

# Seven First “Go-to-Market” Steps for Entrepreneurs

Pradeep Anand

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pa@seeta.com; +1 281 797 0797; www.seeta.com

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# Pradeep Anand

## Focus: Successful Commercialization of Technologies in the Oilfield

- Vice-President, Marketing, Landmark Graphics
- Manager, North American Operations, Baker CAC, Baker Hughes
- Marketing/Business Development Manager, LWD/MWD, NL Sperry-Sun

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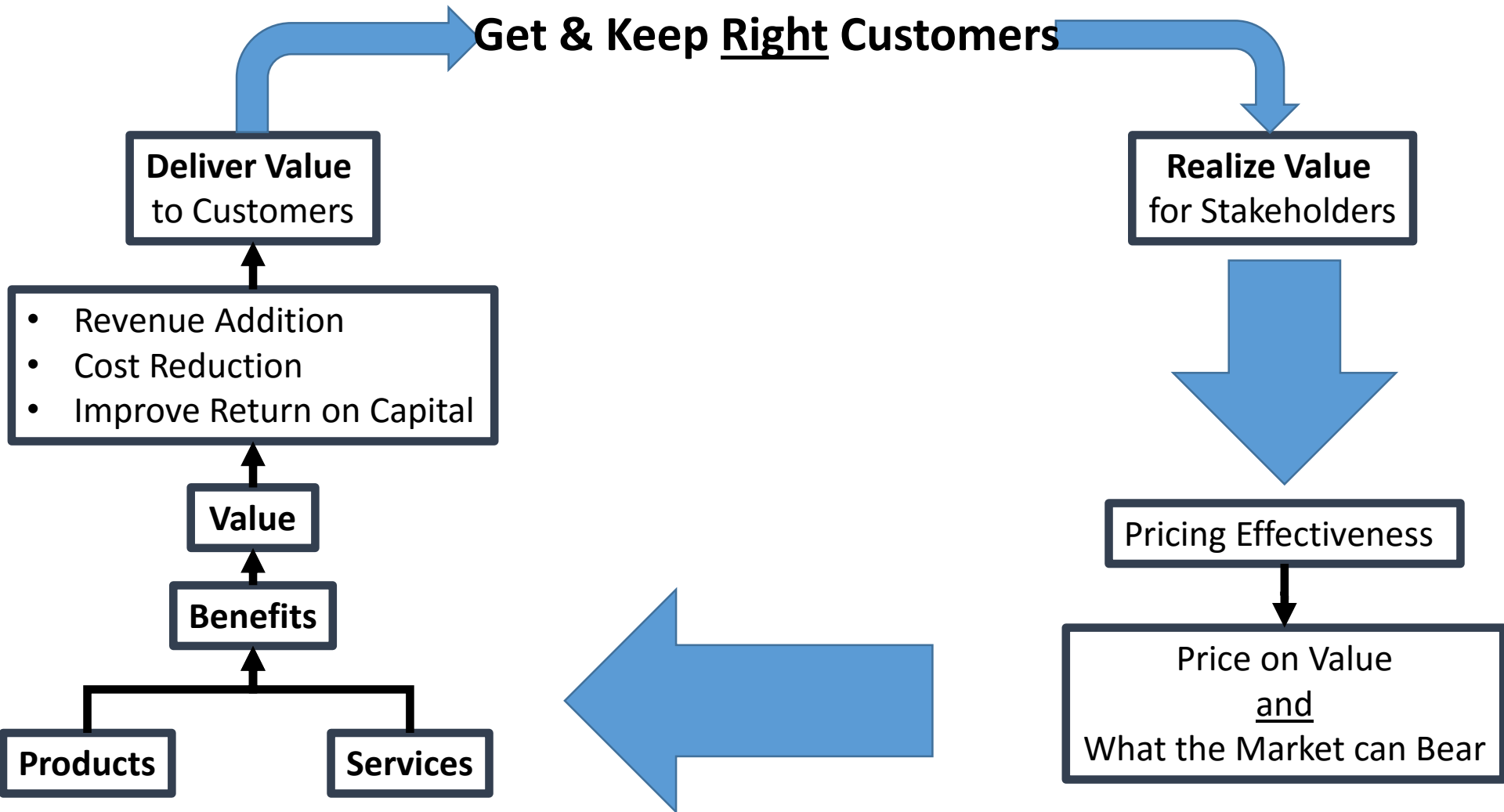
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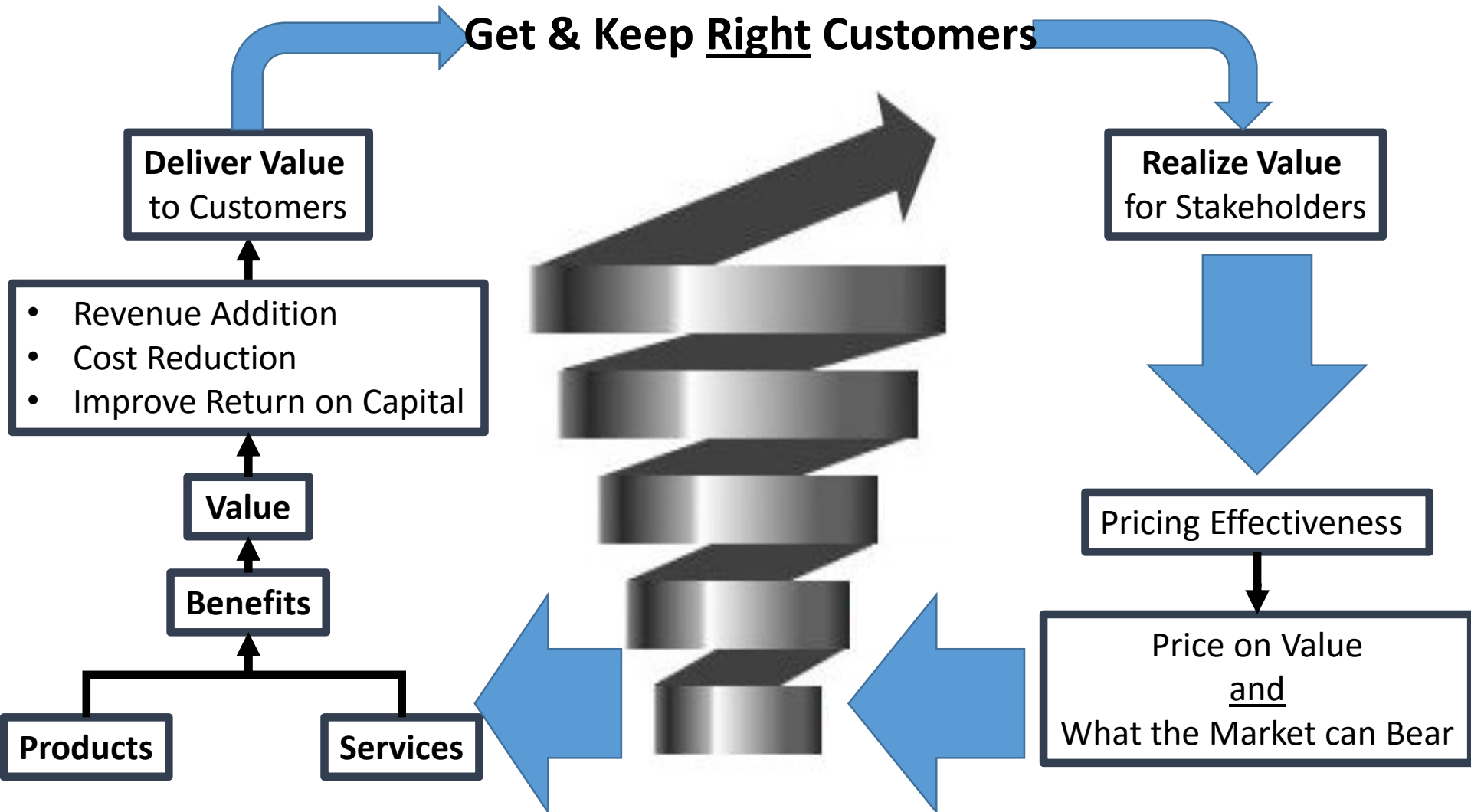
# Go-to-Market Principles

# Principle 1. Purpose of a Business

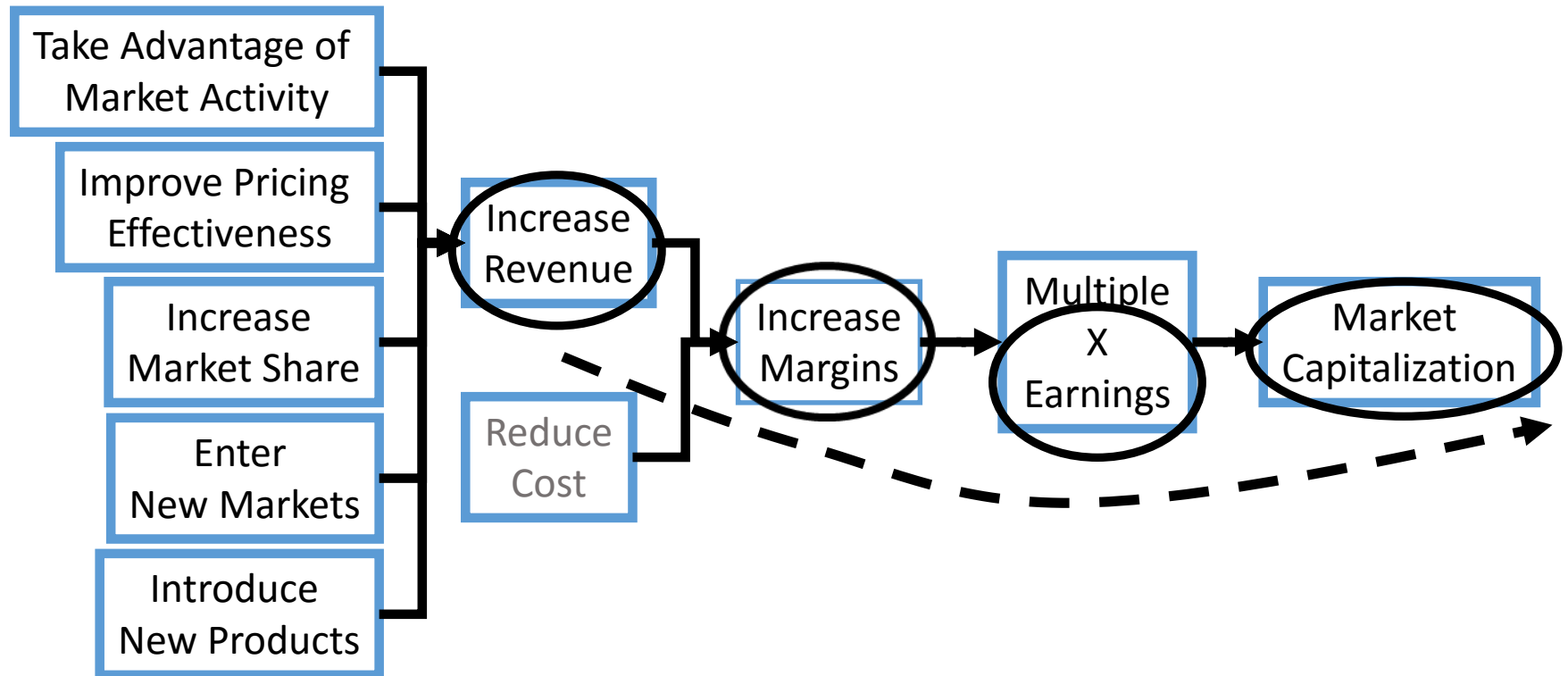




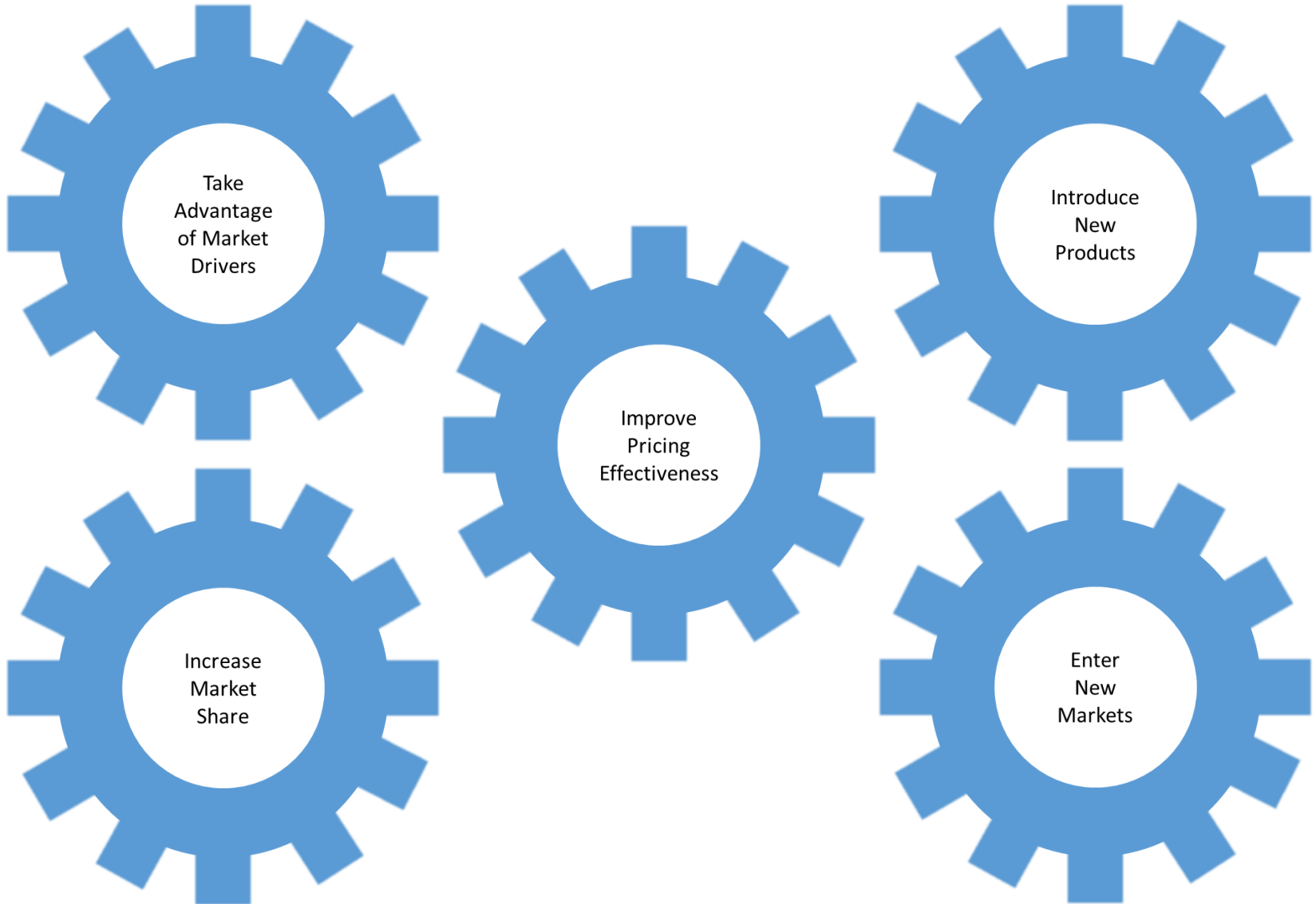
# Principle 1. Purpose: Create Value Spiral



# Principle 2. Five Ways to Increase in Revenue, Margin and Market Capitalization



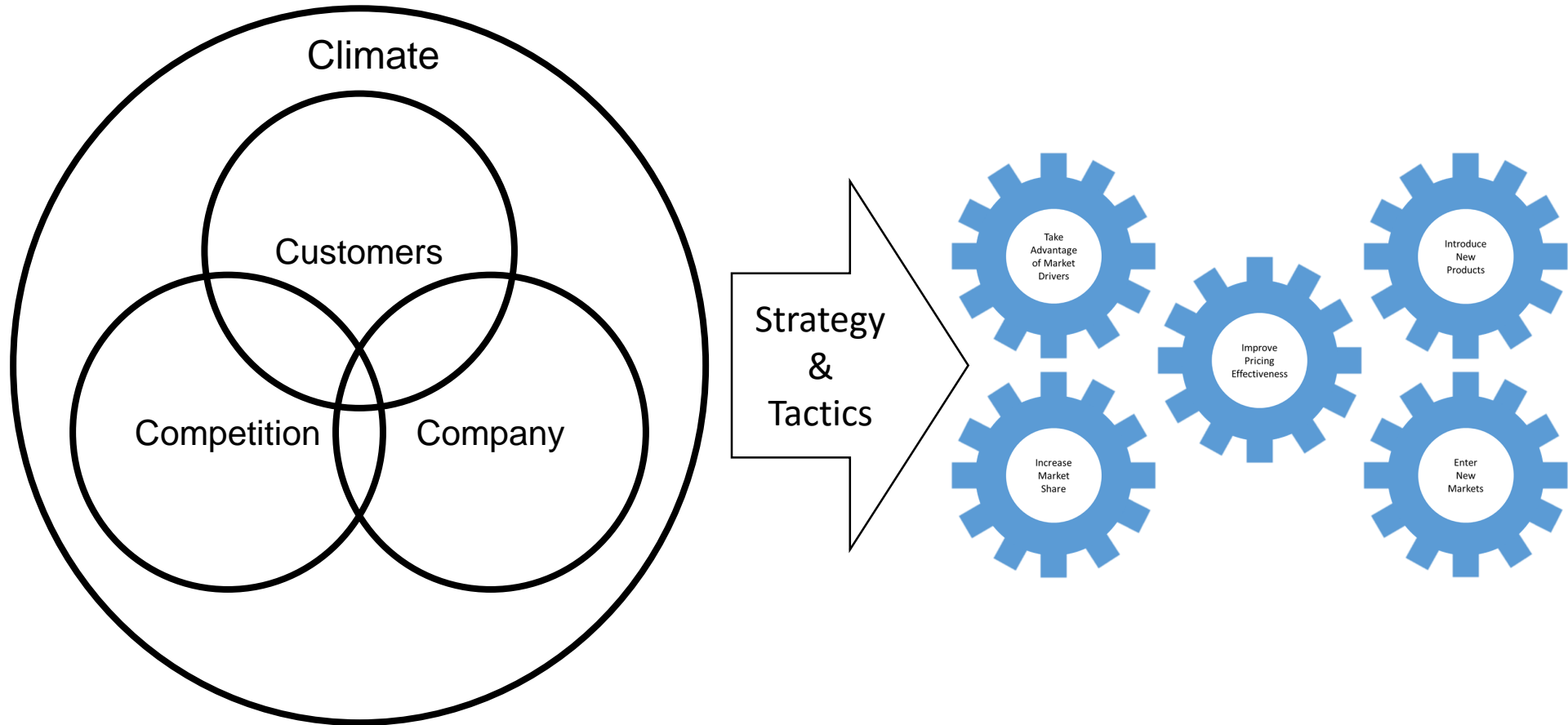
## 2. Five Gears of Growth



# 3. Go-to-Market Process

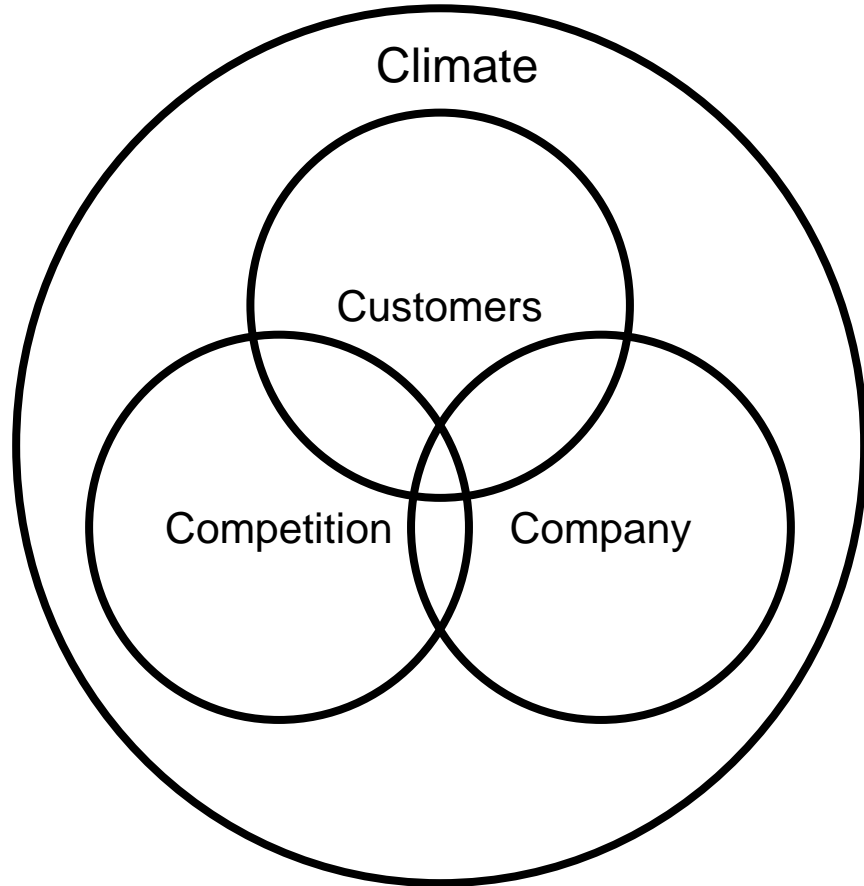
Where are we? Where can/should we go?

How do we get there?

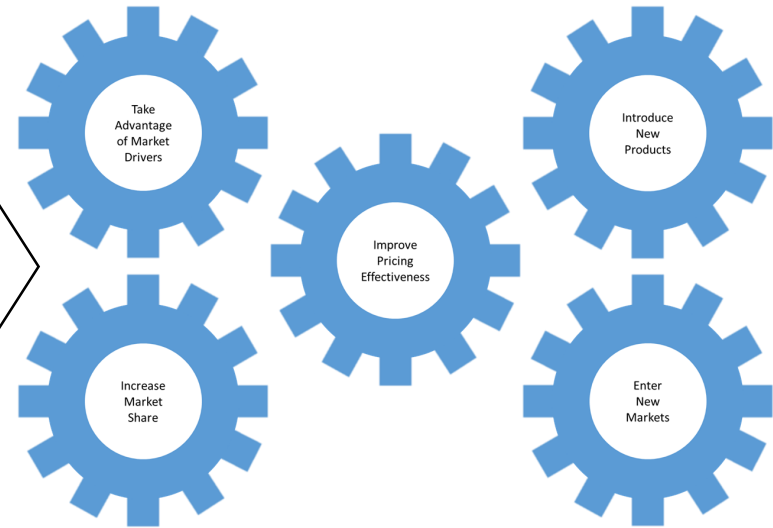
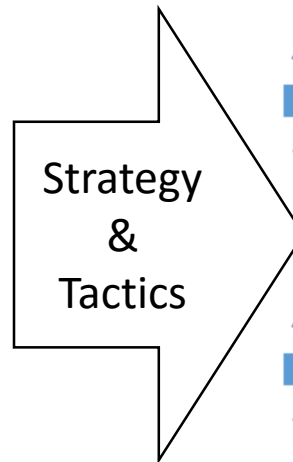


# 3. Go-to-Market Process

**3Qs:**    **Where are we?**    **Where can/should we go?**    **How do we get there?**



**4Cs**



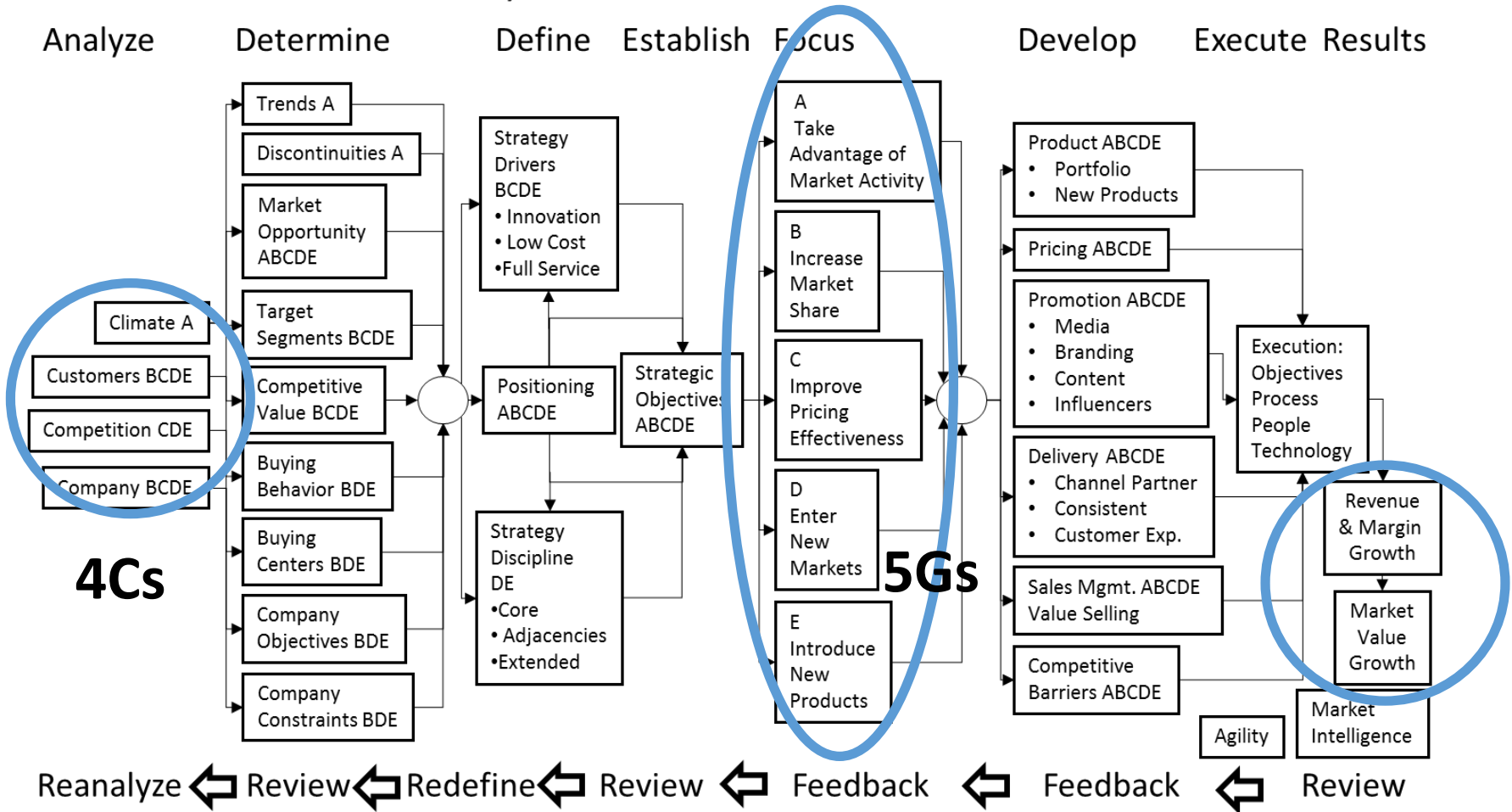
**5Gs**

# 3. Process: Answer 3Qs, Start with 4Cs to Execute 5Gs

Increase Probability of Success  
Reduce Uncertainty

Competitive Playing Skills

Analyze Determine Define Establish Focus Develop Execute Results

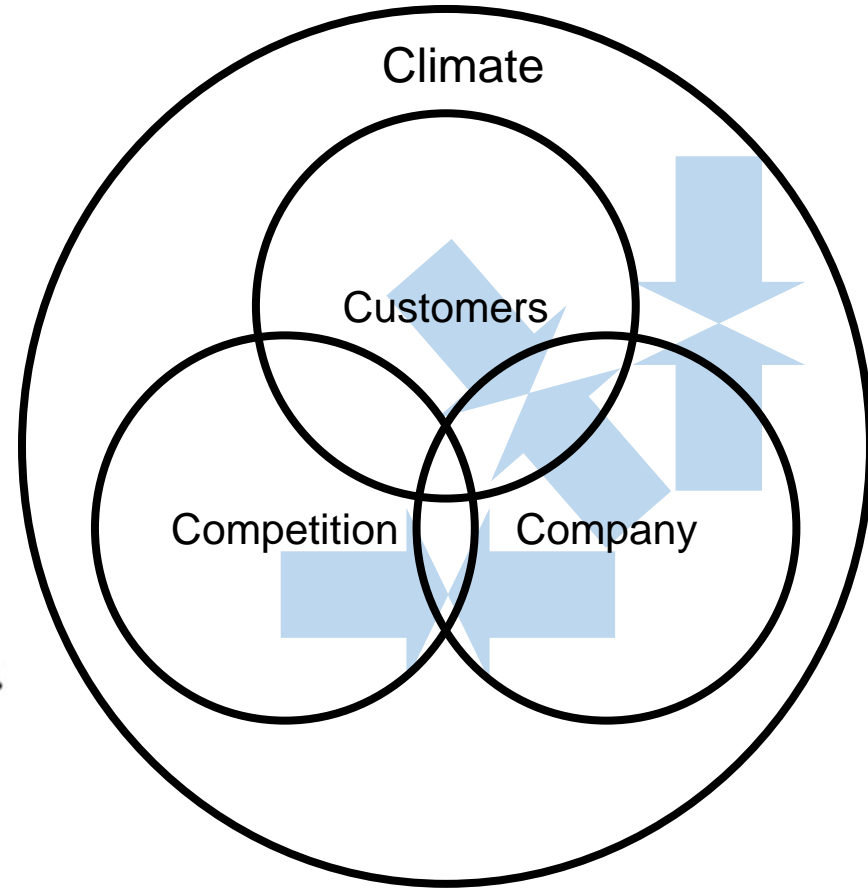
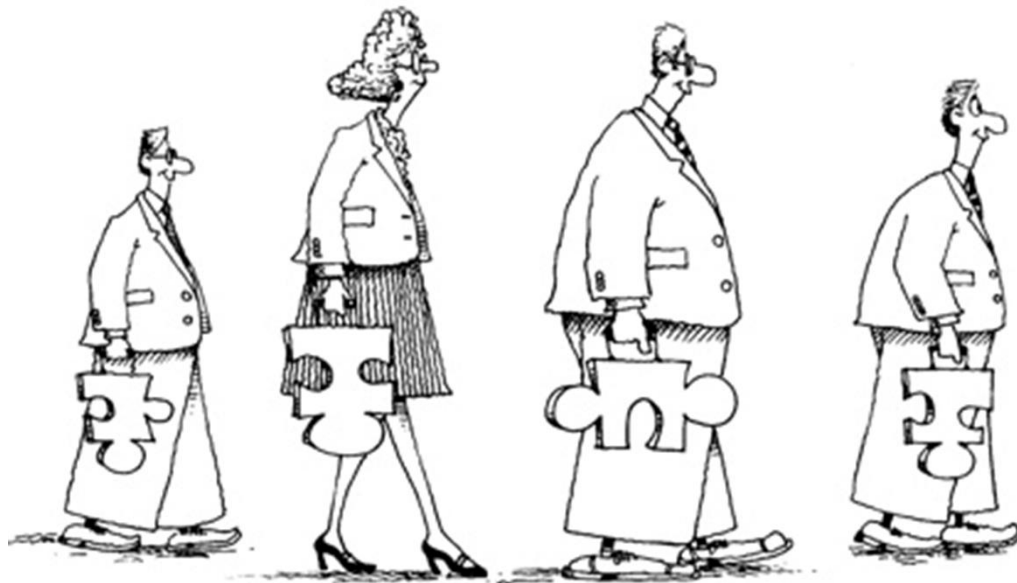


Where are we? Where can/should we go? How do we get there, successfully?

**3Qs**

# Principle 4. Your Market Team

## Mining Tacit Information & Tribal Knowledge



# Principle 5: Please Aim Before You Shoot!

**Aim!**

**Shoot!**



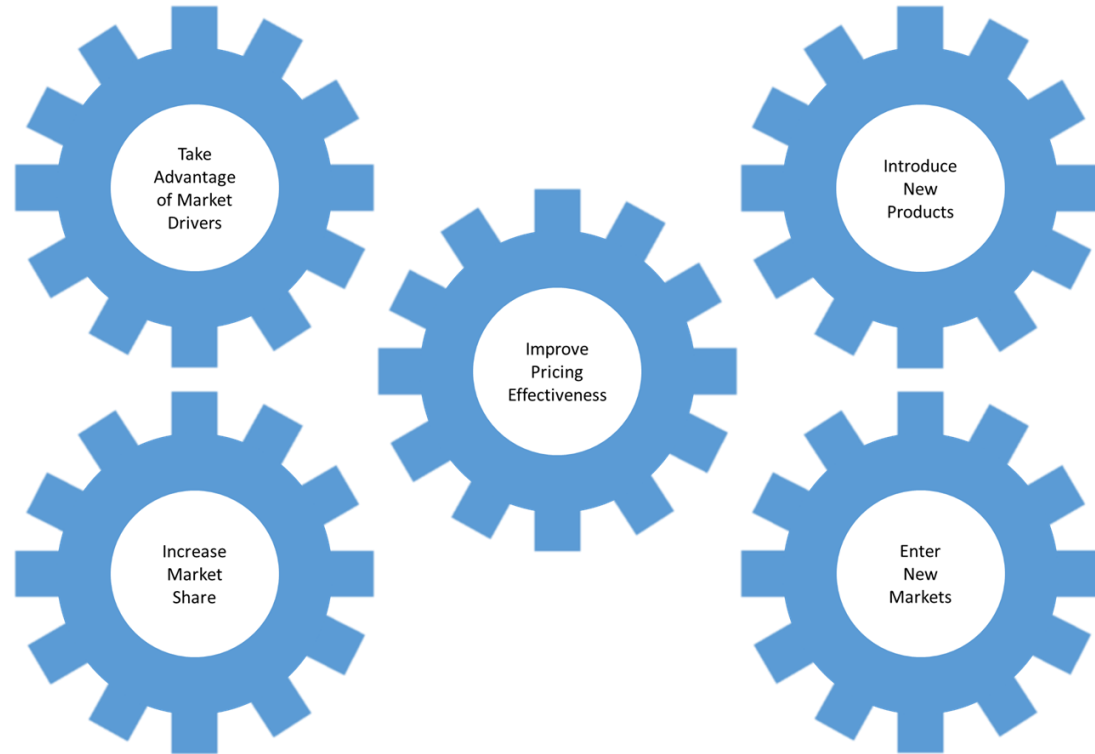


# Seven First “Go-to-Market” Steps

Without sacrificing your future value

# Seven First “Go-to-Market” Steps

1. Where’s the money?
  - With your customers
  - With your competition
2. Why do customers buy from you or your competition?
  - A **unique, trusted** source who delivers **value**



Step 1.

Answer the Question:  
Where's the Money?

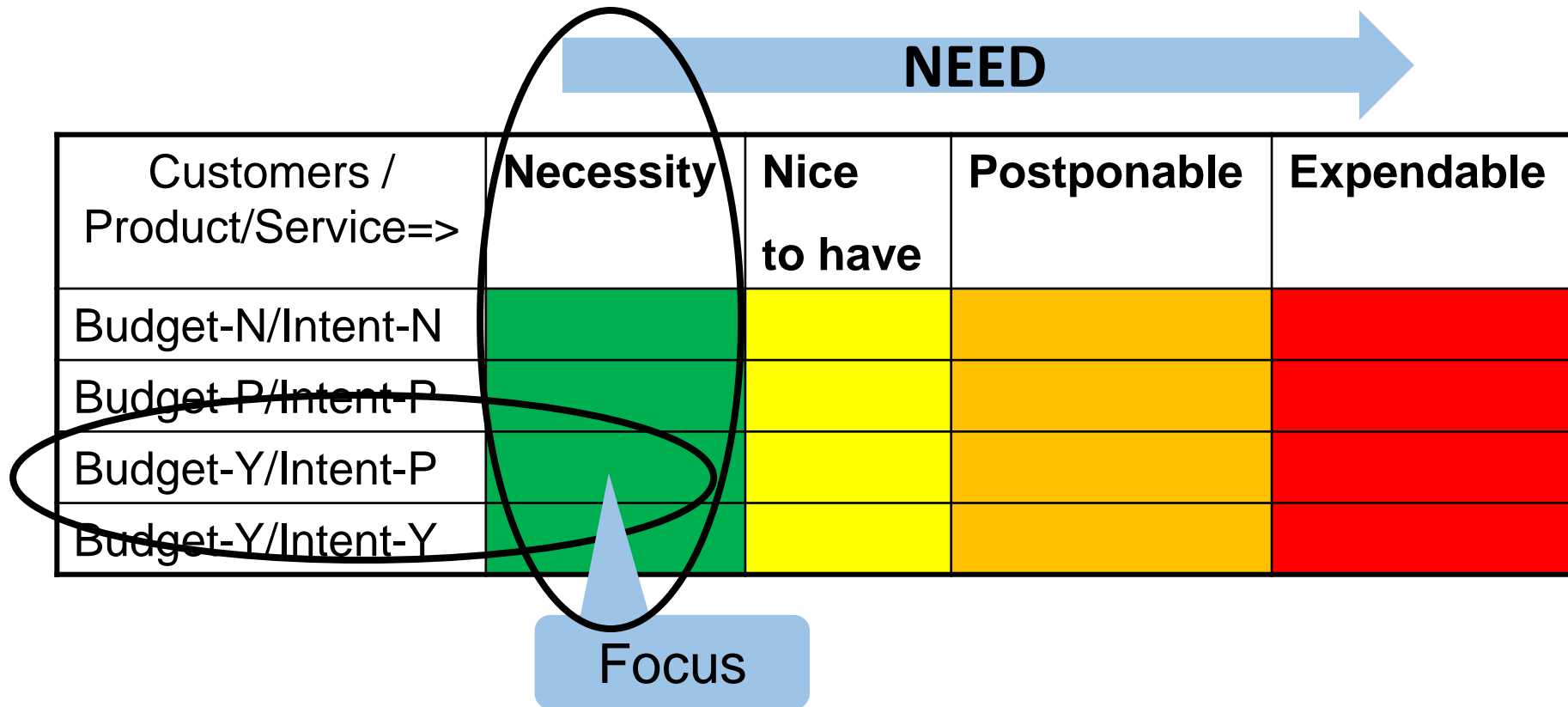
# Where's the money?

## With the RIGHT customers

	Yes	Perhaps	No
Need	Green	Yellow	Red
Budget	Green	Yellow	Red
Intent	Green	Yellow	Red

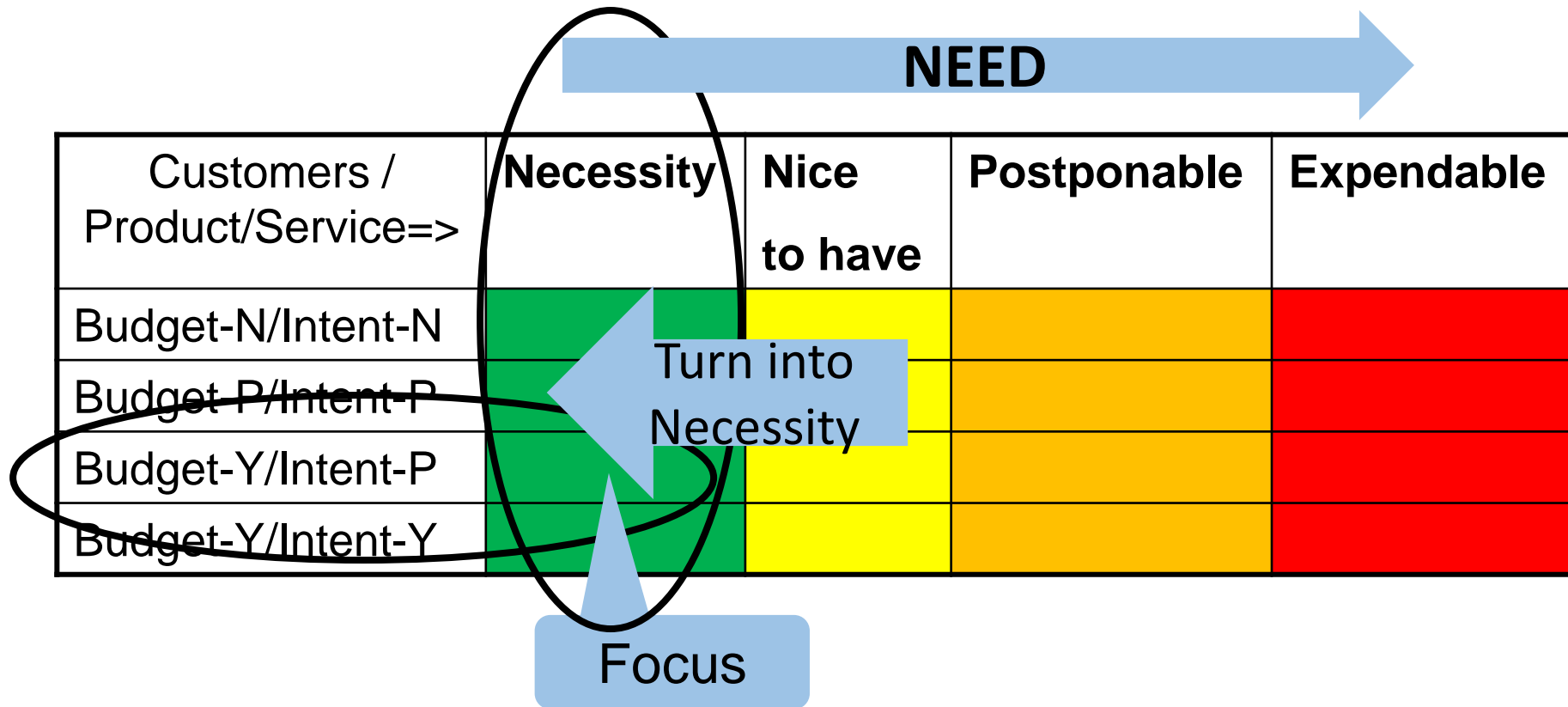
# Where's the money?

## With the RIGHT customers

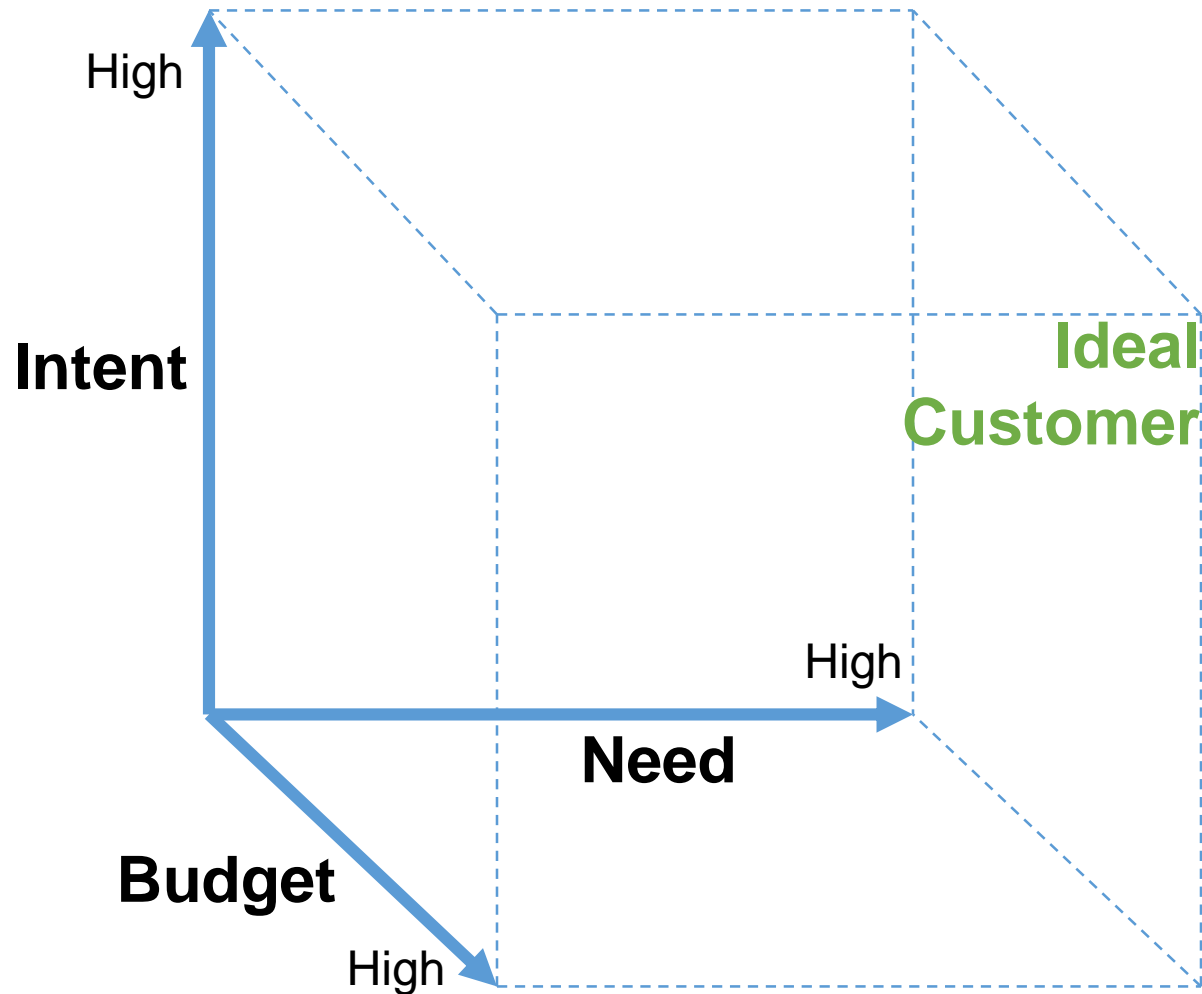


# Where's the money?

## With the RIGHT customers

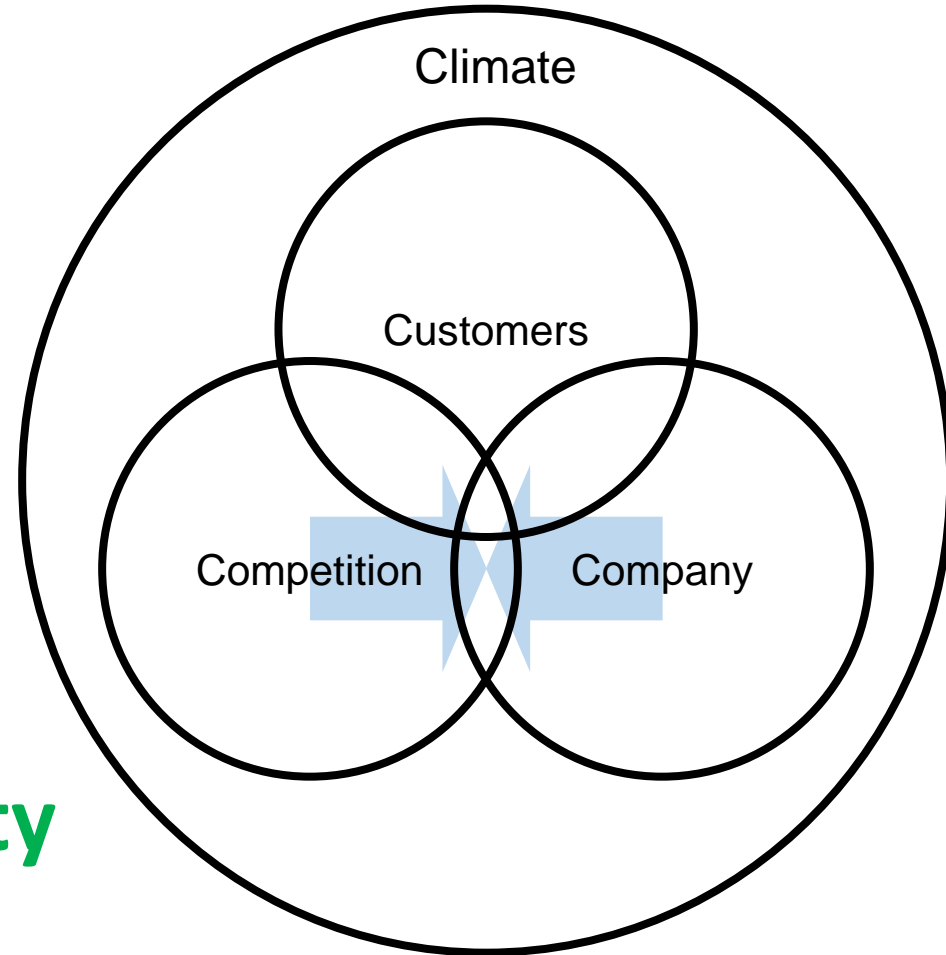


# Where's the money? With the RIGHT customers



# Where's the money? With your competition

- Types of competition
  - Direct
  - Indirect
    - Substitution
    - Adjacencies
  - **Waste**
  - Suppliers
  - Customers
- Each is an **Opportunity**





# Where's the money?

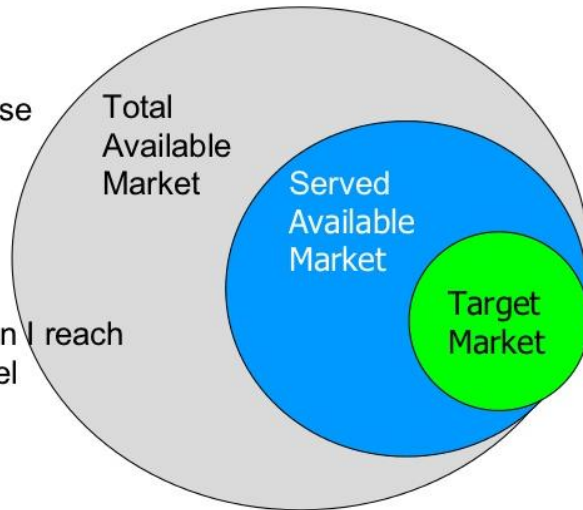
## Customer Segmentation & Sizing

- Important for:
  - Select the right target customers
  - Increasing probability of success
  - Accelerate “Speed to Market”
  - Focusing resources
  - Reducing waste
  - Accurate product positioning

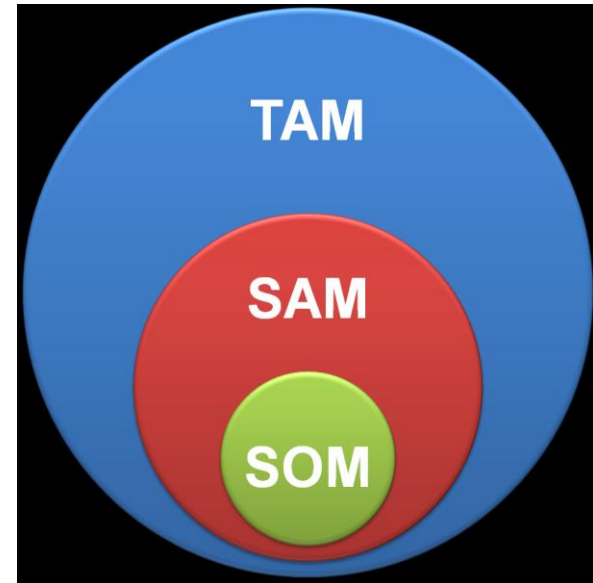
# Sizing Markets:

**TAM** = how big is the universe

**SAM** = how many can I reach with my sales channel



**Target Market** (for a startup) = who will be the most likely buyers



**SOM**=Serviceable Obtainable Market. Portion of SAM that you can capture

# Market Size Calculation

- Precise accuracy of a market assessment difficult
  - Methods of arriving at market size are generally subjective
  - Rarely derived from statistically valid samples
  - Triangulate to the right answer with multiple sources
- Speed versus Accuracy
  - Small versus Large investment
  - Preliminary scan of generic segments versus smaller sub-segments

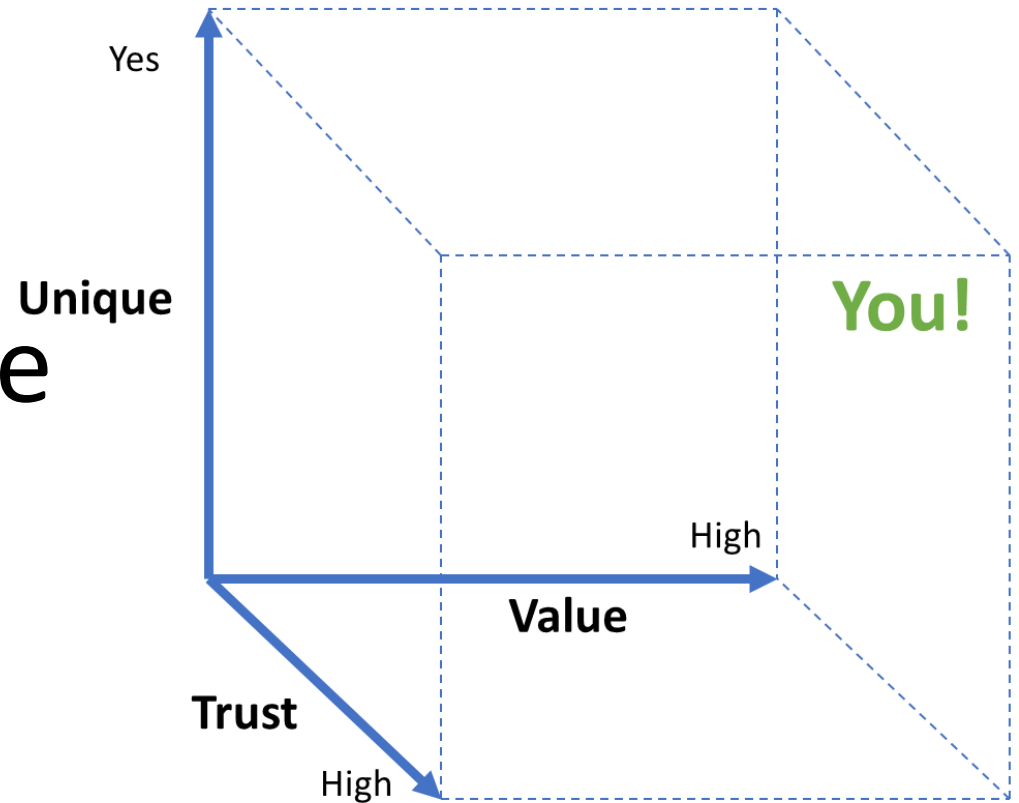
Step 2.

Answer the question:

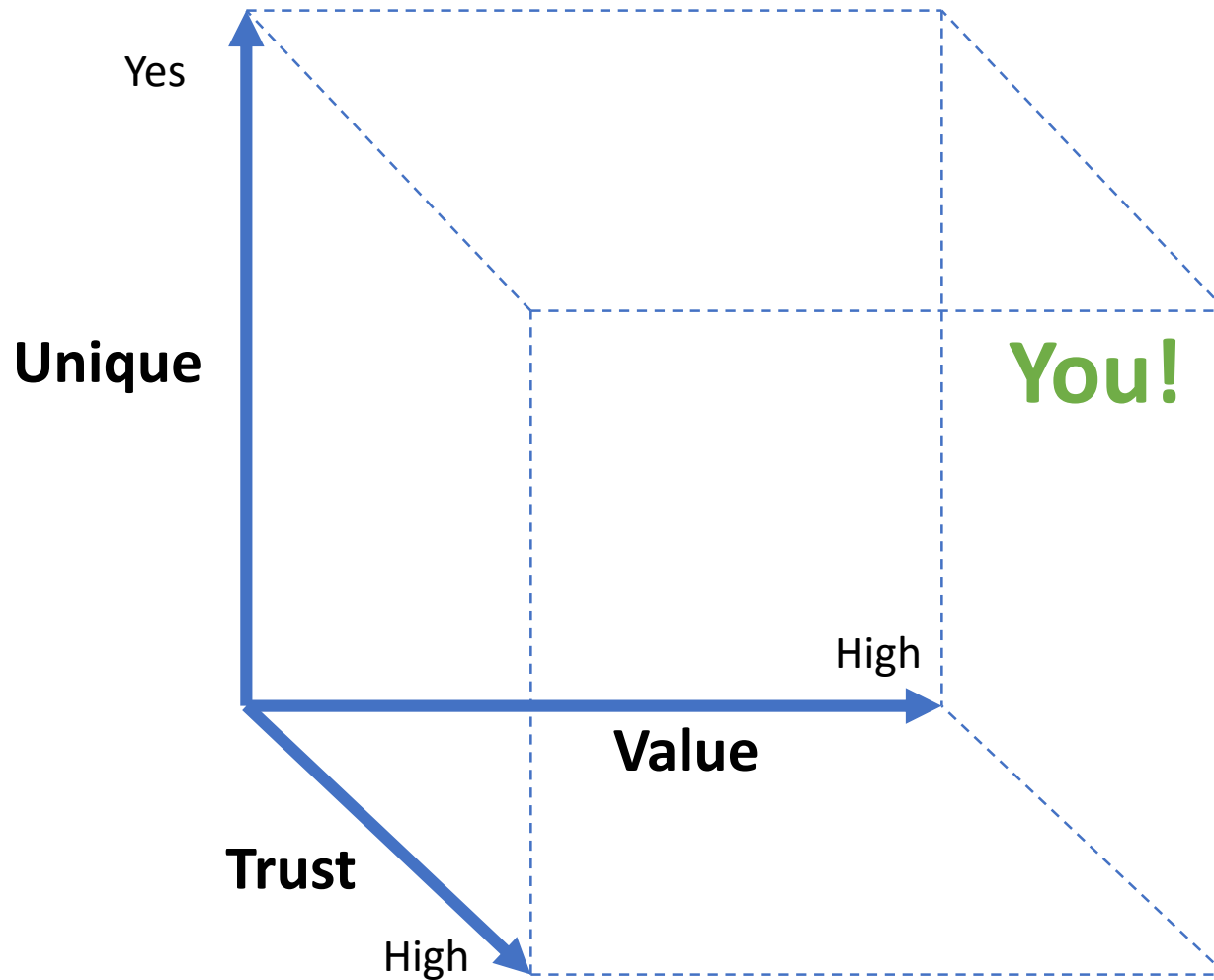
Why do customers buy from you  
or your competition?

# Why do customers buy from you?

You are  
a **Unique,**  
**Trusted** source  
who delivers  
**Value**



# Why do customers buy from you?



# “Buy” is a loaded term

## Buy Includes:

- Acquisition
- Use
- Maintenance
- Disposal

## Three Kinds of Buys:

- Straight Rebuy
- Modified Rebuy
- New Buy

## Many Sizes

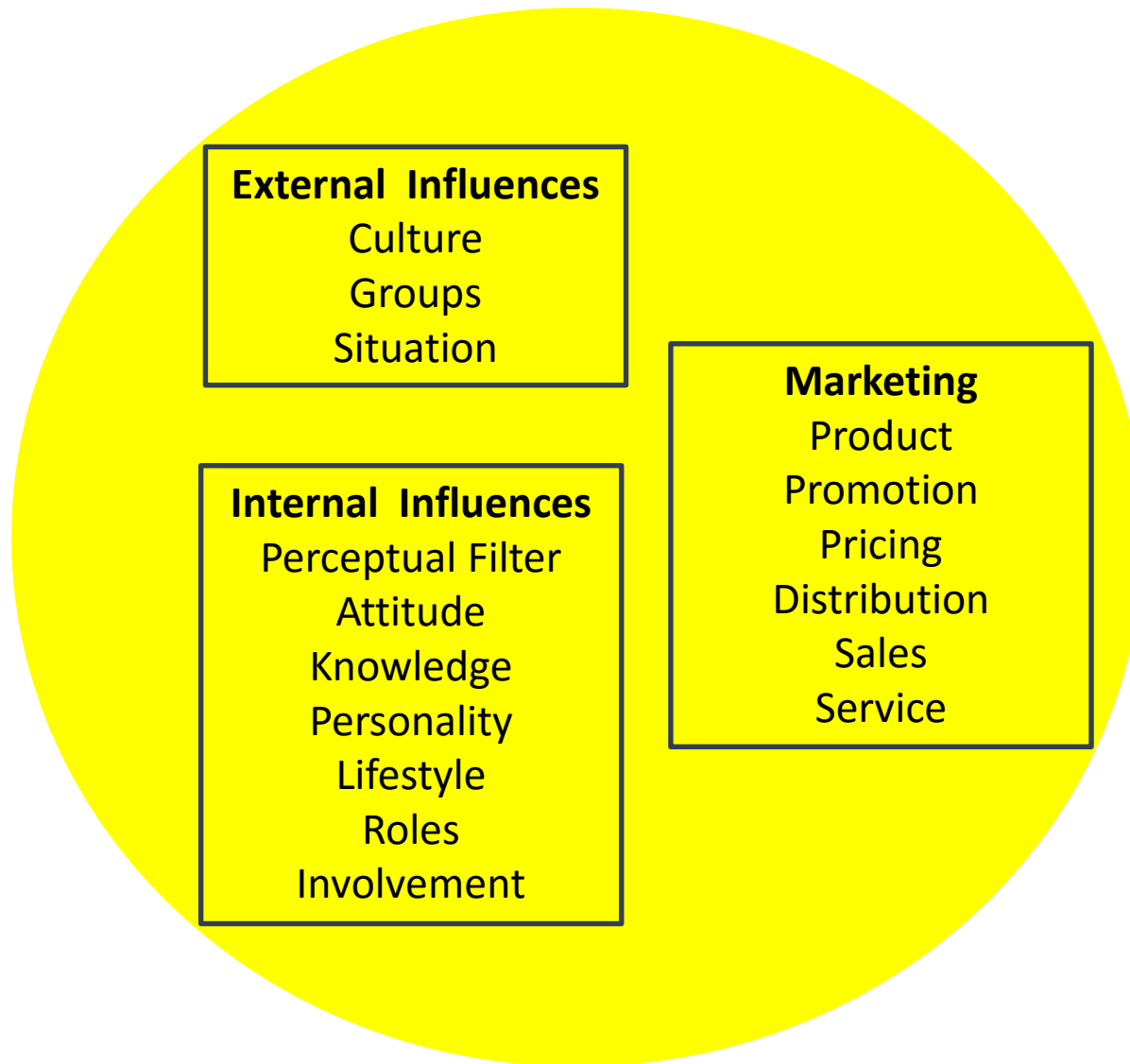
- Small
- Medium
- Large

# Who is the Customer?

- Organization
- Individual
- **Buying Center**
- Individuals/Role
  - Initiator
  - Gatekeeper
  - Influencer
  - Decider
  - Buyer
  - User
- Each buyer-team member attempts to maximize gain or minimize loss from the purchase situation by:
  - Acting in consonance with the way in which evaluated and **rewarded by the organization**
  - Reducing **risk** from the uncertainty of the outcome
    - Total purchasing risk is the probability of loss times the amount of loss due to a bad decision



# Influences on Consumer Purchasing



# Why do customers buy from you?

## Trust

- Buyer's Personal Factors
  - Risk Tolerance
  - Level of Adjustment
  - Relative Power
- Situational Factors
  - Security
  - Number of Similarities
  - Alignment of Interests
  - Benevolent Concern
    - Capability
  - Predictability & Integrity
  - Level of Communication

## Definition of Value

$$\mathbf{Value = Benefits - Cost}$$

Cost Reduction



Revenue/Margin Increase

Return on Capital Improvement



# Why do customers buy from you? Your Unique, Distinct Product



# Why do customers buy from you? Your Unique, Distinct Product

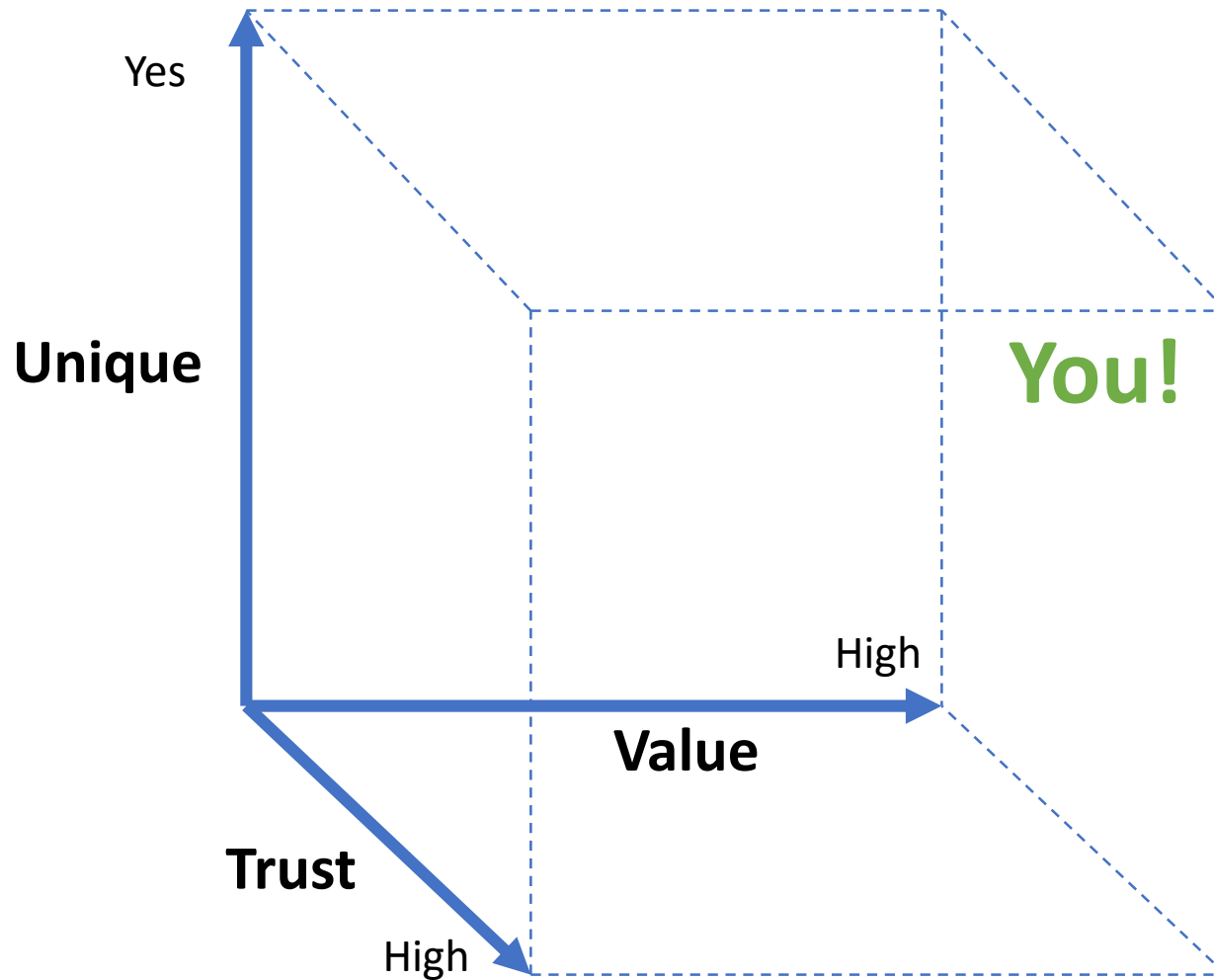


If you are not perceived to be distinctly different in important ways, **you are dead!**

# Be Unique: Competitive Product Positioning

- For the: (Target Segment)
- Who Needs:
- Firm/Product is a: (Category)
- That provides: (List of compelling reasons to buy)
- **Unlike competition** (Name), the company/product, also provides:
  - List of **key differentiators**
    - Features
    - **Benefits**

# Why do customers buy from you?

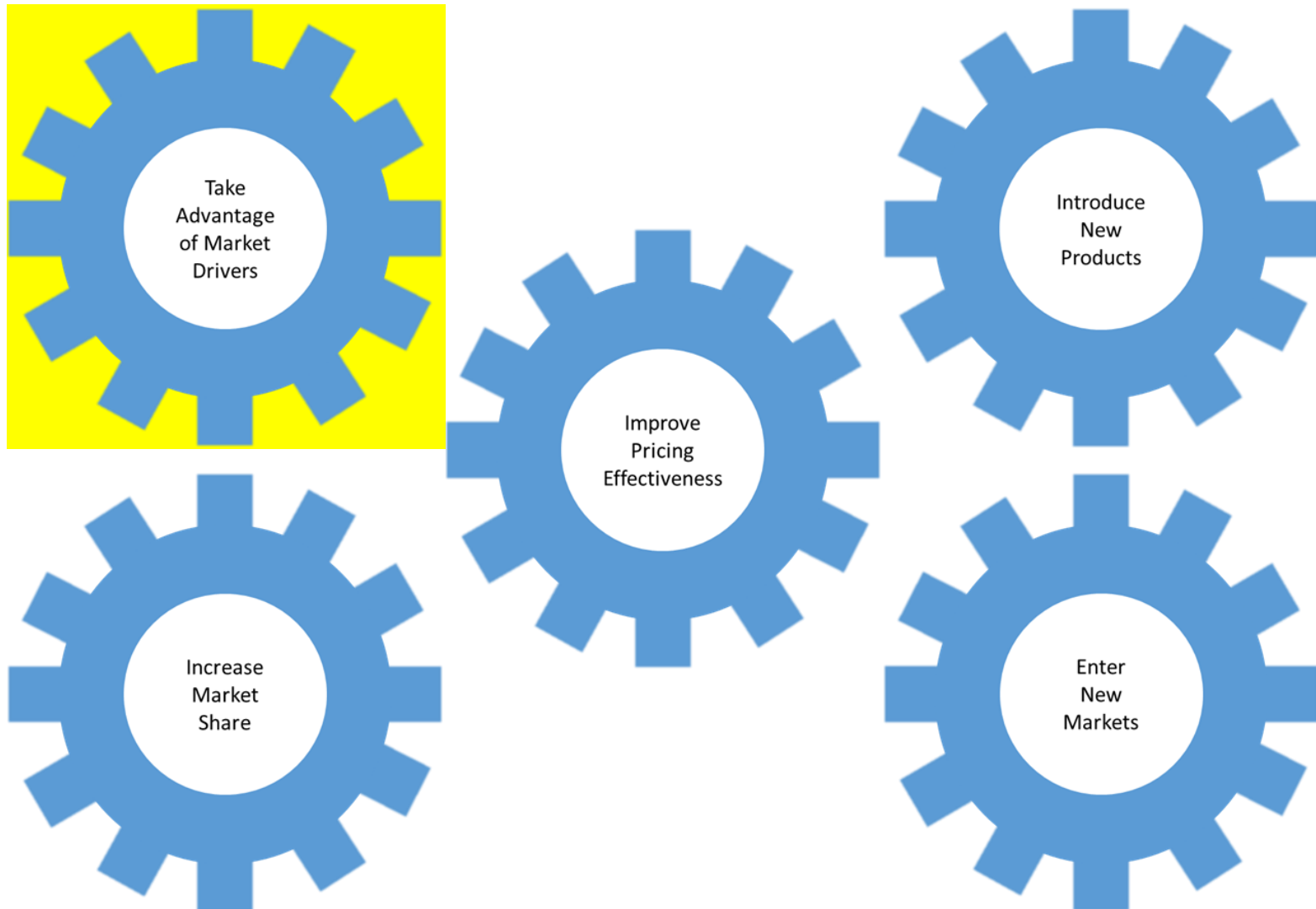


Step 3.

Take Advantage of Market Activity



# Take advantage of market activity



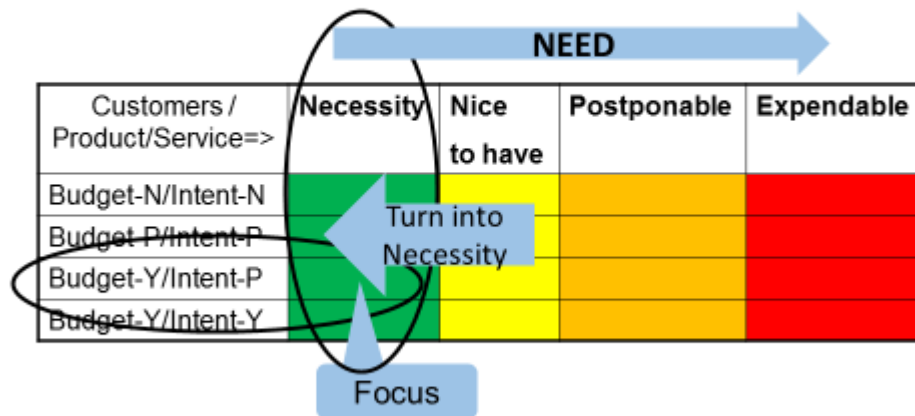
# Take advantage of market activity

- Every business has drivers that contribute to its growth
  - It is the tide that raises all boats
  - Your boat and your competitors' boats
- Macro activity does not convey the whole picture
  - Both **Sperry-Sun** and **Landmark Graphics** were born during recessionary times in the upstream oil—NBI/VUT
  - Many early computing companies such as Wang, DEC disappeared during the greatest growth period in the industry—NBI/VUT

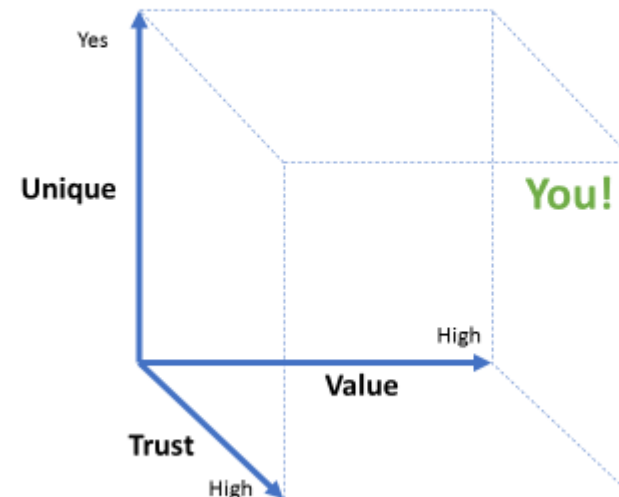
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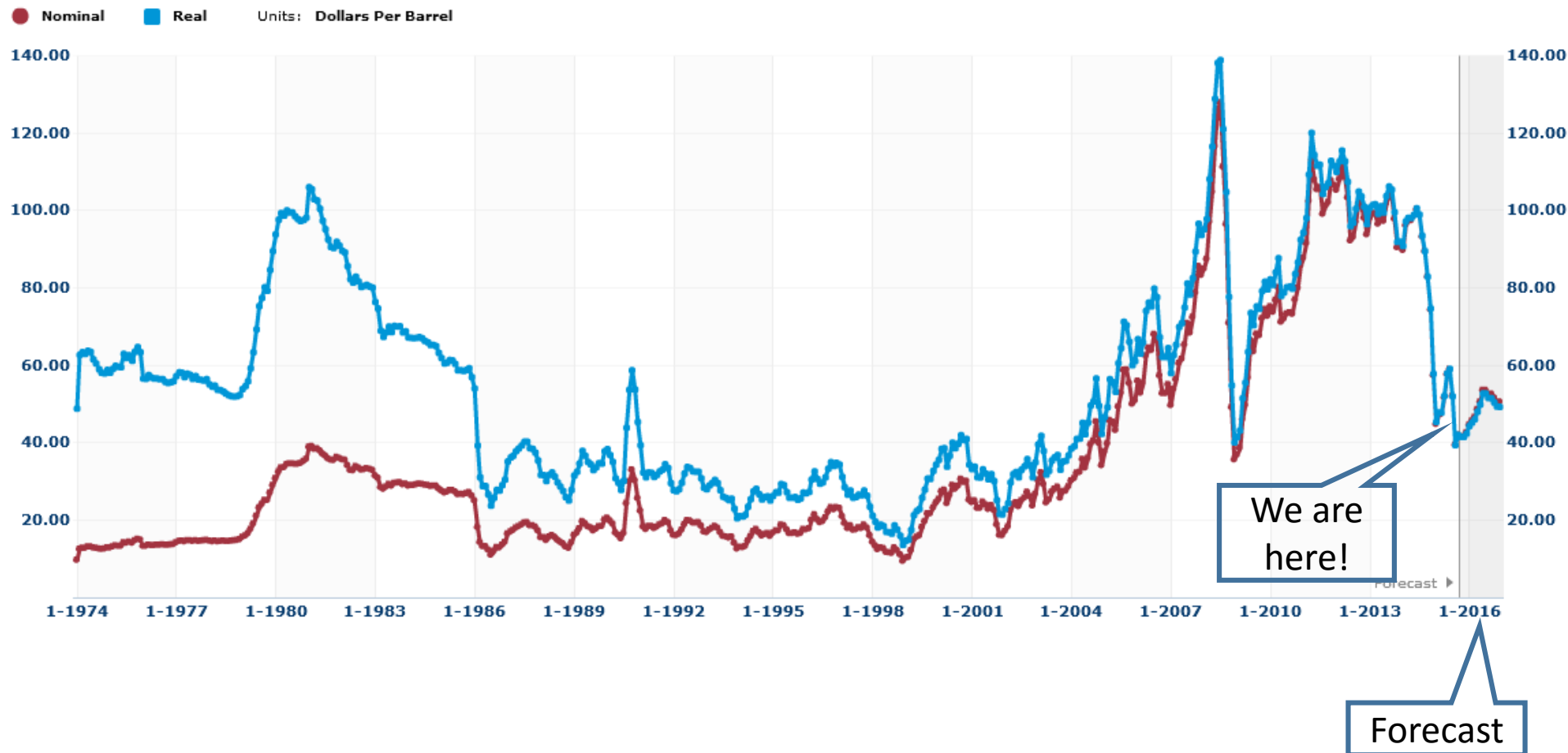
Where's the money?  
With the RIGHT customers



Why do customers buy from you?



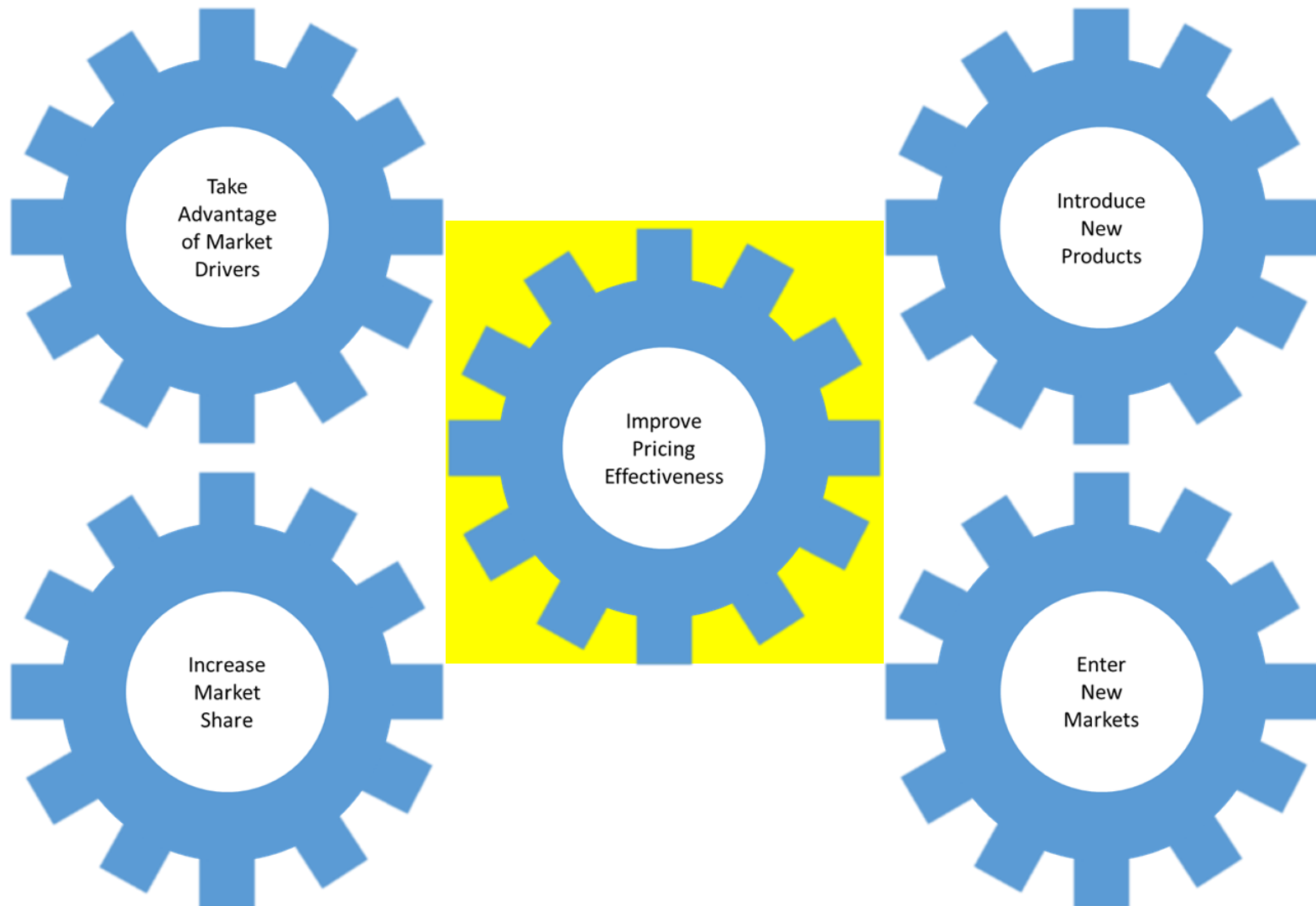
# Today's Oil Industry Climate: Real & Nominal Crude Oil Price 1974 to Present



# Step 4.

## Improve Pricing Effectiveness

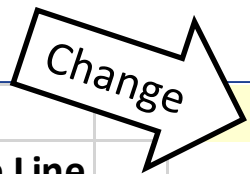
# Improve Pricing Effectiveness



## Step 4: Why improve pricing effectiveness?

- It is the fastest most effective way to increase profits
  - 1% increase in price=8% increase in operating profit at an average S&P 1500 company
  - 50% better than a 1% drop in variable costs
  - 300% better than a 1% increase in volume

# Step 4: Why Focus on Pricing? Effective Way to Increase Profits

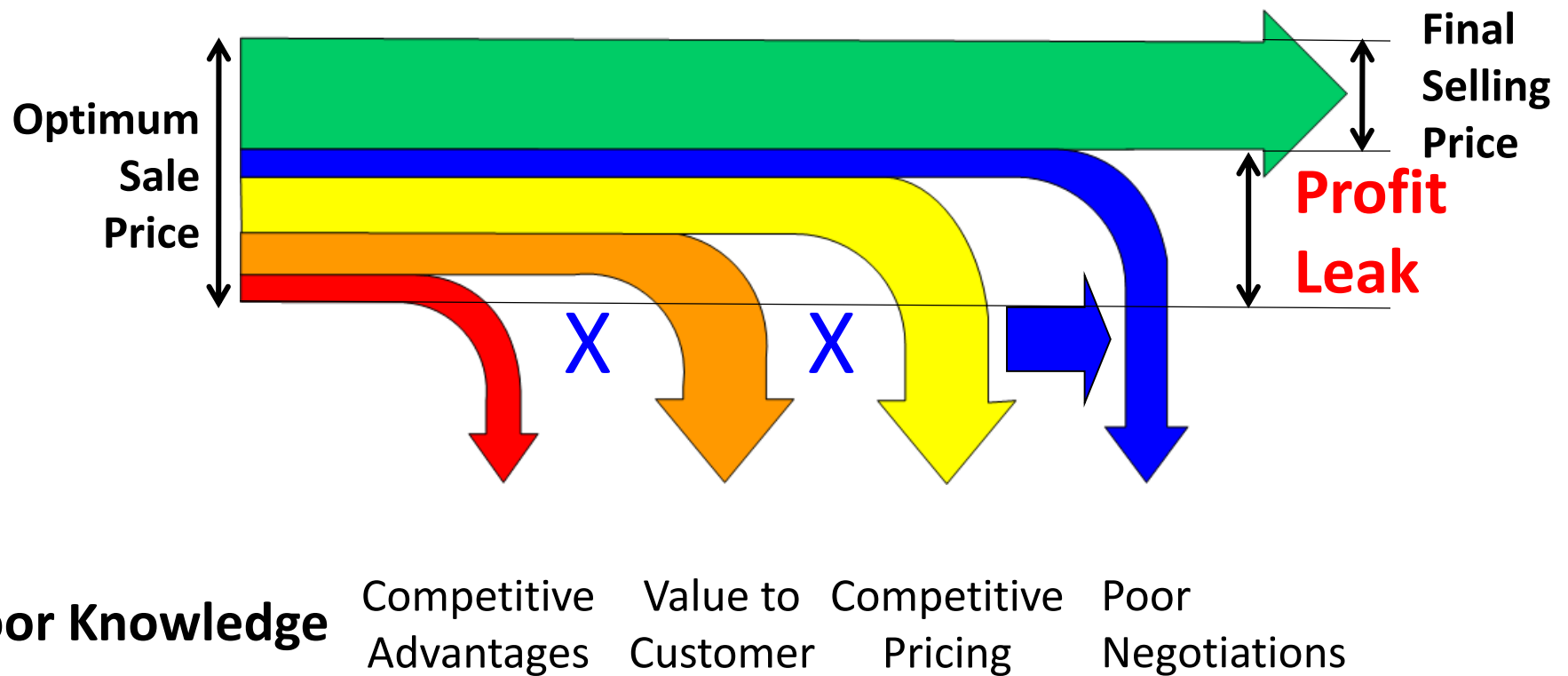


	Base Line	1.0% Price	-1.0% Cost to Serve	1.0% Volume
<b>Units</b>	100	100	100	101
<b>Price</b>	\$1,000	\$1,010	\$1,000	\$1,000
Revenue	\$100,000	\$101,000	\$100,000	\$101,000
<b>Cost to Serve/Unit</b>	\$600	\$600	\$594	\$600
Costs to Serve	\$60,000	\$60,000	\$59,400	\$60,600
<b>SG&amp;A Costs</b>	\$5,000	\$5,000	\$5,000	\$5,000
<b>Gross Margin</b>	\$35,000	\$36,000	\$35,600	\$35,400
GM%	35.0%	35.6%	35.6%	35.0%
<b>Realized Benefit</b>		<b>\$1,000</b>	<b>\$600</b>	<b>\$400</b>
<b>Benefit % of Base Line Revenue:</b>		<b>1.0%</b>	<b>0.6%</b>	<b>0.4%</b>

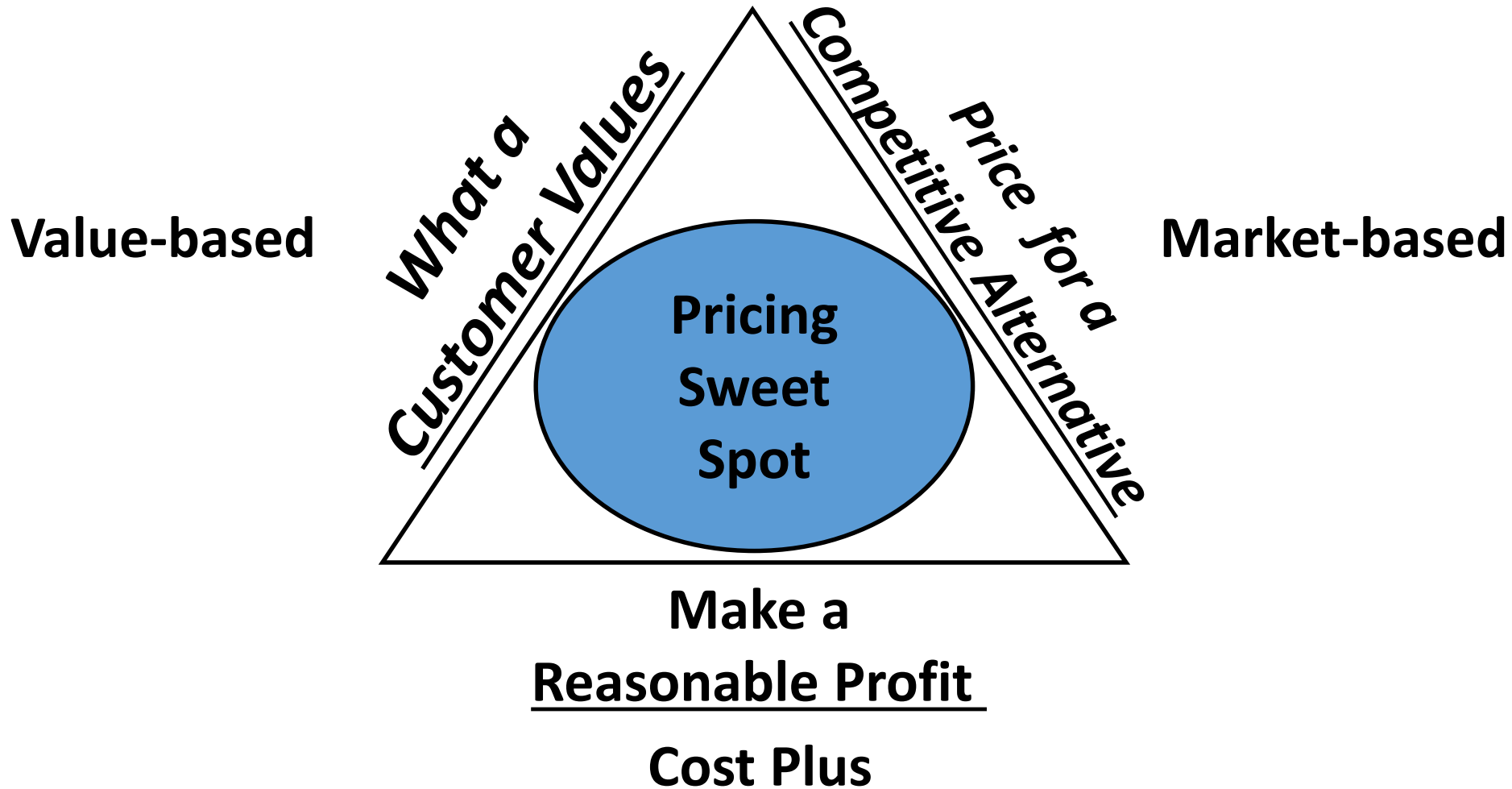
**Increasing price drives as great a benefit as cutting costs and increasing volume**



# Consequence: Profit Leaks



# Process: The Pricing Pyramid



## Step 2: Defining Value

$$\mathbf{Value = Benefits - Cost}$$



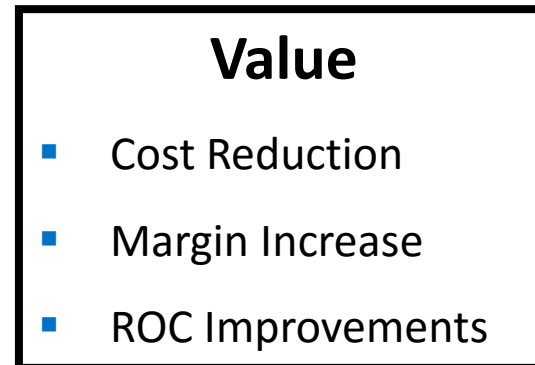
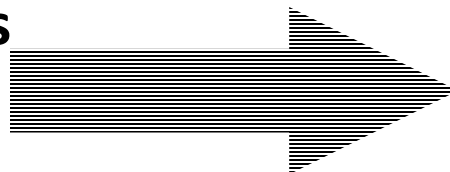
# From Step 2: Be Unique in Important Ways

## Competitive Positioning + Value

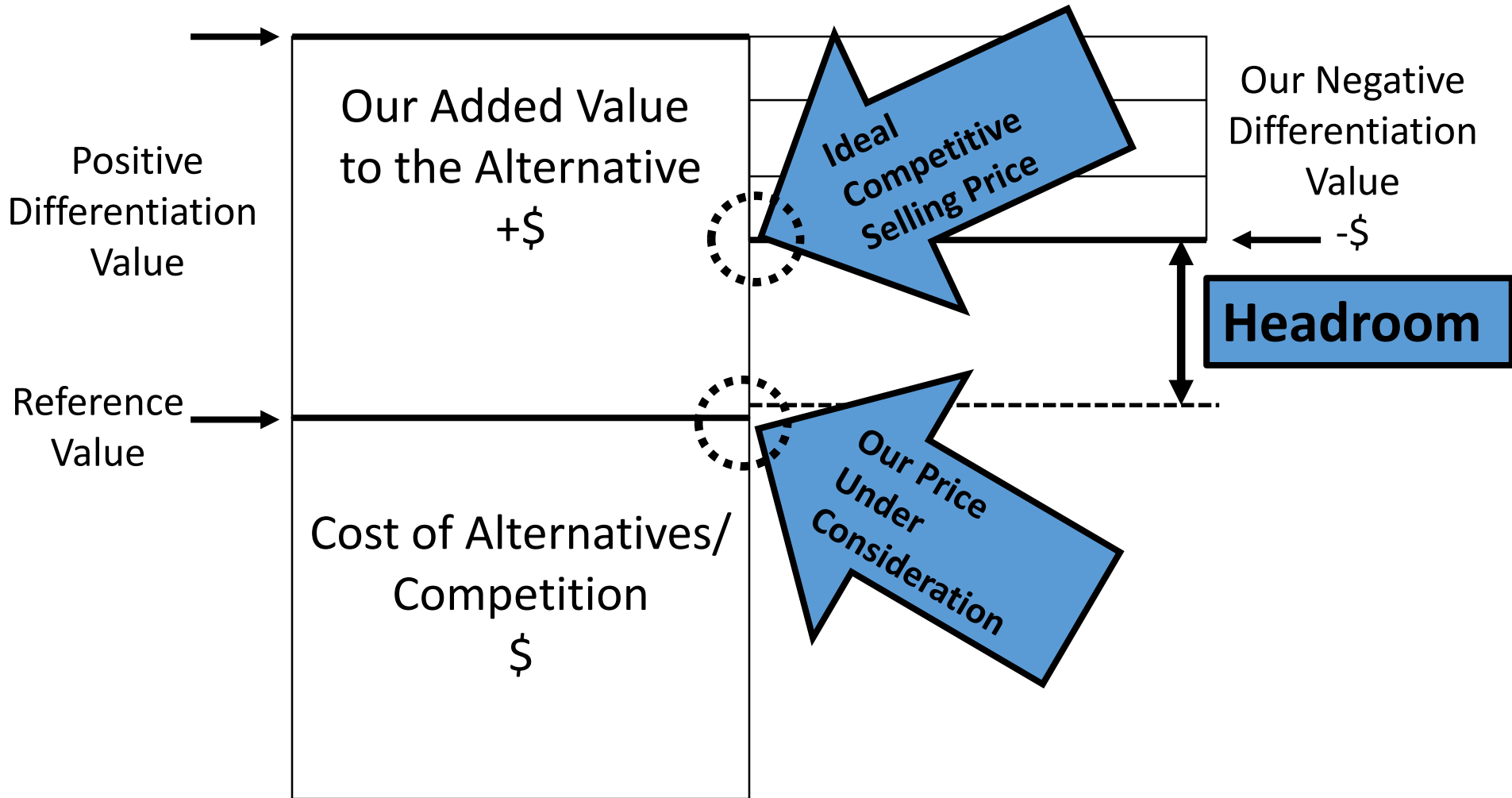
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### – List of **key differentiators**

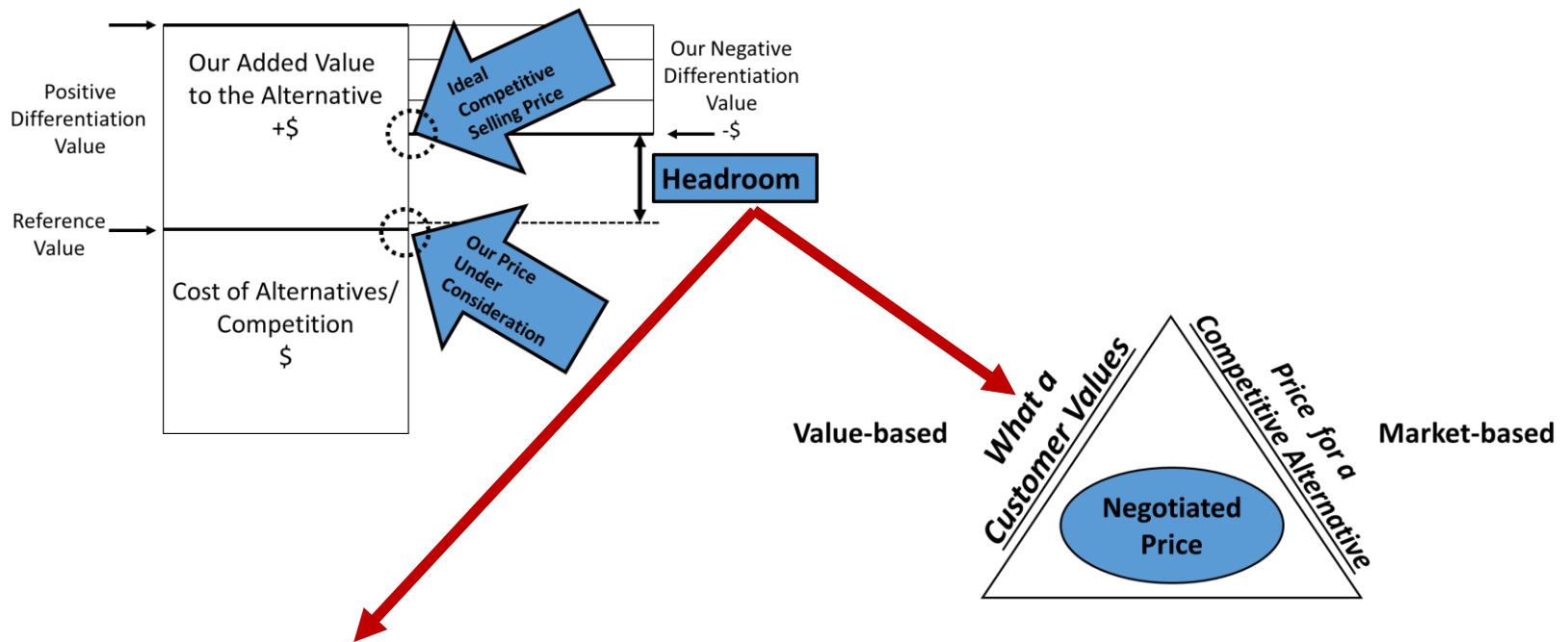
- Features
- **Benefits**



# Competitive Value Price



# Competitive Value Price: The Picture



- Created by a solid, logical, reasonable and simple methodology based on “price on what the market can bear and on customer value”

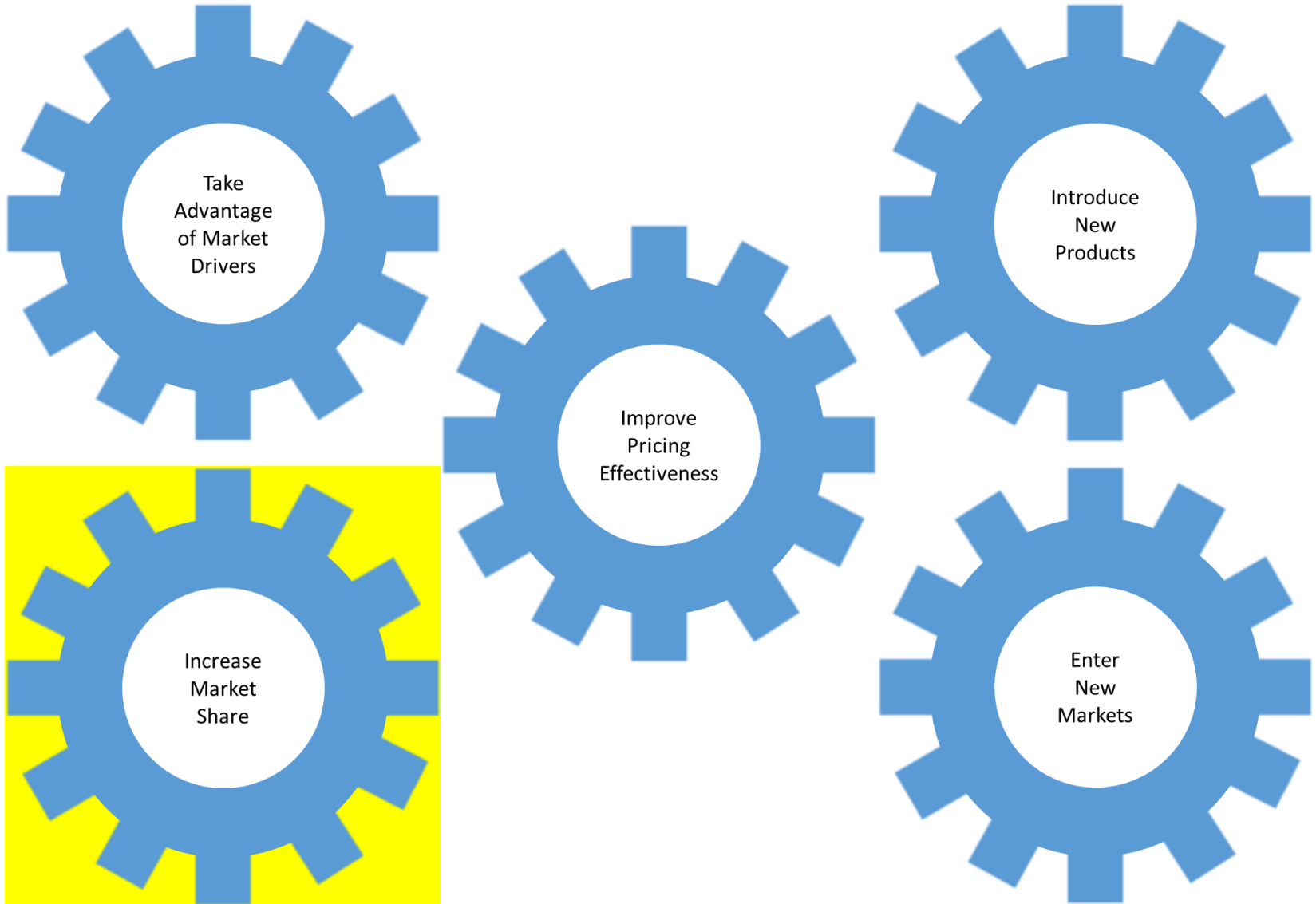
# Pricing Process: Examples

<b>Country</b>	<b>Competitive Price</b> (Local Currency)	<b>Headroom</b> (Local Currency)	<b>Headroom</b> %
Belgium	30,000	13,433	<b>45%</b>
Czech Republic	700,000	218,500	<b>31%</b>
Czech Republic	700,000	301,000	<b>43%</b>
France	50,000	88,554	<b>177%</b>
Germany	900,000	740,000	<b>82%</b>
Netherlands	90,000	70,297	<b>78%</b>
Poland	50,000	10,000	<b>20%</b>
Poland	520,000	354,400	<b>68%</b>
Slovenia	35,000	14,464	<b>41%</b>
UK	50,000	81,302	<b>163%</b>
UK	22,500	21,102	<b>94%</b>

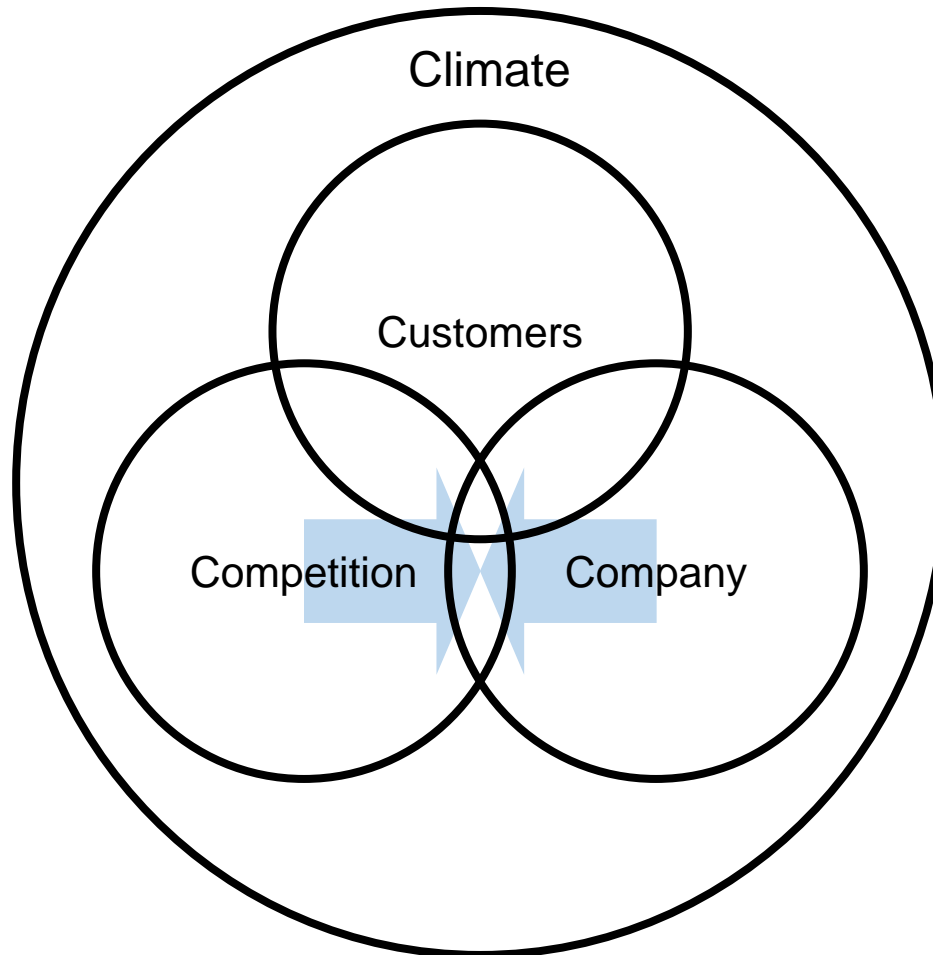
# Step 5. Increase Market Share



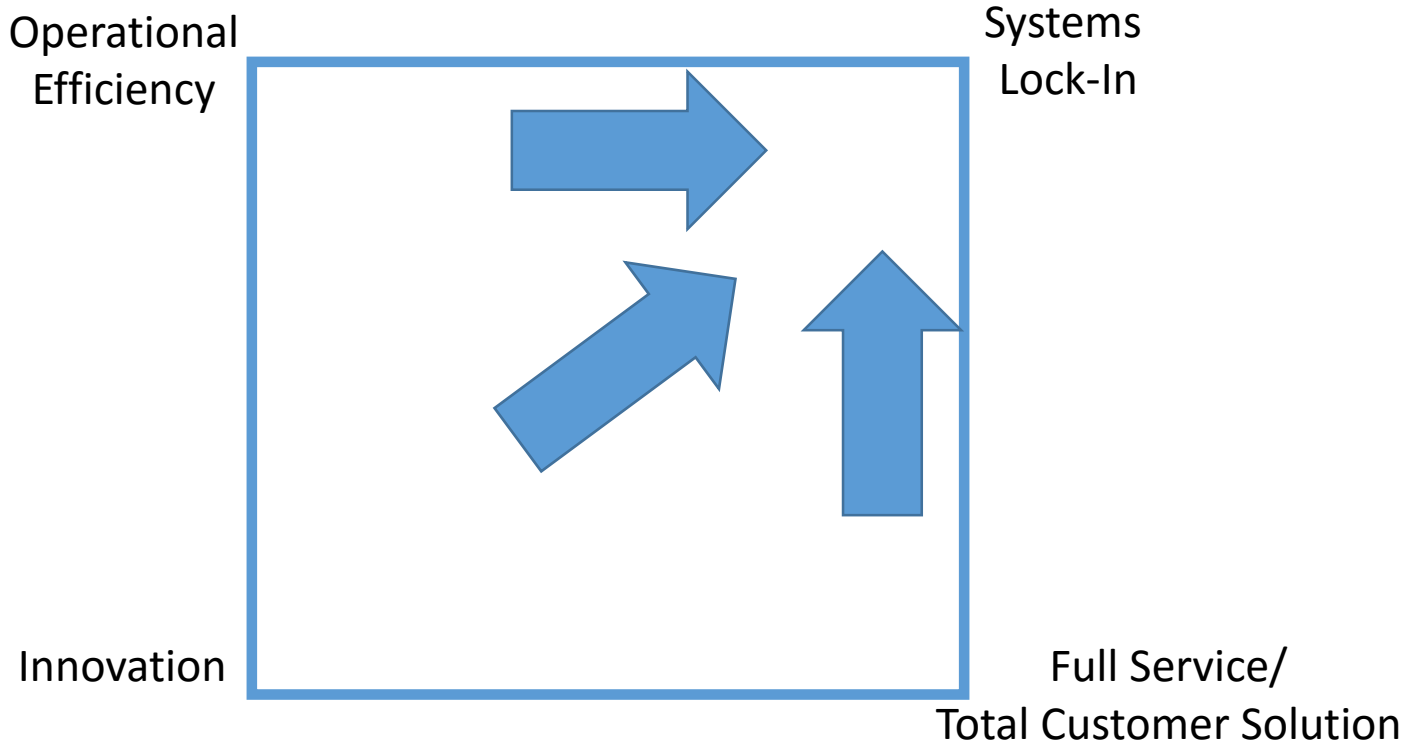
## 2. Five Gears of Growth



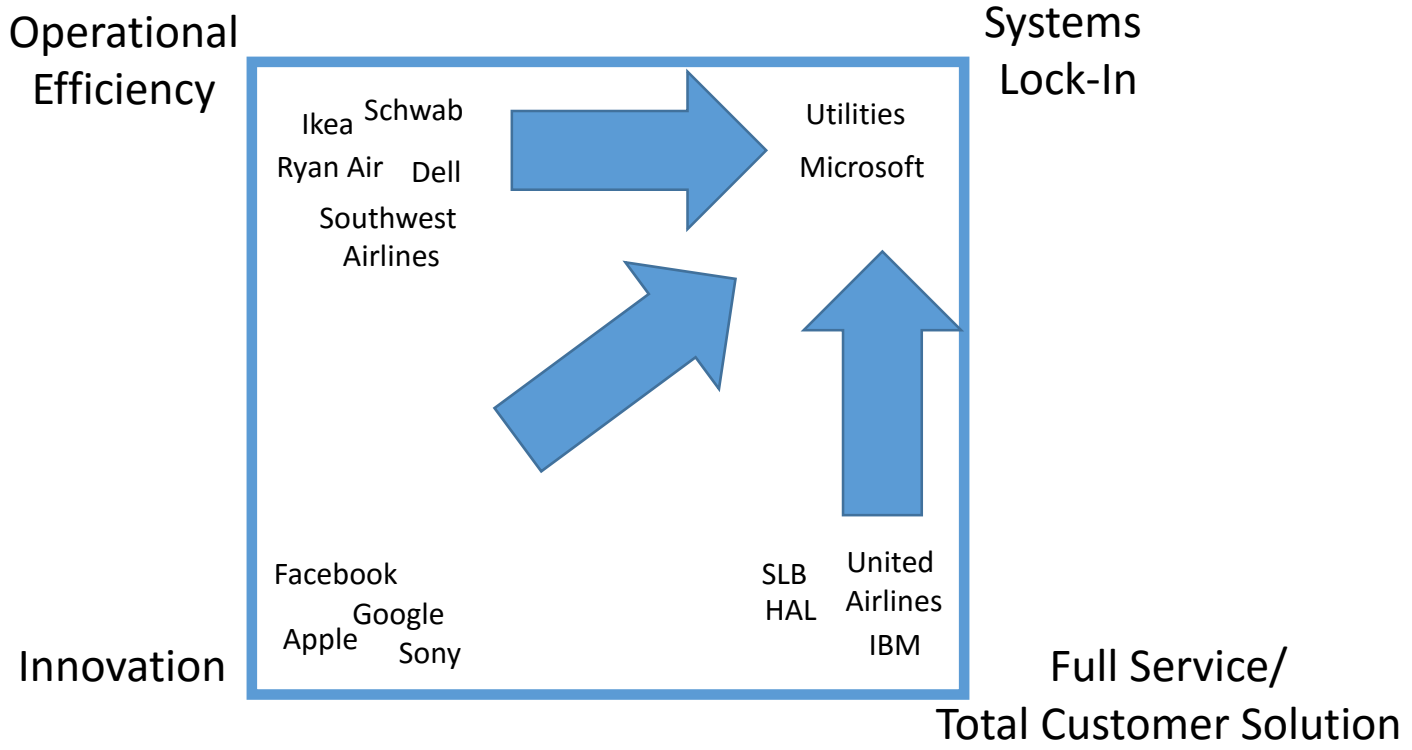
# Step 5: Increase market share



# Company Strategy Drivers



# Company Strategy Drivers



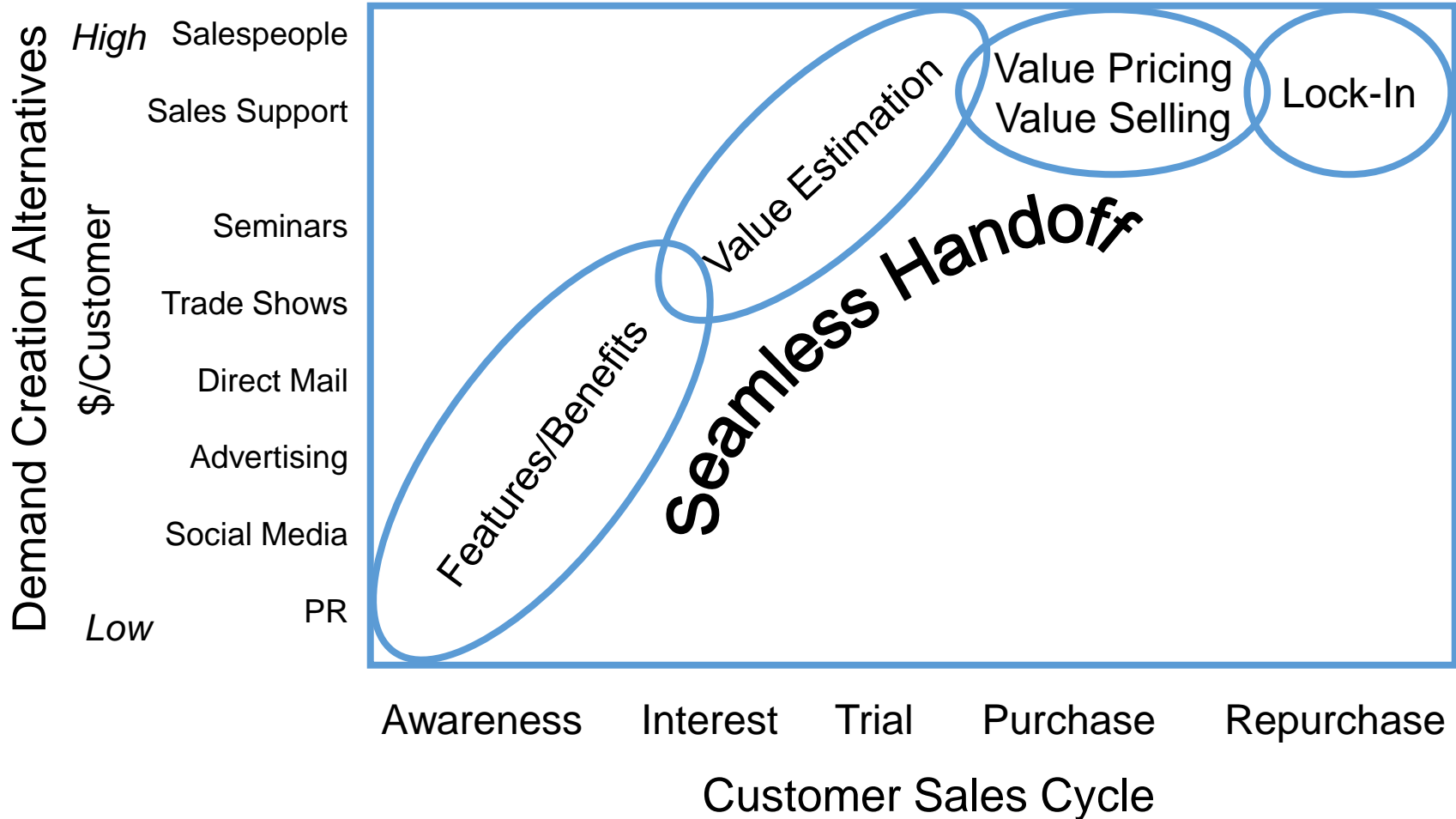
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# Purchase process

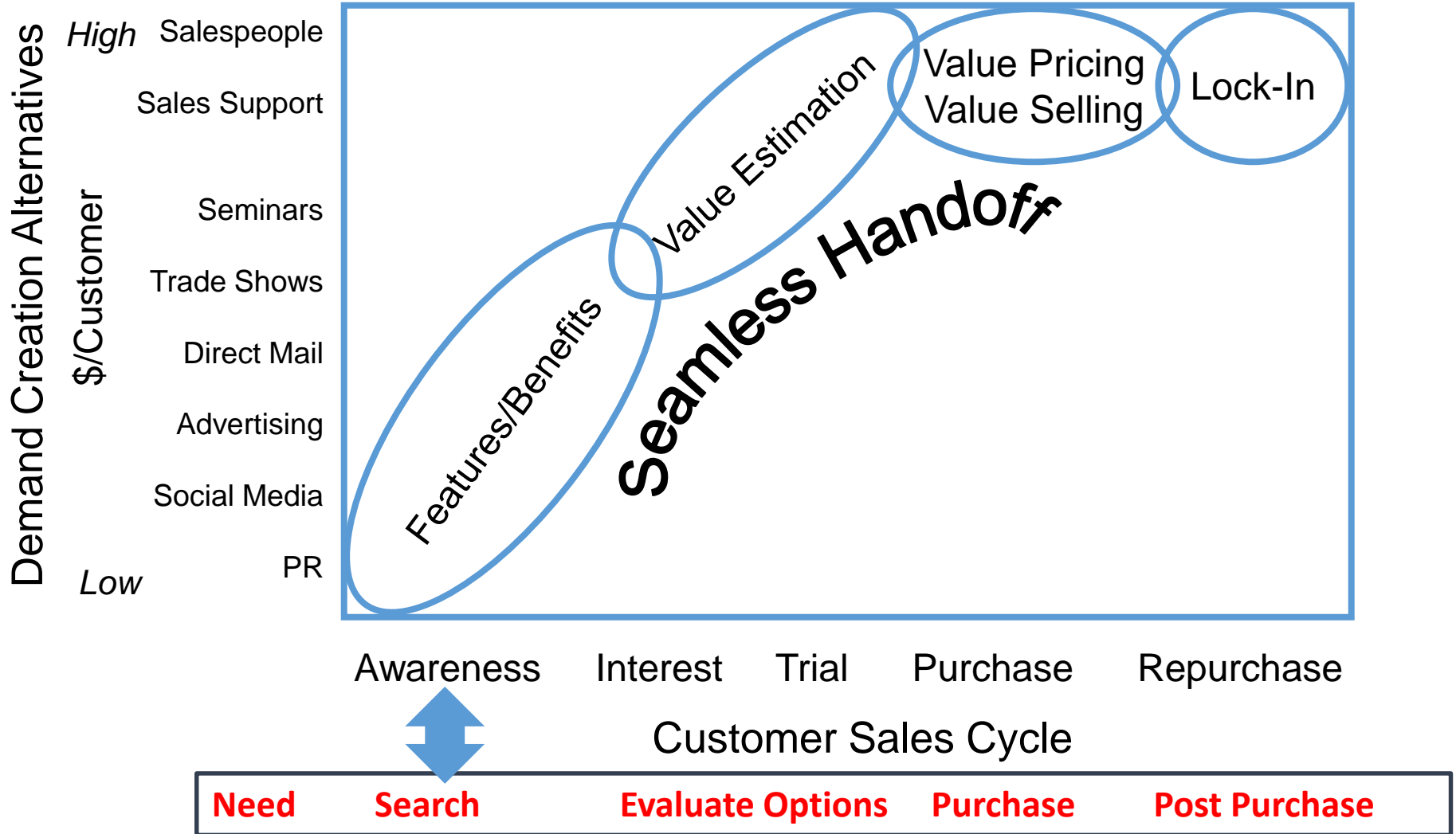


# Increase Market Share From Awareness to Buying Action



# Increase Market Share

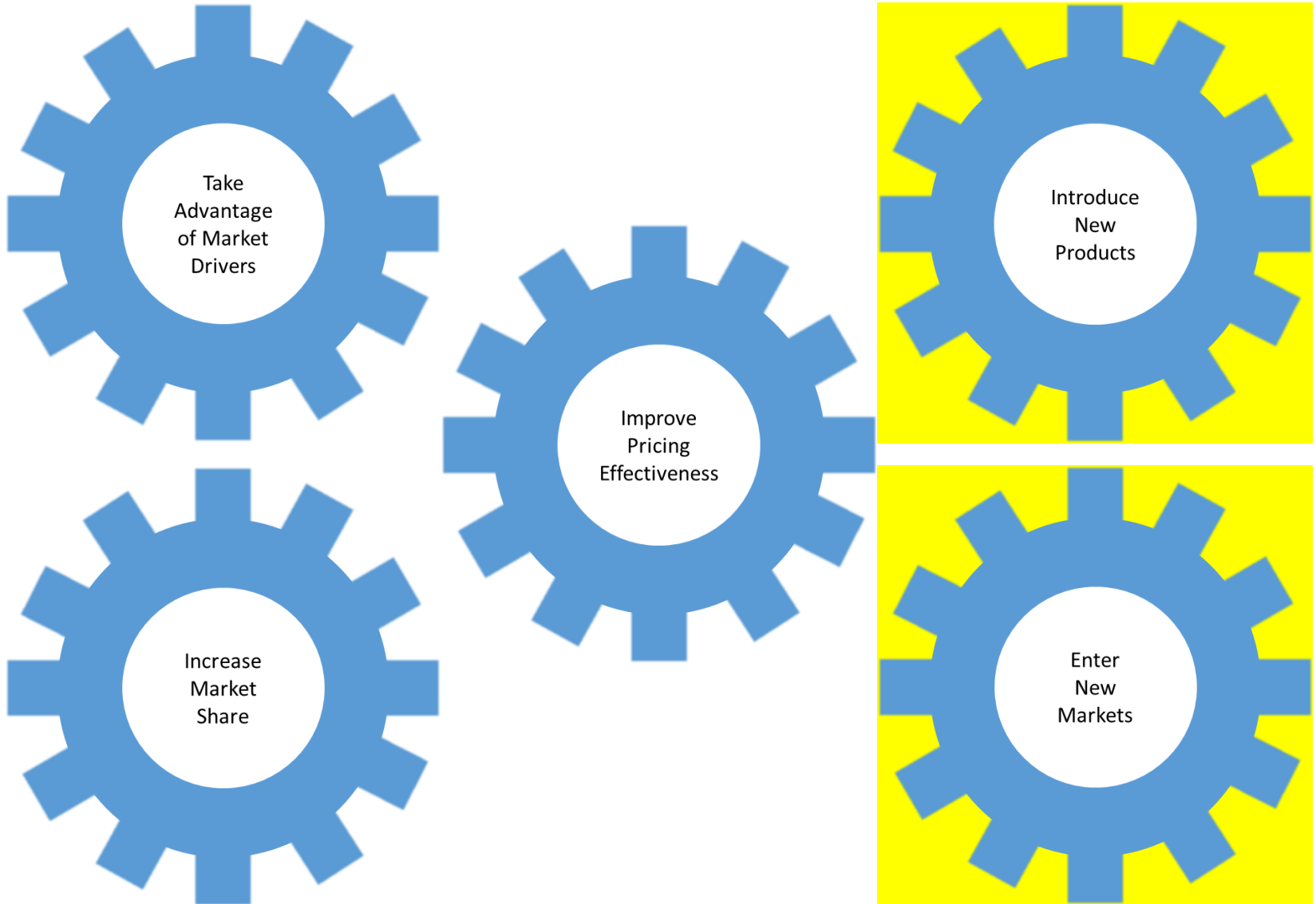
## Mind Share Precedes Market Share





# Step 6 & Step 7: New Products & New Markets

## 2. Five Gears of Growth



# Step 6/7:

## Enter New Markets + Introduce New Products

### First Steps

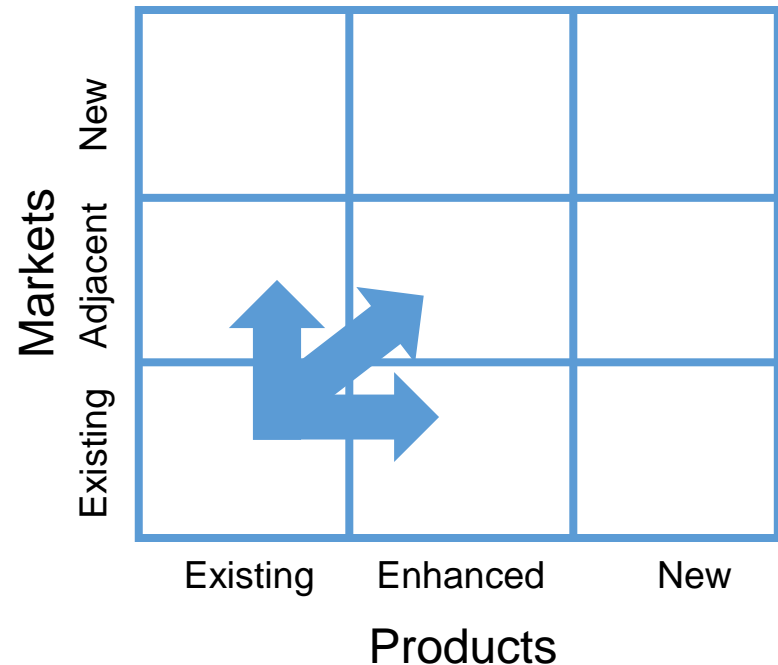
1. Take existing products to adjacent markets
2. Create enhanced products for existing markets

### Secondary Steps

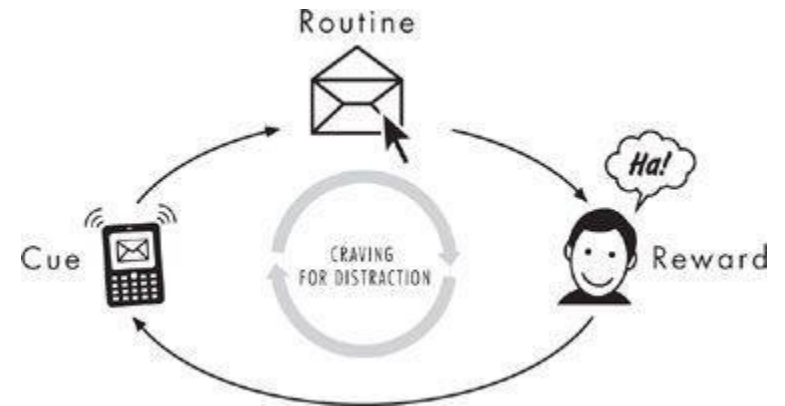
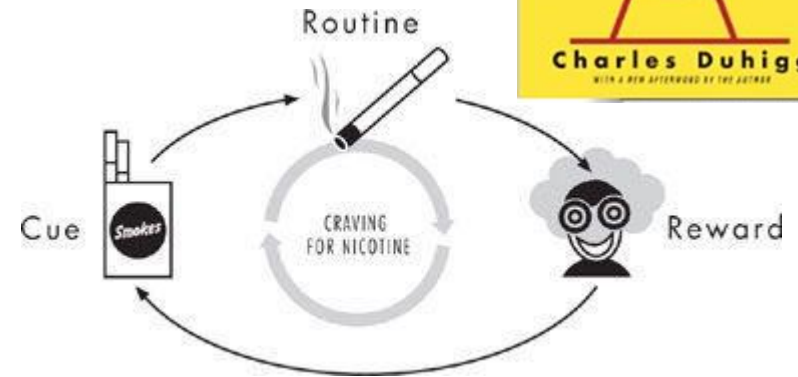
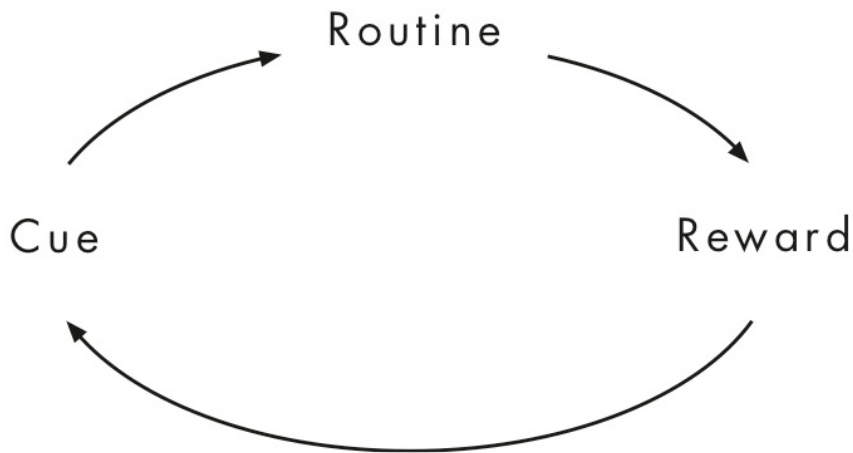
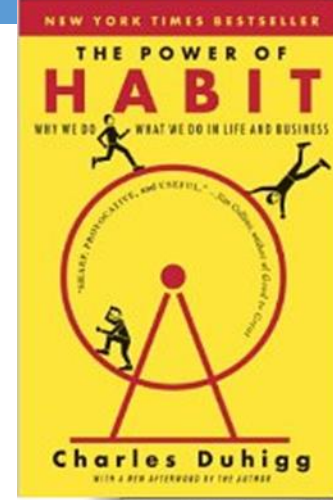
3. Existing products to new markets
4. New products to existing markets
5. Take enhanced products to adjacent markets

### Tertiary steps

6. New Products to Adjacent Markets
7. Enhanced Products to New Markets
8. New Products to New Markets



# New Products: Change Customers Habits



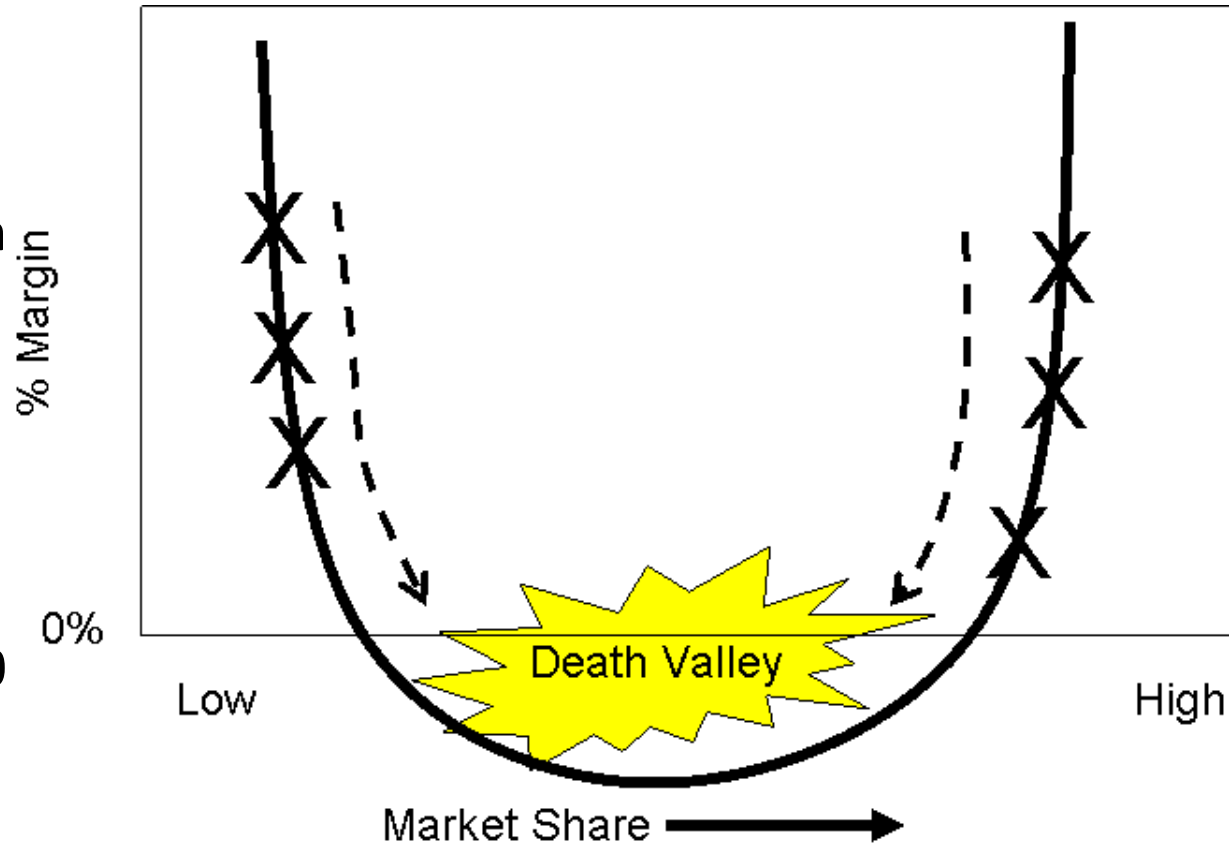
# Pick Davids, Not Goliaths

## ■ Customers

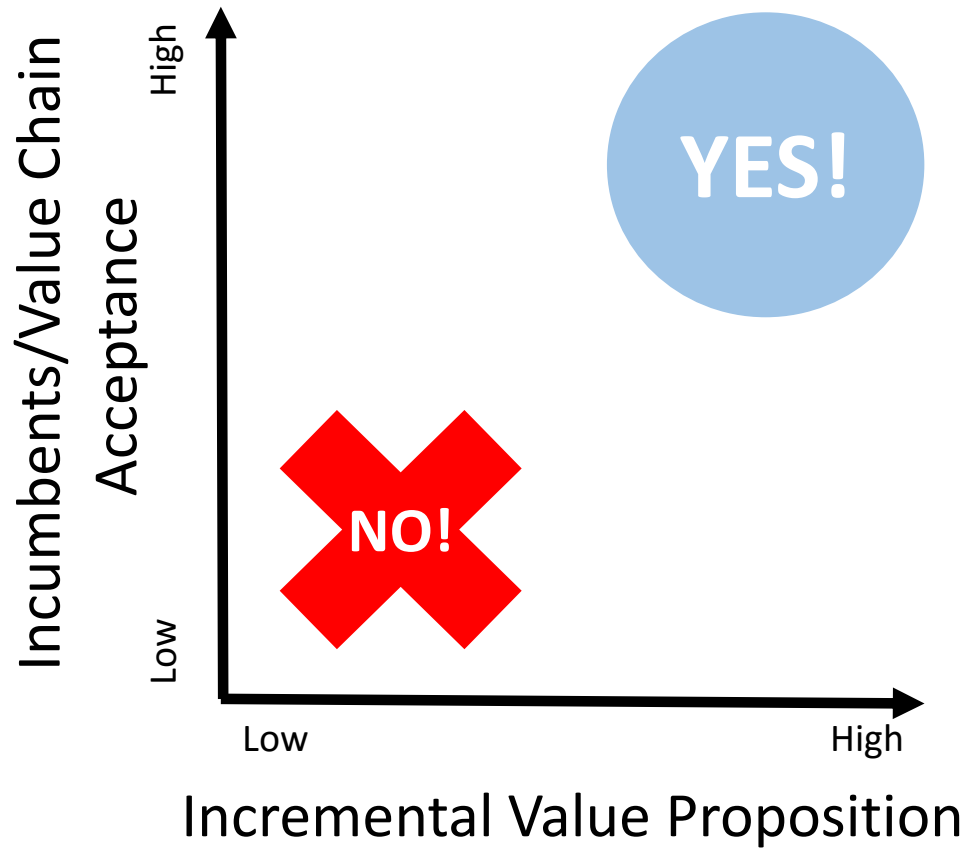
- Pick first customers who are closer to death valley
- Others don't have reasons to change habits

## ■ Competition

- Don't wake up 900 pound gorillas from their slumber



# New Product Failure/Acceptance Modes



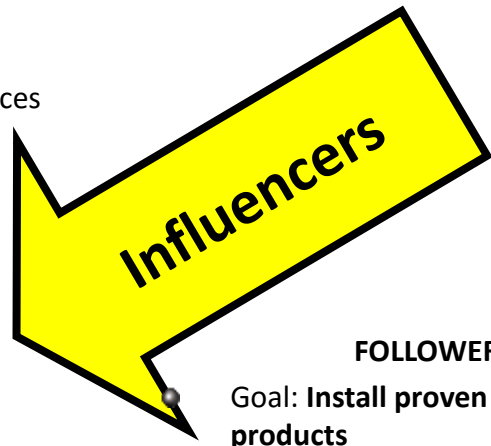
# Right Customers

## ENTHUSIASTS

- Goal: **Technology Innovation**
- Characteristics
  - Appreciate product characteristics and architecture
  - Alpha/beta test a product
  - Want to move technology forward
- Needs
  - Technical truth
  - Access to superior technical resources
  - Inexpensive/free products and first access

## VISIONARIES

- Goal: **Fundamental breakthroughs in how business is conducted**
- Characteristics:
  - Least price sensitive
  - Helpful in defining the “whole product”
  - Highly visible references
- Discover strategic applications
  - Relationships with technology enthusiasts
- Needs:
  - Project-oriented, time-sensitive, order-of-magnitude return on investment



## PRAGMATISTS

- Goal: **Incremental improvements**
- Characteristics:
  - Unwilling to take high risks
  - Tend to be vertically oriented; products need to fit in!
- Needs
  - References and relationships with trusted/credible others in their market
  - Comfort with reputation, product
  - “Whole product” solutions

## FOLLOWERS

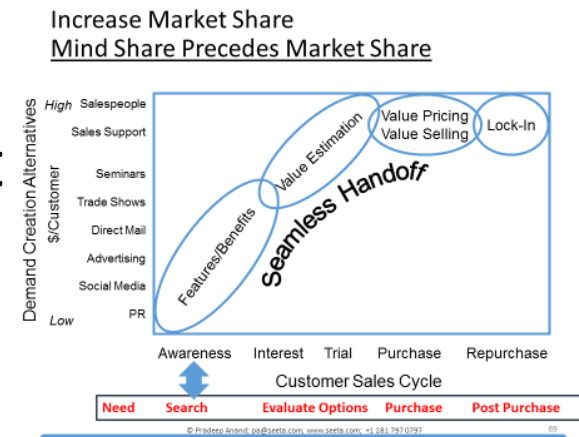
- Goal: **Install proven technologies & products**
- Characteristics:
  - Not risk-takers
  - Slightly afraid of high technology
  - Extend the market for technology products
  - Price sensitive
- Needs:
  - Pre-assembled products at discounted prices
  - Predictable products

## RESISTERS

- Goal: **Maintain status quo**
- Characteristics:
  - Skeptical
  - Not risk takers
  - Block purchase of new technology
- Needs:
  - Evidence of value that will be received from product
  - Complete and available whole product

# Promotion in the B2B world

- Move customers from Unawareness to Buying Action
- Content is king
- Process
  - Awareness, Interest, Evaluation, Trial, Adoption, Repurchase
  - Mindshare precedes market share
- Personal selling is the key component
- Stage of product lifecycle
- Changing customers' habits

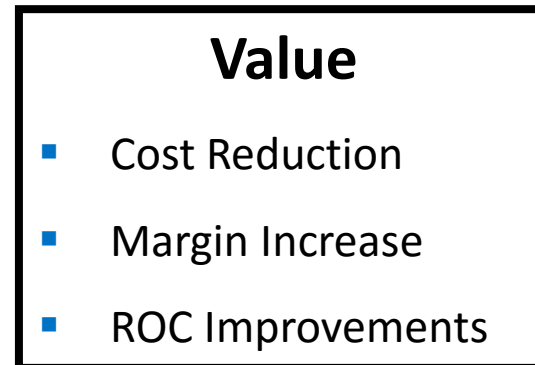
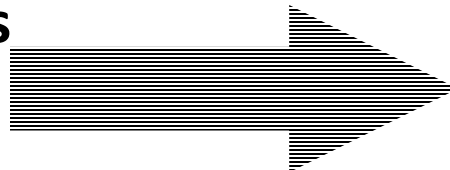




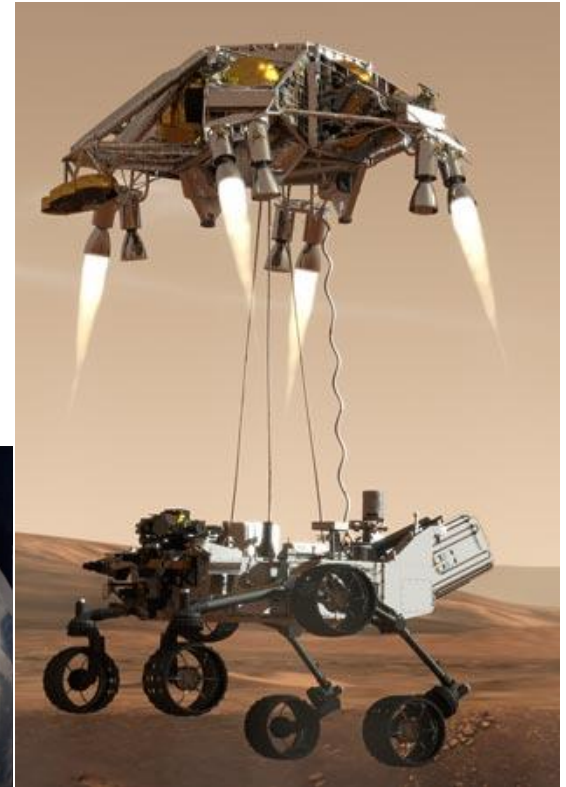
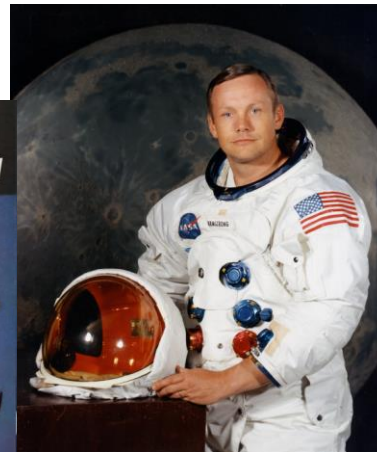
# Borrow from Step 2: Competitive Positioning + Value

- For the: (Target Segment)
- Who Needs:
- Firm/Product is a: (Category)
- That provides: (List of compelling reasons to buy)
- **Unlike competition** (Name), the company/product, also provides:
  - List of **key differentiators**

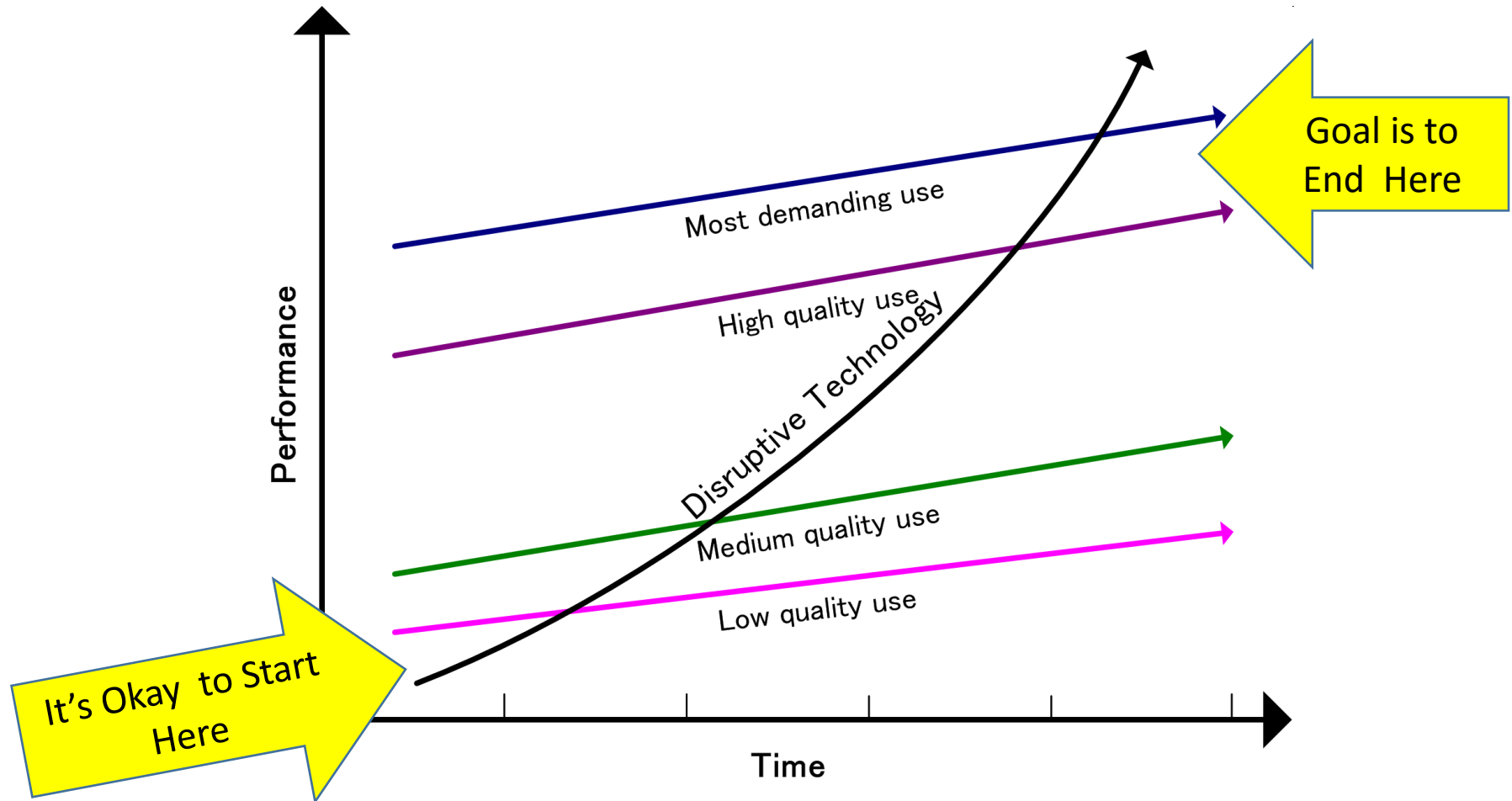
- Features
- **Benefits**



# From Small Steps to a Giant Leap

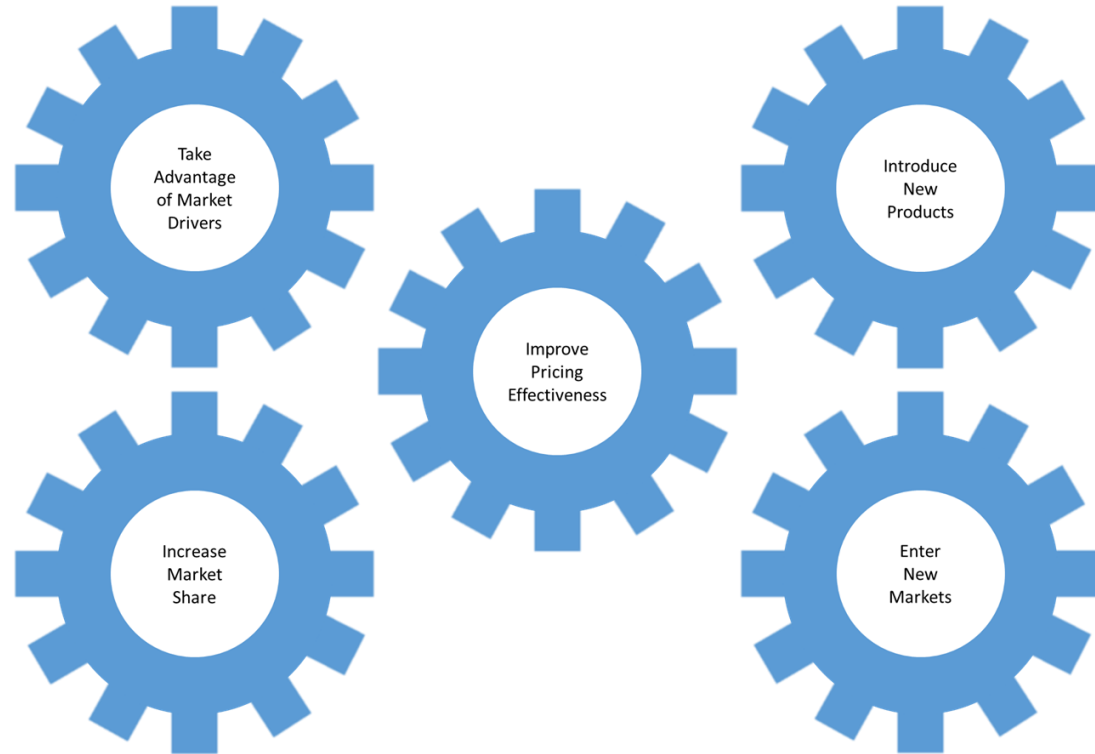


# From Small Steps to a Giant Leap

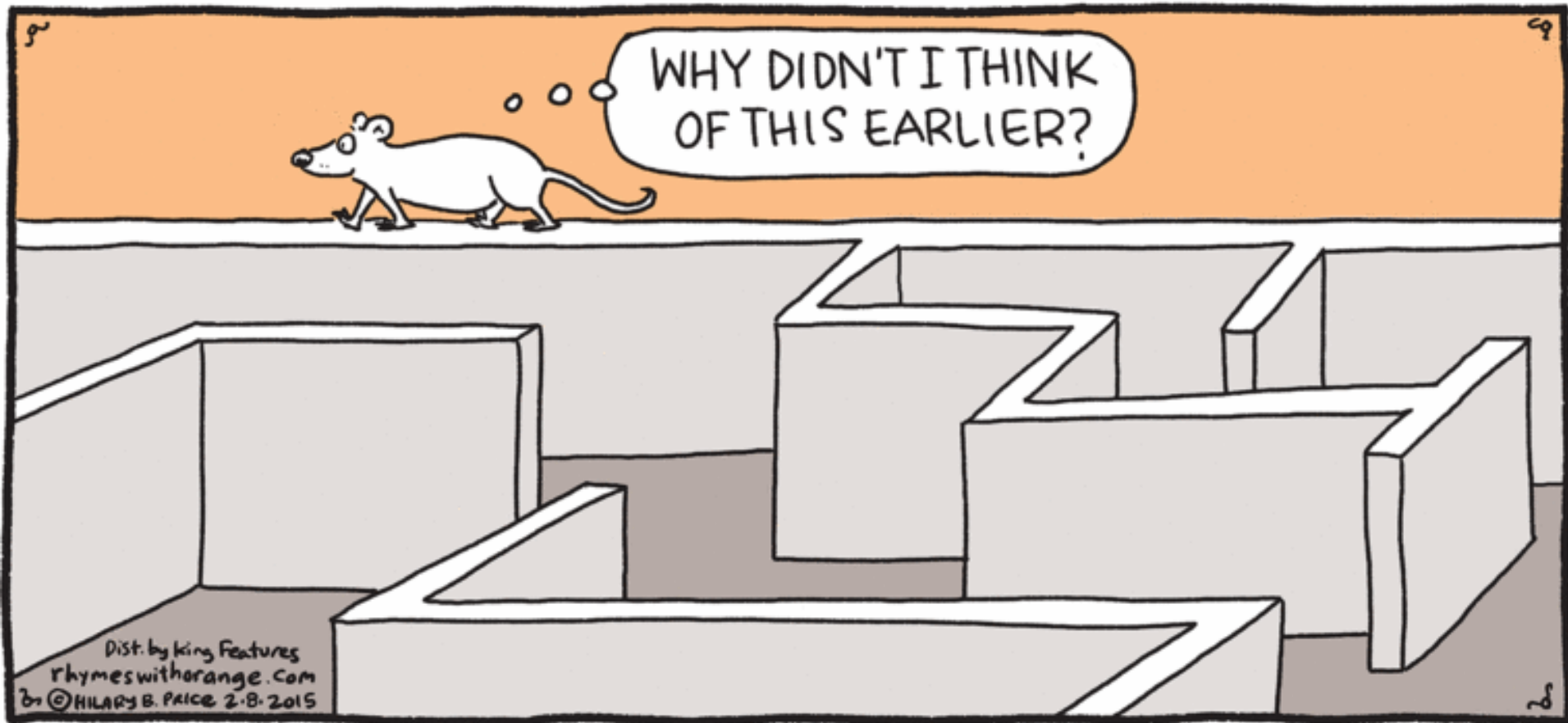


# Seven First “Go-to-Market” Steps

1. Where’s the money?
  - With your customers
  - With your competition
2. Why do customers buy from you or your competition?
  - A **unique, trusted** source who delivers **value**



# Good Luck!



Thank you!  
Seven First “Go-to-Market” Steps  
for  
Entrepreneurs

Pradeep Anand

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pa@seeta.com; +1 281 797 0797; www.seeta.com