

**M.I.T.**  
**\$50K Entrepreneurship Competition**  
**Founders' Workshop**

**How to Optimize the Marketing Section of  
Your Business Plan**

Mike Grandinetti  
VP, Marketing and Business Development

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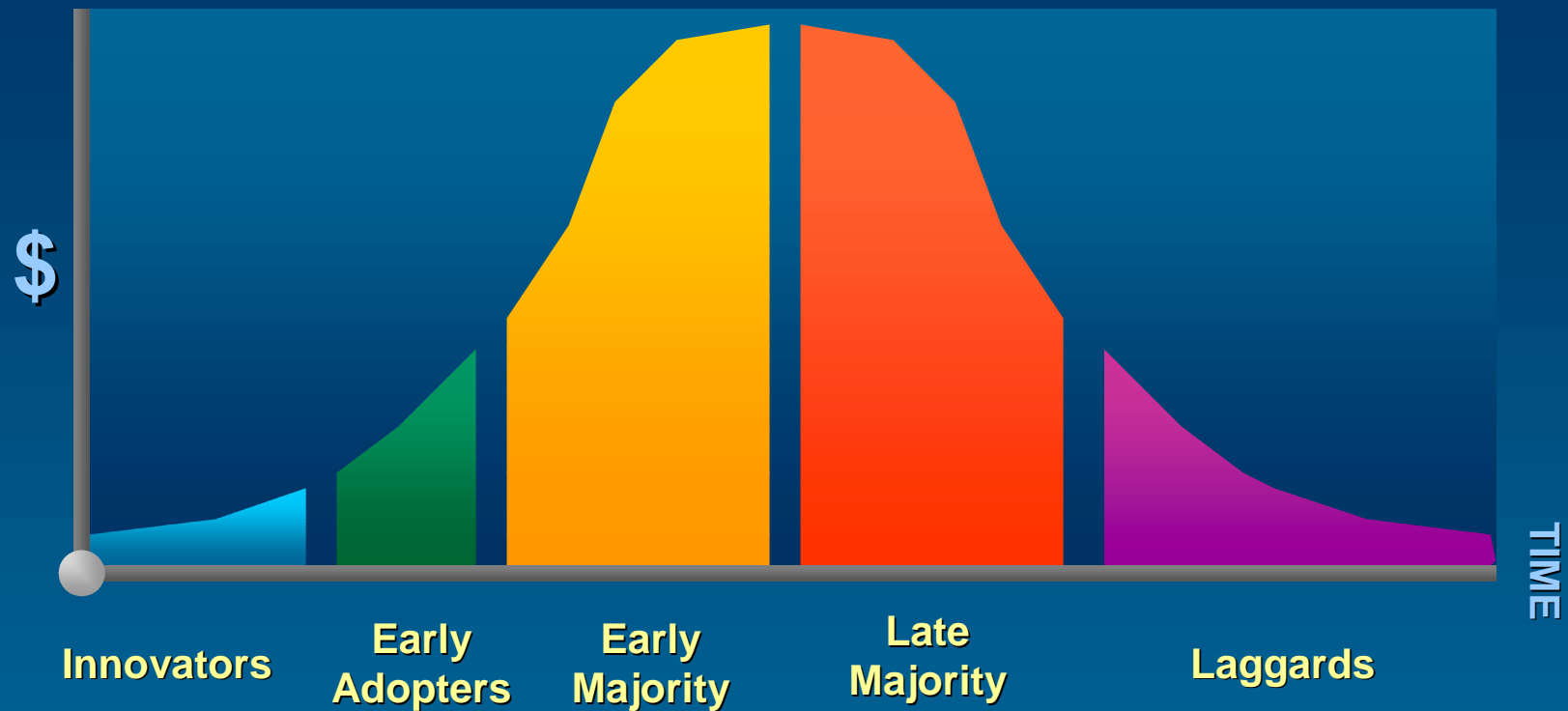
# Agenda

- Goals of Marketing Section of Business Plan
- Early-stage High Tech Marketing – Historical Lessons
- Key Marketing Strategy Issues
- Underlying Analysis
- Tips on Presenting the Plan Effectively
- Extensive Q&A Session

# Key Marketing Questions to Address

- Have You Identified a Significant Enough Customer Problem to Develop a Very Large Market?
- Is the Customer Pain Acute Enough That the Market is Ready to Buy Today?
- Have You Developed a Highly Differentiated and Defensible Value Proposition to Build a Sustainable Business?
- Have You Developed a “Game Over” Go-To-Market Strategy?

# Technology Adoption Life Cycle



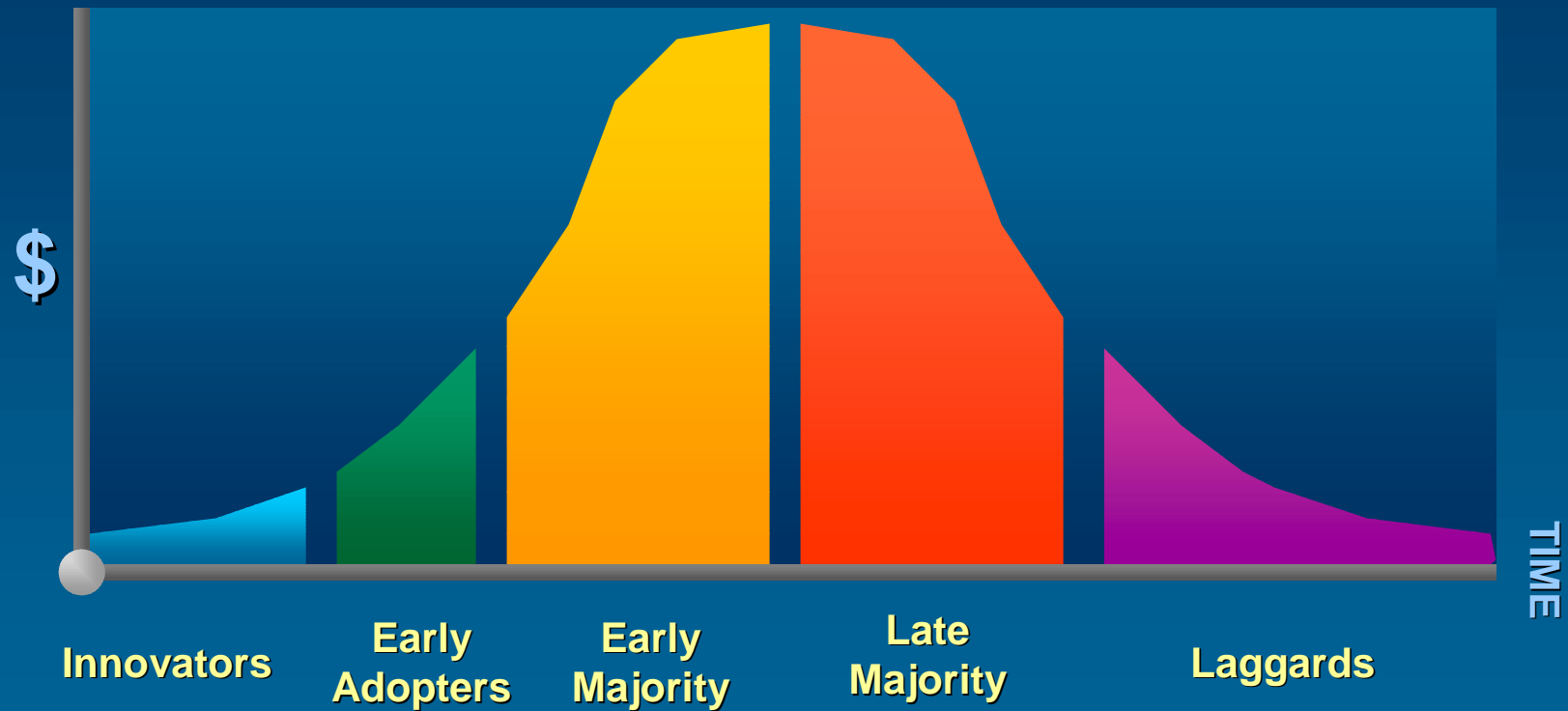
The Technology Adoption Life Cycle models market acceptance of discontinuous innovations.

# Crossing the Chasm



Geoff Moore, "Crossing the Chasm"

# Marketing Strategy Priorities Change Over the Life Cycle



# Key Marketing Strategy Issues

1. Target Customer\*
  - ID Pain by Segment
2. Size/ Growth Rate of Market\*
  - By Segment
3. Compelling Reason to Buy\*
4. Competitive Landscape
5. Whole Product Solution
6. Business Partners\*
7. Positioning\*
8. Pricing
9. Go-To-Market Strategy
  - Sales/ Distribution
  - Promo/ Marketing Communications
10. Next Target Customer / Segment

*\*Denotes Most Important Issues in Early Stage of Product Lifecycle*

# Some Thoughts on Market Segmentation

“Marketing Must Create Complete Products and Drive Them to Commanding Positions in Defensible Market Segments.”

*Bill Davidow*

*“Marketing High Technology”*

“In a Rapidly Growing Market, the Most Successful Competitive Strategy is to Achieve and Hold a Dominant Market Position by Segmenting the Market into a Sufficiently Isolated Segment which Can Be Dominated.”

*Boston Consulting Group*

“Companies With Greater than 30% Market Share Are Almost Always Profitable. Companies with Less than 15% Share Almost Always Lose Money.”

*McKinsey & Company*

# Some Thoughts on Market Segmentation

- Markets are Not as Homogenous as They First Appear
- Distinct Markets Can Support Two to Three Profitable Players
- Concepts Must Be Developed and Resources Identified to Gain at Least 30% of a Well-Protected Market Segment

# Target Customer: Identifying Pain by Segment

- Great Devices are Invented in the Lab, Great Products/ Companies are Created in the Market
  - Intuitive Feel
- Identify Acute Customer Pain Through Systematic, Rigorous Primary Market Research
  - Segmentation will “Fall Out”
- Articulate the “Voice of the Customer”
  - Quantify Pain; i.e cost
  - Qualitative Description of Pain; i.e. Anecdotal Data
  - Make the Pain “Jump Off the Page”

# Target Customer

- Target the Economic Buyer
- Define Segments by Their Center Points
  - Poster Child Target Customer
- Commit to 100% Whole Product For Customer at Center Point
  - Whatever It Takes

# Describe the Ideal Target Customer's Before/After Scenario

Target End User:

Before:            Situation / Business Process  
                      Desired Outcome  
                      Attempted Approach  
                      Interfering Factors  
                      Economic Consequences(eg., Costs)

After:             (Similar Situation / Business Process)  
                      (Similar Desired Outcome)  
                      New Approach  
                      Enabling Factors  
                      Economic Rewards(eg., ROI)

# Size/Growth of Market

- VCs Want to See Large, Rapidly Growing Markets
- Analyze by Segment – Which Ones Most Attractive?
- High Tech Market Research More Readily Available Than Ever
- If Research Not Available, Sign That Market May Not Yet Be Ready to Buy
- VCs Want to See Aggressive Growth Predictions from Aggressive, Confident Management Teams
  - Willing to Fund

# Market Sizing

- Define Primary Focus of Business
  - Newly Emerging Market
  - Niche of Existing Market
  - Replacement in Established Market
- Analyze Market Trends and Economics

# Competitive Landscape

## Classic Competitive Analysis

- Analyze by Segment
- Detailed Understanding of Strength/ Weaknesses
- Candid Assessment
  - VCs Due Diligence
- Account for Established Players and Newly Emerging Entrants
- Account for Different Approaches
  - Architectural
  - Emerging technologies / disciplines


# Compelling Reason to Buy

- Unique Value Proposition
  - Unfair Competitive Advantage/ Key Differentiators by Segment
  - Painkiller vs. Vitamin
  
- Quantify Benefits
  - Expected ROI
  
- Single, Most Compelling Proof
  - Customer / partner case study
  - Analyst endorsement

# Whole Product Solution

- Complete Set of Products & Services Needed to Fulfill Compelling Reason to Buy
- Requires Exhaustive Analysis
- Critique Proposed Solution from a Skeptical Customer's/ Partner's Point of View

# Business Partners and Allies

- No Single Company is Expected to Do It All
  - Start-up  Focus
- Vitally Important to Industry Influencers
- Two to Three Partners is Ideal Number to Make a Market
- At Least One Partner Should Already Have a Relationship with Target Customer
- Endorsement Enhances Credibility and Valuation

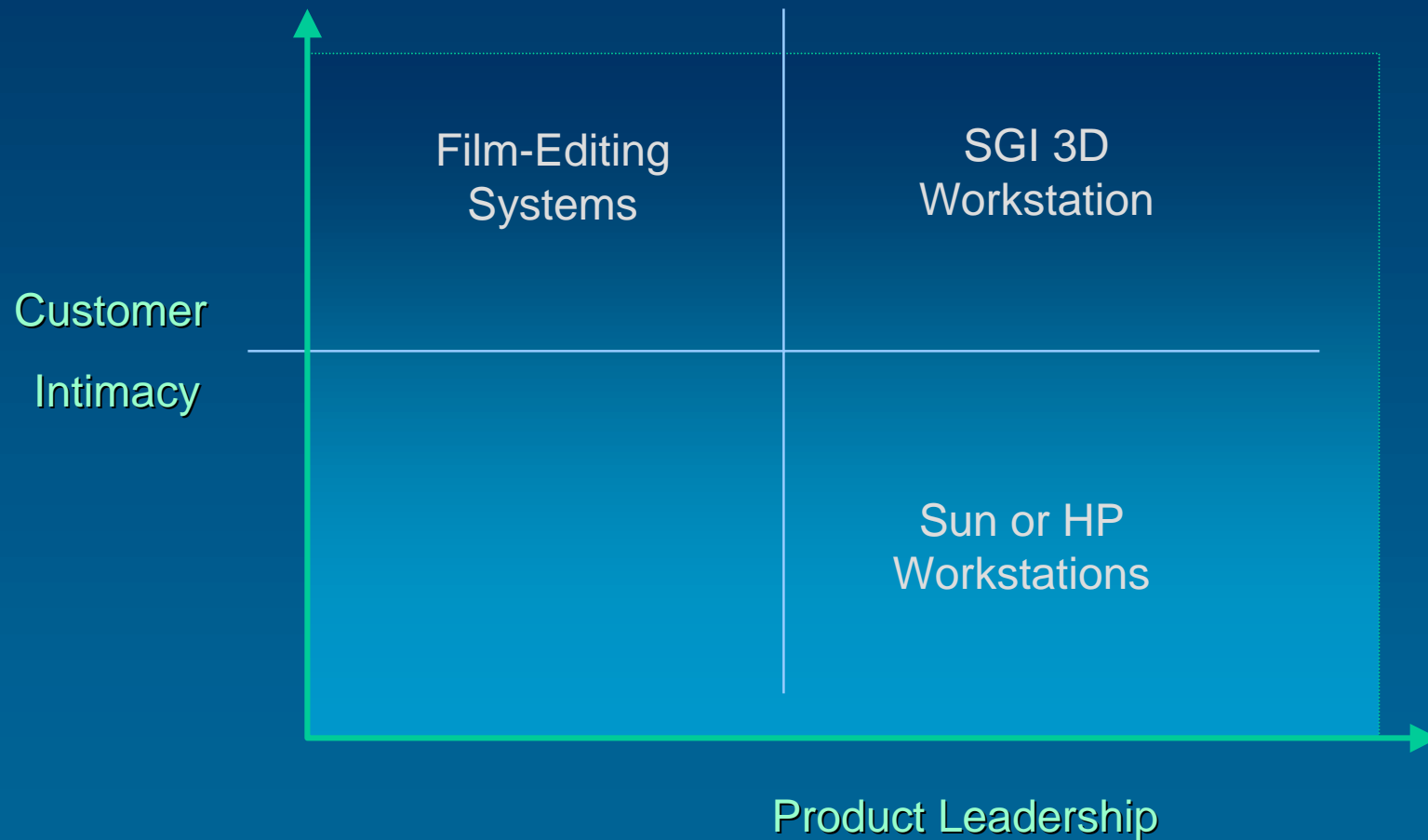
# Positioning

- Establishing Your Place Within a Highly Complex System
  - Buying Choices Available to Customers
  - Supply Chain Choices Available to Partners
- Competition = Reference Point
- Early Stage Technology Market Priorities
  - Customer Intimacy
  - Product Leadership
- Take Proactive Role in Positioning
  - Otherwise Judges Will Establish It For You

# Early Stage Technology Market Positioning



# Example: Silicon Graphics



Source: "Crossing the Chasm"

# Positioning Template

- For [Target Customers]
- Who [Have Problem]
- Our Product [Is a New Category]
- That Provides [Breakthrough Capability]
- Unlike [Reference Competitor]
- Our Product [Key Point of Differentiators]

Source: "Crossing the Chasm"

# Example: Silicon Graphics

- For [Movie Producers]
- Who [Rely Upon Post-Production Special Effects]
- SGI's [3D Graphics Workstation]
- Provide [Integrated Digital Fantasies with Actual Film Footage]
- Unlike [Generic Workstation Manufacturers Like Sun and HP]
- SGI [Has Made a No Compromise Commitment to Meet Film-Makers Demanding Post-Production Needs.]

Source: Crossing the Chasm™

# Go-To-Market Strategies

- Marketing Communications
- Sales Support
- Initial Customers

# Marketing Communications

- Unprecedented Venture Capital Flows
  - Crowded Markets
  - Overwhelming Noise and Clutter
- Need to Cut Through the Noise
  - Creative, Aggressive Approaches More Critical Than Ever
  - Dovetail with Tradition Best Practices Marketing

~~Me Too  
Marketing~~

# Sales Coverage

- Early Stage Technology Markets
  - Direct Sales Most Typical
  - Distribution Most Effective After Demand Pull Created
- Business Development is Not Equal to Sales
- System Integrators Increasingly Critical

# Initial Customers

- Systematic Plan for Identifying/ Closing First Five Ideal Target Customers
  - Justification/ Reference ability
  - Expected Future Benefits / Lifetime value analysis
    - Quantitative/qualitative
  - Pricing/ Discounting
  - Services/ Support
  
- Required Time Period to Make Successful
  - Move to expanded list

# Final Thoughts

- Mentors
- Format / Appendices
- MIT Legacy
- Questions and Answer Session