTIVE: THE PSYCHOLOGICAL EFFECT OF EXPLAINING THE MECHANISM BEHIND YOUR PRODUCT'S PROMISES

Yes, explaining the mechanism does the obvious thing of providing understanding and a believable basis (rooted in rationality and/or emotion) for your claims.

Simple right?

Well it runs a little deeper than that.

And it's that this understanding does something far more important for your prospect: it reduces their emotional and/or cognitive dissonance. More specifically, it's about resolving their internal conflict between WANTING to believe your claims, but not being able because they don't have enough credible information to see (and believe) for themselves how such outcomes can ultimately be realized.

Ultimately, they desire the end benefits that come from realizing the promised outcomes. They just need the required logical and/or emotional justification to move from their current level of skepticism to increased belief. This reduction in skepticism would then potentially open the door to full belief, assuming you stack enough follow-on understanding for that particular claim.

Another practical reason you want to explain your mechanism is that it differentiates your claims from competitors making similar ones.

The company that can best articulate the underlying processes through which a promise is realized (amongst the same or substantially similar claims made by others) will earn more of the market's favor for that particular promise.

And another thing – this also applies to situations where your claim is bigger (in scope and/or magnitude) than your competitors'. If you can explain how your bigger promise can (and will) be produced by your mechanism but your competitor fails to do so, this increases the probability that prospects will decide to side with you on this particular claim.

Of course, the above only works if you articulate the relevant moving parts of your mechanism with sufficient detail, clarity and credibility.

But keep in mind that the act of explaining doesn't by itself reduce skepticism. Rather, it's more about you:

- Initiating the act of explanation
- Explaining the different moving parts of the mechanism in a way that can be followed sequentially and step-by-step by the prospect's logical and/or emotional mind (i.e. you "connect the dots" for them)
- Explaining each moving part with sufficient detail and clarity such that the prospect believes that the overall process you've outlined can (and will) indeed produce the promised result
- Don't break the chain of logical/emotional assurances above by doing anything that destroys believability for that particular buyer segment

YOU MUST MAINTAIN BELIEVABILITY WHEN EXPLAINING YOUR MECHANISM OR ELSE IT ALL FALLS APART

By “don’t do anything that destroys believability”, I mean the following:

Let’s say you claim your new encryption software is secured with alien technology recovered from a crashed UFO. Now if your target market was wacko conspiracy theorists who were also business owners, that might work in terms of believability.

But for the overwhelming majority of other businesses looking for serious, credible security solutions, this claim wouldn’t fly and would likely erode trust rather than build it.

Ok, so that was an extreme example with respect to the degree of believability. Here’s one example about physical fitness where the mechanism could still be within the realm of plausibility, yet ultimately hard to believe for most people:

> *“Our exercise machine harnesses unique harmonic vibration technology that resonates with your muscle cells’ natural frequencies, activating every major muscle group in your body to its fullest potential in just 10 minutes a day.”*

The key takeaway is that while explaining the mechanism is crucial for dispelling skepticism, the believability of the mechanism itself is also a key ingredient.

YOU CAN STACK MULTIPLE BELIEVABLE PROMISES TO FURTHER REDUCE SKEPTICISM

Another way to reduce a prospect’s overall skepticism around whether your product can create the desired “before and after” transformation is stacking on new believable promises that are relevant and/or important to them.

Each additional believable promise will serve to not only elevate the desirability of your product, but also remove degrees of skepticism.

Think of it like putting together a jigsaw puzzle. Each piece represents a believable promise with an explained mechanism. As more pieces are put into place, the bigger picture becomes clearer, amplifying the product's overall credibility and also enhancing its value to the prospect via promises grounded in clearly articulated, believable mechanisms.

SUMMARY

1. Many prospects will be skeptical of the claims made about what your product can do, leading to drop-offs or objections if their skepticism is not sufficiently addressed
2. A seller's natural inclination is to make even bigger claims about their product's abilities, but this increases skepticism if prospects don't believe the current claims to begin with
3. **To reduce skepticism, explain in detail how the product's features and mechanisms work, and how it consequently enables your product to deliver on the promised outcomes**
4. Explaining the mechanism provides the logical and/or emotional justification prospects need to move from skepticism to increased belief in your product claims
5. It differentiates your claims from competitors by articulating the credible process used for realizing the promises you make
6. Your explanation of the mechanism must lay out the step-by-step process clearly and credibly, avoiding anything that undermines believability for that audience

CHAPTER 4
THE FOUR STEP FRAMEWORK FOR PERMANENT BUYER DELIGHT

FOUR STEPS TO DELIGHTING YOUR BUYERS

We're told to "delight" our buyers but rarely does anyone explain how to do it.

Here's a framework you can use to delight them:

1. Solve current and/or anticipated problems that are relevant and important. You can also create desired opportunities. These are mandatory table-stakes. Without getting this first step, it's difficult to build a pool of buyers. For the sake of simplicity in this chapter (and instead of repeating "problems solved and opportunities created" over and over) I will instead say "problems solved" to encompass both
2. Realize that amongst this list of relevant and important problems will be some that hold greater weight with your buyers. Your features (and how you implement them) will be the vehicle by which these problems are solved
3. The greater NUMBER of these more heavily weighted problems, the more potential you have for delighting them
4. Then, solve these issues at a MAGNITUDE that materially exceeds their current expectations. In other words, pick a trait

(or traits) that you want your features to excel at, and smash the current expectations that your buyers have for these features. The current state of such expectations in your buyer's mind is often already set by other products they have used in the past

REAL-WORLD EXAMPLES OF MATERIALLY EXCEEDING BUYER EXPECTATIONS

To help clarify this final point about solving problems at a magnitude that materially exceeds current buyers expectations, here are a few examples of this happening using expectations around the traits of speed, value, volume and quality:

- **Speed:** Apple's introduction of the M-series chips in their computers allowed for (among other things) real-time editing and rendering of 4K and 8K videos without stuttering, lag, heat and power draw issues – even when operating just on battery power. Prior to this, it was difficult (if not impossible) to buy computers (let alone laptops) that were capable of this
- **Value:** Toyota cars are known for exceptional reliability and longevity at very reasonable prices, translating into a much lower lifetime cost of ownership than other brands. Toyota cars also generally hold a higher resale value, allowing customers to get a greater return on their investment when it's time to sell or trade-in
- **Volume:** Wikipedia is the world's most comprehensive encyclopedia, with information on almost every topic imaginable, however niche. It's also free so it touches on the "value" trait as well
- **Quality:** Moleskine and Rhodia notebooks with heavy-weight, velvety pages that make writing a buttery smooth experience help them to stand out in a crowded market. These notebooks also resist the bleeding, feathering and ghosting problems common in lower quality notebooks, making Moleskines and Rhodias ideal for a variety of writing instruments including fountain pens. In addition, the elevated aesthetic design and robust physical construction of these two brands of notebooks

itself becomes a statement of the buyer's sophistication and taste

As you can see, by "materially exceeds" expectations, I mean surpassing your users' expectations to elicit a reaction closer to "Wow, I didn't expect this at all!" rather than a more sedate "Oh, ok, nice."

If we were to quantify this surpassing of expectations, would "materially exceeds" mean you beat existing expectations by 20%? How about 30%? 50%? It's hard to say – and in fact no one knows…but you know it when you see the reaction from your users.

Now is this a bit of a cop-out definition?

Perhaps. But there's no way to quantify exactly what constitutes "materially exceeds" expectations except to say "I know it when I see it" (similar to what US Supreme Court Justice Potter Stewart wrote in 1964 when attempting to define obscenity).

So yes, this is the squishiest, most difficult to define part of this framework. But you get the point.

FOCUS ON SOLVING YOUR BUYER'S MOST HEAVILY WEIGHTED PROBLEMS AND NOT THE SIZE OF YOUR SOLUTION

Regarding bullet point #2 of the framework (that among your buyer's list of relevant and important problems, some will hold greater weight for them), you'll see that it's not the size of your solution (i.e. how much engineering or design effort you put into it), but instead is about:

- WHICH issue(s) you are solving (the more heavily weighted, the better); and
- How MANY of these heavily-weighted issues you solve

HOW you solve these greater weighted problems is up to you, your ingenuity, creativity and skill – as well as your ability to implement your solutions. In some circumstances you might solve this easily and cheaply (i.e. "an easy fix") while in some cases it may involve a much more involved effort ("a heavy lift").

In other words, focus first on solving your users' most heavily weighted "important and relevant" problems. Only then do you decide if it requires a "big" or "small" solution in terms of engineering effort, time and/or money.

(And remember, the extent of these three things in relation to producing a solution that materially exceeds buyer expectations will be influenced by your ingenuity, creativity, skill and implementation ability).

An important thing to realize is that the buyer cares first and foremost about effective solutions to their heavily weighted problems.

Whether it's solved via a big or small solution doesn't matter to them – they just want a specific outcome created in their business and/or personal life. And the more your solution exceeds their expectations of what the outcome looks like, the more likely they are to buy from you – and to remain a continuing customer. If not, then there's always someone else they can turn to.

BUYER DELIGHT IS STACKABLE

Also remember that delight can be stacked.

Let's say that Feature A will produce 20 units of buyer delight while requiring 15 units of production effort from you. In terms of importance and relevance, let's say that the problem Feature A solves is at the top of the users' priorities so let's give it a multiplier of 1.0 (when you do this on your own, you can use whatever scale you want).

And let's say that Features B, C and D each produce 9 units of buyer delight while requiring 4 units of production effort from you. For the sake of simplicity, let's say they also each have the same multiplier of 0.85, meaning they occupy a lower level of importance and relevance to your buyer compared to Feature A.

You may decide instead to stack Features B, C and D to produce more overall user delight even though they individually on their own produce less delight than Feature A. At the same time, you'll also expend less total production effort creating Features B, C and D compared to Feature A, allowing you to reinvest that surplus production capacity elsewhere.

Here's how it works:

- **<u>Bundling Features B, C and D:</u>** <u>Generates 22.95 total units of user delight</u> (9 delight units each x 3 features x 0.85 multiplier) from <u>12 units of production effort</u> (4 production units each x 3 features)
- **<u>Feature A alone:</u>** <u>Generates 20 total units of user delight</u> (20 units x 1 feature x 1.0 multiplier) <u>from 15 units of production effort</u> (15 production units x 1 feature)

One option gives you 22.95 units of total delight while expending only 12 units of effort, while the other requires expending 15 units of effort to get only 20 units of delight.

In other words, by bundling Features B, C and D, you get more delight while using less effort than Feature A.

Of course, in your own work, you are welcome to experiment with other combinations too to find the right ratio of delight to production effort, and to invest any surplus production effort into relevant features or projects (which factors into bullet point #3 of the framework introduced at the beginning of this chapter – the number of solutions you produce also factors into delighting a buyer).

At the of the day, do whatever works best for your customers and market, but remember that user delight is not always correlated with how much effort you put into delivering the feature.

In other words, delight isn't about how big your swings are, but primarily about whether you're effectively solving (in a way that materially exceeds current expectations) important and relevant problems that are most heavily weighted by your users.

SUMMARY

1. To delight buyers, solve current and/or anticipated problems that are relevant and important to them, or create desired opportunities
2. Recognize that among this list of relevant and important problems/opportunities, some will hold greater weight with your buyers
3. The greater the number of these more heavily weighted problems you solve, the more potential you have for delighting your buyers
4. **Solve these issues at a magnitude that materially exceeds their current expectations, which are often set by other products they have used in the past**
5. More specifically, choose specific traits (e.g., speed, value, volume, quality) that you want your features to excel at and significantly surpass the current expectations of your buyers.
6. Focus on solving your users' most heavily weighted "important and relevant" problems, and then decide if it requires a "big" or "small" solution in terms of engineering effort, time, and/or money
7. The buyer primarily cares about effective solutions to their heavily weighted problems, regardless of the size of the solution.

CHAPTER 5
ARE YOU JUST TELLING STORIES, OR ARE YOU ACTUALLY DRIVING SALES?

EFFECTIVE STORYTELLING: MORE THAN JUST STORY STRUCTURE

If you want to sell more by "better telling your story", it helps to understand that effective storytelling is a lot more than mere story structure (such as Joseph Campbell's "Hero's Journey" that so many people automatically default to).

What do I mean?

Effective storytelling is more than just telling your prospects about the "before and after" transformation or using one of many pre-made frameworks.

THE DIFFERENCE BETWEEN COMPELLING AND EFFECTIVE STORYTELLING

You'll notice I said "effective" storytelling and not "compelling" storytelling.

Here's why: a well-written story that arouses emotional and/or logical reactions from your target is merely compelling - but not necessarily effective.

EFFECTIVE storytelling is a compelling story that is also:

1. Delivered to the right person or persons (i.e. proper audience selection) and...
2. To the online/offline venues where they spend their time and attention (e.g. Twitter, YouTube, physical mail, etc) and...
3. According to a sequence appropriate for your product/market (for eg. moving them off a social media post to your email list or WhatsApp group) and...
4. Where needed, individual parts of your marketing system (i.e. the bullet points above) and/or the story itself are updated to reflect changes in buyer behavior

EFFECTIVE STORYTELLING IS THE RESULT OF A SYSTEM

So yes, your story structure (e.g. Hero's Journey framework) matters - and it matters a lot.

But just as a sustainable long-term business is more than just the product, an effective STORY is also the result of a storytelling SYSTEM that does each of the 4 things above.

Put another way, an effective business embeds the product in an overall system that includes marketing, order fulfillment and distribution, for example.

Similarly, the story (or stories) you tell need(s) to be part of an overall system that can convey, amplify and update your message as your market evolves.

In other words, great stories working in isolation are merely compelling.

You don't want to settle for just compelling - you want EFFECTIVE.

And to achieve that, you need to build all the components of your system that:

- Deliver your compelling story to the right people
- Via the right online/offline venues
- In the proper sequence

- And where all parts of this system are updated, where necessary, to reflect changing (or changed) market conditions.

Go for effective, not just compelling.

One tells a good story while the other actually pays your bills.

SUMMARY

1. Effective storytelling is having an overall system that **conveys**, **amplifies** and **updates** your message as your market evolves
2. This means it's more than just "compelling storytelling" that uses narrative arcs such as the well-known "Hero's Journey" framework by Joseph Campbell
3. That is not to say that "compelling storytelling" isn't important (it is). However, what you want to do is: (i.) deliver your compelling story to the right people (ii.) via the right offline/online venues (iii.) in the proper order. And where necessary (iv.) you update any part of this system to reflect changing market conditions

CHAPTER 6
THE THREE QUESTIONS THAT REVEAL CUSTOMER MOTIVATIONS

THE THREE SIMPLE QUESTIONS FOR FINDING OUT WHAT MOTIVATES YOUR BUYERS AND PROSPECTS

Three important things to find what drives the behavior of your customers and prospects are:

- What will they tell you?
- What won't they tell you?
- What can't they tell you?

What you're essentially looking for is whether what they say matches their individual actions and/or patterns of behavior.

In other words, you will be looking for congruencies between words and actions/behavior – or the lack thereof (i.e. discrepancies).*

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* You'll notice that I didn't say anything about spotting inconsistencies between one spoken narrative thread versus another spoken thread. That's because this is a lot easier to pick up versus the much more difficult job of comparing spoken words with action/behavior (which include being able to detect subtleties such as tiny changes in voice tone or almost imperceptible changes in muscle tension). Inconsistencies amongst different spoken narratives threads are a lot more glaringly obvious and can be detected via logical deduction (which you're probably already pretty good at) rather than finely tuned social intuition.

So what's the pay-off for being able to identify discrepancies (or congruences) between explicit spoken speech versus actions/behavior?

First and foremost, the biggest reward for you is that it will allow you to build features and/or new products that actually get bought and which also ideally enjoy repeat purchases.

As you know, the things that people tell you may not accurately reflect what they desire deep down and will actually pay for. That's why being able to detect congruencies or discrepancies between what your buyers/users tell you and what they actually think/feel/believe/do is so powerful – it gives you clues about what they're really thinking and thus allows you to make more accurate decisions about what should (or should not) be built.

It'll also allow you to better prioritize the sequence of things that should be built.

DEFINING THESE THREE QUESTIONS

So, what do these 3 questions actually mean?

- **What will they tell you:** Information they reveal to you verbally or in writing
- **What won't they tell you:** Reasons and feelings they are consciously aware of – and can put into words – but which they don't feel comfortable disclosing. Reasons include the fear of being judged or causing offense, lack of trust, doubts about the reliability of your product, etc
- **What can't they tell you:** "Impulses operating below the surface". There are two types. The first are those that they are not conscious of (i.e. unknown unknowns). The other type are those that register consciously yet can't currently be put into words (similar to "tip of the tongue" syndrome). The reason they can't tell you may be because of psychological imprinting in early life, unprocessed feelings, emotional barriers, cognitive biases, etc.

CONCRETE EXAMPLES OF MOTIVATIONS THAT CUSTOMERS AND PROSPECTS REVEAL BY ANSWERING THESE THREE QUESTIONS

What we've looked at so far might come across as pretty abstract, so here are some concrete examples from each category:

What will they tell you:

- The prospect tells you they picked a competitor because it offered a longer warranty
- A customer emails you to express frustration about a delayed shipment

What won't they tell you:

- A recipient of an entry-level Rolex watch gifted to them for their birthday declines to wear it to social events because they feel it's not prestigious enough (maybe they feel a more expensive Patek Philippe or Audemars Piguet is more befitting of them)
- A gym-goer (recently laid off from their 6-figure job) declines to renew their membership to a high-end gym not because they don't derive value from it, but because of financial pressure (which they're too embarrassed to tell anyone about)

What can't they tell you:

- Someone uses overly ornate diction in daily conversation to mask their insecurity about appearing stupid because of bad report cards they got as a child
- A project manager resists transitioning to a new project management tool, but can't quite put his finger on why (not realizing it is because of an underlying fear of change)

THE 5 WHYS METHOD: ANOTHER WAY TO UNCOVER MOTIVATIONS

An effective way to further progressively reveal the sequence of their "What will they tell you" motivations is to use the "5 Why's Method". In this technique, each successive "why" is designed to get closer and closer to the underlying motivation(s).

Here's how it works:

You: *Why did you choose our competitor's product?*
Them: *Because it's more user-friendly*
You: *Why is user-friendliness important?*
Them: *I can operate it easily*
You: *Why is operating it easily important?*
Them: *I save time*
You: *Why is saving time important?*
Them: *I feel more productive*
You: *Why do you need to feel productive?*
Them: *I don't know, it just feels good*

It's key to note that the number of why's isn't necessarily fixed at five. What's far more important is to ask "why" enough times as needed to get to the point where they struggle to articulate a coherent reason. In other words, as in the example above, they say things like "I don't know why", "I just feel that way" or "My gut says so".

Once you've reached the point where they struggle to articulate a reason, you know you've reached either the domains of "What can't they tell you" or "What won't they tell you".

DEEPEN YOUR ANALYSIS BY REVIEWING HISTORICAL DATA AND OBSERVING CURRENT BEHAVIOR

At this point, you've exhausted this particular topic/line of questioning and you want to switch to primarily relying on review and (where possible) observing.

Here’s what I mean:

- **Review:** Analyzing past actions and/or behavioral patterns from written/video/audio sources to draw conclusions about their unarticulated motivations
- **Observe:** Same objective as Review, but these conclusions are formed by watching current, real-time actions and behavior

Data sources for “Review” include (but are not limited to) Amazon reviews, social media posts and your product’s analytics data.

“Observe”, on the other hand, is ideally done one-on-one and in-person (i.e. not over video calls).

Of the two, I would say that “Observe” is harder because you are analyzing in real-time (and likely simultaneously juggling a conversation with your subject).

In other words, unlike “Review” activities, there’s no rewinding videos or taking your time mulling over product analytics.

In “Observe”, you’re specifically focusing on their sub-communications to detect leakages of unspoken feelings, thoughts and beliefs. Therefore, compared to “Review”, you’ll need a higher level of social acuity to make the most of this.

Sub-communications you observe fall into two categories:

- **Body language:** Physical posture and changes in this posture over time
- **Reactions:** Voice tone, cadence, muscle tension in different parts of the body, breathing rate, sweating, skin flushes, etc

As I mentioned at the beginning, the point of everything so far (including review and observation) is to find congruencies or discrepancies between what they tell you in speech or writing, versus:

- What you see them do (or have done); and/or

- What you intuit they think/feel/believe based on their body language or reactions

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FROM THEORY TO APPLICATION: AN EXAMPLE SHOWING HOW WE CAN UNCOVER BUYER MOTIVATIONS BY LOOKING FOR DISCREPANCIES BETWEEN WHAT THEY SAY VERSUS WHAT THEY DO

Here's an example using a fashion retailer:

1. **Review of past behavior:** Your sales data shows a customer often buys high-end brands, but ends up returning most of them
2. **Direct questioning of subject:** The customer explicitly states a strong preference for luxury brands due to their perceived higher quality
3. **Observation of subject:** While shopping, you notice they actually spend more time trying on less expensive brands, appearing more relaxed and decisive when doing so. In contrast, when trying luxury counterparts they frequently ask about price and appear unsure in their body language and voice tone. In a potential sign of overcompensation, they constantly brag about the other luxury items they think of buying
4. **Conclusion:** The discrepancy between their stated preference for luxury brands and their actual behavior (which you reviewed and observed) suggests a conflict between their aspirational desires and financial considerations

In other words, you combine the information you gathered from direct questioning (for e.g. using the 5 Why's method) with those from "Review" and/or "Observe" to form a fuller understanding of their motivations at all 3 levels of "Will", "Won't" and "Can't".

Notice I said a "fuller" understanding and not a "complete" understanding. That's because only the subject themselves best know (or feel) their underlying motivations. And even then, there are some motivations that they can't explain ("what they can't tell you").

In other words, you'll never get a 100% accurate picture with this method (or any method). At best, you can – when compared to before – get an improved approximation of what underlying motivations drive their actions and behavior.

But what this method (and other related methods) does is it at least gives you a way to triangulate the motivations for their behaviors at a deeper and/or broader level than if you didn't do this. Naturally, even this imperfect understanding allows you to make more informed decisions about how to achieve your business goals.

HOW TO DIFFERENTIATE BETWEEN "CAN'T TELL YOU" VERSUS "WON'T TELL YOU"

Differentiating between what motivations are driven by their "can't tell you" versus "won't tell you" is tricky. The best advice I have for you is to use your intuition to decide.

Yes, this is an unsatisfying answer, but let's be honest – how are you TRULY 100% going to know whether they are actively hiding something from you, or if it's something they're not conscious of (i.e. an unknown unknown)?

The answer is you can't.

The only way is if you could read their mind. Even with something as advanced as brain scans, for example, you can only get partial answers (though this will very likely change as technology improves).

That's why I emphasized the need for social acuity, and in particular for "Observe" more so than "Review" (though it's important for both). You are essentially leaning on social intuition to make meaning of the information you collect.

At a bare minimum, what you'll be able to do is ascertain whether what they say matches what they feel/think/believe (congruence) or if what they tell you isn't quite true (discrepancy).

If you intuit congruence in a particular area, then that is a potential target for your investments of time, energy and/or money.

If you instead intuit discrepancy, then that's a signal for you to either deprioritize or avoid that area completely.

What I recommend is combining your existing social intuition with the ideas discussed above to significantly reduce ambiguity around the motivations of your prospects or buyers. In other words, melding your social acuity with the 5 Why's (or another method that produces similar results) alongside review and observation of subtle verbal and non-verbal cues to confirm discrepancies or confirm congruences.

In other words, it's to use the tools presented above to enhance your natural in-built ability to read between the lines.

WHAT ELSE THESE CONCEPTS CAN DO FOR YOUR BUSINESS

The combined information you collect from direct questioning, reviewing and/or observation – however imperfect – will allow you to make more accurate (and better prioritized) decisions around product development, marketing and sales.

More specifically, it will also help you:

- Tailor your marketing and sales efforts to address both explicit and unspoken concerns, resulting in easier, faster sales and smoother, more predictable revenue
- Raise the odds of becoming your niche's first choice (or one of their first choices) with your ability to speak accurately (and just as important, precisely) to their very specific hopes, fears and desires

Ultimately, exploring the three levels of motivation (even if you do it imperfectly) is much more likely to lead to superior outcomes than not exploring them at all.

ENDNOTE ABOUT QUESTION HIERARCHY

You might also be asking "Is there a particular hierarchy to these 3 questions of 'What will they tell you', 'What won't they tell you' and 'What can't they tell you'?"

In other words, do the unconscious forces of "what can't they tell you" always overpower those driving the conscious levels of "what won't they tell you" and "what will they tell you"?

No.

A common misconception is that unconscious impulses always override our conscious considerations (which are also often logic-driven).

Yes, although there certainly is a general tendency for the deeper, less easily articulable impulses (often related to primal instincts from our reptilian and limbic brains) to be most influential, it's not a hard and fast rule.

An example of higher level, conscious reasons trumping deeper unconscious beliefs would be a patient who knowingly chooses a generic drug over its big brand name equivalent.

In this case, despite the unconscious perception of the brand name option as more effective and/or higher quality – a common human tendency – the patient nonetheless chooses the generic.

This decision is rooted in their conscious understanding that it's identical in formulation, composition and efficacy – while also meeting the same stringent safety and quality standards.

This is also a good demonstration of the conclusions of our conscious mind taking precedent over deeper, more primal unconscious impulses.

At a deeper level, this goes to the point that what is considered "common knowledge" or "occurring in the majority of instances" is not always hard and fast.

In other words – and as you probably already know – there are rarely any definitive absolutes in business (or life) – and it would be foolish to operate otherwise.

SUMMARY

1. To understand customer behavior, find out (i.) what will they tell you; (ii.) what won't they tell you; and (iii.) what can't they tell you
2. **What will they tell you:** Information they reveal to you verbally or in writing
3. **What won't they tell you:** Reasons and feelings they are consciously aware of – and can put into words – but which they don't feel comfortable disclosing
4. **What can't they tell you:** Impulses operating below the surface. There are two types. The first are those that they are not conscious of. The other are those that register consciously yet can't currently be put into words (similar to "tip of the tongue" syndrome).
5. Look for congruencies or discrepancies between what customers say explicitly and their actual actions/behavior to gain insights into their true underlying motivations, needs, and desires
6. The "5 Whys" technique helps reveal conscious "What will they tell you" motivations by repeatedly asking "why" until the customer struggles to articulate a clear reason. This indicates you've reached the "won't tell you" or "can't tell you" level
7. Review the customer's past actions and behavioral patterns using data sources like product reviews, social media, and product analytics to provide clues into their unstated feelings, thoughts, and beliefs driving their behavior
8. Observe the customer's real-time behavior, body language, and reactions when interacting with your product or the shopping experience to detect subtle non-verbal cues that may reveal insights into their true feelings and motivations

9. Combine information gathered from direct questioning, reviewing past behavior, and observing current behavior to assemble a more complete picture of the customer's motivations at all three levels
10. Differentiating between "won't tell you" and "can't tell you" motivations ultimately requires using your intuition, as you can't know for certain if they are consciously withholding information or are unaware themselves

CHAPTER 7
WHY YOUR CONVERSION RATES DEPEND ON RECEPTIVITY AND RESPONSIVENESS

INCREASE CONVERSION RATES THROUGH RECEPTIVITY AND RESPONSIVENESS

Want to increase the conversion rate of your sales and marketing – and ultimately increase your revenue?

Then focus on creating both receptivity and responsiveness from your prospects.

Here's what I mean:

Receptivity means your prospect's mind is open to hearing and then accepting your messages. If you were a travelling salesperson going from house to house, this would be the equivalent of getting your prospect to open their front door for you.

Meanwhile, **responsiveness** means the prospect (after opening the door for you) will consequently:

- Take one or more actions you desire they take; and/or
- Make one or more decisions you desire they make; and/or
- (Ideally) take on ongoing thought patterns that favor your product and/or brand

Put more specifically, the result of these actions, decisions and thought patterns arising out of **responsiveness** are ideally:

- Making a purchase from you; or
- Becoming more interested in your product (continuing with the travelling salesperson analogy, this would be akin to them taking one of your product brochures or catalogs)

So how do you create receptivity and responsiveness in your prospects?

HOW DO YOU CREATE RECEPTIVITY?

Creating receptivity in your prospect means successfully doing the following:

- Proper audience selection
- Getting their attention
- Communicating specific benefits they will enjoy by using or owning your product (these benefits must be ones that ultimately matter to them)
- Getting their trust on your initial approach as a stranger to them

SELECTING THE RIGHT AUDIENCE FOR RECEPTIVITY

Creating receptivity starts with proper audience selection. More specifically, the people you ultimately pick need to be those who will positively identify/resonate with the emotional and/or logical triggers embedded in the storytelling comprising each stage of your marketing and sales campaigns.*

* By "each stage of your marketing and sales campaigns" I mean the steps that move someone from prospect to warmer prospect, and finally to buyer. In other words, models such as the popular TOFU/MOFU/BOFU (Top, Middle and Bottom of Funnel) – or ones like the Five Stages of Awareness.

Put another way, proper audience selection is communicating to those who are already predisposed to hearing about your product because they are consciously or unconsciously looking for the results (either a problem solved and/or opportunity created) that your product purports to offer.

And regarding the emotional and logical triggers that are embedded in your storytelling I just mentioned, these will be drawn from the benefits that your product can create in the lives of these prospects (more on this shortly).

CAPTURING ATTENTION FOR RECEPTIVITY

After identifying your audience, you need to get their attention. At its core, this means:

- Design that is visually arresting AND readable (not merely "legible")
- Communicating one (or a handful) of your product benefits within the attention span they initially give you, and which land most powerfully with them

Let's take this one by one.

First, design that is visually arresting AND readable (not one or the other).

"Visually arresting" means your design (whether it's your UI, UX, font choice, video selection, etc) stand out and catch their attention amongst all the other things currently competing for their attention in the immediate moment. This means whatever is on their screen if you're reaching out to them digitally, or whatever is in their physical environment if you're marketing in the physical world (for e.g. in-person industry conferences, public transit ads, billboards, etc).

"Readable" means that the visually arresting design is both legible (i.e. the individual letters of your words itself can be made out) AND spatially organized in such a way that key text and non-text elements are comprehensible.

By this I mean your key text can be read and comprehended immediately. This means its not oriented in a weird way diagonally, reversed, or otherwise laid out in a way where it becomes difficult to comprehend.

This is why I mentioned earlier that legibility alone isn't sufficient - it must also be organized spatially such that each individual legible letter (or word) is spatially organized with the rest of the body of the text to be immediately comprehensible at first glance.

For non-text visual elements (such as images), readability means key parts of these non-text elements are not obscured or otherwise styled in a way that makes comprehension of your message difficult.

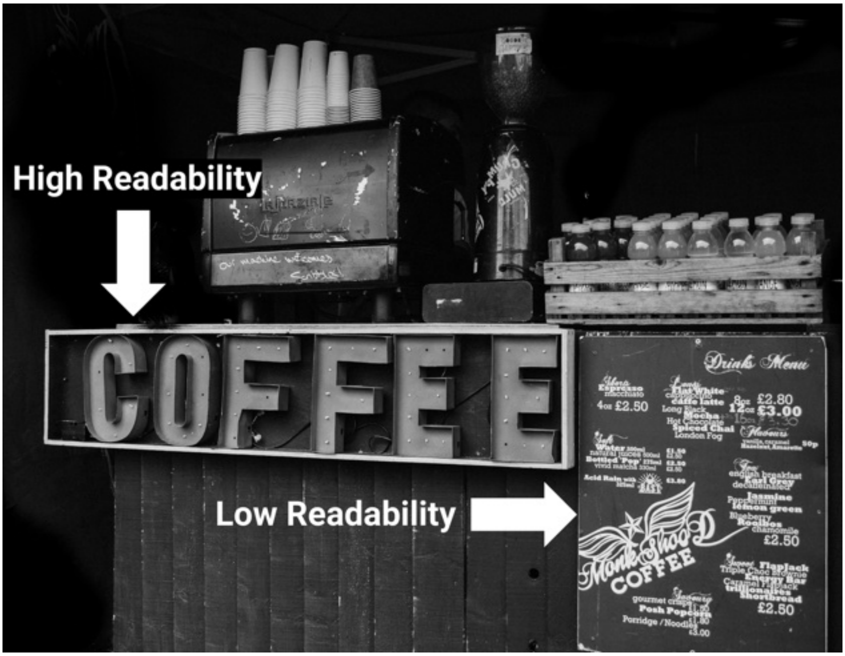
Why do I bring this up?

Because you'll be surprised by how many ads and other forms of communication fail this readability test when they attempt to be overly "clever" or "avante garde artistic" such that their intended message gets lost on the audience. In fact, there's an entire book, *Type & Layout: Are You Communicating or Just Making Pretty Shapes* by Colin Wheildon, that covers this phenomenon of visual arrestment taking precedence over communicative effectiveness.

By the way, I use the term "visually arresting" here for the sake of simplicity and straightforwardness. However, it should actually be taken to more broadly mean "sensorially arresting" – i.e. any non-visual mediums such as the quality/appeal of your sound design, weight and texture of your physical promotions, etc all should catch your prospect's attention.

Similarly, "readability" should be taken to mean more broadly, "sensory clarity" – i.e. your promotional assets are as free as possible from impediments to clear comprehension. For example, if you're using video ads, then the audio in those ads should be clear and at appropriate sound levels (and in fact, many YouTube videos do not get the viewing durations they deserve not because of video quality, but because of audio issues – including volume that is too low).

Or, if we're talking about your landing page, then you should be using a scheme where the color elements complement each other, rather than clash to the point that it damages comprehension.



The "coffee" sign has high readability. This means it is both legible and spatially organized to be immediately comprehensible at a glance. In contrast, items on the drinks menu all have low readability. While the individual letters and words are legible, they are all spatially organized in a way that makes immediate comprehension difficult. In this case, it's the different fonts, font sizes and styles, inconsistent spacing between lines and varying indentation of those lines.

Following visually arresting and readable content is the need to communicate one or a few key product benefits that land most powerfully with your audience – which you need to do within the attention span they initially give you.

It's important to note that you're not trying to communicate ALL the benefits as your goal at this point. Instead, the objective right now is to get their attention with the one or a handful of benefits that resonate most powerfully with your target niche.

Why do I say "one or a handful"? Because it would be dogmatic (and dumb) to assume that:

- You wouldn't be able to stack multiple relevant benefits into your opening approach (especially if you have the necessary skills); and
- Different prospects (i.e. different human beings with different personalities, likes, dislikes, etc) would respond in exactly the same way, and therefore demand a uniform approach.

Therefore, this is why my advice is to select up to a handful of key benefits, rather than the more common advice of focusing on presenting only one key benefit at the start.

In any case, use your discretion to decide how many of these relevant benefits you want to approach your prospects with.

But the key is to focus on the one (or handful) that land most powerfully and effectively so that you can secure their initial attention.

COMMUNICATING THE RELEVANT PRODUCT BENEFITS THEY WILL ENJOY

Now that they've given you their initial tendrils of attention, you can now communicate some more additional benefits of your product to your properly selected audience in order to deepen that newly acquired attention and interest.

Specifically, these are not any random benefits, but benefits which prospects consider directly relevant to their own lives – including, where applicable, the effects of such benefits on people in their orbit, such as their children, significant other, parents or employees.

To maximize the power of each individual benefit, it's important that at a high level you have first crafted your positioning such that the positioning is congruent with the expectations of the people in your niche. This is important because your niche sets the stage for all subsequent marketing efforts (i.e. your positioning and then your benefits).

Put another way, from your niche you then craft your positioning that convincingly signals why you are the superior solution for the specific outcome(s) desired by your target audience.

And then from your positioning, you can subsequently craft the various benefits that provide the individual, specific and granular emotional appeals (and/or logical reasoning) that are designed to move the prospect from initial skepticism to different stages of increasingly reduced skepticism, and finally, to being convinced.

Here's an example:

> ***Niche:*** *Project management software for M&A (mergers and acquisitions) lawyers of large international law firms who need help managing different workflows such as document handling, timeline management, compliance tracking, communication with clients and other deal advisors*

Now that we've identified the specific narrow niche that we are best positioned to serve, we are able to clearly define our positioning for this specific niche:

> ***Positioning:*** *"The premier all-in-one legal project management platform designed for the specialized needs of BigLaw global mergers & acquisitions teams, helping you move your client's most critical legal deals to the finish line by optimizing key deal workflows and enhancing collaboration with partner offices worldwide"*

With our positioning defined, we can now subsequently define the individual benefits (which we embed with relevant logical and/or emotional appeals) that support our overall positioning.

In other words, each separate benefit individually (and then when bundled together, collectively) support our positioning's assertion that we are the premier all-in-one project management platform for M&A teams of high-end international law firms:

> ***Benefits (just a selection as we can't cover everything in the space we have):***

Benefit 1: Advanced Document Management with Secure Sharing

- *<u>Logical Appeal:</u> Ensures orderly document handling and access control with high security standards that maintain client confidentiality*
- *<u>Emotional Appeal:</u> Gives lawyers peace of mind and confidence knowing that sensitive documents are securely managed and accessible only to authorized personnel across different regions*

<u>Benefit 2: Integrated Communication Suite</u>

- *<u>Logical Appeal:</u> Offers real-time updates and communication tracking tools that ensure all team members, regardless of their location, are on the same page, which is critical in time-sensitive M&A transactions (where even the smallest details matter)*
- *<u>Emotional Appeal:</u> Reduces the professional and financial risks (and consequent stress) associated with miscommunication (which could result in legal liability) in major M&A deals involving partner offices and outside advisors for both the buyer and seller*

<u>Benefit 3: Regulatory Tracking and Alerts:</u>

- *<u>Logical Reasoning:</u> Actively monitors for current, evolving and upcoming regulatory requirements across multiple jurisdictions, keeping deal teams abreast of compliance obligations and minimizing the risk of penalties or delays in deal progression*
- *<u>Emotional Appeal:</u> Provides M&A teams with confidence and reduces anxiety by ensuring they are always ahead of regulatory changes and deadlines, preventing any last-minute compliance issues which could result in delaying or killing the deal – or even damage their careers*

HOW TO BUILD INITIAL TRUST ON YOUR FIRST APPROACH WHEN YOUR PROSPECT STILL SEES YOU AS A STRANGER

Finally, to maximize receptivity, you must continuously build and secure the prospect's trust in you throughout this entire process.

More specifically, the type of trust we are talking about here is them trusting in you, your company and/or product as you make your first initial approach to the prospect (when you are essentially a stranger), and then down the line as you progress to an eventual sale.

Later, in the responsiveness section that follows, we'll explore a related but distinct form of trust. This form of trust we'll discuss in the next section is around the prospect's belief in the legitimate capability of your product. This involves building their confidence that your product can indeed deliver the promised benefits and also effectively address their needs – which comes after you've established yourself as an entity worthy of their foundational trust (which we focus on here).

By "worthy of their trust" I am referring to the process of moving from stranger to someone held in sufficient familiarity that the prospect agrees to give you their attention with the intent to learn more about what you're saying. Achieving this requires that you be considered safe, credible and relevant – similar to how when you meet a stranger for the first time you are assessing them for these same things.

This foundational trust comes from a combination of several factors including:

- Trust-generating UI & UX design
- Congruent conduct (not just "professional" conduct)
- Social validation - including social proof (optional but very powerful if done correctly)

TRUST-GENERATING UI & UX DESIGN

UI & UX comprises the design of each relevant touchpoint that the prospect interacts with. Similar to what we discussed in the earlier section about visually arrestment and readability, "design" in this sense includes not only the visual aesthetic (UI) and the layout/flow/interactions (UX) of these touchpoints, but also the nature of your sound, video and other mediums.

What exactly is "trust-generating UI & UX design" is obviously a bit difficult to define in that there are no inherent "straight line" answers (in the way 2+2 is always 4 or how a day always has 24 hours), but I think these are good starting points:

- **Professionalism:** Design that reassures the prospect of the legitimacy of the entity they are interacting with. Note that standards of "professionalism" can vary from one niche to another. For example, what is considered perfectly professional by clients in the creative industries might not be viewed the same way by those in more traditional, conservative fields such as law or banking. However, certain elements are non-negotiable across all industries, including attention to detail and the use of language that conveys the perception of quality, expertise, and reliability (whether this perception is actually true depends on your conduct – which we discuss in the next section). Above all, there should be an overall congruence with what your prospect considers credible and, consequently, deems professional
- **Functionality:** Your touchpoints work as expected and is free (or largely free) of both minor and major errors or glitches to deliver a smooth, uninterrupted experience
- **Usability:** An intuitive design that makes the person feel in control and competent. Usability includes logical navigation, clear labels, and interactive elements that are not only easy to use, but behave in ways that make sense to your particular niche (similar to how what is considered "professional" can change from niche to niche, behavior that "makes sense" or is considered acceptable can also change from group to group)
- **Consistency:** Self-explanatory. Your relevant touchpoints are all consistently professional, functional and usable

CONGRUENT CONDUCT IN BUILDING TRUST

This has overlaps with the just discussed point about professionalism, but here we're looking at things a little more broadly.

Congruent conduct covers not only a professional communication style and presentation, but also whether you are seen by your prospects as doing what you say. In other words, being able to deliver on the explicit promises you have made to both your existing and past customers throughout the process of selling your product to them.

An example of congruent conduct would be a company that promises a 30-day “no questions asked” money-back guarantee and that consistently honors this policy without imposing unnecessary barriers for customers wishing to return a product. Another example would be regular updates to address new vulnerabilities from a digital security startup that promises its tool is the most reliable and effective on the market.

On top of that, congruent conduct is also overall behaving in ways that match your company’s stated (or unstated) standards in the course of operating your business in the marketplace. An example would be a company manufacturing its products with eco-friendly processes and materials if their mission statement promotes sustainability and environmental responsibility.

In summary, congruent conduct relates to how your prospects perceive the consistency between your general behavior and the overall reputation you hold with them. This perception is shaped by their direct experiences with what you do and say, as well as by what they hear from others about your actions and statements.

LEVERAGE SOCIAL VALIDATION AND SOCIAL PROOF FOR TRUST

Social validation is optional, but if used properly, it is extremely powerful for building foundational trust on your initial approach to the prospect.

First, what is social validation?

It includes things like accreditations and certifications, and are seen by prospects as verification of your company and/or product’s credibility, expertise or adherence to certain standards. Because these are generally awarded by third-party bodies regarded as neutral (or sufficiently neutral), these add degrees of authority and legitimacy to the recipient.

Another form of social validation is social proof – i.e. testimonials, case studies, client logos, user reviews and social media likes.

So why did I say social validation is optional for building that foundation level of trust with your prospects while trust-building UI & UX design and congruent conduct are mandatory?

That’s because social validation enhances – but does not (as you’ll see in the example below) take the place of trust inducing and trusting building design cues or congruent behavior.

Rather (as its name implies) it validates (using external social cues) existing perceptions that are created by said design cues and behavior. Testimonials, reviews, client logos, awards and accreditations affirm that, yes, you are as congruent, competent and professional (if not more) than what the prospect initially perceives you as.

Here's an example to illustrate this:

Imagine the same person attending a job interview, but in two different scenarios. In both scenarios, this person has the same CV, skills, experience and testimonials/job references.

The only difference is how this person presents themselves in each scenario.

In Scenario A, the person is appropriately groomed and dressed, and has the proper social skills, EQ and etiquette.

In Scenario B, this same person wears rumpled, unwashed clothes, has disheveled hair, smells like they haven’t showered in days and lacks basic social skills.

You can think of their physical appearance as the UI and UX design of your relevant touchpoints, and social skills as your congruent (or lack thereof) behavior.

Regardless of how glowing and positive the job references and testimonials, the Scenario B person will be hard pressed to win over the potential employer.

Meanwhile, these very same job references and testimonials serve to enhance and validate (i.e. affirm) the perception that the Scenario A persona could be the right person for the job.

That’s why I say that social validation is powerful, but optional for building foundation trust on your initial approach to the prospect. It serves the function of affirming and validating the prospect's perception of you but does not serve in the place of trust-building design and congruent behavior.

Finally, I mentioned that social validation is powerful if used properly. By this I mean that the social validation you deploy must be from a source that your prospect considers relevant to what you're offering. In addition, the substance of the social validation itself (i.e. the content – for example, what the testimonial itself says) must also be considered relevant. For example, if you sell to parents of toddlers then seals of approval from pediatric associations or positive reviews from trusted parenting blogs will be considered relevant forms of social validation by this audience.

On the other hand, validation from unrelated entities who have little to no overlap with the parenting niche or who do not resonate with family-oriented values will likely not carry the same weight – or could even undermine the credibility you're trying to build with this specific audience.

RECEPTIVITY ENGENDERS INITIAL ATTENTION AND TRUST BUT RESPONSIVENESS ULTIMATELY CREATES THE PATH TO A SALE

At this point, it's important to remember that, however well you've done to engender receptivity in the prospect, you've only just gotten their attention and initial trust.

Here's the thing though:

Attention by itself does not equal a sale – or even pre-sales action on their part. At the same time, the trust you've garnered so far is built only on the theoretical assumption that your product can, and does, indeed do as you say. Even a perfectly articulated positioning statement and associated benefits at this point only represent a theoretical depiction of your product's abilities and performance.

To move prospects toward a purchase (or another behavior you desire), you must provide tangible evidence that the benefits and positioning you've promised are genuinely reflected in your product. Once evidence is presented, your product's positioning and various individual benefits are then validated as true (or varying degrees of true).

And that's where the elements of responsiveness factor in.

HOW DO YOU CREATE RESPONSIVENESS?

The point of responsiveness is to create conditions that cumulatively build the prospect's motivation to take on a decision, thought pattern or action that you want them to (for e.g. buy your product, leave their email in exchange for a lead magnet, progressing to the next page of your shopping cart or having a more favorable view of your offering).

And you're now in a position to do exactly that now that you've secured their initial trust and attention with the techniques of receptivity (i.e. getting them to open their front door for you and pay attention to your initial presentation) from previous sections.

Continuing with the travelling salesperson analogy, responsiveness is the process of building up to the point of being able to ask them to buy your product (or, if they're not yet ready to buy, to at least take a product brochure or your business card).

Creating responsiveness is successfully doing the following:

- Deepening trust by providing clear evidence that your product does indeed do as you promise – and to the degree promised
- Amplifying the emotional and/or logical appeal of your product's benefits to increase the prospect's desire, and then for this desire for your product to reach (and then cross) a threshold that ultimately motivates them to action
- Providing your prospect a clearly defined path of action for what you would like them to do
- Asking them to take that action (i.e. a confident Call-to-Action)

DEEPEN TRUST BY PROVIDING CLEAR EVIDENCE THAT YOUR PRODUCT DOES INDEED DO AS YOU PROMISE (AND TO THE DEGREE PROMISED)

Up to this point you've promised your prospect that your product can deliver specific beneficial outcomes based on its capabilities.

Now it's time to demonstrate that, first, your product can indeed do as you assert – and second, to the degree promised.

Let's take a skincare company as an example. If their product is advertised to reduce wrinkles, simply proving that it can do this addresses the first issue. However, proving that it reduces wrinkles by 50% within four weeks, as might be specifically claimed in the marketing, addresses the second part of fulfilling a claim to the degree promised.

The most effective way to provide evidence that your product does as promised and to the extent claimed is through product trials (i.e. the prospect can actually use the product for themselves) and demos (you show them how it works – either in-person or via another medium).

Other still effective (though less powerful) tools are social validation such as testimonials, reviews or accreditations.

The point here isn't to "sell the sizzle" (that's in the next step), but to show in clear, easy-to-understand ways how your product lives up to your claims. So while you should feel free to use design and words that spike desire, you also need evidence that shows at sufficient length AND detail your product's performance.

In other words, you need to pair the style of your presentation (and it's entirely up to you how you want to style it based on the "personality" of your niche) with proof of product performance that is sufficiently substantive to be credible.

The more time a prospect spends engaging with your evidence, and the greater the depth of such evidence, the more trust you can build before you ask them to take the action you have in your Call-to-Action.

The point of all this is to deepen their trust in you to the point where – when combined with desire in the next step – they do what you wish them to (including buying from you).

AMPLIFY DESIRE THROUGH BENEFIT STACKING AND PERSUASION TECHNIQUES

In this step we amplify the emotional and/or logical appeal of your product's benefits to reach (and then cross) the prospect's threshold for action.

Previously we had presented an initial set of benefits that landed most powerfully with your prospect in order to capture their attention and simultaneously start building their foundational trust in us.

Now we have a final opportunity to present any last remaining benefits that also contribute to securing a desired action from the prospect, though these may be less impactful than the most effective ones presented during the initial stage of building receptivity.

But more than this, the key thing we want to do here is employ tools (such as effective copywriting and attractive design) to deliberately amplify the emotional and/or logical appeal of all the benefits we present now and had conveyed before.

(By effective copywriting and attractive design, I mean using these in a way that showcases, accentuates and sells your benefits, rather than merely soberly communicating them as we did in the previous steps)

In short, we're combining the quantitative nature (i.e. volume) of stacked, relevant benefits with the qualitative nature of tools that amplify each benefit's emotional and/or logical appeal with the ultimate GOAL of increasing the prospect's overall desire for your product to produce the OUTCOME of motivating action on their part.

Why?

Because the trust we built in previous steps does not equate to desire (which we're building here). And that's because trust alone does not necessarily translate into the prospect taking action.

Similarly, desire alone (even if very heightened) also doesn't necessarily translate into action.

Instead, we're combining the trust we built earlier with the desire we're now amplifying to maximize the probability that they will take action.

And I say “probability” because nothing is guaranteed, but we can at least do our best to raise the odds.

Provide Your Prospect a Clearly Defined Path to Action for What You Would Like Them to Do

In this step we are constructing a clearly defined path for the prospect to follow once we deliver our Call-to-Action.

In other words, this isn’t the Call-to-Action itself, but the layout AND flow of your UX on each of your relevant touchpoints that together create an intuitive and easy-to-follow trail towards purchase (or the free lead magnet, etc) as they move through your sales and marketing funnel.

The essential element here is that your UX’s layout and flow make intuitive sense and minimize confusion (along with hesitation) for your prospect.

By “layout” I mean how elements are arranged within a single touchpoint. And by “flow” I mean the experience of progressing from (1.) one step to the next within the same touchpoint; or (2.) from one touchpoint to another touchpoint.

In general, you want to make the process of taking action on your Call-to-Action as simple and frictionless as possible (an exception, however, would be if it’s critical for them to stop/slow down to review and/or acknowledge important information such as legal notices, disclaimers, etc).

Deliver a Confident Call-to-Action

Now you’ve built the path, it’s time to make your ask for the desired behavior.

Your Call-to-Action should be clear (i.e. little to no ambiguity). Whether you also make it directive – telling rather than merely asking them to act, and the level of authority you attach to your directive –

depends on how congruent it is with you, and how well it aligns with your brand and audience.

THE OVERLAPPING NATURE OF RECEPTIVITY AND RESPONSIVENESS

I’ve broken receptivity and responsiveness into individual, separate and sequenced steps to make the process of achieving them as easily understandable and straightforward as possible.

In reality however, a lot of the constituent elements (for e.g. trust-generating UI/UX design, congruent conduct, etc) making up an individual step overlap with the individual elements of other steps.

In addition, the beginning and end of each step is not as cut-and-dried as I’ve made them out to be. In other words, one step may need to start before a previous step has completed and you will instead be doing both in parallel (rather than the orderly linear nature presented here).

Finally, in the real world, things often also don’t occur in the neat, sequenced format presented here with no backtracking. You may instead find it necessary to go repeat previous steps and/or to proceed out of sequence with how I’ve laid them out.

However, the important thing is to make sure you’ve covered the key steps we’ve outlined here before proceeding to make your Call-to-Action. That's because these key steps are essential for building your prospect's trust and desire in you and your product to a level that exceeds the threshold necessary to motivate them to act decisively on your request.

THE PRIMACY OF RECEPTIVITY OVER RESPONSIVENESS

While you need both receptivity and responsiveness, is one more important than the other?

If so, which one?

In my opinion, the answer to the first question is: yes, one is more important.

And the answer to the second question is: the more important one is receptivity.

Why?

Because without an audience that is first open and receptive to listening to your message, you will never be able to proceed to the subsequent stage of responsiveness.

Reviving the traveling salesperson analogy, if you can't even get your prospect to open their front door to speak to you in the first place, they certainly aren't going to be buying your product, asking for one of your sales catalogs or taking one of your business cards.

Receptivity is also the one with the smaller margin of error. What I mean is, the further you are from choosing the right audience, the less likely you are to make a sale or get the prospect to visit your lead magnet or landing page.

In other words, an error of the same degree is amplified to a greater extent when it's an error of receptivity compared to an error of responsiveness.

For instance, for each one unit of error in the receptivity stage, you experience 10 units of negative consequence.

On the other hand, there's a lot more room for error when it comes to things in the responsiveness bucket. For example, if you start out by picking the right audience you can still make decent sales even if your copywriting isn't picture perfect or if your Call-to-Action isn't sufficiently clear.

In this case, each one unit of error in the responsiveness stage might trigger only 3 units of negative consequence.

And that's because if you've gotten the receptivity part right (especially the step of proper audience selection), people who are offered products they intrinsically desire will naturally find a way to get their hands on them – even if it takes a bit of time or effort to wade through (for example) a disorganized website with somewhat unclear UX.

These people are, in other words, high intent buyers, and these types exhibit much higher agency in buying products that they know will materially improve their lives in some way. And the reason they're high intent buyers for your product to begin with is because you got the receptivity part right earlier in the process.

In addition, the reason receptivity is more important is that it's much harder to gain attention and trust starting from zero in your initial approach to the prospect as a stranger compared to building on this accumulated attention and trust in the responsiveness stage.

RECEPTIVITY AND RESPONSIVENESS ALSO APPLY POST-SALE

A more comprehensive approach would also take into account maintaining receptivity and responsiveness beyond the initial sale. In other words, maintaining your paying customer's receptivity and responsiveness to your ongoing messages once they've started using your product, and throughout the length of your relationship together.

To do so, apply this framework in a similar manner to existing customers. In other words, work on maintaining their trust by maintaining and growing those features/capabilities which served (and continue to serve) as the reasons for which your customers chose you in the first place.

Then, maintain and grow their attention by communicating new or updated benefits derived from new or updated features you launch (and which your customers find relevant to solving new or existing problems and/or creating new opportunities).

And above all, you will of course also need to continue doing other things like behaving congruently and making UX & UI attractive and intuitive for any up-sells or cross-sells.

SUMMARY

1. To increase sales conversion rates, focus on creating both receptivity and responsiveness in prospects
2. **Receptivity** means getting prospects to be open to your messages
3. **Responsiveness** means motivating them to take desired actions
4. Receptivity is created through: (i.) Proper audience selection (those predisposed to your product's benefits); (ii.) Attention-grabbing design that is visually arresting yet readable; (iii.) Communicating specific product benefits that resonate with the audience; and (iv.) Building trust through professional design, congruent conduct, and social proof
5. Responsiveness is generated by: (i.) Providing clear evidence that your product delivers on its promised benefits; (ii.) Amplifying the emotional and logical appeal of benefits to increase desire; (iii.) Providing a clearly defined path to action; and (iv.) Delivering a confident Call-To-Action
6. While presented sequentially, the elements of receptivity and responsiveness can (and often, do) overlap. The process described in this chapter may require repetition of steps or proceeding out of order
7. The key is covering the essential steps in both the receptivity and responsiveness stages before making your Call-To-Action
8. Receptivity is more important than responsiveness. That’s because without an audience receptive to your message, you can never reach the responsiveness stage
9. Errors in receptivity also tend to have more severe negative consequences on a “pound for pound” basis compared to errors in responsiveness

CHAPTER 8
WHY THESE TWO KEY STRATEGIES ARE ESSENTIAL TO ESCAPING THE PRICE COMPETITION RAT RACE

THE MOST POWERFUL WAY TO DESTROY COMPETING ON PRICE

How to break out of the price competition trap?

There are several major ways, but the most powerful and direct way is to change the mechanism by which you produce the outcomes desired by your target market.

For example, a skincare company offers a brand new mechanism for keeping skin fresh, elastic and youthful with a new product in pill form that enhances the skin microbiome via a novel combination of amino acids, prebiotics and peptides.

In comparison, the traditional mechanisms are creams and toners that focus on hydrating and cleansing the skin.

Why is changing the mechanism by which you produce your buyer's desired outcomes so effective at breaking you out of the price competition trap?

It's because buyers can no longer draw like-for-like comparisons between your product and competitors. In other words, you're changing what would have been an apples-to-apples comparison to one of apples-to-oranges.

The reason why is obvious: what is similar can be compared, but that becomes increasingly difficult as you ratchet up the degree of differentiation (or more specifically, differentiation that is relevant to your buyers).

An example in the B2B SaaS space would be a company that offers their customers a new way to increase staff retention via a platform that uses machine learning to personalize development paths for employees based on their personal strengths, weaknesses and performance data.

Compare this to the old mechanism of generic annual reviews and standardized training programs that do not account for individual employee differences.

But while your new mechanism differentiates you from the competition, differentiation by itself isn't enough.

CONVEY THE SUPERIORITY OF YOUR DIFFERENTIATED MECHANISM

Why isn't differentiation alone adequate?

Because your novel mechanism must also be perceived by your buyers as superior to all their viable options.

Think of it this way: if you showed up at a job interview in a clown costume, you would definitely differentiate yourself from the other candidates.

Oh, you would be different - but not in a way that signals you're a superior pick. In fact, you would be differentiated in the opposite direction.

So how do you convey the superiority of your differentiation?

This is done through effective messaging and then actually delivering on the promises made in your new mechanism (and ideally, these promises are also outcomes desired by your buyers).

By "effective messaging", I specifically mean communicating said superiority in a way that is easily understood by your target market.

For example, what is easily understood by the legal market is not the same as what is easily understood by medical clinic administrators. This includes using language that might be seen as jargon by outsiders but is perfectly understandable – and perhaps even seen as welcome shorthand – by your target market.

All of this is ok because you're not trying to be understood by everyone – just those who you are selling to.

In addition, the reasons you come up with to support your mechanism should also be clear enough to grasp right at the outset. If your buyers have to think about things at that first encounter, your reasons could stand to be further clarified.

Note I said "clarified": I didn't say "simplified".

You're not dumbing your reasons down. Instead, what you're doing is retaining the essence of your reasons, but presenting them in a way that makes comprehension faster and easier.

It therefore could – and often does – mean breaking individual reasons into their smaller, constituent parts. From here, you can explain the big picture before explaining its component parts – or vice versa.

Effective messaging could also mean (where appropriate) leveraging one or more formats (e.g. video, audio, images, etc) that "paint the picture" more quickly, in greater depth and with enhanced concision and nuance than just text alone.

How you choose to message is ultimately up to you, so do whatever works best for you, your product and your business.

And of course, effective messaging must be backed up by real-world performance. In other words, does your mechanism do as you promised? If so, to what degree – i.e. does it meet or exceed expectations, and by how much?

YOUR NEW MECHANISM MUST ALSO BE BELIEVABLE

In addition to all of the above, your new mechanism must also be believable to your target buyers.

Believability means your mechanism is either:

1. Believable as is without any additional proof or evidence
2. It becomes believable after you give proof or evidence

In both cases, presenting proof / evidence such as testimonials, results of research studies, facts and figures, etc will help.

In the first case where your new mechanism is already believable, additional proof / evidence will elevate the credibility of your product and/or company – hopefully to the extent that you are seen by your target market as their first choice (or one of their first choices).

An example would be a company that develops new encryption software that they claim reduces data breach risks. This new mechanism is inherently believable because it uses the already-established and trusted technology of end-to-end encryption.

If this company presented proof that their software had been audited and approved by a respected cybersecurity firm, this would make the product even more credible.

In the second case where your novel mechanism is only believable after presentation of proof / evidence, giving such information is no longer a "strong nice to have" and is instead a necessity.

For instance, let's say a biotech firm introduced a drug that they claim enhances cognitive function via an innovative and previously untried approach to crossing the blood-brain barrier to deliver its pharmaceutical effects.

To this firm's target market, this would likely be a plausible mechanism upon first encounter, but full believability would only be achieved with additional proof and evidence such as presentation of clinic trial results that were published in a reputable medical journal.

Keep in mind that you'll have an increasingly steeper hill to climb (so to speak), the more upfront proof and evidence your mechanism requires.

WHETHER SOMETHING IS BELIEVABLE DEPENDS ON WHO IS THE MESSAGE RECIPIENT

And then there's the case of a novel mechanism that's currently just too far-fetched no matter how much proof / evidence you provide.

An example would be telepathy headsets for business communication that allow colleagues to communicate thoughts to each other without speaking. This concept would likely be considered too science-fiction because it's currently seen as beyond the threshold of what people are willing to believe without skepticism.

Notice I said "currently". What may seem far-fetched right now may become perfectly believable (and even commonplace) at a later date. Just look at the concept of wifi internet, which allows people to communicate instantaneously around the world without being tethered to a physical wire.

It's important to mention that like our earlier discussion about effective messaging and its ease of understanding to our target market (as opposed to populations outside our niche), believability should also be defined from the perspective of our target market.

In other words, "believability" is relative - i.e. what is considered not believable by one group may be considered believable by another.

For example, the efficacy of homeopathic medicine may be disbelieved by skeptics of alternative medicine and those who rely strictly on modern evidence-based medical practices. On the other hand, it may be considered believable by those who prioritize natural approaches to health due to personal experiences or cultural beliefs that align with homeopathic approaches.

Note that changing the mechanism is not the same as explaining how the mechanism works (which we talk about in Chapter 4 about how to dispel skepticism). Once you've created a new mechanism, it doesn't negate the need to explain how it works. In fact, there's a greater need to explain the "how" of a new mechanism because it's initially unfamiliar to potential buyers.

Another thing: your new mechanism cannot be novelty for novelty's sake. As mentioned earlier, it must actually produce a desired outcome (or desired outcomes) for your buyers if you want to actually build a product with medium to long-term longevity on the market.

USING AUTHORITY STATUS AS ANOTHER WAY TO ESCAPE PRICE COMPETITION

Another way to break out of the price competition trap is to be seen as an authority figure.

The most straight-forward way to do this is via content that puts you in the position of a teacher or mentor.

Why?

Because companies or people acknowledged as teachers by their buyers enjoy enormous implicit trust and credibility with said audience.

Even more powerful is to be acknowledged as THEIR teacher or mentor – and not merely as "a" teacher or mentor.

And yet more powerful is being acknowledged as their very competent (or even expert-level) teacher.

Think back to your own teachers and mentors – whether they were from high school, university or from your first (or first few) jobs as you kicked off your career and were still learning the ropes.

Or they could be more advanced people you met during your journey to improve your fitness, financial or relationship life.

Regardless of which area they occupied in your life, you likely did (and still do) regard them as a trusted advisor (and perhaps even confidant) whom you can count on to impartially steer you in the right direction – even if such direction did not benefit them, and in some cases, was to their detriment.

Such implicit trust from being accepted as an authority figure directly elevates your perceived value when positioning yourself as a preferred choice (or even the preferred choice) for buyers – even if your product itself isn't that differentiated from a features and/or outcomes point of view.

How?

Because being seen as a teacher shifts some – or all – of the focus from the cost of the product to the value of the knowledge, expertise, relationship and dependability you provide.

How much of the focus is shifted depends on how much expertise and implicit trustworthiness (i.e. Do you keep your word? Can you be relied upon to act in your buyer's best interests?) you are deemed by your buyers to have.

The more of an expert and more trustworthy you are perceived to be, the more your buyer will shift their focus away from comparing you solely on price – and instead towards judging you on the overall value you provide them.

UNDERSTAND THE LIMITATIONS OF YOUR AUTHORITY IN COMMERCIAL RELATIONSHIPS

Now, with all this out of the way, let's also be completely honest.

You likely will not be accepted with the same level of trust as mentors from their school days, personal life or early-career colleagues. Your buyers aren't stupid, and they know that what you have with them is ultimately a transactional, commercial relationship.

In other words, they pay you a certain amount of money. You in turn provide them with a product or service that produces a certain amount (and level) of their desired outcomes for the duration of that payment period.

Even in cases where you have a fiduciary duty where you are legally obliged to act in the client's best interest (such as lawyers), the buyer understands that it's ultimately a commercial relationship where provision of that service exists to the extent that payment is rendered.

(Note in some cases that fiduciary duty is a continuing obligation that survives termination of the commercial contract. However, my point is that the average buyer will ultimately see the relationship as one of a transactional, commercial nature)

So yes, as a seller of a product, it's likely that you will not enjoy the same trust as their other non-commercial mentors.

But even with these constraints, taking on the role of a teacher (and also being acknowledged as one by your buyers) is an immensely powerful strategy to break out of the price competition trap.

THE THREE CORE PILLARS THAT GET YOU AUTHORITY STATUS WITH YOUR AUDIENCE

So what are the pillars of authority that your buyers must see in you for them to acknowledge you as their teacher or mentor?

The three core ones are:

- **Expertise:** You possess understanding that they don't, and in areas that they deem important and/or relevant
- **Sound judgment:** *They believe** you have the ability to exercise said expertise in ways that result in beneficial outcomes for them
- **Duty of care:** *They believe* that you will act in their best interests (within the constraints of most commercial relationships, as we discussed above)

A fourth one is credibility: this is what degree of benefit you can create with your expertise and judgement. For example, if you bill yourself as

* Note the emphasis on "they believe" in this bullet point and the next one. Not only *should* you have sound judgment and a willingness to act in their best interests, but they *must believe* you have (and will act on) these traits. Whether you decide to actually have these qualities is ultimately up to you. But not having these (or in insufficient degrees) produces predictable (negative) outcomes for you (and your reputation).

a revenue generation coach, do you generate an average of $100,000 new annual revenue for each client?

Or is it $1,000,000?

Or maybe it’s $10,000,000?

You can think of credibility as track record or reputation. I don’t include it as one of the core pillars because you can still be perceived as an authority figure without an established track record. But it’s nevertheless an extremely powerful building block (as well as an accelerant) for gaining authority status even if it’s not a “must-have”.

Overall, how you establish the above (and to what extent) is up to you. Maybe it's how-to guides, case studies, demos or interviews with respected figures in your space.

Regardless, your authority-building content should always simultaneously embody the three core pillars of expertise, sound judgment and duty of care. And of course, where you can, include the fourth pillar of authority as well.

And as for content formats (social media posts, long-form videos or shorts, blogs, podcasts, etc), you should choose these based on where and how your target market spends their time and attention.

COMPARING DIFFERENT WAYS TO BUILD AUTHORITY

Now what about building authority when you don’t do content marketing?

For those to whom this applies, authority can be built next most powerfully through social proof via things such as testimonials, case studies, endorsements and industry awards.

In many cases, social proof will be a faster (and likely easier) route to authority, but content marketing done effectively will, generally speaking, have greater long-term potential and a higher overall ceiling.

Why?

Because content has the advantage of being able to stack without as much diminishing returns. At a certain point, one extra testimonial or industry award won't have the same incremental benefit as an extra piece of effective content.

Here's what I mean: if you were to compare 25 relevant and targeted testimonials versus 25 pieces of relevant and targeted content, it's arguable that the testimonials would offer you more powerful authority. But 100 of these same testimonials would likely offer less marginal benefit than 100 pieces of relevant content.

And as you add more and more content, your authority and clout will only grow and deepen on a compounding (rather than linear) basis. This becomes especially true as you focus on offering your audience fresh – perhaps even novel – insights (rather than mere information) across a variety of relevant topics (and subtopics) across different content formats on different platforms where your audience spends their time and attention.

Contrast this with more testimonials that would likely all offer roughly similar praise, blunting the effect of each additional testimonial.

Finally, the more your audience engages and shares the quality content you create, the more it gets recommended by search engines and social media platforms, further amplifying the power of content marketing over social proof alone.

However, content marketing tends to be much more resource-intensive than a social proof strategy and may require ongoing content creation of varying intensities. Creating content on social media platforms with algorithms that fade out older posts (such as LinkedIn or Twitter) will generally demand more regular content posting and audience engagement than either a SEO strategy (e.g. evergreen blog posts) targeting long-term search engine rankings or one centered on social media platforms that re-recommend popular content regardless of its age (such as YouTube).

SUMMARY

1. **To break out of price competition, change the mechanism by which you produce desired outcomes for your target market**
2. Differentiation alone is not enough, your new mechanism must be perceived as superior
3. Your new mechanism must be also believable - either inherently or with additional proof/evidence
4. The goal is to eliminate (or least minimize) like-for-like comparisons between your product and your competition's
5. Effective messaging is crucial to convey the superiority of your differentiation
6. Another way to break out of the price competition trap is approaching your prospects with the status of an authority figure. This authority status must be recognized by the prospect
7. Authority figures enjoy implicit trust and credibility
8. The pillars of authority are expertise, sound judgment, and duty of care
9. Credibility, the optional fourth pillar of authority, accelerates the gaining of authority status

CHAPTER 9
THE NICHE-POSITIONING-MESSAGING FRAMEWORK FOR A SUCCESSFUL MARKETING STRATEGY

THE SUCCESS OF ANY MARKETING STRATEGY DEPENDS ON YOU GETTING THESE 3 THINGS RIGHT TO BEGIN WITH

Your overall marketing strategy is essentially built upon 3 foundational (and sequential) layers:

- Niche
- Positioning
- Messaging

In other words, effective lead acquisition to conversion from lead to buyer (and to a lesser extent, contract renewal) hinges upon picking the right niche and then successfully articulating positioning and messaging that your niche is responsive to.

In terms of sequencing, properly defining your niche allows you to produce accurate positioning, which then allows you to create effective messaging that lands with members of said niche.

Niche is more than just the “who” you’re serving, but also includes your solution and at least one desired outcome they want to achieve.

Positioning is how you want your targeted niche to perceive you – such that you are seen as the superior solution to all their other options (both direct competitors and alternatives). To do so, you may position yourself in more than one way – for example, the fastest and most convenient or the most prestigious, most accredited and most experienced, etc

Finally, your messaging is the evidence (or bundle of evidence) for your positioning – i.e. you are providing point-by-point proof for what you claim you are.

Your overall MESSAGING itself will probably consist of more than one MESSAGE.

Each of the individual messages comprising your overall messaging is created from relevant product features and their associated qualitative and/or quantitative benefits.

Each of these benefits will be a current or anticipated problem your product solves and/or a desired opportunity it creates.

What's the point of this breakdown and sequencing?

Because knowing this breakdown (and its sequencing) will allow you to align your articulated features and benefits with the wants of your niche (i.e. who you're serving and the desired outcomes you create for them).

Put another way, this means that your product features and benefits you pick to best persuade your prospects to buy from you (rather than a competitor) are correctly anchored to the specific high-level needs and desires of your niche.

The reason I say this is that, all too often, I see new founders take a haphazard "throw spaghetti against the wall" or "spray and pray" approach to picking what in their product to emphasize.

THE IMPORTANCE OF DEFINING YOUR NICHE WITH ENOUGH CLARITY

The best way to know what to emphasize in your product is to first be very clear about your niche.

By having clarity about your niche (person + solution + desired outcome(s)), you can more accurately determine what drives their needs and wants.

These needs and wants are a result of their internal psychological drives and/or external demands.

These internal drives could range from the desire for security, the pursuit of status, the drive for autonomy, to the search for connection.

Meanwhile, these external demands range from those imposed by their industry and/or client-base to more personal ones like their family, friends, hobbies, etc.

Once you know the "who", along with their needs and wants, it's much easier to determine how to articulate your feature's benefits in ways that demonstrate you can satiate those needs and wants.

It's like when you go on vacation. What you do is decide your destination ahead of time and the method by which you'll get there.

What you don't want is to do things the other way around – i.e. to just get in your car and start driving in random directions (or even worse – start taking random flights around the world).

It's the same idea here – determine your niche first and it will make figuring out all the downstream details (positioning and messaging) much easier and more effective.

THE NEED TO PROPERLY EVOLVE YOUR POSITIONING AND MESSAGING AS THESE 3 CONDITIONS CHANGE

So you've determined your niche, positioning and messaging – what next?

The answer is to continue to tweak your positioning and messaging as you get more market feedback from your niche and as your business evolves.

More specifically, this means you tweak on an ongoing basis at the same time as:

- Your current product development capabilities evolve to a point where you can build new features and/or entirely new products that serve your current niche in a way superior to your current process
- You expand into new customer niches different from your present one using current and/or new products
- Your customers' preferences change to the extent that your current product and/or associated marketing need updating

An example of the first point is Apple's M1 chip. This was a new product that served their existing customers in a vastly superior way.

An instance of the second point is the Tesla Powerwall. The company went from their existing car buyer niche to a completely different one (home owners) by taking their existing battery expertise from automotive and turning it into a comprehensive home energy storage solution.

Finally, an example of the third point is a fast-food chain introducing vegan menu items in reaction to increasing consumer preferences for plant-based foods amongst its core audience.

In all three cases, updating positioning and messaging became necessary as the way in which these businesses served their customers changed. In other words, the benefits of these new capabilities (different from the previous process) had to be explained to their markets in either refreshed or completely different ways.

IT ALL STARTS WITH HAVING CLARITY AROUND YOUR NICHE

To wrap up, it's helpful to start at the level of your niche (i.e. who is your target buyer, what is your solution and at least one desired outcome your solution produces) rather than with the downstream details of positioning and messaging (i.e. how and what to speak to your target buyer with respect to your solution and desired outcome(s)).

This is similar to how you don't just develop a bunch of features in isolation without first validating who would actually want – and then pay for – them.

Knowing the respective breakdowns of niche, positioning and messaging (and the overall sequencing of these 3 elements) will allow you to:

- Orient yourself in the proper high-level direction; and then
- Determine how to appropriately craft the downstream elements that work best with this direction.

SUMMARY

1. Your overall marketing strategy is built upon 3 foundational layers: niche, positioning, and messaging
2. **Niche** includes the "who" you're serving, your solution, and at least one desired outcome they want to achieve
3. **Positioning** is how you want your targeted niche to perceive you as the superior solution to all their other options
4. **Messaging** is the evidence or proof for your positioning, consisting of individual messages created from relevant product features and their associated qualitative and/or quantitative benefits
5. Clarity about your niche allows you to determine what drives their needs and wants, making it easier to articulate your feature's benefits in ways that demonstrate you can satisfy those needs and wants

ABOUT THE AUTHOR

Richmond Wong, a Toronto native, is a seasoned consultant who works directly with founders and senior decision-makers of early-stage startups, guiding them from inception to growth and scale.

At the time of this writing, he has successfully helped over 150 startups around the world to achieve their highest ROI growth, product development, and launch initiatives.

Richmond's experience includes launching enterprise B2B software for Reuters and LexisNexis in more than 10 international markets, such as Korea, Singapore, Hong Kong, Taiwan, Malaysia, and across Southeast Asia.

He is also a business coach for MBA-level courses taught by hand-picked senior leaders from Google, Bain & Company, Meta and Netflix at Section, a New York City-based B2B edtech company. These courses are attended by managers and executives from companies such as Apple, Microsoft, Spotify and Adobe. Section was founded by Scott Galloway (“Prof G”), an entrepreneur, New York Times Bestselling Author and co-host of Vox Media's *Pivot* podcast alongside Kara Swisher.

These diverse international experiences have enabled him to blend the agility of nimble startup methodologies with the rigor of enterprise-grade processes.

His native-level fluency in English and Cantonese, along with business-level proficiency in Mandarin, further enhance his ability to work effectively across different markets, industries and cultures.

Drawing from these global experiences, Richmond has authored and co-authored other books on entrepreneurship and leadership.

His first book, *The 1st-Time B2B SaaS Startup Founder's Compass*, offers new founders guidance on achieving Product-Market-Fit, gaining marketing traction, optimizing sales, pricing strategies, reducing churn, and general business advice drawn from his work with founders and senior decision-makers.

Richmond co-authored *Nine Leaders in Action: Proven Strategies for Effective Leadership and Results*, which he wrote alongside the 2016 Olympics bronze medalist in the modern pentathlon, former McKinsey and Deloitte consultants, and an ex-Morgan Stanley Executive Director, focusing on high-stakes leadership.

Prior to his software career, Richmond trained as a corporate lawyer at Hogan Lovells, one of the world's largest law firms, where he served Fortune 500 clients on their most mission-critical mandates.

His professional journey began in journalism with Rogers Publishing, part of one of Canada's largest media companies.

Richmond continues to share his insights and expertise through his latest writings, books, and products at www.richmondwong.com

If you have found any of Richmond's books helpful, you are encouraged to leave an Amazon review because it helps him help more people like you.

Feel free to go into as much detail as you want in your review, including any specific concepts you found useful and how it helped you.

Thank you and much appreciated.

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