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| Cover Image | *The Hardware Startup* Renee DiResta  O'Reilly Media |

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# *62 notes/highlights*

*Created by Tarang Shah*  – Last synced June 3, 2016

## *1. The Hardware Startup Landscape*

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| |  |  |  | | --- | --- | --- | |  | *Asset tracking is another popular application. Mount Sinai Hospital in New York has begun tracking assets (e.g., hospital beds, wheelchairs, and pain pumps) with radio-frequency identification (RFID) tags. Large farms are also getting in the game, marking cows with RFID tags to track when the animals feed and how much milk they produce.*  March 26, 2016 | [20](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA20.w.0.0.0.3) | |

## *2. Idea Validation and Community Engagement*

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| |  |  |  | | --- | --- | --- | |  | *The approach described in this chapter of building communities with an eye toward gathering feedback and testing hypotheses is largely geared toward founders creating consumer-focused products. However, it’s possible (and useful!) for business-to-business (B2B) oriented founders to approach the process in a similar fashion. Connecting with the local hardware community, finding mentors, and identifying a true partner to cofound your company are important for exactly the same reasons. While B2B startups are less likely to be able to leverage friends and family when building enterprise hardware, building a trusted network of potential early adopters is valuable*  March 30, 2016 | [45](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA45.w.0.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *The approach described in this chapter of building communities with an eye toward gathering feedback and testing hypotheses is largely geared toward founders creating consumer-focused products. However, it’s possible (and useful!) for business-to-business (B2B) oriented founders to approach the process in a similar fashion. Connecting with the local hardware community, finding mentors, and identifying a true partner to cofound your company are important for exactly the same reasons. While B2B startups are less likely to be able to leverage friends and family when building enterprise hardware, building a trusted network of potential early adopters is valuable. Employees of companies that might become your customers will be a source of extremely valuable product feedback. While you might not want to reach out to the C-suite in the earliest stages of development, finding potential early adopters is still important. If you have clearly defined end users within a business, creating a community of potential evangelists is extremely worthwhile. If they love the product concept, they might try to sell you into their company. Software startups such as Twilio, Stripe, and GitHub have done an exceptional job of leveraging the developer community to make inroads into enterprise.*  April 2, 2016 | [45](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA45.w.0.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Employees of companies that might become your customers will be a source of extremely valuable product feedback. While you might not want to reach out to the C-suite in the earliest stages of development, finding potential early adopters is still important. If you have clearly defined end users within a business, creating a community of potential evangelists is extremely worthwhile. If they love the product concept, they might try to sell you into their company.*  March 30, 2016 | [45](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA45.w.0.0.0.2) | |

## *3. Knowing Your Market*

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| |  |  |  | | --- | --- | --- | |  | *Before you build a single prototype, you should consider three important questions: What is the problem I am trying to solve? Who are the people who have that problem? Why should they want to buy my product rather than the solutions that already exist in the market?*  April 2, 2016 | [46](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA46.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *market research for a product idea can be broken down into an examination of market size and a forecast of market trajectory .*  April 2, 2016 | [47](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA47.w.0.0.0.1.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *market size*  April 2, 2016 | [47](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA47.w.0.0.0.2.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *market trajectory*  April 2, 2016 | [47](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA47.w.0.0.0.2.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *The size is a function of sales revenue and users over a given time period (possibly also within a geographically constrained area).*  April 2, 2016 | [47](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA47.w.0.0.0.2.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Total addressable market (TAM) Sometimes called the total available market , TAM is an estimate of the maximum potential revenue opportunity for a given product or service. Assuming no competition and no distribution challenges, this is everyone you could possibly sell to in an ideal world. It’s important to clarify the geographic scope of TAM; some people assume it’s global, while others identify a particular region.*  April 2, 2016 | [48](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA48) | |

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| |  |  |  | | --- | --- | --- | |  | *Serviceable available market (SAM) A subset of the total addressable market, the term serviceable identifies customers whose needs are served by a specific product offering. SAM market sizing accounts for the fact that a given market has competition and that companies are limited by distribution channels.*  April 2, 2016 | [48](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA48.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *Serviceable obtainable market (SOM) SOM is the realistically obtainable market, limited by factors such as competition, cost, outreach required, distribution channels, and so on. These are the customers you have a realistic chance at closing.*  April 2, 2016 | [48](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA48.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *When considering how big you can potentially grow a company, the most relevant estimate is almost always the SOM.*  April 2, 2016 | [48](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA48.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *The market trajectory refers to whether a given market is expanding or contracting. It’s about trends. A market can grow or shrink as a function of many different factors*  April 2, 2016 | [49](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA49.w.0.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Gathering data on numbers and trends can be somewhat challenging. Google searches surface news articles or blog posts that mention market size, but those posts are often pulling their data from market research firms’ white papers. The white papers themselves are rich sources of information, but they can cost hundreds to thousands of dollars. Occasionally, you can gain access by signing up for a trial. Quora is a good place to go to see if others have posted relevant data, or to ask a question of an industry expert yourself. And Steve Blank, one of the creators of the Lean Startup, maintains a market research section on his blog that links to open data sets and helpful market-sizing resources.*  April 2, 2016 | [49](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA49.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *It’s less important to have exact numbers than it is to have logical justifications for believing that a market you’re looking to enter can support your potential company. Running analyses based on several different scenarios (called a sensitivity analysis ) can help you evaluate the degree to which a specific assumption weighs on a given outcome. When doing back-of-the-envelope estimates of market size, run the numbers based on best case, worst case, and expected outcome*  April 4, 2016 | [50](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA50.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *Differentiators are what distinguish you from your competition. They are the answer to the question posed earlier: “why would a customer buy my product over my competitor’s offering?” Particularly in a more mature market, some of the products you’re competing with belong to companies with millions of dollars to spend on advertising and physical showrooms already in place. Startups can compete with incumbent giants, but it’s critical that you determine in advance if what you’d like to build is different enough to claim meaningful market share. If you’re producing an activity-tracking product to compete with Jawbone Up, for example, will your product compete on price (by being less expensive)? Will it offer more features? Perhaps it will be more accurate or have a more stylish design?*  April 4, 2016 | [51](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA51.w.0.0.0.4.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *The most basic way to get a handle on your competition is to identify which products exist and make a feature comparison matrix (see Figure 3-2 ); this mimics the process that consumers go through when they buy devices (particularly if they’re shopping online).*  April 4, 2016 | [52](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA52.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *Differentiators aren’t limited to cost, design, and features. You can also appeal to convenience, quality, or specifically targeted use cases. You can offer better customer service or a more intimate or positive customer experience. The important thing is to have a solid understanding of what already exists and why people are buying it. This will help you identify gaps in the market—unmet needs that you can set out to fulfill. As you build your brand, this early knowledge of your differentiators will help you to position yourself effectively.*  April 4, 2016 | [53](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA53) | |

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| |  |  |  | | --- | --- | --- | |  | *If you’re not competing in an established market, you have a different set of problems to consider. First and foremost: does anyone really want your widget? If you truly have no competition, is it because no one really cares about the “problem” you’re trying to solve? Creating technology in search of a problem might mean that the timing isn’t right for your offering. You will not only have to explain your product to an uneducated audience, but you’ll also have to convince them that they should pay you money for a solution to a problem they didn’t know they had.*  April 4, 2016 | [53](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA53.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *On the flip side, however, you might truly be onto something big and new. Lots of successful companies were founded to meet the needs of what initially seemed like a niche market. Jawbone, for example, started as a company that built noise-canceling headsets for US soldiers. The thought that the technology might appeal more broadly to consumers came several years after initial product development. The “connected home” space is another relatively recent transition from niche hobbyist community into major consumer market. If your product is built upon a real technological breakthrough, there simply might not be a market out there yet.*  April 4, 2016 | [53](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA53.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *Segmenting Your Market Market segmentation is the process that most marketers and brand developers use to identify groups that are most likely to receive a new product positively. Segmentation involves dividing a broad potential market into distinct subsets of people who share common characteristics or needs. The customers within those subsets will likely share a similar response to particular media channels or advertising approaches. Once the brand has identified relevant segment attributes, it can design a distinct marketing mix most likely to reach them. The goal of segmentation in the preprototype phase is to help you discover and understand who you’re building for, so that you can get both your product features and brand positioning off on the right foot from the very beginning. You can’t build an MVP without knowing whom you’re building for. Segmentation helps you identify and focus your energy on the customers who are most likely to buy from you. It’s a way to identify potential early adopters as well as customers to reach out to later in your company’s lifetime. An ideal target segment is distinct enough to be measurable and also large. It should be stable (meaning it will be around and relatively unchanged for a while) or growing, and it should have enough purchasing power to enable you to turn a profit.*  April 4, 2016 | [54](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA54.w.0.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Customer Aquisition Cost (CAC) and Lifetime Value (LTV) As discussed in “Market Size” , a meaningful target segment must be accessible , which means that you can reach out and market your product to that audience. Software startups, particularly those practicing the Lean Startup methodology, typically keep track of two metrics related to customer acquisition from the very start*  April 5, 2016 | [54](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA54.w.0.0.0.3.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *The first is customer acquisition cost (CAC). This is the amount of money you spend to get a customer to buy your product or try your service. It includes money spent on market research, advertising, promotions (“$10 off your first order”), and sales (including the salaries of your sales force).*  April 5, 2016 | [54](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA54.w.0.0.0.4.0.8) | |

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| |  |  |  | | --- | --- | --- | |  | *The second is lifetime value (LTV), which is the amount of money you will theoretically make from a given customer over the duration of his relationship with your company. Chapter 10 spends a lot more time discussing CAC and LTV in the context of distribution channels, but even in the early, preprototype days, it’s important to develop a sense of what it might cost to reach your customers. If they don’t pay attention to traditionally inexpensive marketing channels, or if you can’t reach them without extensive effort or cost (in terms of time or money), they might not truly be a viable market segment for your product, particularly when you’re just starting out.*  April 5, 2016 | [55](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA55) | |

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| |  |  |  | | --- | --- | --- | |  | *Behavioral Segmentation Behavioral segmentation is another framework for identifying potential customers. If you’re working within a crowded space (say, fitness trackers) and have chosen to compete by making a product with better battery life or greater ease of use, your most relevant market segment is likely not identifiable simply by gender or household income, but by technological sophistication. You might want to target frequent buyers, bulk buyers, or deal hunters. You might want to approach benefit or behavioral segmentation through exercises such as persona building around a given usage scenario: envision the most likely use cases for the product you want to produce, and then construct a persona that has the type of needs the use case fulfills.*  April 7, 2016 | [56](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA56.w.0.0.0.2.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *A subset of behavioral segmentation is segmenting by buyer motivation. This involves understanding the type of benefit the user is seeking from the product. An individual who is considering buying a sweater, for example, might prioritize warmth, comfort, durability, price, or style. One or two primary motivators drive most purchasing decisions. Understanding the ones most common to your sector will help you strategically*  April 7, 2016 | [56](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA56.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Within the B2B world, identifying your target customers involves different types of segmentation, but the concept remains the same. When identifying potential client companies, you might want to think about grouping customers by industry, standard industrial classification (SIC) category, size, market cap, or geography. On an individual level, you’ll want to consider the needs and motivations of both the person who makes the purchasing decisions and the likely end user. Usually, the appeal to the purchaser is based on economics, and the needs of the end users are technological or functional. It’s possible to evaluate B2B customers using behavioral analyses as well. For example, some companies will buy at particular times of the year.*  April 7, 2016 | [57](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA57) | |

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| |  |  |  | | --- | --- | --- | |  | *Customer Development So now you have a sense of how to segment your market and identify potential customer affinity groups. However, when building a company, you must do more than think theoretical thoughts about who your customers are, particularly if you’re working in a crowded space. You need to get out there and talk to them. This is one of the core tenets of Lean Startup that’s as applicable to hardware startups as it is to software. You want to be doing customer interviews before you have any kind of functional prototype. You might not be able to give these potential customers access to a series of iterative alpha releases for them to play with, but you can show them designs or models and discuss potential features. Ideally, you can map each feature in your MVP back to a clearly articulated customer need. (See “Lumo BodyTech: A Case Study” , for an example of this process in action)*  April 8, 2016 | [57](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA57.w.0.0.0.3.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *Hardware product development mistakes are particularly costly, in terms of both time and money. The goal of customer-driven development is to incorporate user feedback into the product development cycle in order to avoid building something that doesn’t meet the needs of potential buyers. A good place to start the process is to reach out to individuals in several of the market segments you’re considering and sit down with them to learn about their pain points. That will help you identify the real needs of your prospective customers—emotional, cognitive, and physical— and to discover how they’re currently meeting those needs. Here are some common questions for customer discovery interviews: Do you have Problem X? How much does Problem X cost you (in terms of time and money)? How are you currently solving Problem X? What do you like best about this existing solution to Problem X? What do you like least? What is the perfect solution to Problem X? Would My New Product solve Problem X? Why? The last question—“Why?”—can turn a conversation from a surface-level survey into a discussion that unearths deeper needs, issues, and motivations.*  April 8, 2016 | [58](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA58) | |

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| |  |  |  | | --- | --- | --- | |  | *It’s important to phrase the questions you ask as neutrally as possible. You don’t want to allow biased or leading questions to prompt your interviewees to respond in a certain way. It can also be difficult for entrepreneurs to really listen, particularly if the interview turns out to challenge their assumptions about a particular market or problem. Try to keep an open mind throughout. For both B2C and B2B products, it’s often ideal to sit back and observe as your target customers use whatever their current solution is to the problem you’re trying to solve. You might learn more by watching their actual use case (and possibly hearing them narrate their issues as they go) than by asking them to articulate their needs. Your goal is to gain insights, even if they disprove your hypothesis.*  April 8, 2016 | [58](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA58.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *First-time entrepreneurs often wonder how to reach people in segments within which they don’t have extensive contacts. An ideal way to do that is to use your existing network. It’s worth building a LinkedIn presence to see who your second-degree connections are. A warm introduction—having a mutual colleague or acquaintance introduce you to the person you want to approach—is most likely to convince people to sit down with you. Beyond your friends and family, consider reaching out through an alumni network. Online, sites like LinkedIn, Facebook, and Meetup bring groups of like-minded people together. Blogger networks might also be helpful. Craigslist, Reddit, and Mechanical Turk users are often willing to take a survey (though typically for some type of compensation). Offline, reach out to local clubs or professional associations.*  May 30, 2016 | [62](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA62.w.0.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *To the greatest extent possible, you want to validate your assumptions about market size, desired product features, and price points well in advance of building your hardware MVP. Once you’ve started down the road to manufacturing, feature changes become increasingly difficult. Your goal is to be the best at your core use case from day one. You can incorporate the nice-to-have features in a subsequent release.*  May 30, 2016 | [63](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA63.w.0.0.0.2) | |

## *4. Branding*

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| |  |  |  | | --- | --- | --- | |  | *Branding can feel like a rather elusive concept, as the value-add of a strong brand is difficult to quantify and measure. Startups often undervalue the importance of building a brand, particularly if the founding team is strong on tech but has no marketing or sales experience (as is often the case). In any early-stage company, there is much to do and precious few resources to do it with. There is never enough time, money, or people, so most founders put all of their resources toward nailing the product. Branding, marketing, sales strategy…those are problems to push off until a later date. Don’t make this mistake. The problem with this approach for a hardware company is that your product will be competing for shelf space (digital or physical) with established players. When you are on a physical shelf, there is no website with help text or comparison charts that can explain the virtues of your product. Your package messaging must be appealing enough to convince a busy shopper to put your widget into her cart. If your product is on the shelf next to one of similar price manufactured by a competitor who has better name recognition, your product is at a disadvantage. People have many choices, but little time. They’re going to grab the product they’ve heard of, or the brand they are loyal to. While startups often neglect brand building, Fortune 500 companies prioritize it. They treat branding as a critical facet of their business strategy*  June 2, 2016 | [64](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA64.w.0.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *Though valuing intangibles is notoriously difficult, the study says: The brand is a special intangible that in many businesses is the most important asset. This is because of the economic impact that brands have. They influence the choices of customers, employees, investors and government authorities. In a world of abundant choices, such influence is crucial for commercial success.*  June 2, 2016 | [64](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA64.w.0.0.0.4.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *Brand equity is the monetary value that comes from having a recognizable brand. Marketing experts have found that positive name association enables a company to justify a price premium over similar goods*  June 2, 2016 | [65](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA65.w.0.0.0.1.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *In the world of devices, your product is not exactly the same as your competitor’s product. At a minimum, you likely have a few different features and a different design. But when customers are deciding what to buy, they are purchasing a product to meet a need or fulfill a want. If either your device or your competitor’s device will satisfy their objectives for approximately the same price, brand becomes a powerful differentiator*  June 2, 2016 | [65](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA65.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *According to Alina Wheeler’s seminal brand-strategy guide Designing Brand Identity (Wiley), brands serve three primary functions: Navigation A strong brand helps customers make a choice when presented with a wide array of options. Reassurance In a world with so many choices, a brand reassures customers that the product they’ve chosen is high quality and trustworthy. Engagement Brand visuals and communications make customers feel that the brand understands them. The result is that customers identify with the brand. A recognizable brand can help a company increase (or defend) its market share by inspiring trust and enhancing the perception of quality. Having customers who identify with your brand engenders loyalty.*  June 2, 2016 | [65](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA65.w.0.0.0.3.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *High-quality software products are developed to engender what’s known as lock-in : over time, customers become accustomed to the feature set, learn advanced shortcuts, store their data, or create large libraries of files. They become loyal customers and will often pay to upgrade the software as new versions are released. They have invested time and energy in learning how to use it, and this makes them reluctant to switch to a new product. This phenomenon is particularly prevalent in enterprise software, where corporations want to ensure continuous availability of data and internal documents. They don’t want to risk losing document integrity porting to a new product. With most hardware products, this kind of lock-in is difficult to achieve . Unlike with software, where you can push an update that incorporates new technology (and suggest that your users buy it), hardware upgrades eventually require new physical components encased in new plastic. At the point of purchase, whether on the shelf or online, your customers will be confronted by alternatives. Strong branding generates loyalty and makes customers more likely to have you top-of-mind when they intend to purchase; even when they’re not actively intending to purchase, you want your brand to be top-of-mind.*  How software products avoid competition and retain existing customers  June 2, 2016 | [66](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA66.w.0.0.0.1.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *The Smart Design team uses the information gleaned from the qualitative study to create one or more design directions for the product. If the client’s schedule and budget allow for it, the Smart Design team will return to the qualitative study participants (and bring in some new ones) to show them several possible prototypes and solicit more feedback. The goal is to observe user reactions. It’s a learning and refinement process, geared toward guiding further development.*  June 2, 2016 | [68](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA68.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *So how do you build a recognizable brand? Your Mission First and foremost, a brand must have a mission . Earlier in this chapter, we touched on the importance of identifying a problem that truly motivates you and resonates with others. Your mission is what your company is doing, why, and for whom. You should be able to articulate this succinctly in the form of an elevator pitch or mission statement (sometimes called a mantra ). Your brand mantra is a statement of why you exist*  June 2, 2016 | [70](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA70.w.0.0.0.3.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *Apple “Committed to bringing the best personal computing experience to students, educators, creative professionals, and consumers around the world through its innovative hardware, software, and Internet offerings.” Microsoft “To enable people and businesses throughout the world to realize their full potential.” Nike “To bring inspiration and innovation to every athlete\* in the world. (\*if you have a body, you are an athlete)” Google “To organize the world’s information and make it universally accessible and useful.”*  June 2, 2016 | [71](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA71) | |

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| |  |  |  | | --- | --- | --- | |  | *These sentences distill each company’s intent and purpose into a single statement that represents the core of the brand’s identity. All other facets of branding—personality, assets, and experience—are outgrowths of this statement of purpose.*  June 2, 2016 | [71](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA71.w.0.0.0.1.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *Knowing your mission helps your company in both an internal and a public-facing capacity. Internally, it serves as a guide for employees to know what they stand for and what they’re working toward. It provides a company with a framework to evaluate strategies and products: to what extent does a specific action or product release advance your mission and align with your core values?*  June 2, 2016 | [71](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA71.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *There’s a tremendous pressure to cut corners when you’re a startup. Having strong brand principles gives you something to refer back to during development. As the product evolves, you’re going to make decisions with respect to what you understand your brand to be. The software, the service components…it will all be viewed in the context of answering the question “Who are we?”*  June 2, 2016 | [71](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA71.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *. In his own words, people’s lives can be improved by engaging five fundamental human values: Eliciting Joy Activating experiences of happiness, wonder, and limitless possibility . Enabling Connection Enhancing the ability of people to connect with each other and the world in meaningful ways. Inspiring Exploration Helping people explore new horizons and new experiences. Evoking Pride Giving people increased confidence, strength, security, and vitality. Impacting Society Affecting society broadly, including by challenging the status quo and redefining categories*  June 2, 2016 | [72](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA72.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *Putting in the effort to arrive at a deep understanding of your brand’s values and mission will help you define and project a coherent brand identity. As defined in branding expert and author of The Brand Gap (New Riders) Marty Neumeier’s The Dictionary of Brand (an excellent resource for brand builders), brand identity is “the outward expression of a brand, including its trademark, name, communications, and visual appearance.”*  June 2, 2016 | [73](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA73.w.0.0.0.1.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Brand identity is the sum of all of the parts. Identity is deliberately constructed by the company, with the goal of ensuring that customers both recognize the brand as an entity and can articulate how it differs from the competition. Brand image is the consumer’s perception of this identity: how the market views your brand. You want the market view to align with the impression you are trying to create.*  June 2, 2016 | [73](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA73.w.0.0.0.2.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *In Designing Brand Identity , Alina Wheeler breaks down the process into five steps: Conducting Research Fully investigate the existing perception of the brand, both in the market and in the minds of stakeholders (constituents who have a vested interest in a company, such as employees, investors, customers, partners, etc.). Clarifying Strategy Define goals, identify key messages, and determine appropriate strategies for naming, branding, and positioning. Designing Identity Define a unifying “big idea” and develop a visual strategy. Creating Touchpoints Produce visual elements, refine the look and feel, and protect trademarks . Managing Assets Develop and implement a launch strategy to unveil brand elements, define brand standards, and establish guidelines to ensure consistency .*  June 2, 2016 | [73](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA73.w.0.0.0.4.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *This process might seem like an extensive undertaking, particularly for a resource-constrained startup, and it can be a long and time-consuming process. But even in the days before a startup has stakeholders aside from the team, it should be thinking about brand identity. Jinal Shah of marketing communications firm J. Walter Thompson (JWT) discusses ways that startups can streamline this process in “Brand Building for Startups: A Case Study”*  June 2, 2016 | [74](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA74.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *Early brand building takes a lot of time and discipline. It should be a serious, process-driven endeavor. Startup founders put a lot of energy into product development and trying to attract customers. Identifying brand values and knowing who you are is equally important. Your ultimate goal is to sell your brand—the values, vision and emotional connection—not your produc*  June 2, 2016 | [77](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA77.w.0.0.0.1.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *In psychological research, the five-factor model asserts that there are five basic dimensions of human personality (called “the Big Five personality traits”): openness, conscientiousness, extraversion, agreeableness, and neuroticism. In a similar vein, Stanford marketing professor Dr. Jennifer Aaker believes that brand personality can be broken down into five core dimensions : sincerity, excitement, competence, sophistication, and ruggedness. Within each of these dimensions are facets and traits that increase the specificity of the description, as shown in Figure 4-1 . While some academics have criticized Aaker’s scale as biased toward American culture, these lists of traits are a solid jumping-off point for companies looking to define their brand personality.*  June 2, 2016 | [78](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA78.w.0.0.0.1.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *Products and messaging keep changing over time as a company evolves, but brand values and personality generally remain the same. Jinal Shah says: You want to have a little bit of room to evolve and have fluidity in the market, but there is still a core set of values that must remain consistent. Think about you, the person. There are certain things that you would do or say, and certain things that you would not do or say. People who know you can probably distinguish between the two. That’s how your personal brand gets built. It’s no different for a company*  June 3, 2016 | [79](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA79.w.0.0.0.1.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *Naming your company is incredibly important. A name is the most frequently used brand asset. Customers see it and hear it. They speak it when they tell their friends about you. Many blog posts have been written about naming software startups: common suggestions include keeping the name short, choosing something with an available domain (or, at worst, a unique modified domain with the name in the title, such as GETstartup.com or startupHQ.com ) and social media handles, and selecting something that is easily pronounceable and searchable (don’t remove too many vowels!). A name should be distinctive and memorable. It must also be legally available and not trademarked by anyone else. One important difference between naming a hardware startup (or product) and a software startup is that the name is more likely to appear on packaging, and possibly on the device. Clarity and readability are critical. Can you tell from a glance at the name what the product does? The ability to extend a product line in the future is also something to consider. Apple has done this exceptionally well. The “iDevice” naming convention has taken it through decades of hardware products (iMac, iBook, iPod, iPhone, iPad), and links the hardware to the software (iTunes).*  June 3, 2016 | [79](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA79.w.0.0.0.3.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *Also, be wary of choosing a name that is a generic word. While many successful companies have such names (such as Square and Nest), it takes hard work to associate the word with your company in the minds of consumers. You’ll also spend quite a bit of money acquiring the domain. Begin your naming process by deciding what you most want the name to evoke. You can use the work you did when identifying your values and personality. Choose several words or phrases that capture the brand essence you’re going for, and begin to brainstorm. There are many categories from which to pick a name: Emotions that you want your product to evoke Locations where people are likely to use it A distinctive physical characteristic of the product A metaphor that represents your user or your product A verb related to your product’s functionality It’s helpful to work through this process with a group of people. Word association and building off of the creativity of others can make it a lot easier and more enjoyable.*  June 3, 2016 | [80](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA80.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *Once you’ve come up with several names that you like (and checked them for potential trademark infringement), it’s time to test them. San Francisco naming consultancy Eat My Words has a series of criteria that it calls the SMILE & SCRATCH test . The SMILE test checks to see if your name has the following important qualities: Suggestive — evokes a positive brand experience Meaningful — your customers “get it” Imagery — visually evocative to aid in memory Legs — lends itself to a theme for extended mileage Emotional — resonates with your audience And the SCRATCH test helps you determine if it should be scrapped: Spelling-challenged — looks like a typo Copycat — similar to competitor’s name Restrictive — limits future growth Annoying — forced Tame — flat, uninspired Curse of knowledge — only insiders get it Hard-to-pronounce — not obvious, unapproachable If your name passes these two tests, it’s time to consider testing it in the wild. Some entrepreneurs choose not to, instead just trusting their own judgment. Others solicit feedback solely from friends, family, or their (early) community. Naming and branding experts advise field testing, because it’s often difficult for insiders to recognize that their name has a “curse of knowledge” problem or is inscrutable to a general audience. They test names with focus groups. Common questions that naming experts ask include: What do you think this business does? Can you spell it? (Can you pronounce it?) Does this name remind you of any particular product? What do you think of when you read the name?*  June 3, 2016 | [80](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA80.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Still, there’s no substitute for in-person feedback whenever you can get it. Marc Barros, the founder of wearable-camera maker Contour, describes its process of using the “Bar Test”: say your company name to someone in a noisy bar. See if they understand what you do. If they can’t pronounce or spell the name, consider it a failure. (For more lessons learned from Marc’s experience with company naming and branding, see “Naming Contour and Moment: A Case Study” .)*  June 3, 2016 | [81](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA81.w.0.0.0.4.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *The name changes resulted in lost time and lost market share. A full five years into the existence of the company, the team got serious about branding. They had managed to gain some traction (and earn some revenue) despite the setbacks, and they began to work with an agency to shape the Contour brand archetype and story. Unfortunately, competitor GoPro hadn’t made the same missteps. Founded at approximately the same time, and with a similar offering geared toward a similar customer, GoPro continued to gain market share and move ahead of its smaller rival. After shutting down Contour, Marc wrote an excellent post-mortem on his blog detailing the differences between GoPro’s branding strategy and Contour’s. In the post, he describes learning the lesson of “brand first, distribution second.” Focusing on retail sapped Contour’s resources, leaving little available to drive consumer demand. GoPro focused on emotionally connecting with customers, creating an aspirational brand identity through the use of thrilling action videos shot with the product. GoPro built a movement.*  June 3, 2016 | [83](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA83.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *Contour wasn’t the best in the world at one thing,” Marc reflects. “We were pretty good at product, we were okay at brand, okay at distribution, but we weren’t unbelievable at one thing.” The lack of a crystal-clear value proposition, combined with nebulous positioning, made competing with its well-branded rival an insurmountable challenge. Moving on to Moment, Marc has applied the lessons learned from the Contour experience. This time around, “We started by understanding who we are and why we’re doing this,” Marc says. From the beginning, the team has focused on identifying their core values, making those values the foundation of the company they’re building. They have worked at understanding the companies that have come before. According to Marc, “This brand is anchored in the history of lenses.” The design elements, the name, and the concept are all part of a cohesive vision: segments of time. Moments*  June 3, 2016 | [83](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA83.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *The points at which brands interact with consumers are called touchpoints . To identify touchpoints, think about your outreach channels: media, packaging, advertising, environment (e.g., stores). Possible touchpoints include websites, emails, apps, blogs, TV, trade shows, exhibits, print materials, circulars, billboards, videos, kiosks, retail shelves, social media…basically, anywhere in the physical or online world that a consumer might encounter your brand*  June 3, 2016 | [86](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA86.w.0.0.0.1.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Marketing expert Geoffrey Moore has a template for synthesizing a thorough positioning statement in his book Crossing the Chasm (HarperBusiness): For (target customer) who (statement of the need or opportunity), the (product name) is a (product category) that (statement of key benefit—that is, compelling reason to buy). Unlike (primary competitive alternative), our product (statement of primary differentiation). This statement incorporates all of the different preproduct considerations we discussed in Chapter 2 into one sentence and synthesizes them into a single message. Chapter 10 returns to positioning and differentiation within the context of marketing. In the preproduct phase, an understanding of whom you are building for and what position you wish to occupy in the market will provide you with a framework against which to make product decisions.*  June 3, 2016 | [88](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=H4HYBgAAAEAJ&source=books-notes-export&pg=GBS.PA88.w.0.0.0.2.0.2) | |