

# DEFINING TARGET MARKETS

## MARKET RESEARCH BASICS FOR ENTREPRENEURS

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# ABOUT THE SPEAKER

- ▶ Suzanne Miglucci
  - ▶ Currently President & CEO Charles & Colvard
  - ▶ Former Chief Marketing Officer, ChannelAdvisor
  - ▶ Former Senior Director, SAP
  - ▶ Former VP Business Development and VP Marketing, SciQuest
  - ▶ 25+ years experience from start-ups to Fortune 50
  - ▶ Chasm Group formal training
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# WHY MARKET RESEARCH MATTERS

- ▶ This is a matter of life and death to your new venture
  - ▶ Major cause/predictor of business success
  - ▶ You can virtually *ensure* success if this is done correctly
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# MARKET RESEARCH PHILOSOPHY

- ▶ Fallacy: Build it and they will come
  - ▶ Reality: Sell now & know for sure
  - ▶ Don't start believing your own PR
  - ▶ Ensure there's a market problem you can solve (vs. developing a product looking for a problem)
  - ▶ Never-ending process, not discrete event
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# INFORMAL VS. FORMAL

- ▶ Informal (secondary research)
    - ▶ Accelerated learning process for management team
    - ▶ More flexible, less reliable/statistically valid
    - ▶ Most useful when it 'feeds' primary research
  - ▶ Formal market research (primary research)
    - ▶ Face time with prospects
    - ▶ Test market your product, positioning, pricing
    - ▶ Adjust go-to-market plan based on primary research
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# MARKET RESEARCH BASICS


- ▶ Step 1: Define your market
- ▶ Step 2: Secondary research
- ▶ Step 3: Primary research
- ▶ Step 4: Build business plan

...rinse and repeat



# MARKET RESEARCH BASICS

## Step 1: Define your market

- ▶ Identify your target audience
  - ▶ Segment your market by personas
  - ▶ Identify where your product is on the Adoption Lifecycle
  - ▶ Define your 'Whole Product'
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# WHAT ARE PERSONAS?

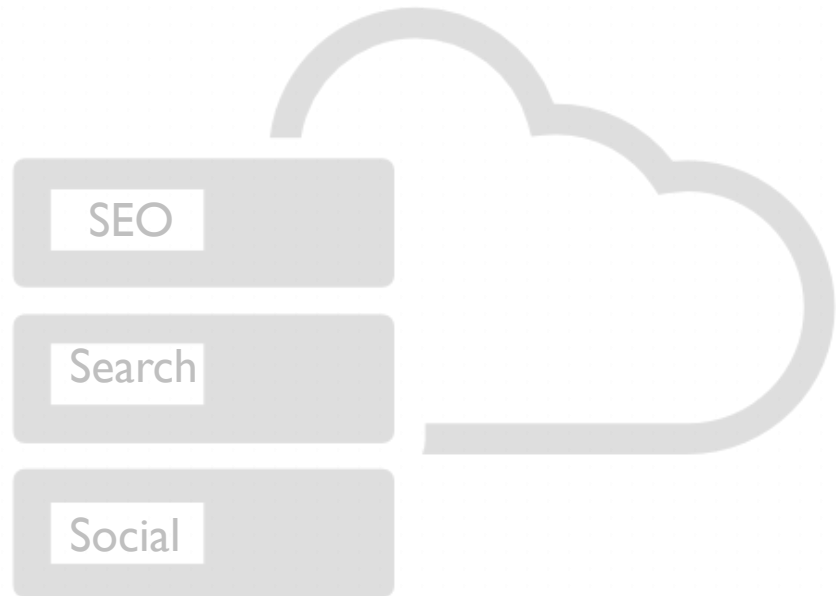
- ▶ A realistic representation of your **target audience**
- ▶ A way to **segment** customers based on what's important in defining your customer – by revenue, number of employees, demographics, maturity of prospect company
- ▶ Personas are shorthand for ways to talk about customers' **wants, needs, problems and goals**
- ▶ **Structure** for the way you'll segment your marketing messages and sales approaches





# CASE STUDY:

## Digital Marketing Solutions for Retailers



# EVOLUTION OF A DIGITAL MARKETER

Target Audience: organizations seeking a solution to optimize their digital marketing activities

Segmentation: by maturity of business, use of technology and breadth of needs

FLY



“Data Hipster”



“The Octopus”



“Eager Beaver”



“Do Google”

CRAWL

WALK

RUN



# WHO ARE THEY?

EXPERIENCE



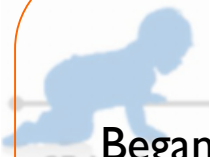
## “The Octopus”

Has one channel they know well, but responsible for managing all of Digital Marketing thus has a hand in everything.



## “Data Hipster”

Digital Marketing expert who is constantly pushing the boundaries and experimenting with new things. Typically a channel ‘specialist’.



## “Do Google”

Began their business on marketplaces and has no experience in Digital Marketing. Has recently decided to branch out and “do Google.”



## “Eager Beaver”

Is a novice at Digital Marketing, has a dedicated budget, but has limited experience and sophistication in their approach or strategy.

TIME

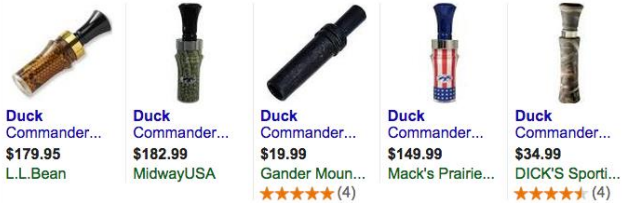
# “EAGER BEAVER” PROFILE



- Small (2-15 people), possibly family-run business
- Have recently decided to focus on marketing to escalate growth, but budget is limited
- May have their IT outsourced because of lack of technical ability
- Hyper focused on margins, but willing to try new things to grow the business
- Performance focused; need to have clear ROI to consider investing
- May be willing or already using an agency to handle digital marketing functions
- Solution footprint: use free or short subscription solutions that don't require much commitment (and subsequently, minimal outcomes)

Shop for duck dynasty calls on Google

Sponsored ⓘ



Catch Phrase:

“Dude - I got this tv show and I need to be everywhere with my duck calls. Like I got some billboards in St. Germain Parish. And I sponsored a lawn mower at the State Fair.”

# “EAGER BEAVER” SUCCESS VARIABLES

<b>Sophistication</b>	Started with marketplaces so knowledge of feeds. Will send out to any sites that are free or CPA-based. Very entrepreneurial and scrappy so may be very sophisticated and ‘creative’ in how they use feeds.
<b>Pains/Frustrations</b>	Tight margins. Lack of time. No expertise, but know they want to grow and DM is a part of that.
<b>Barriers</b>	Resources or lack of time. Need clear ROI.
<b>Reasons for Terminations</b>	Technical ability and time to devote to success.
<b>Our Value and Fit</b>	A partner to help them scale their business to meet revenue targets (think: extension of their marketing team!). Not a lot of incumbent technology or processes to replace. Shared upside model will resonate with margin focus.

FriendsWithBenefits



Catch Phrase:  
“Can you hold, please?  
I have another call.”

# “OCTOPUS” PROFILE

- Brand recognition, but mostly ROI focused
- Dedicated budget
- Google primary channel of interest, but have their hand in managing other channels.
- Team members manage multiple channels
- Seeking an advanced strategy to go to the next level
- Solution Footprint: already investing in several channel technologies and possibly an agency or two. Struggling to manage these disparate solutions and to roll-up data to understand ROI

# “OCTOPUS” SUCCESS VARIABLES

<b>Sophistication</b>	Basic understanding of feeds but are not creative
<b>Pains/Frustrations</b>	Growing and generating ROI, but not fast enough
<b>Barriers</b>	Strategy and teaching them as they go; they think they know everything, but don't
<b>Reasons for Terminations</b>	Hop around to different technology platforms looking for a silver bullet; don't stay in one place long enough to achieve goals
<b>Our Value Proposition</b>	We're their shortcut to success; A scaling platform that comes with experts to augment what they already know, but positions them to grow their business; one platform that allows them to simplify their technology mix so they can focus on their strategy and sales.

# BEST FITS FOR THE COMPANY NOW

EXPERIENCE



**“The Octopus”** 

Technology fits them as they expand to new channels and have to manage all of those. Services also help them because of lack of time.



**“Data Hipster”** 

We don't have the sophistication they require in either the product or services.



**“Do Google”** 

Lack of budget and inexperience make this not profitable. However, we can use a nurture track to help 'grow' them.



**“Eager Beaver”** 

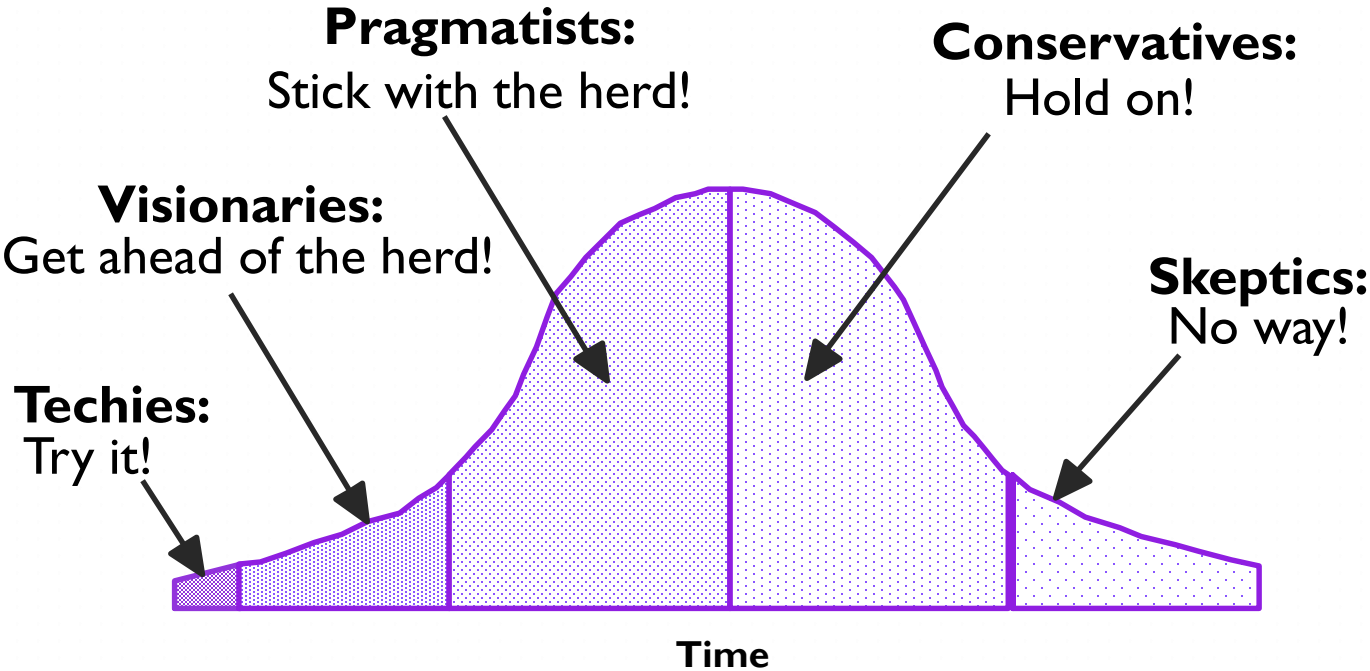
Need a lot of hand holding through Launch and Support. Likely not a good candidate for managed because of costs.

CONFIDENTIAL  
**TIME**



# ADOPTION LIFE CYCLE

% of potential adopters who make first purchase



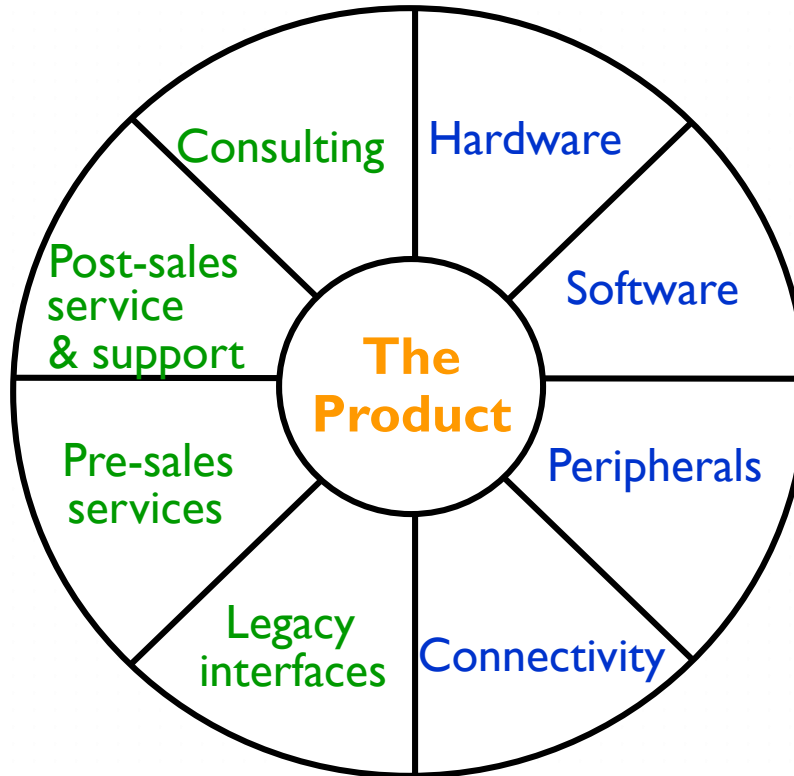
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# THE WHOLE PRODUCT

**Complementary Services**

**Complementary Products**




**Whole product modeling is an exhaustive analysis of what it takes to ensure the fulfillment of the target customer's compelling reason to buy**

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**tcg** Advisors

# MARKET RESEARCH BASICS

## Step 2: Secondary Research

- ▶ Identify your competition
  - ▶ Find and articulate 'comps'
  - ▶ Estimate price points for your product and segments
  - ▶ Define the Total Available Market (TAM) for your product/service
- 

# SECONDARY RESEARCH

- ▶ Google
- ▶ Wikipedia
- ▶ Industry blogs
- ▶ Magazines and news sites
- ▶ Analyst firms
- ▶ Financial industry sites
- ▶ Associations and organizations
- ▶ Business research sites:
  - ▶ Hoovers
  - ▶ Lexis-Nexis
- ▶ Competitor's activities

# BUILD A COMPETITIVE MATRIX

- ▶ Named competition
  - ▶ May be a diverse cross section
  - ▶ May include incumbent systems
  - ▶ May be inertia!
- ▶ Size of their market footprint in \$
- ▶ Size of their market footprint in number of customers
- ▶ Named accounts they own
- ▶ Targeted/segmented market if appropriate
- ▶ Their value proposition
- ▶ Their competitive advantage
- ▶ Their product packaging/delivery model
- ▶ Their pricing model
- ▶ Your competitive positioning against them
- ▶ Their potential threats to you

# SAMPLE TOTAL AVAILABLE MARKET


## Global Retailers Seeking Digital Marketing and Marketplaces Solutions

- ▶ Estimated 2.2 million retailers across the globe
- ▶ Targeting prospects in the Eager Beaver and Octopus profiles above \$1M in annual online revenue
- ▶ Leaves a TAM of 120,000 organizations:
  - ▶ 10,000 are enterprise-level (above \$10M annual revenue)
  - ▶ 110,000 are mid-market (\$1-10M annual revenue)
- ▶ TAM:
  - ▶ 10,000 @ \$100k\* average deal size = \$1,000,000,000
  - ▶ 110,000 @ \$25k\* average deal size = \$250,000,000
  - ▶ \$1,250,000,000 Total Available Market Value

\* Include your market assumptions, pricing assumptions and other mitigating factors such as competitor's market penetration

# MARKET RESEARCH BASICS

## Step 3: Primary Research


- ▶ Prepare your positioning
  - ▶ Develop market validation deliverables
  - ▶ Host Market Validation Sessions
  - ▶ Adjust your plan based on findings
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# POSITIONING: MAKE IT CRUDE!


	Is Your Positioning
<ul style="list-style-type: none"><li>• For: (<u>Target Segment</u>)</li><li>• Who: (<u>Need Statement</u>)</li><li>• The (<u>Product Name</u>)</li><li>• Is a (<u>Product Category</u>)</li><li>• That (<u>Key Benefit</u>)</li><li>• Unlike (<u>Primary Competitor</u>)</li><li>• Our Product (<u>Differentiation</u>)</li></ul>	<p>Credible</p> <p>Relevant</p> <p>Unique</p> <p>Durable</p> <p>Easy to Communicate?</p>



# SAMPLE POSITIONING


- For: The online retailer
  - Who: wants to optimize and expand their online sales
  - The: ABC E-Commerce Solution
  - Is a: global software-as-a-service solution
  - That: consolidates a retailer's online sales into one comprehensive platform
  - Unlike: individual connections that are inefficient and require significant investments in people, time and money
  - Our Product: is a scaling platform -- a single source for globally distributing products and growing revenue while reducing personnel overhead and optimizing business operations
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# MARKET VALIDATION DELIVERABLES

- ▶ Define your target accounts
    - ▶ Choose your personas
    - ▶ Define size and make-up of organization (e.g., by revenue, number of users, potential product footprint)
  - ▶ Develop a target customer list based on the target account profile
    - ▶ Hoovers, Book of Lists, Google
  - ▶ Develop a script that can be used to approach target accounts
  - ▶ Develop a presentation that communicates your solution and solicits desired feedback
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# HOST MARKET VALIDATION SESSIONS

30 minute sessions with a cross-section of target customers in the following format:

- ▶ 10 minutes of learning about the account
  - ▶ 10 minutes education about your solution
  - ▶ 10 minutes of feedback
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# WHAT DO YOU WANT TO LEARN?

- ▶ Is the target market and segment valid?
  - ▶ Do they have a problem you can solve
- ▶ Is your positioning/value proposition accurate?
  - ▶ Are you using terms that resonate?
  - ▶ Is your value easily understood?
- ▶ What is their buying cycle... (not your selling cycle)
  - ▶ Is a pilot necessary? Length, phases?
  - ▶ What is the legal/contract process?
  - ▶ Which departments to pitch?
  - ▶ Who signs-off? Who influences?
  - ▶ What are the sign-off limits, budget cycle?
- ▶ How much will they pay?
  - ▶ Different price points for different offerings?

# MARKET RESEARCH BASICS

## Step 4: Build your Business Plan

- ▶ Start with your Market Model
  - ▶ Build your Business Plan
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# SAMPLE MARKET MODEL

**Target Customer**

Online retailers

**Compelling Reason to Buy**

Ability to exponentially scale their business

**Whole Product**

Requires investment to connect to some channels

**Partners and Allies**

Marketing agencies for content optimization

**Distribution**

Online distribution; some services delivery

**Pricing**

ROI-based

**Competition**

One-to-one connections; in-house; some agencies

**Positioning**


Technology that scales as fast as you can

**Next Target Customer**

Manufacturers



# CLOSING THOUGHTS

- ▶ This is not rocket science...  
So why is it that new ventures often fail to perform adequate primary research?
  - ▶ Because:
    - ▶ Entrepreneurs can get over-excited about their ideas
    - ▶ Not enough attention to the research
    - ▶ It's hard work
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FEEL FREE TO CONTACT ME!

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