

Seven First “Go-to-Market” Steps

Pradeep Anand

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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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- **Engineering/Manufacturing** — Aggreko, Astralloy, CompX, Continental Carbon, Excell Minerals, Express Integrated Technologies, Fabsco, Fort Lock, Gundle/SLT Environmental, Harsco Corporation, Harsco Industrial, Harsco Infrastructure, Harsco Metals & Minerals, Harsco Track Technologies, Hendrickson Trailer, IKG Industries, Metal Networks, MultiServ, National Cabinet Lock, Nutter Engineering, Ohmstede, OnePoint, Patent Construction Systems, Patterson-Kelley, Reed Minerals, SGB, SteelPhalt, VisionMonitor Aviation Software, Waterloo Furniture Components
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- **Other** — Kanaly Trust, Fort Bend Independent School District, American Sleep; Willy, Nanayakkara, Rivera & Goins

Since 1994

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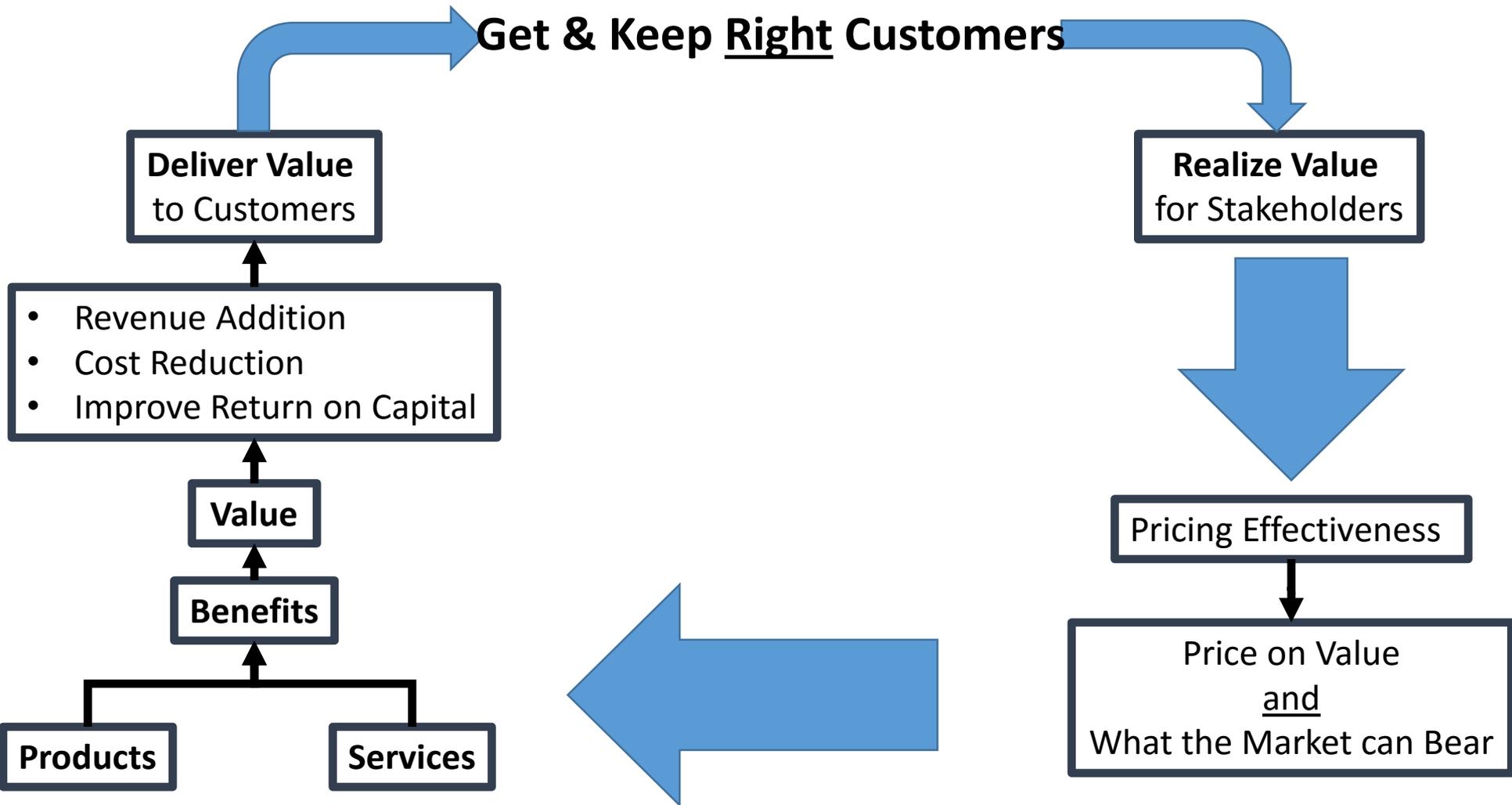
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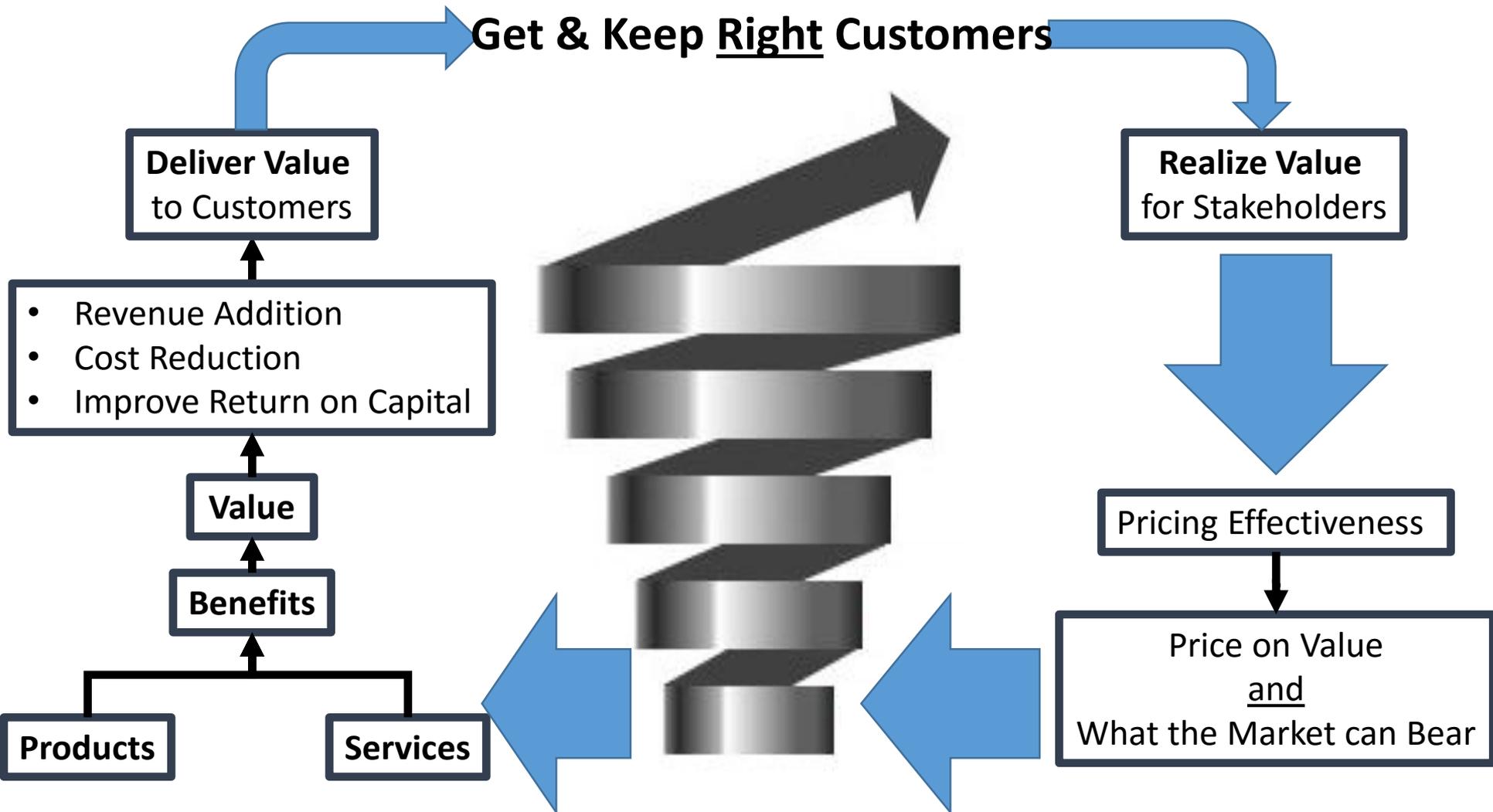
Since 1994

Go-to-Market Principles

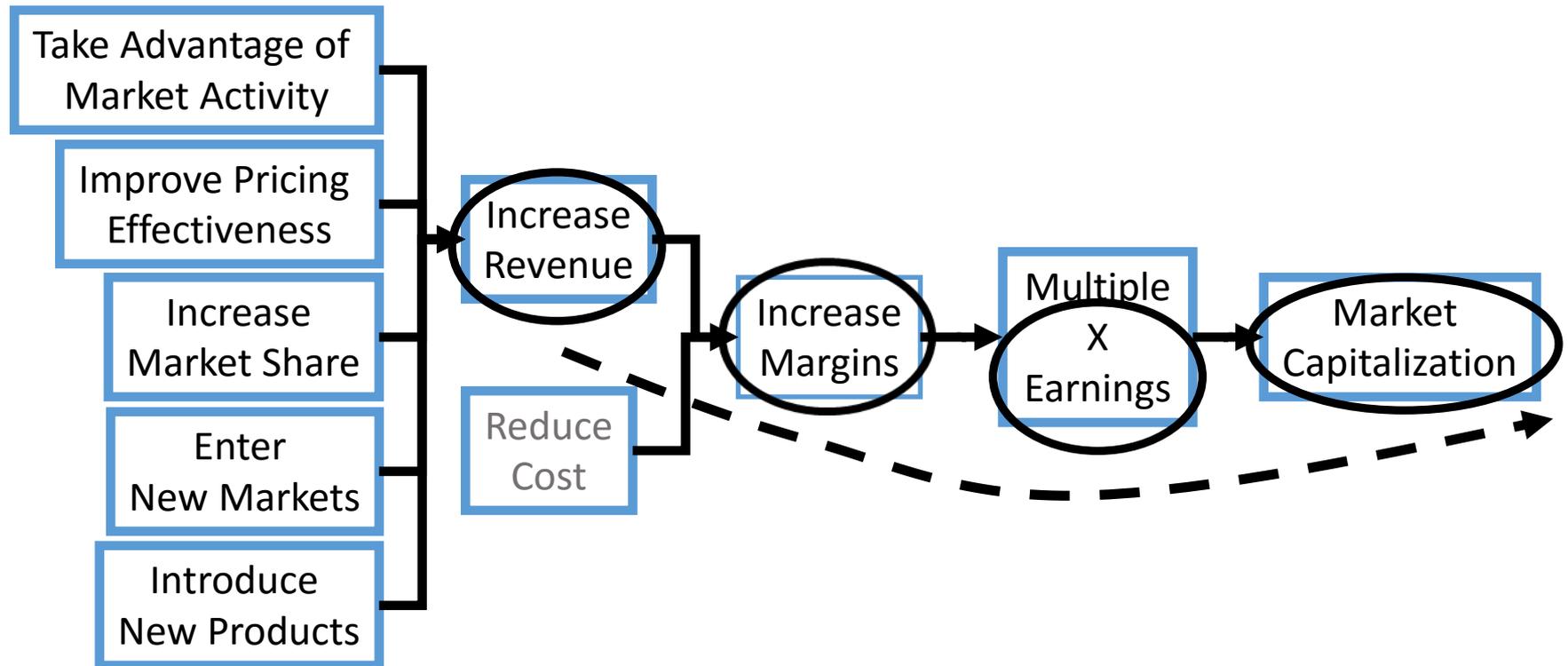
Principle 1. Purpose of a Business



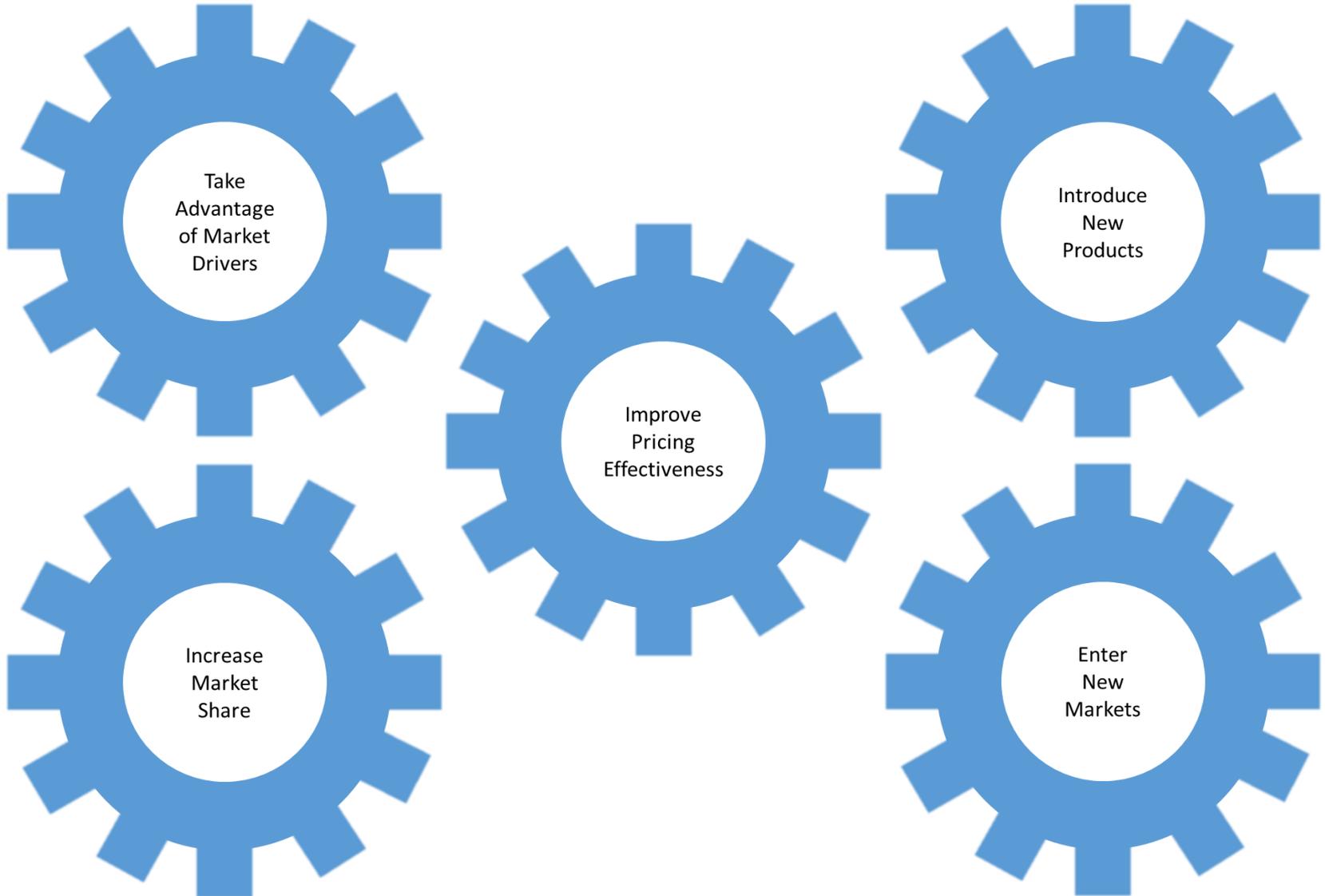
Principle 1. Purpose: Create Value Spiral



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



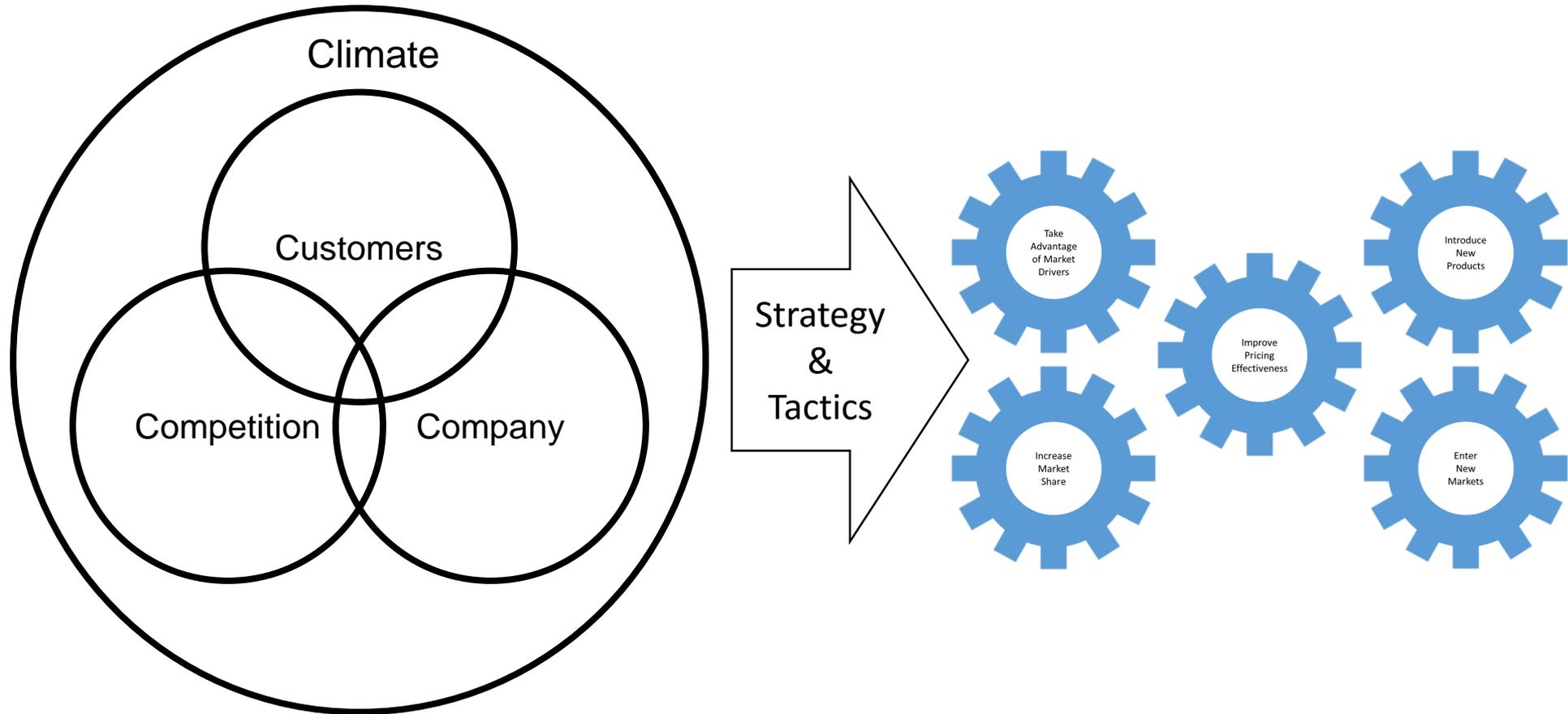
2. Five Gears of Growth



3. Go-to-Market Process

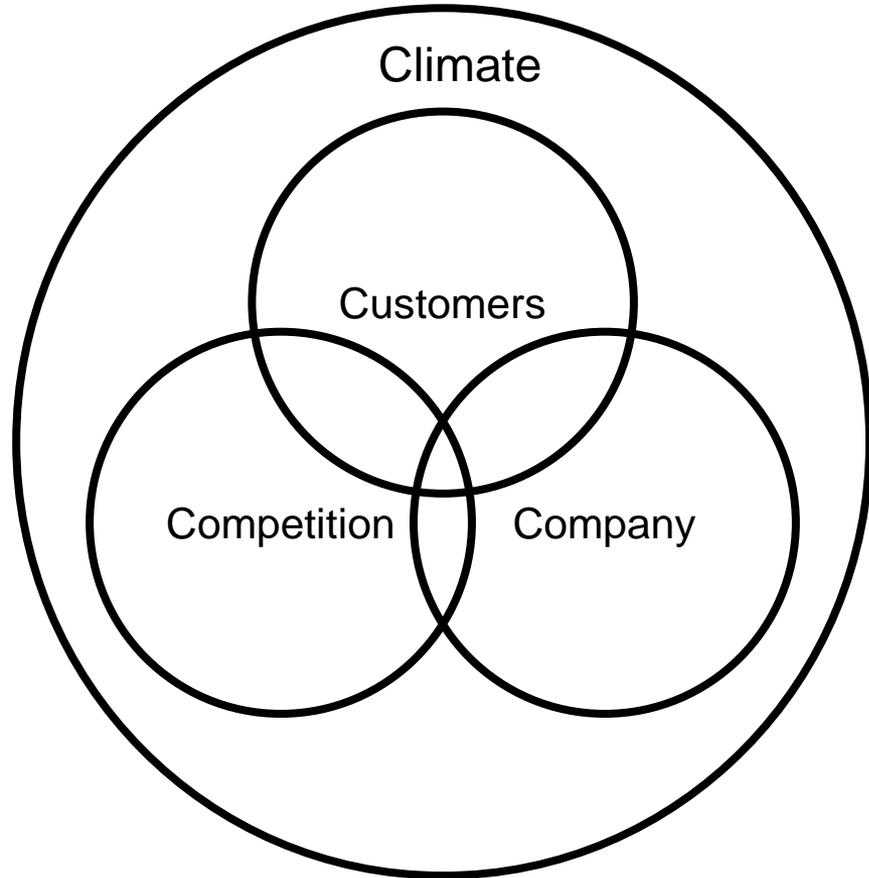
Where are we? Where can/should we go?

How do we get there?

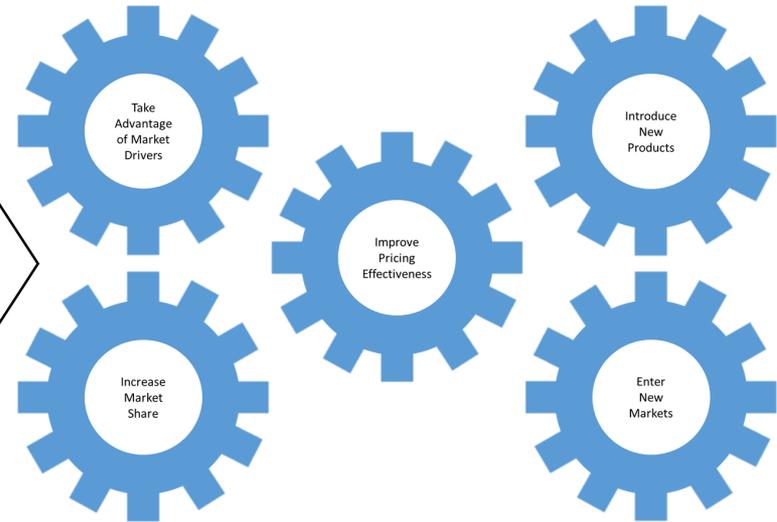


3. Go-to-Market Process

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



4Cs



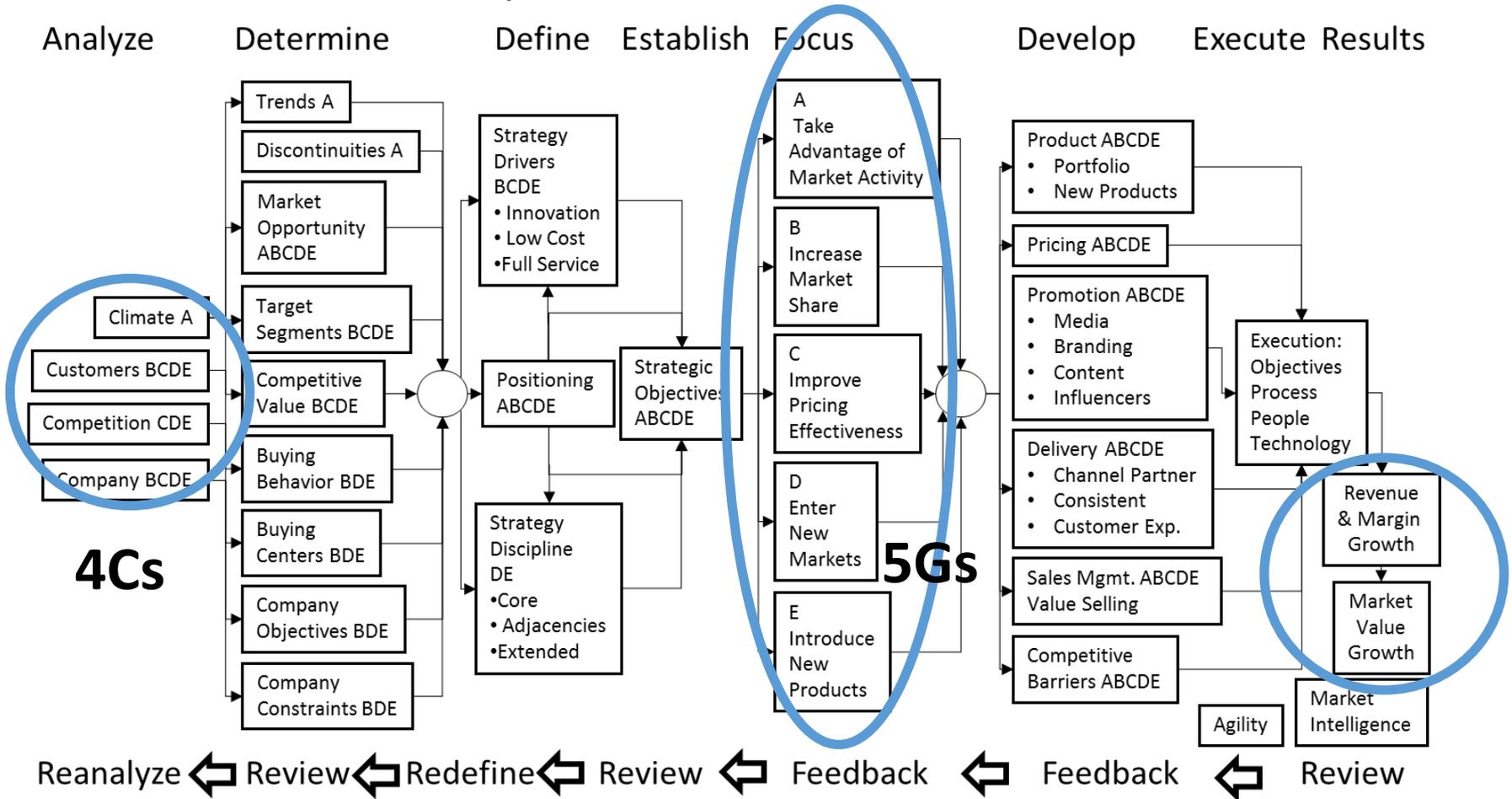
5Gs

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

Increase Probability of Success
Reduce Uncertainty

Competitive Playing Skills

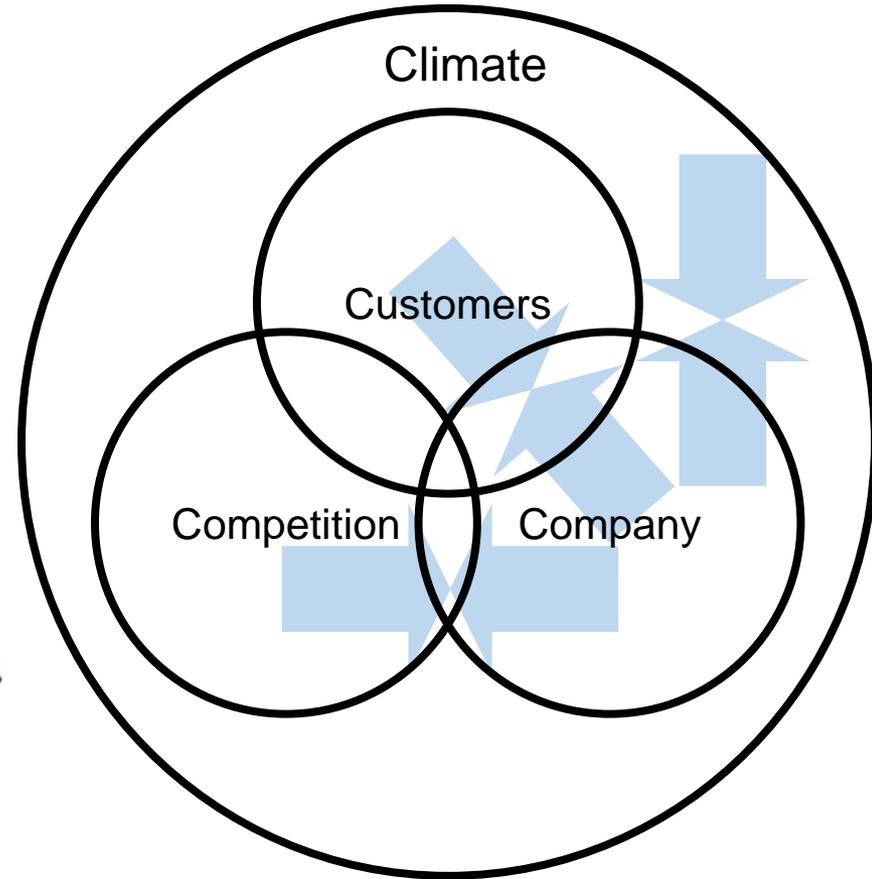
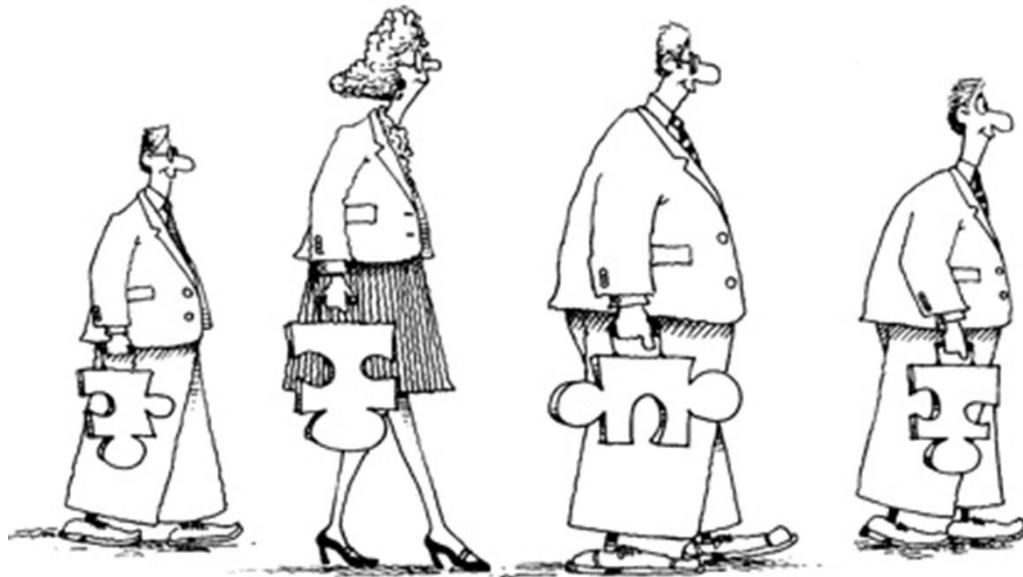
Analyze Determine Define Establish Focus Develop Execute Results



Reanalyze ← Review ← Redefine ← Review ← Feedback ← Feedback ← Review

3Qs

Principle 4. Your Market Team Mining Tacit Information & Tribal Knowledge



Principle 5: Please Aim Before You Shoot!

Aim!

Shoot!

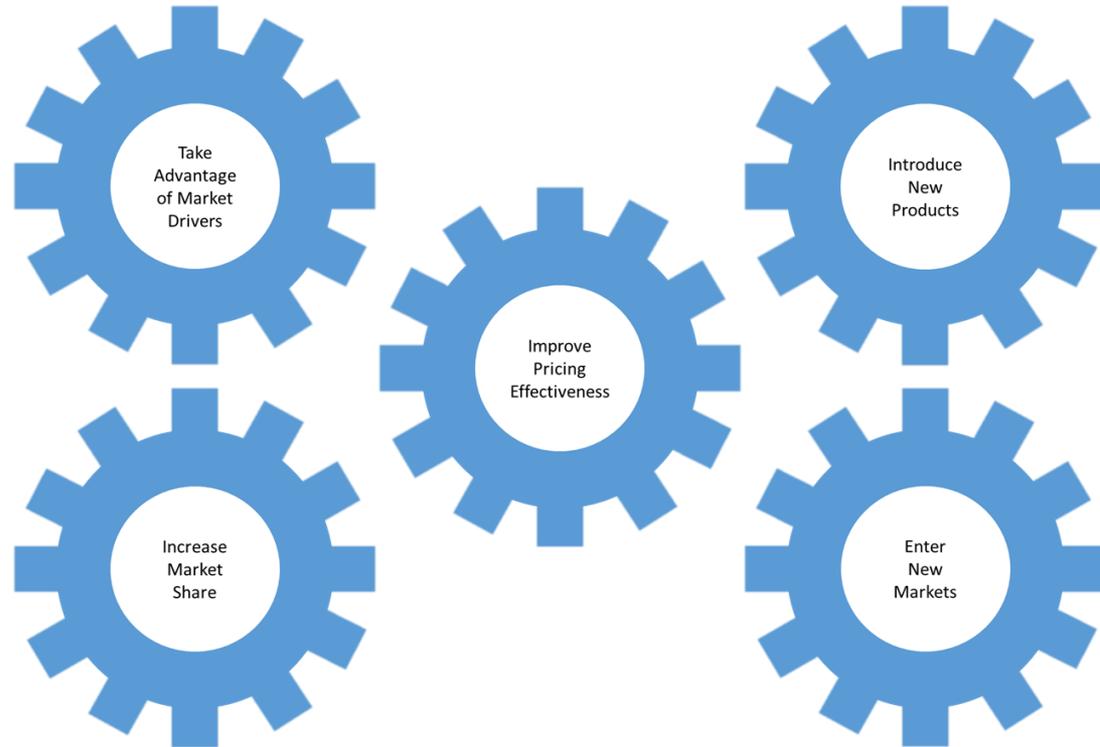


Seven First “Go-to-Market” Steps

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.

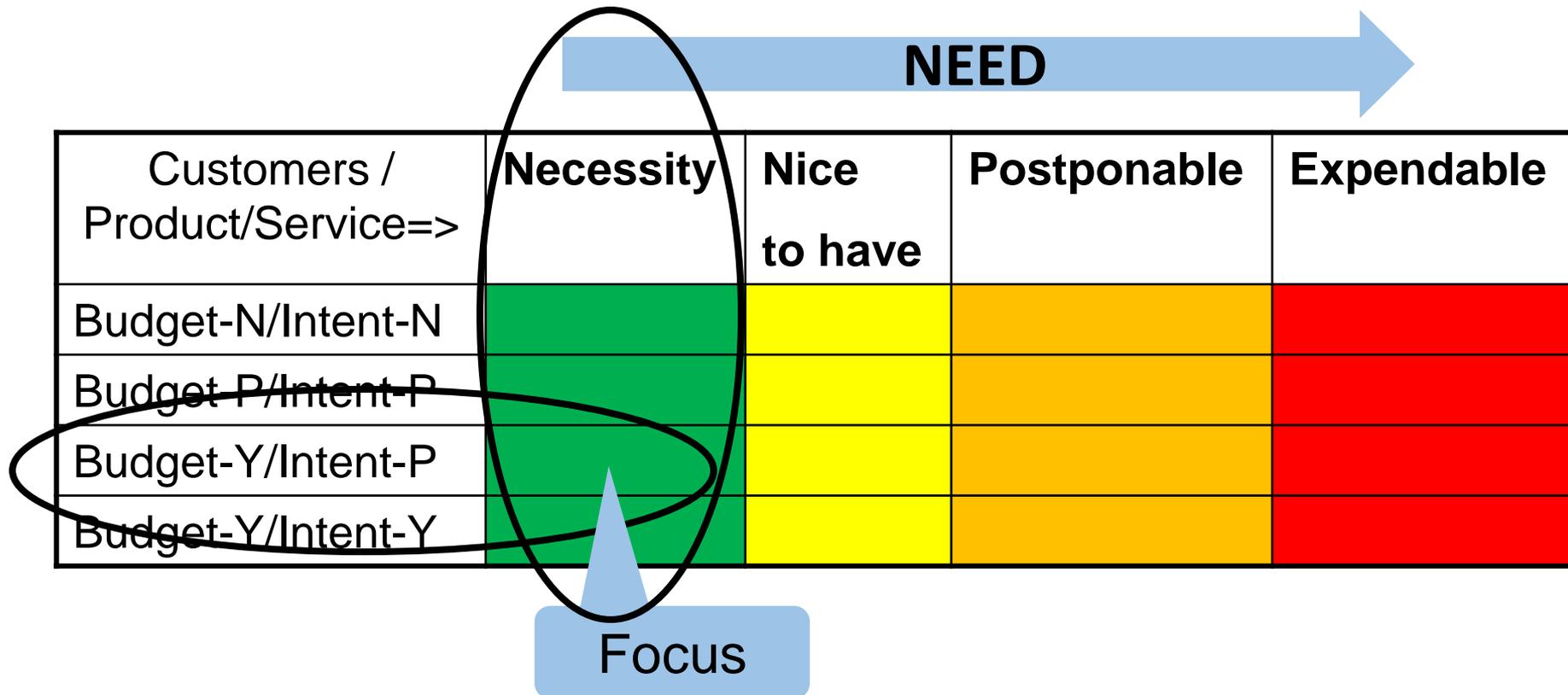
Answer the Question:
Where's the Money?

Where's the money?

With the RIGHT customers

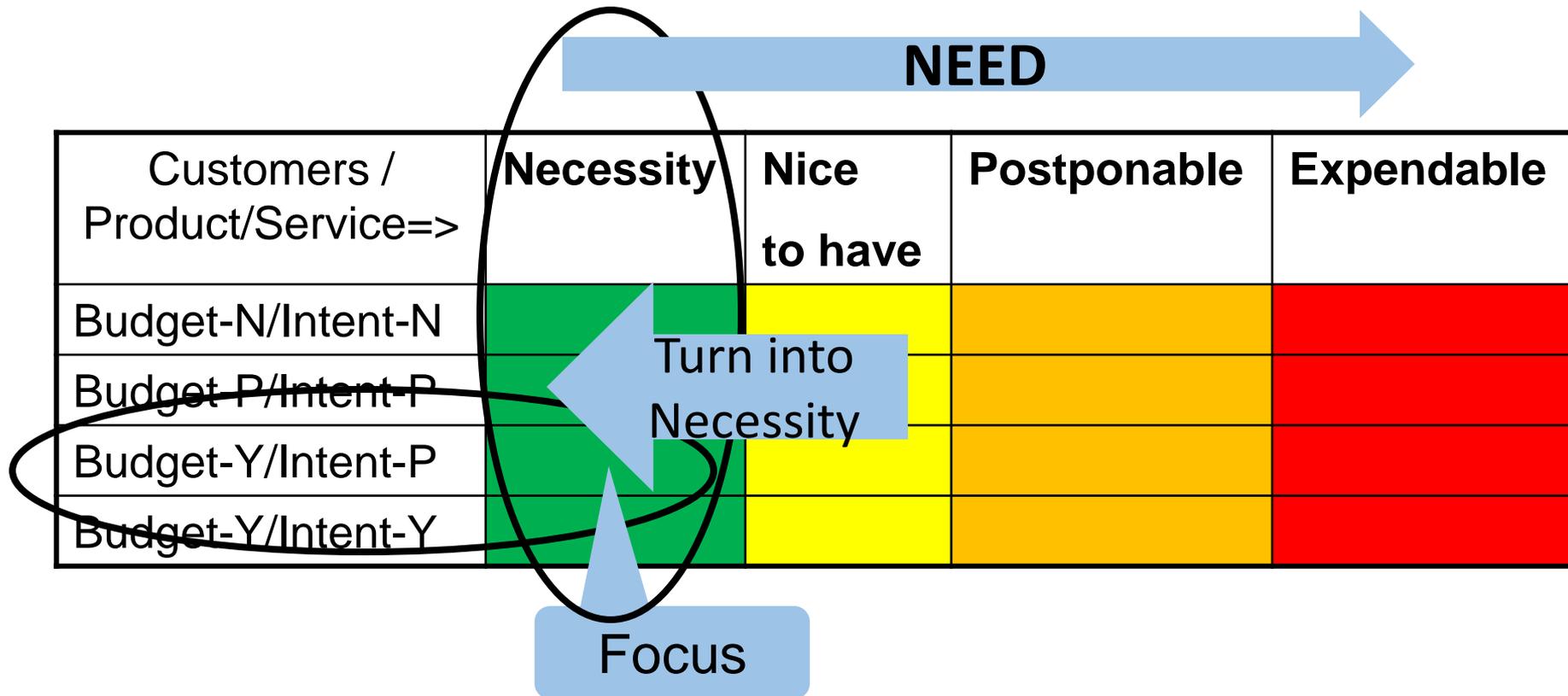
	Yes	Perhaps	No
Need	Green	Yellow	Red
Budget	Green	Yellow	Red
Intent	Green	Yellow	Red

Where's the money? With the RIGHT customers

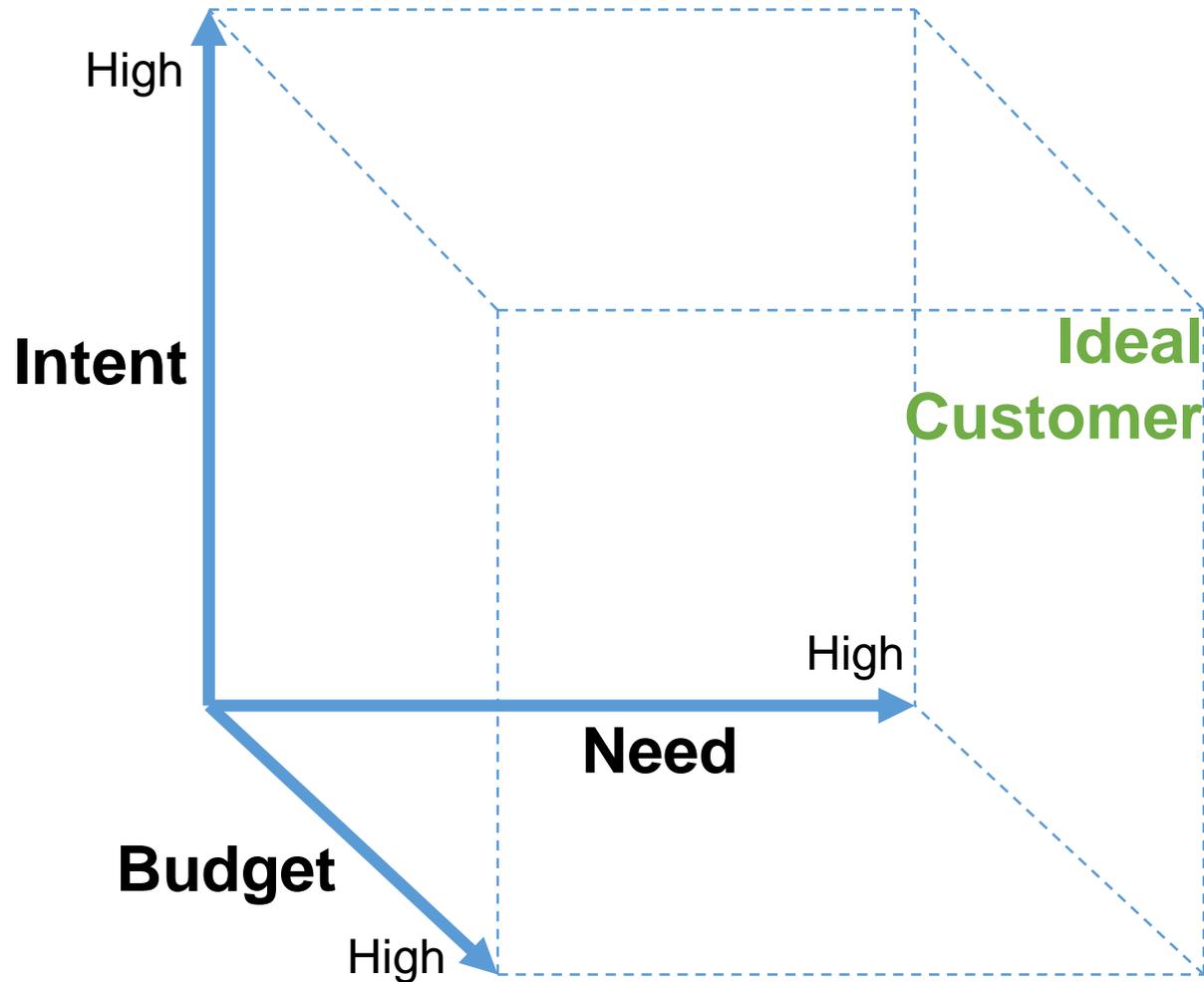


Where's the money?

With the RIGHT customers

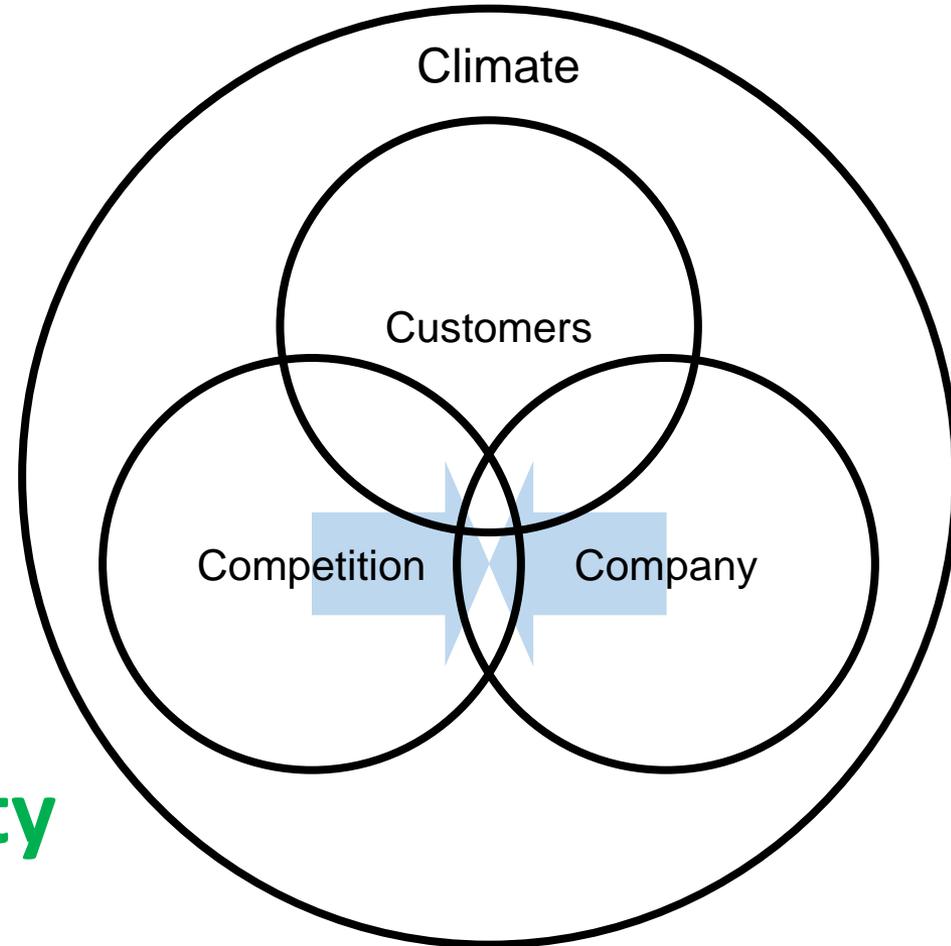


Where's the money? With the RIGHT customers



Where's the money? With your competition

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

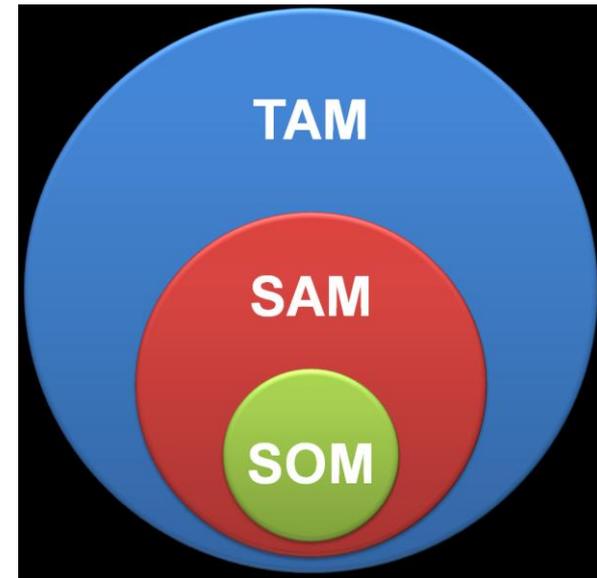
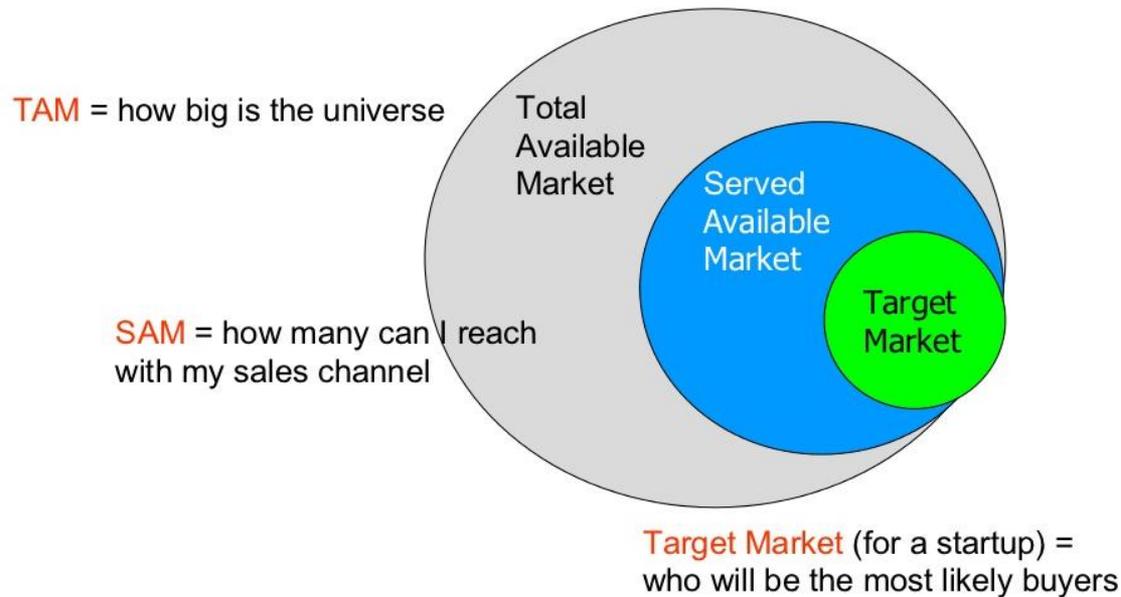


Where's the money?

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:



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

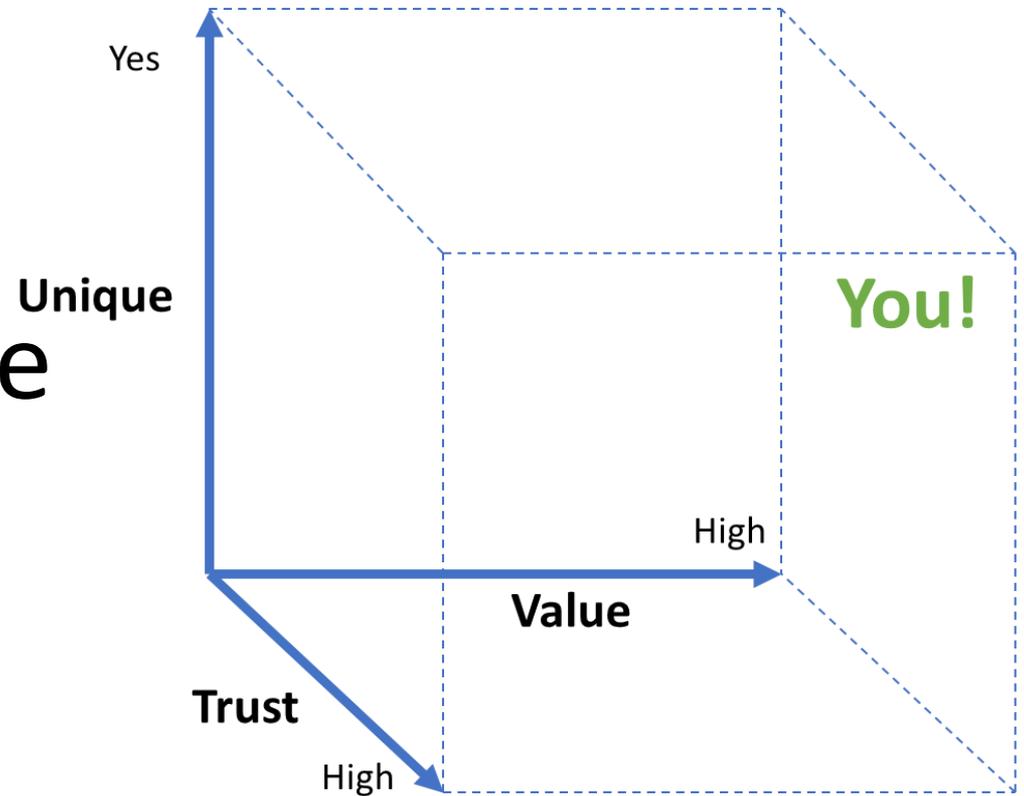
Step 2.

Answer the question:

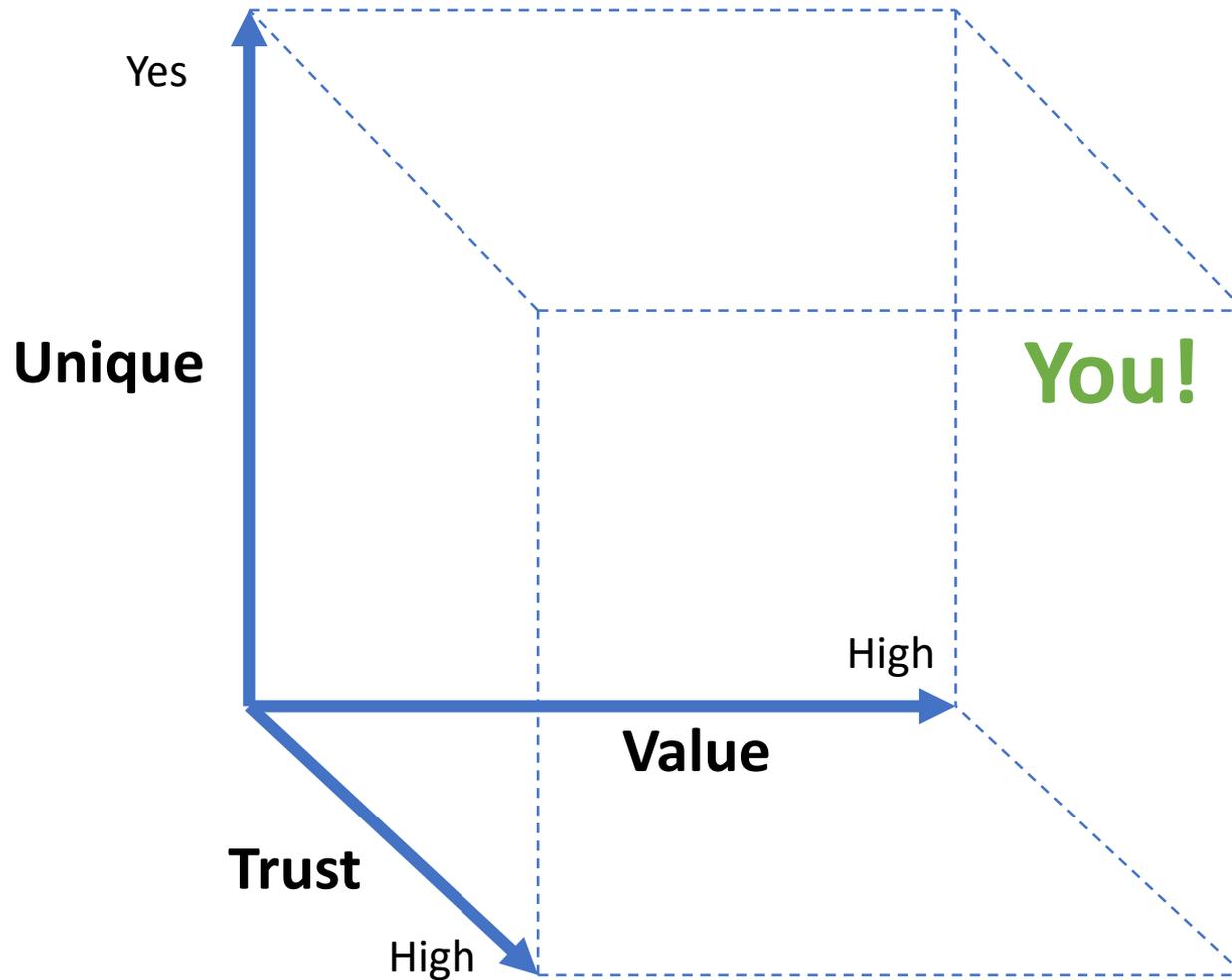
Why do customers buy from you
or your competition?

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

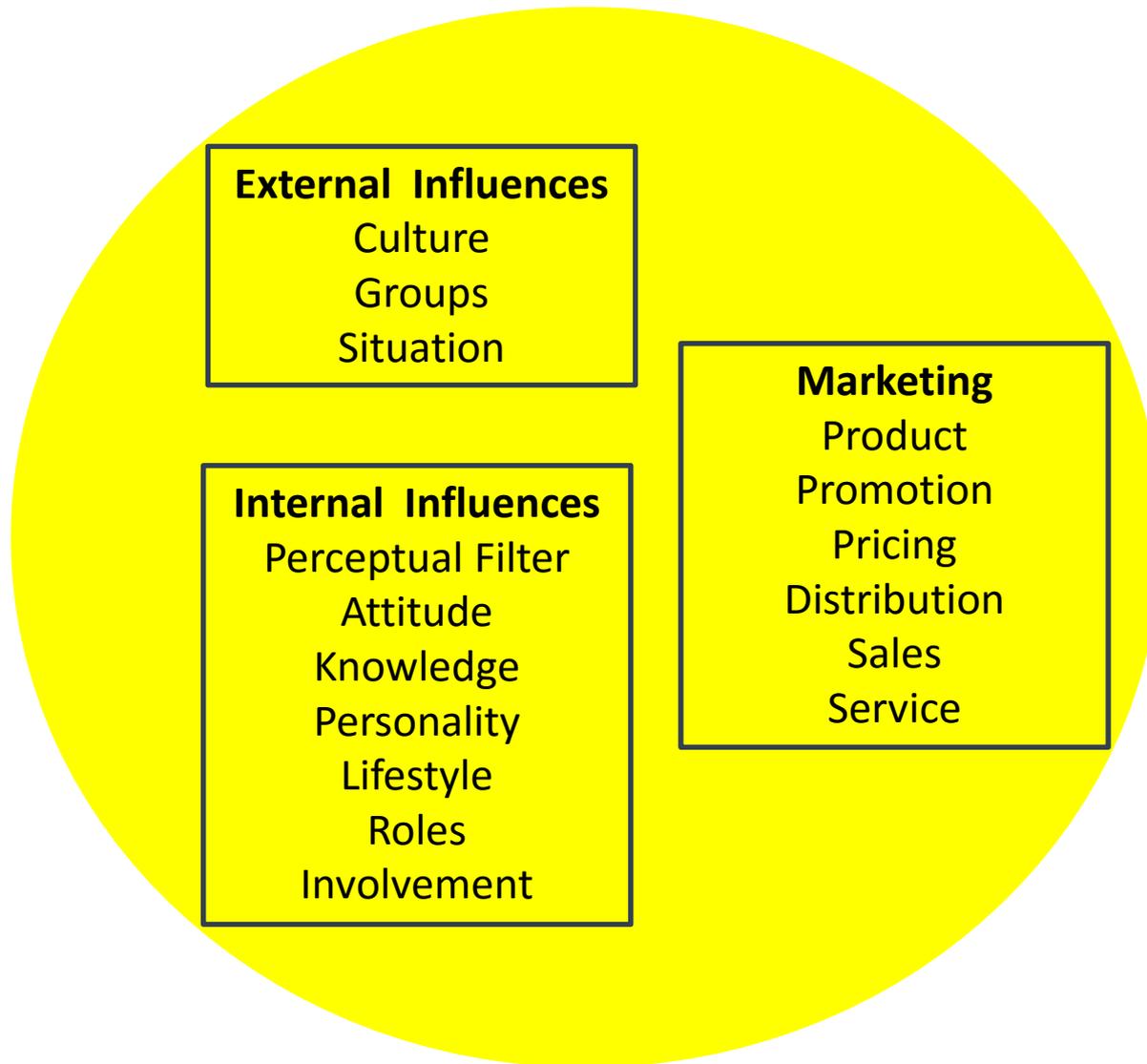
Many Sizes

- 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

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

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

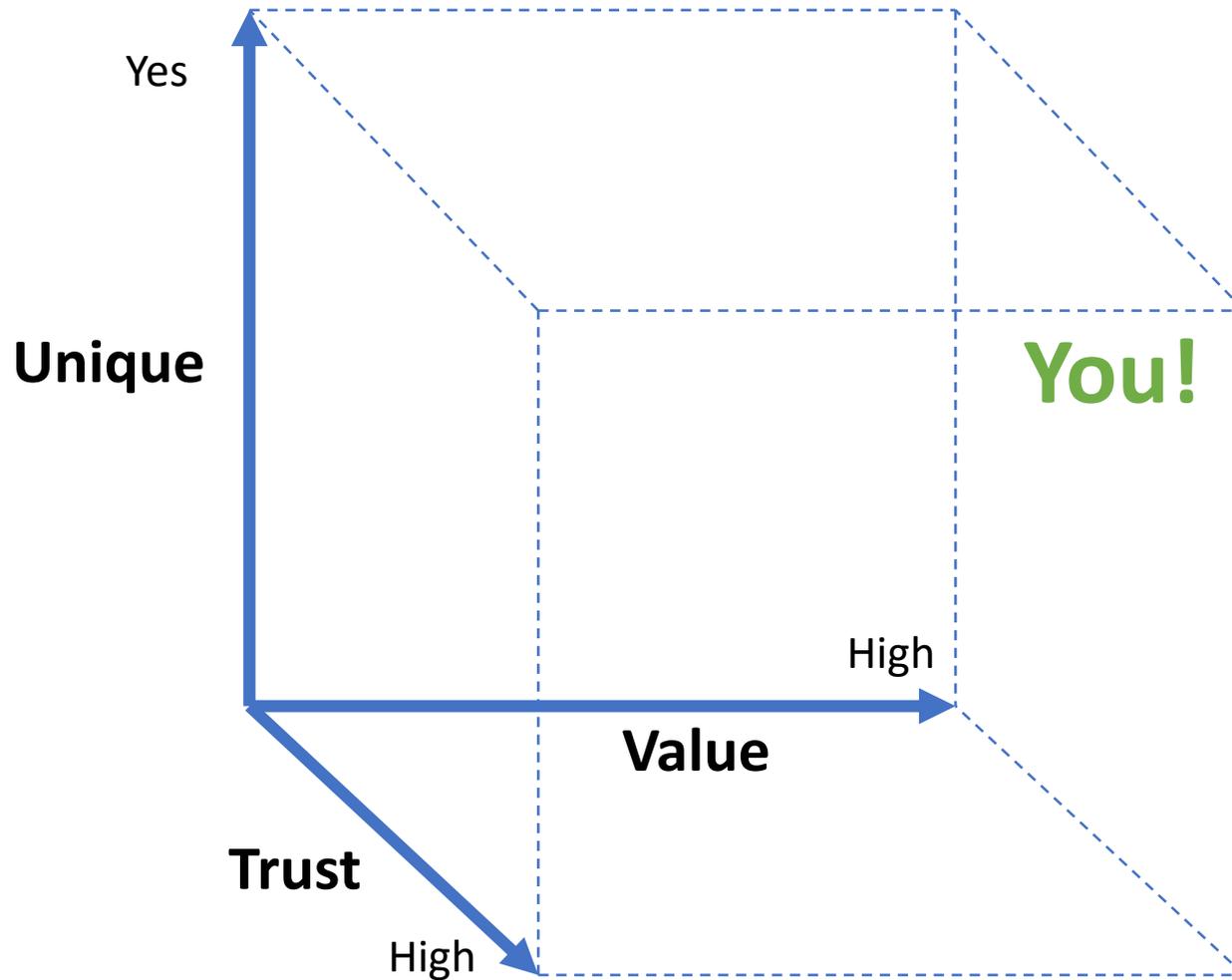


If you are not perceived to be distinctly different in important ways, **you are dead!**

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**

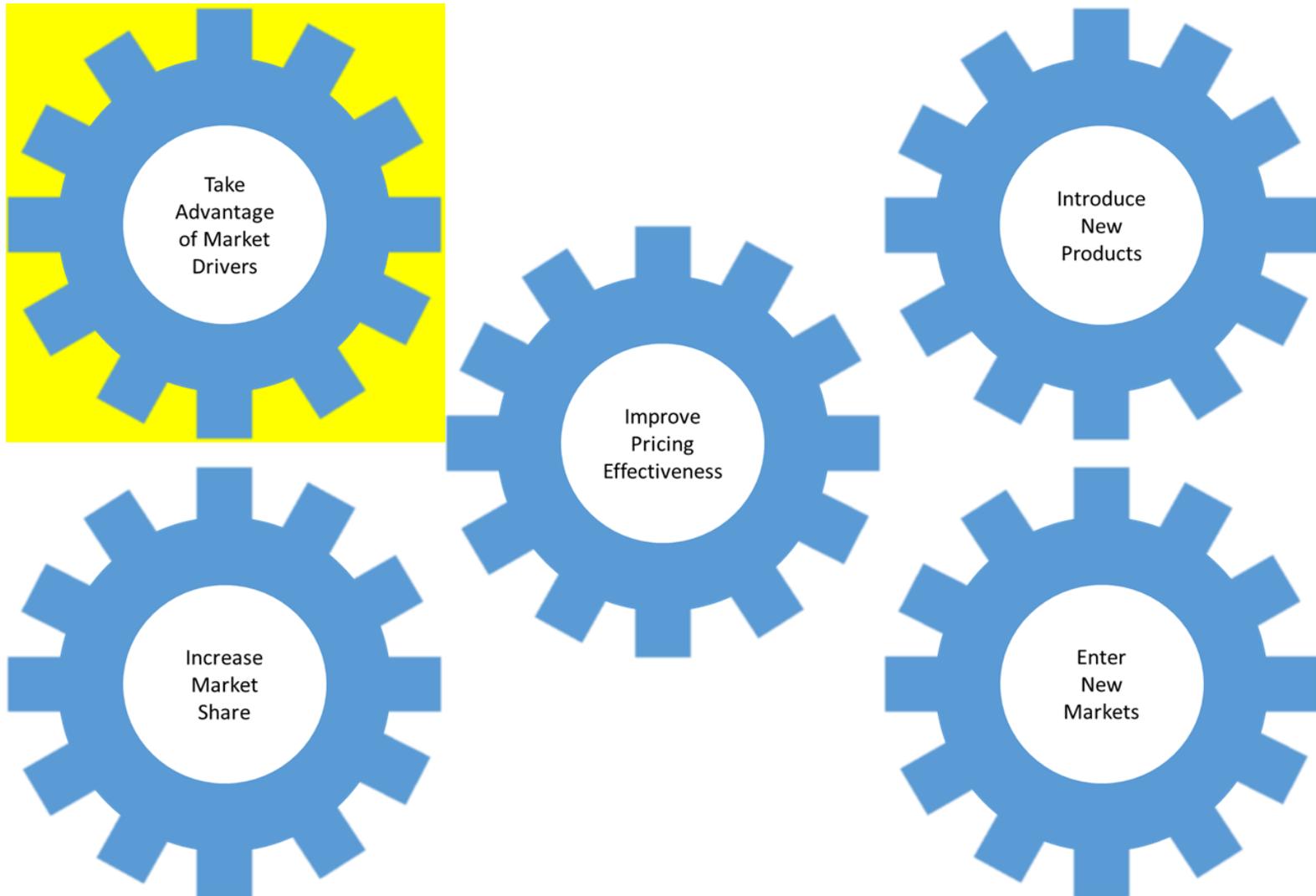
Why do customers buy from you?



Step 3.

Take Advantage of Market Activity

Take advantage of market activity



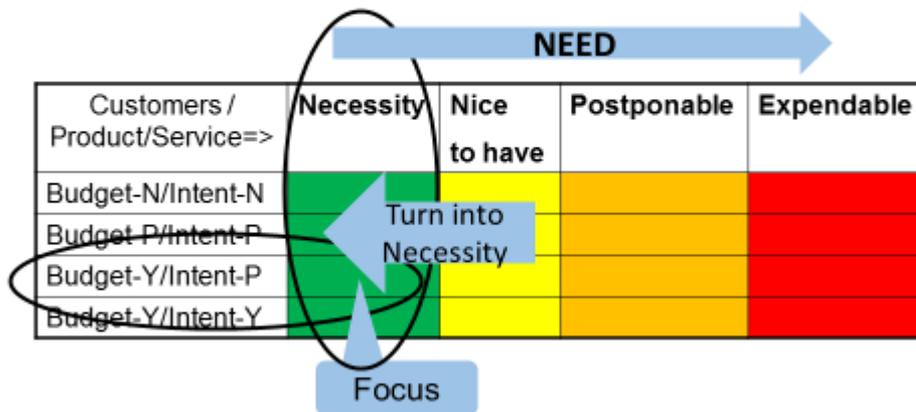
Take advantage of market activity

- 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

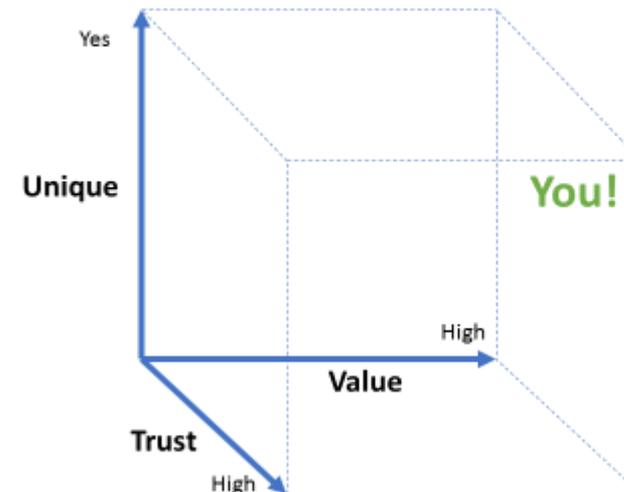
Take advantage of market activity

Both **Sperry-Sun** and **Landmark Graphics** were born during recessionary times in the upstream oil industry—NBI/VUT

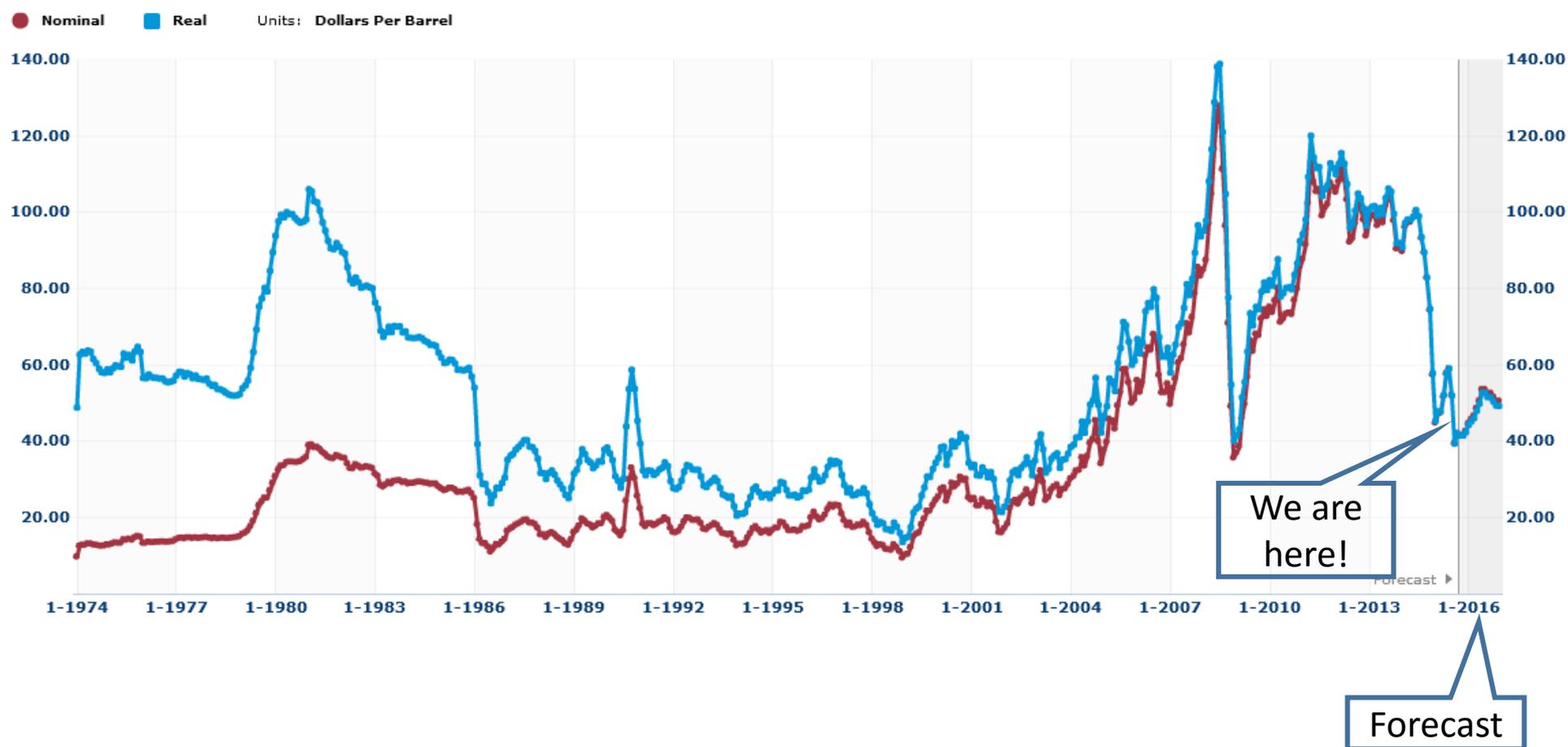
Where's the money?
With the RIGHT customers



Why do customers buy from you?



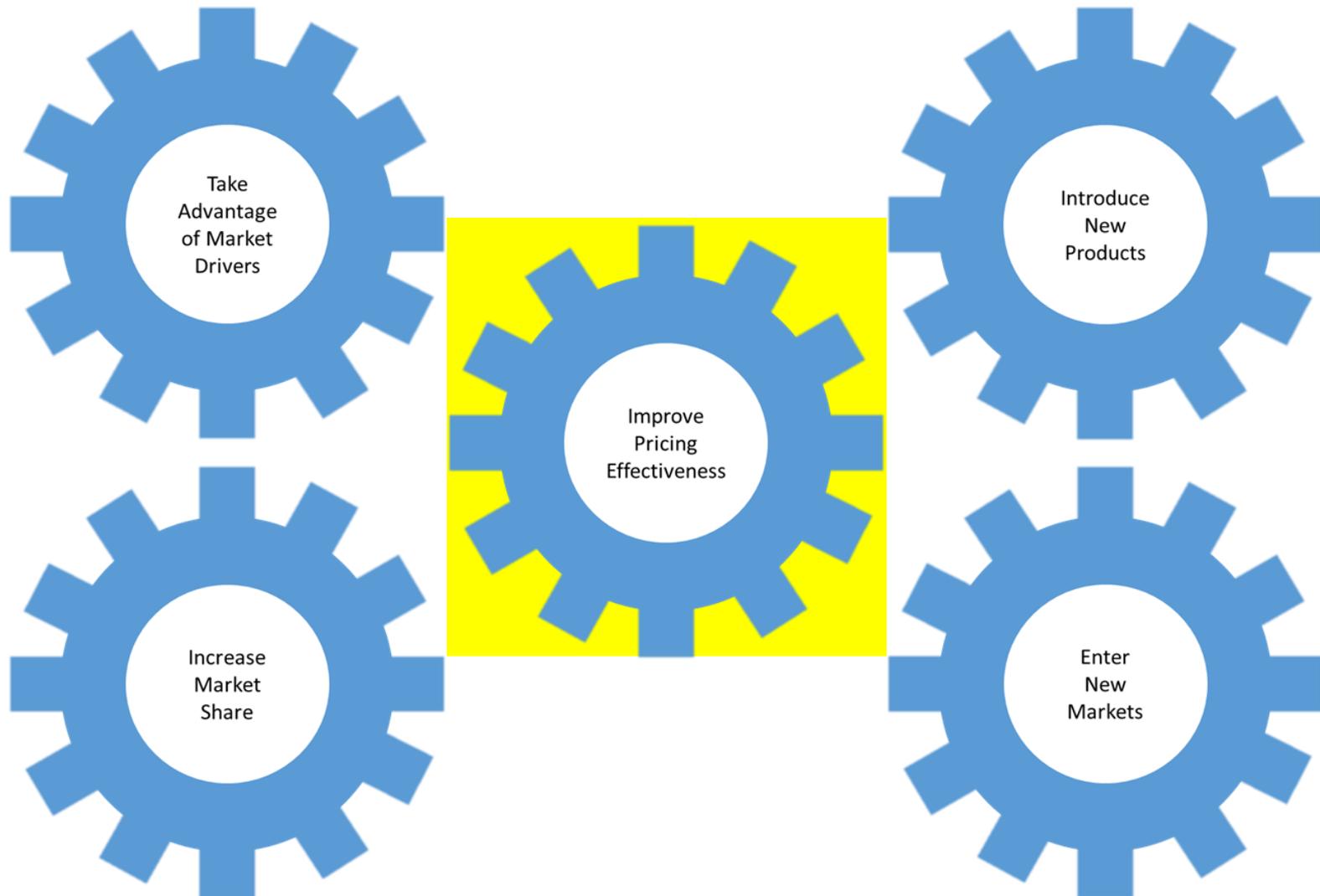
Today's Oil Industry Climate: Real & Nominal Crude Oil Price 1974 to Present



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

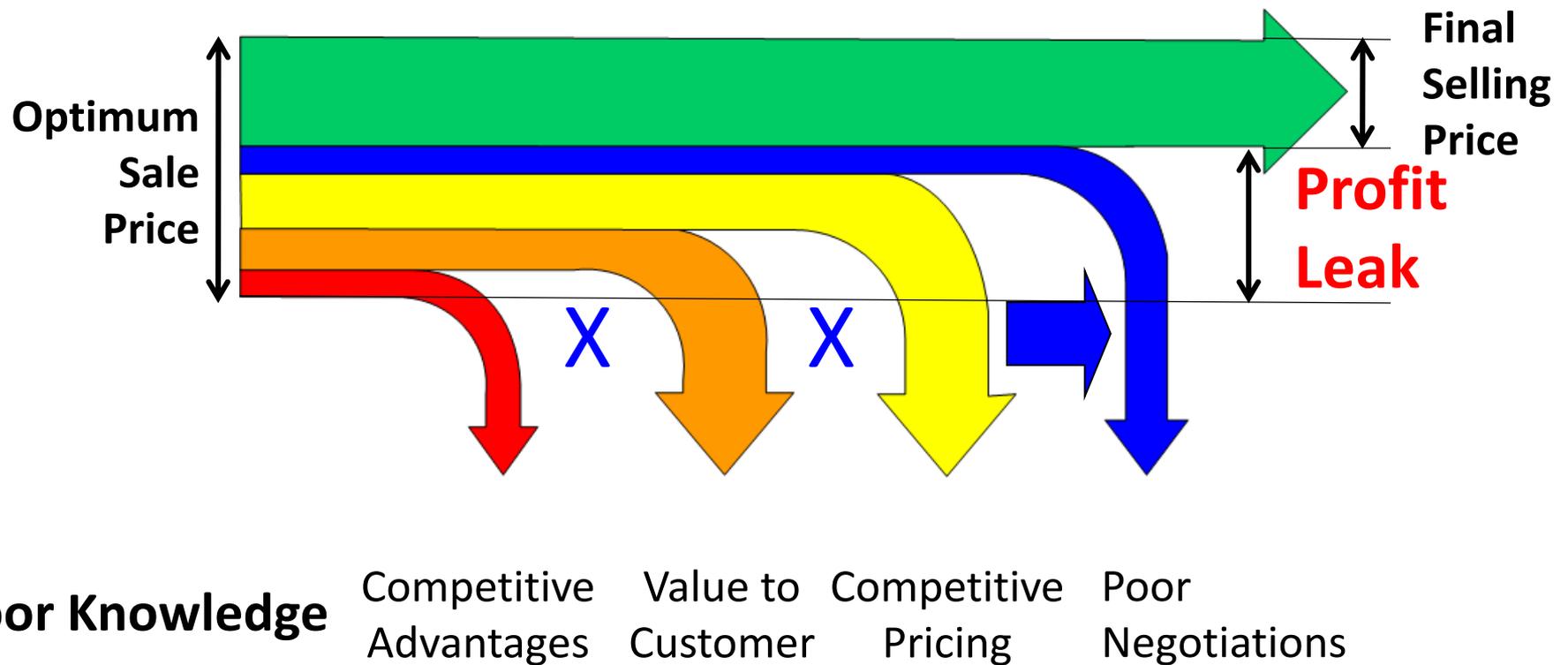
Step 4: Why Focus on Pricing? Effective Way to Increase Profits



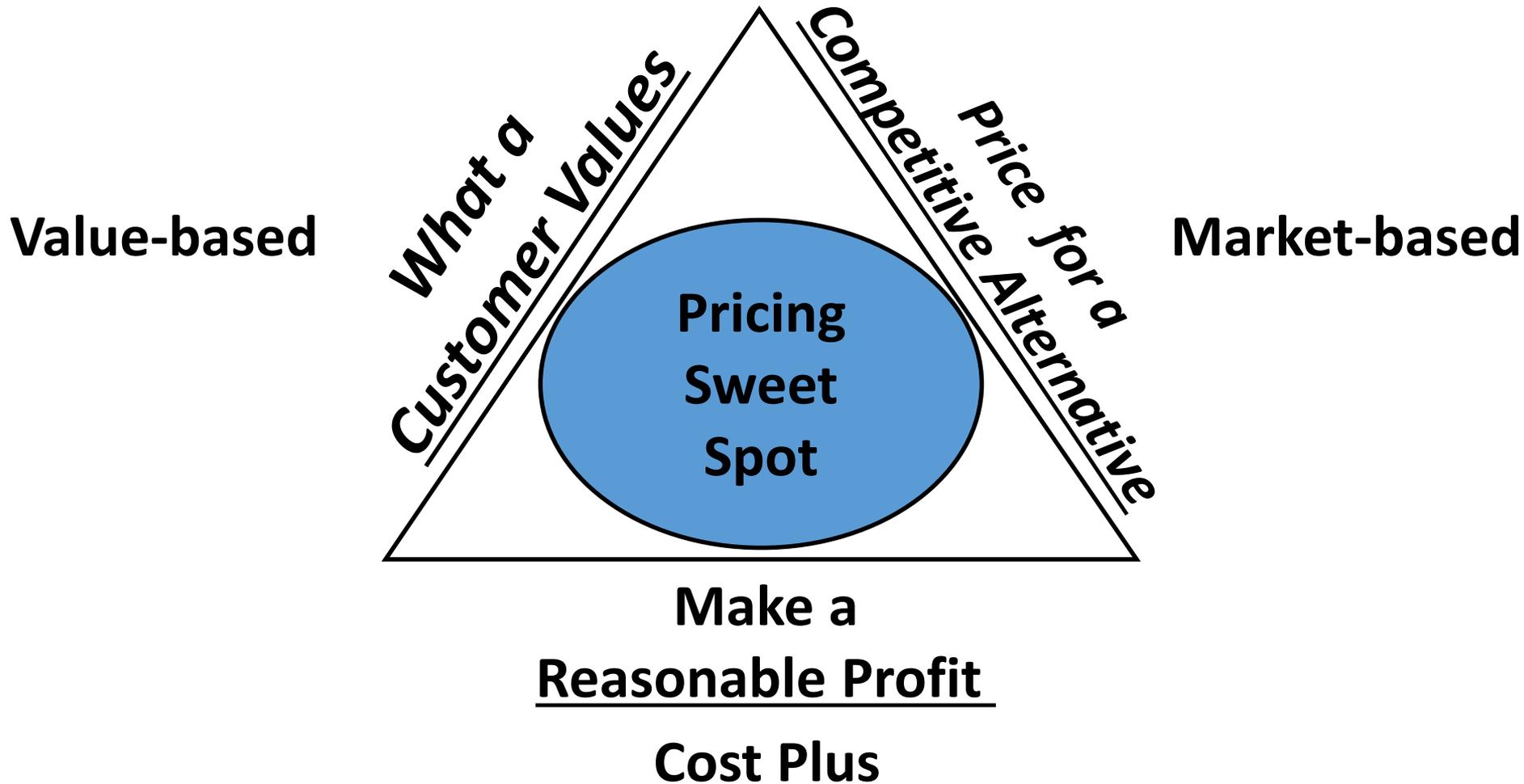
	Base Line	1.0% Price	-1.0% Cost to Serve	1.0% Volume
Units	100	100	100	101
Price	\$1,000	\$1,010	\$1,000	\$1,000
Revenue	\$100,000	\$101,000	\$100,000	\$101,000
Cost to Serve/Unit	\$600	\$600	\$594	\$600
Costs to Serve	\$60,000	\$60,000	\$59,400	\$60,600
SG&A Costs	\$5,000	\$5,000	\$5,000	\$5,000
Gross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

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

Consequence: Profit Leaks



Process: The Pricing Pyramid



Step 2: Defining Value

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



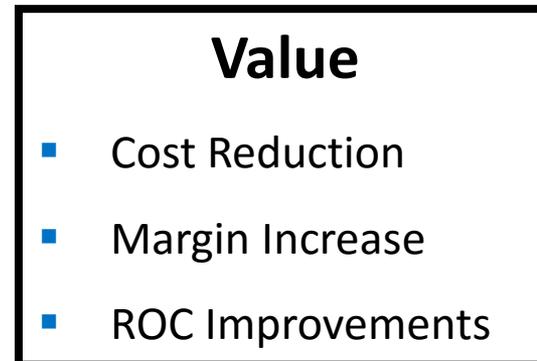
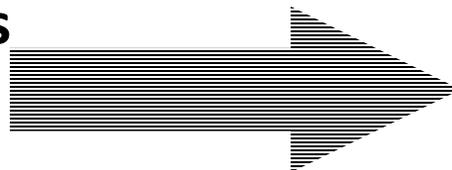
From Step 2: Be Unique in Important Ways

Competitive Positioning + Value

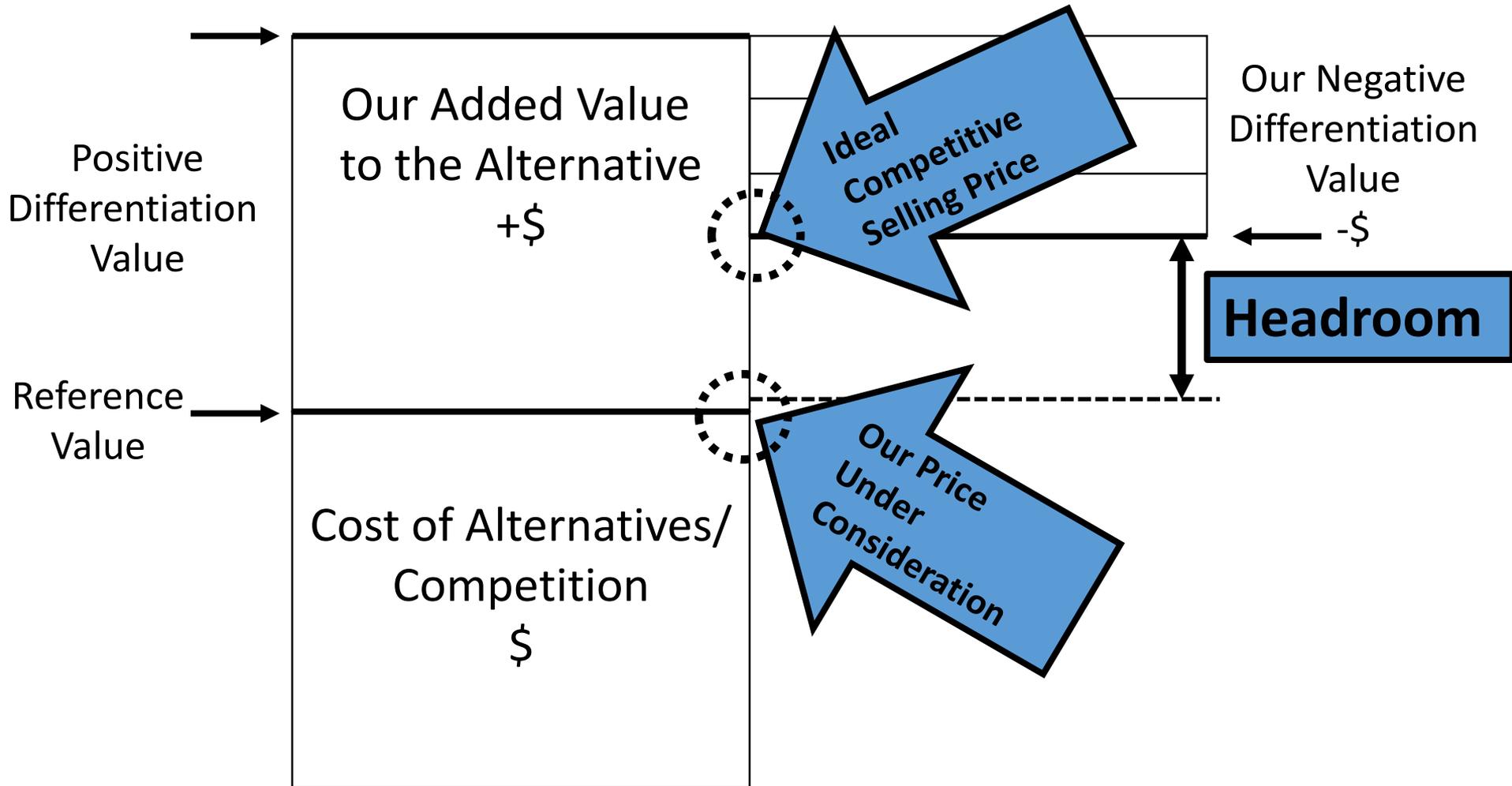
- For the: (Target Segment)
- Who Needs:
- Firm/Product is a: (Category)
- That provides: (List of compelling reasons to buy)
- **Unlike competition** (Name), the company/product, also provides:

– List of **key differentiators**

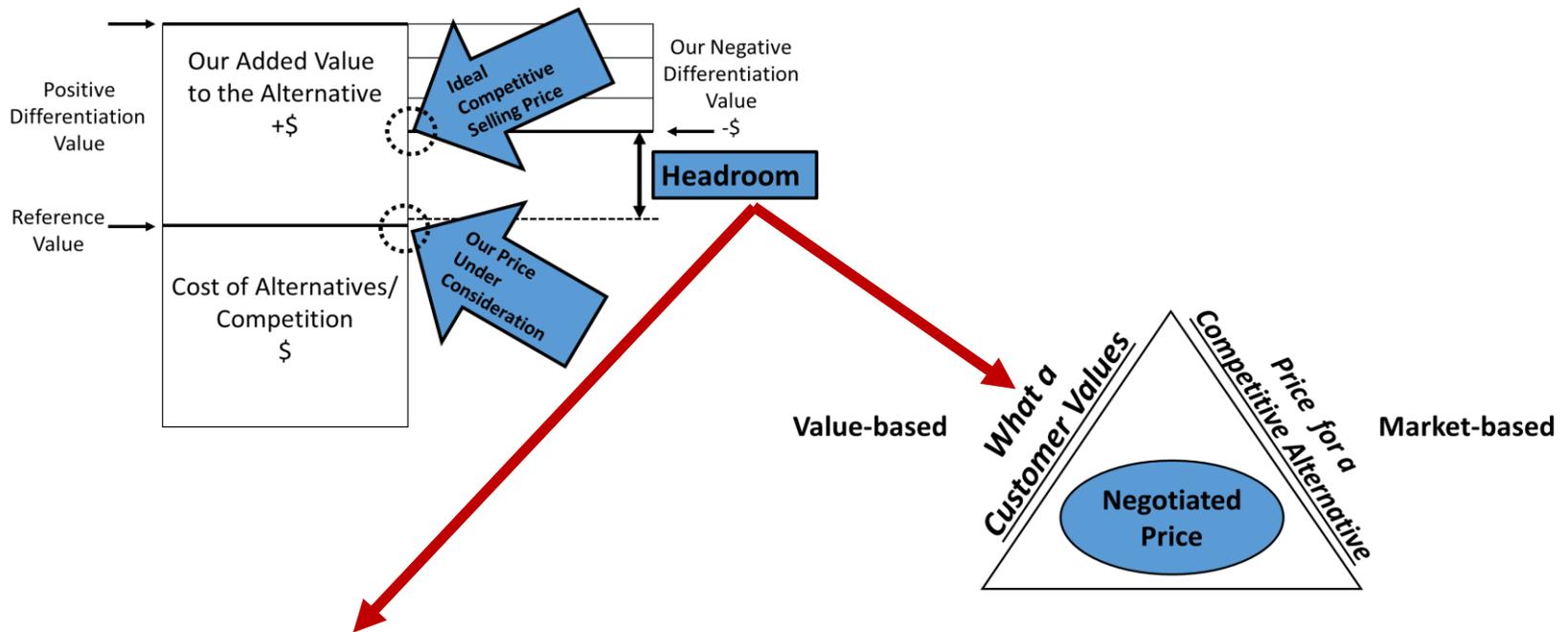
- Features
- **Benefits**



Competitive Value Price



Competitive Value Price: The Picture



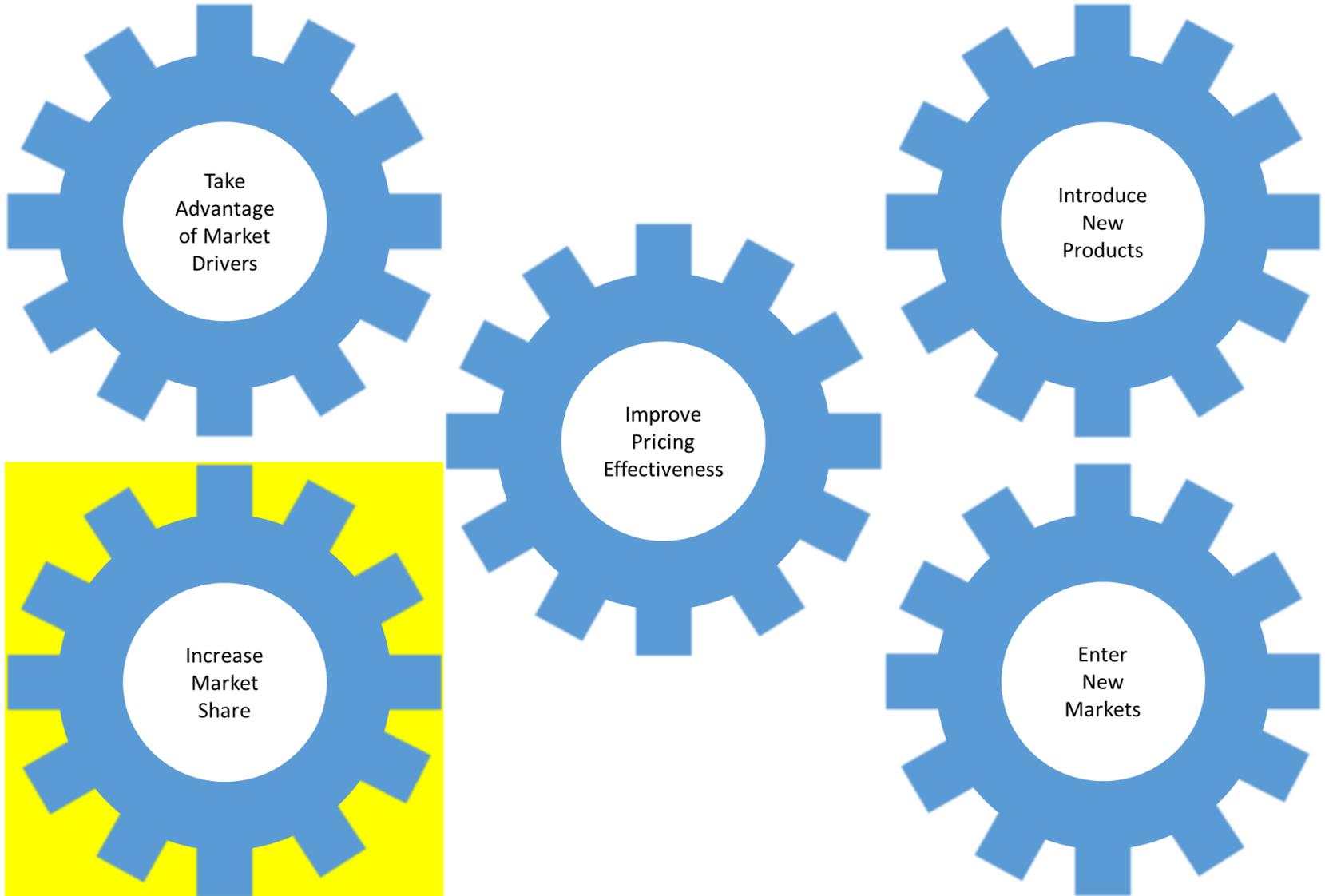
- Created by a solid, logical, reasonable and simple methodology based on “price on what the market can bear and on customer value”

Pricing Process: Examples

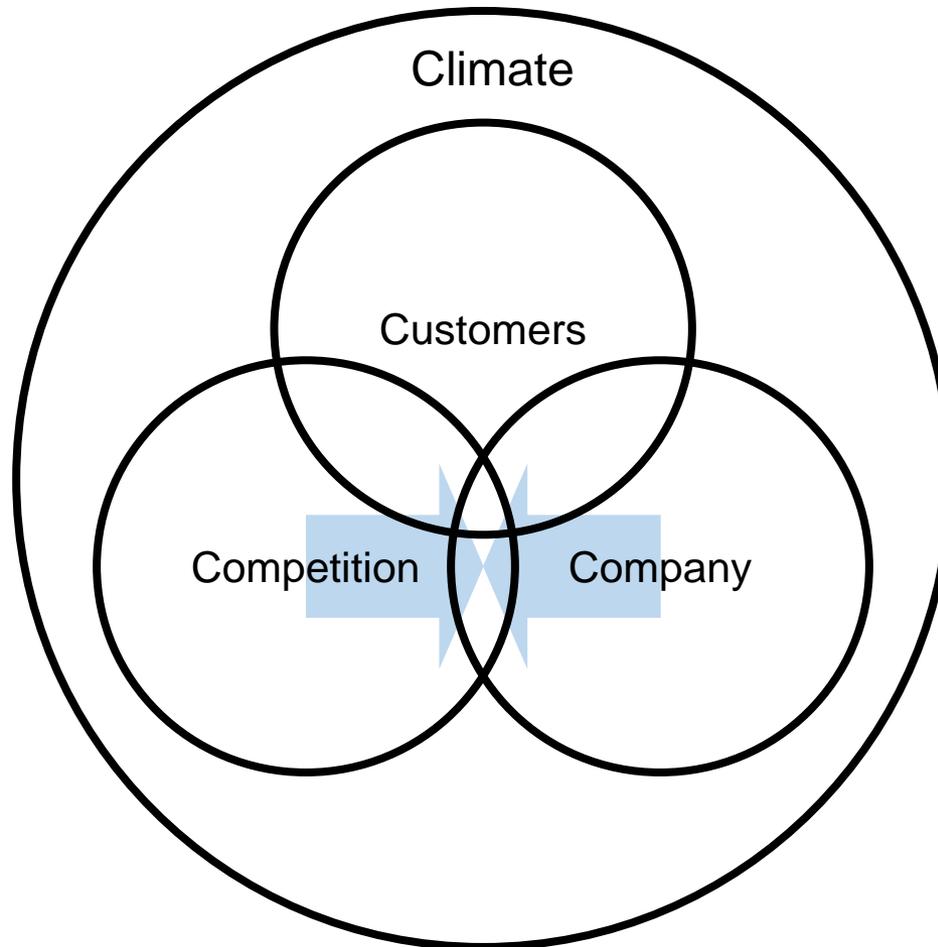
Country	Competitive Price (Local Currency)	Headroom (Local Currency)	Headroom %
Belgium	30,000	13,433	45%
Czech Republic	700,000	218,500	31%
Czech Republic	700,000	301,000	43%
France	50,000	88,554	177%
Germany	900,000	740,000	82%
Netherlands	90,000	70,297	78%
Poland	50,000	10,000	20%
Poland	520,000	354,400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

Step 5. Increase Market Share

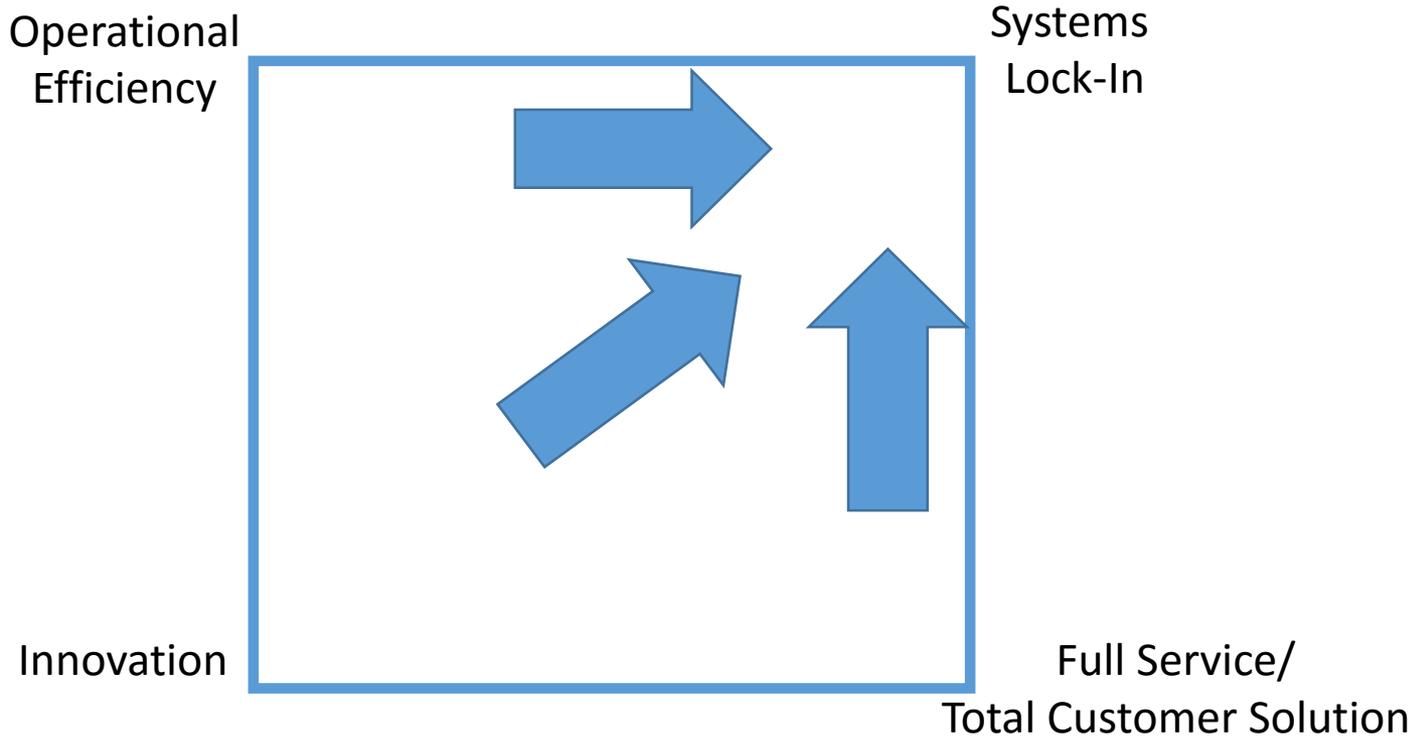
2. Five Gears of Growth



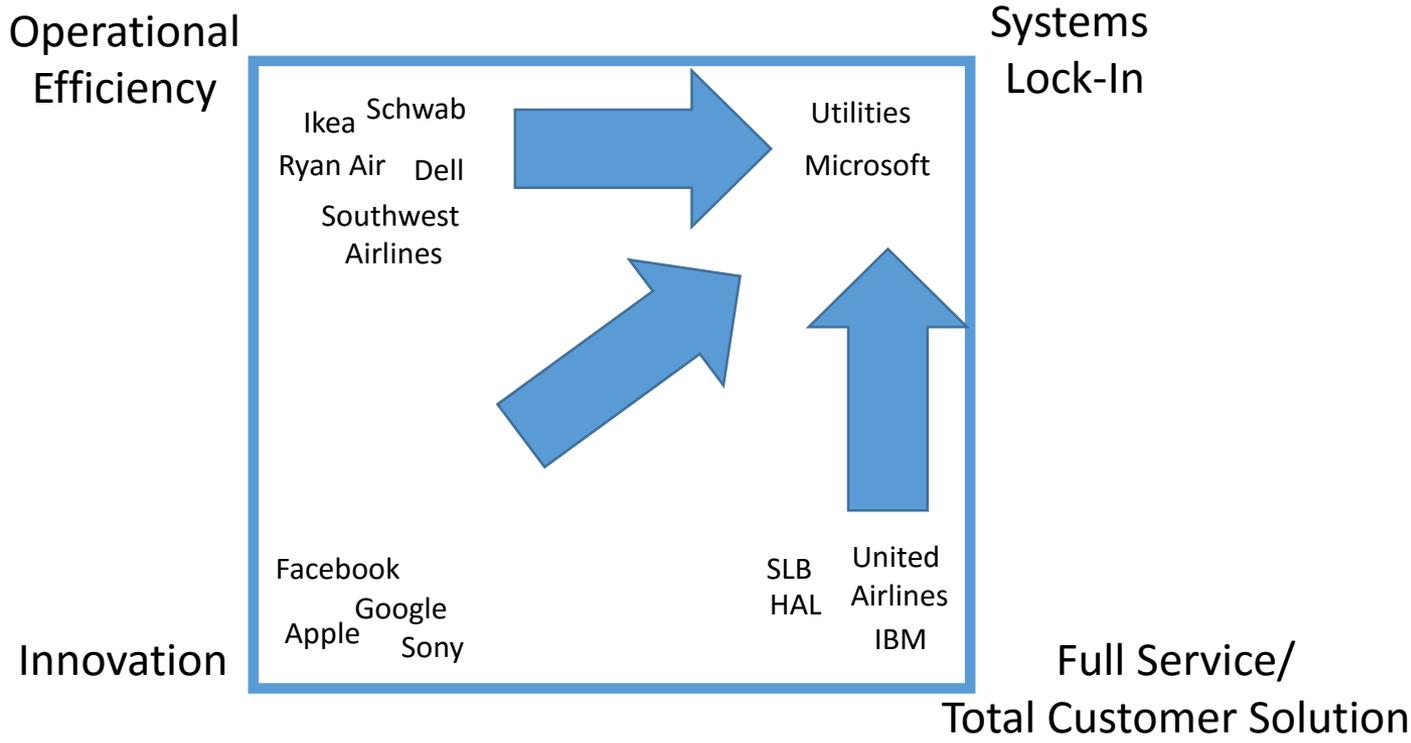
Step 5: Increase market share



Company Strategy Drivers



Company Strategy Drivers



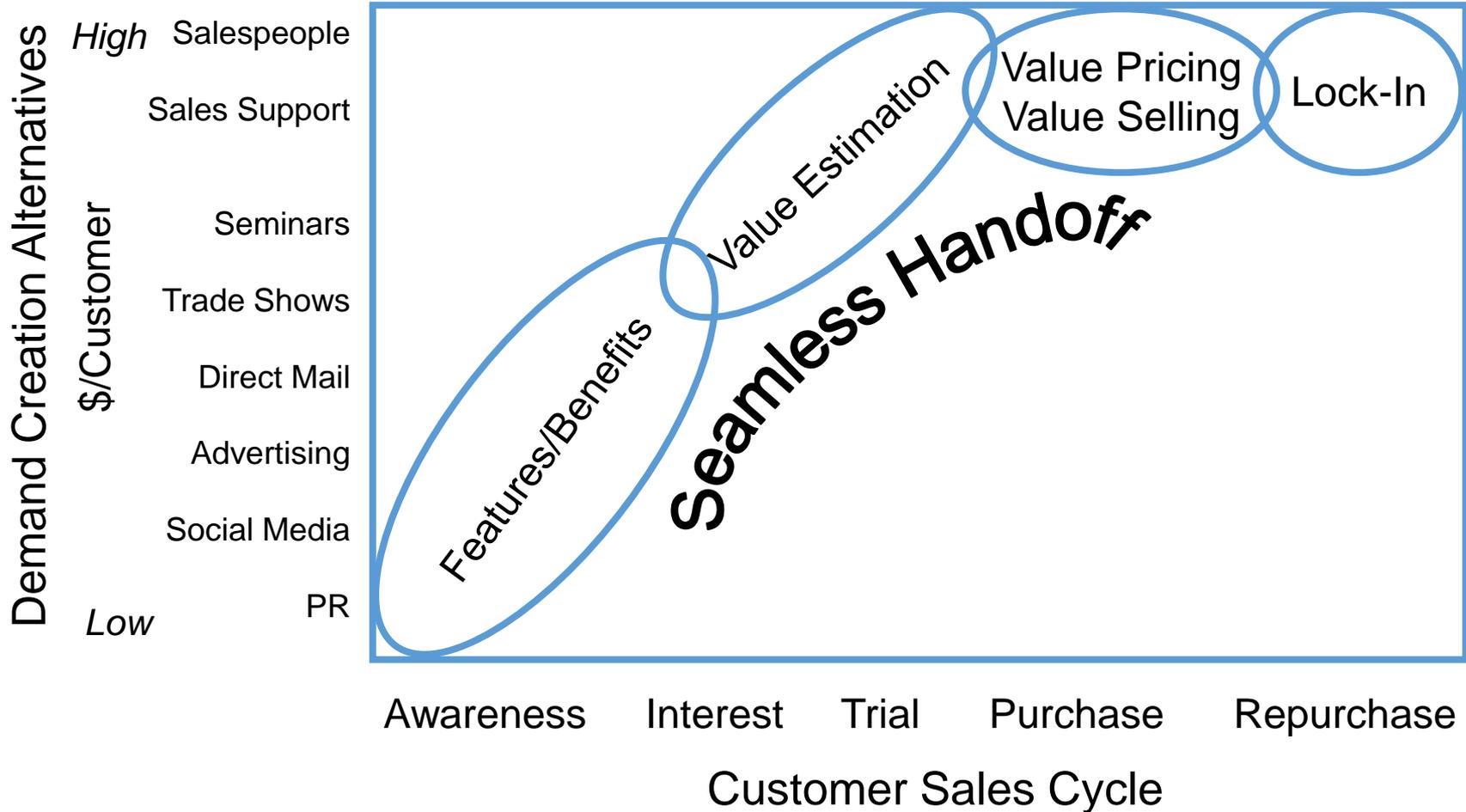
Create Competitive Product Positioning

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 - **Benefits**

Purchase process



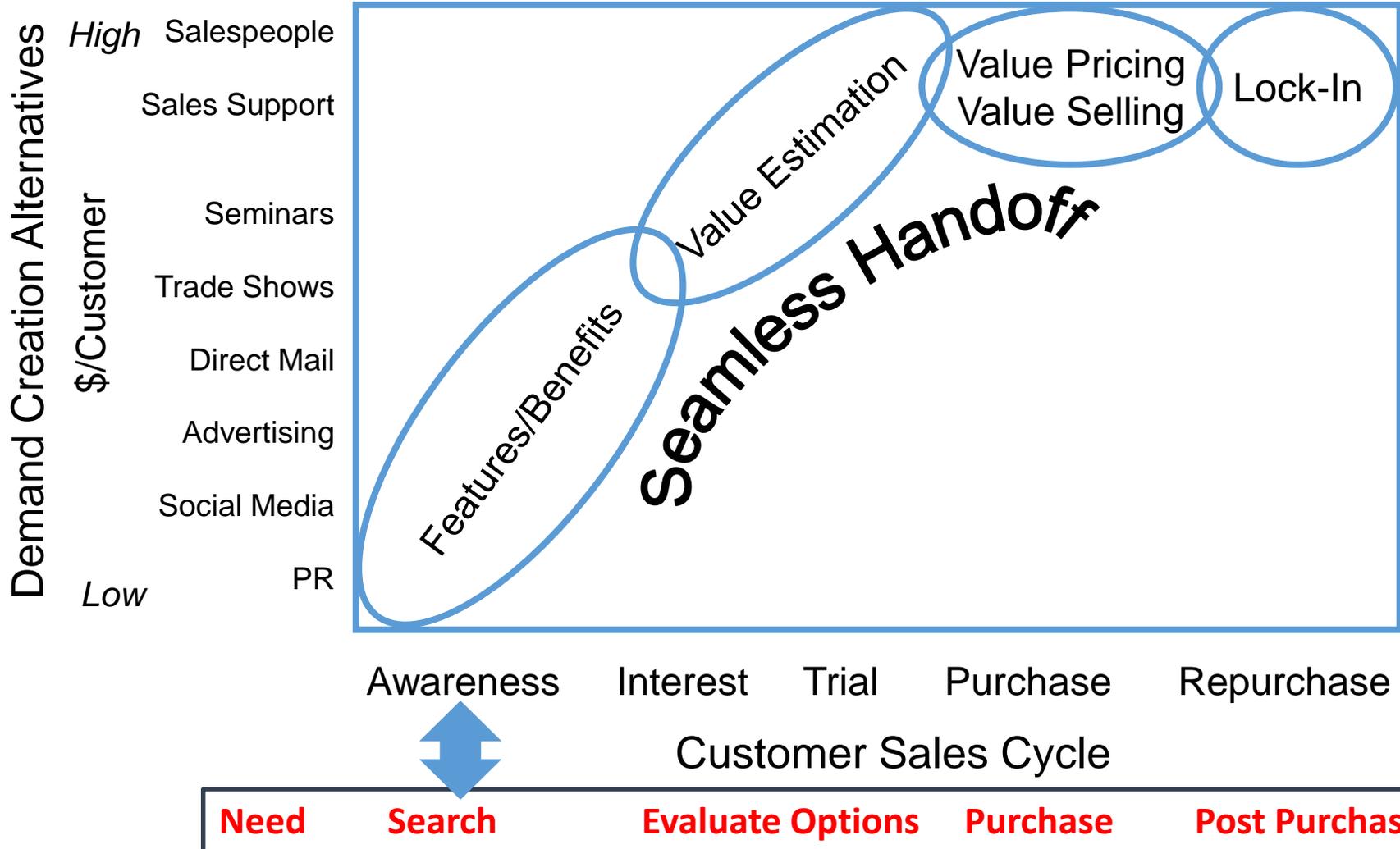
Increase Market Share From Awareness to Buying Action



Need Search Evaluate Options Purchase Post Purchase

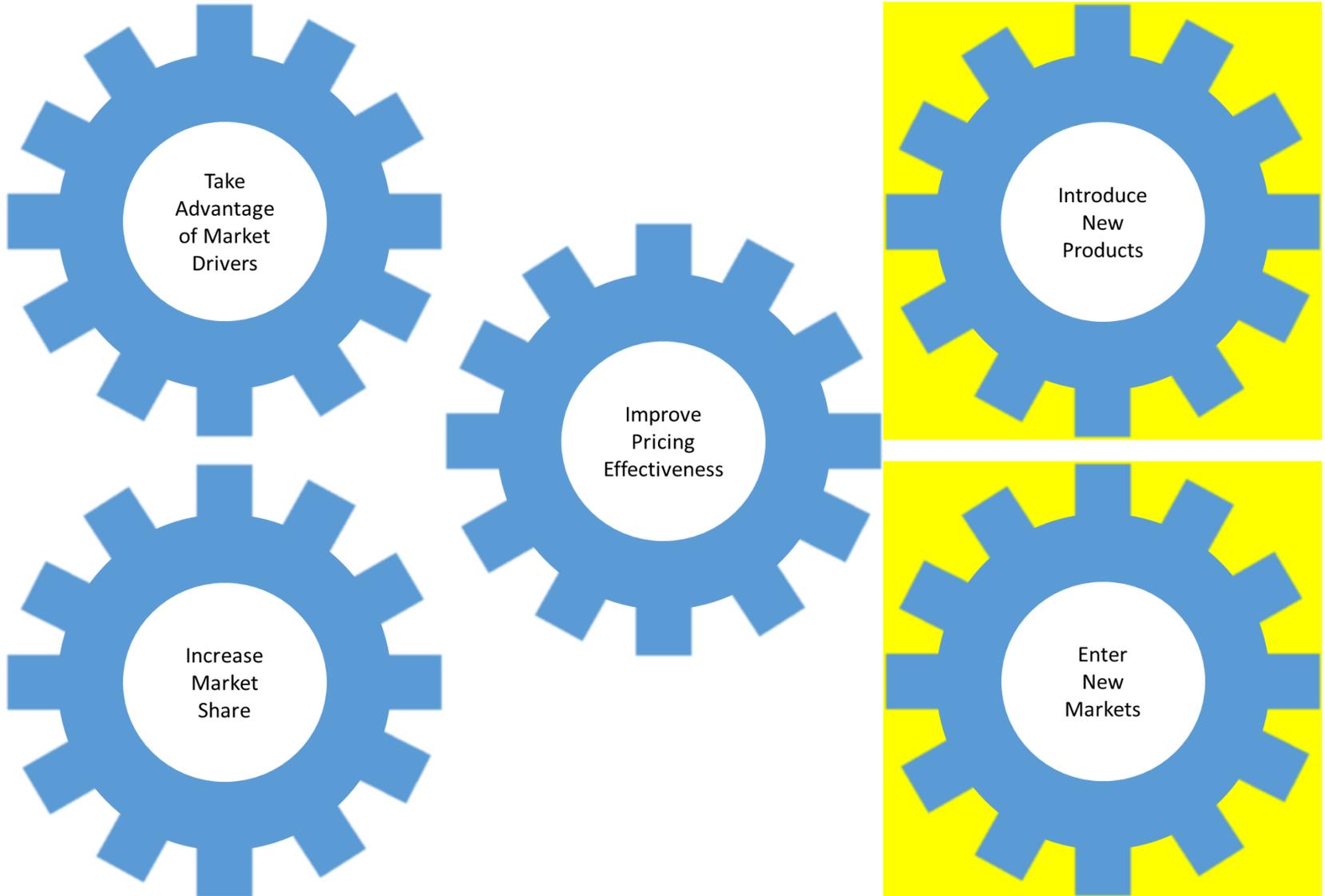
Increase Market Share

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

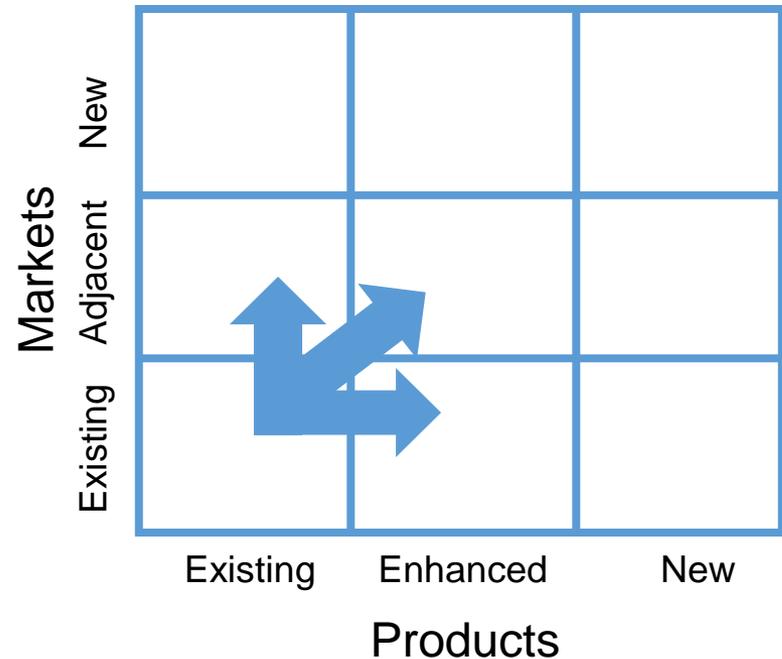
1. Take existing products to adjacent markets
2. Create enhanced products for existing markets

Secondary Steps

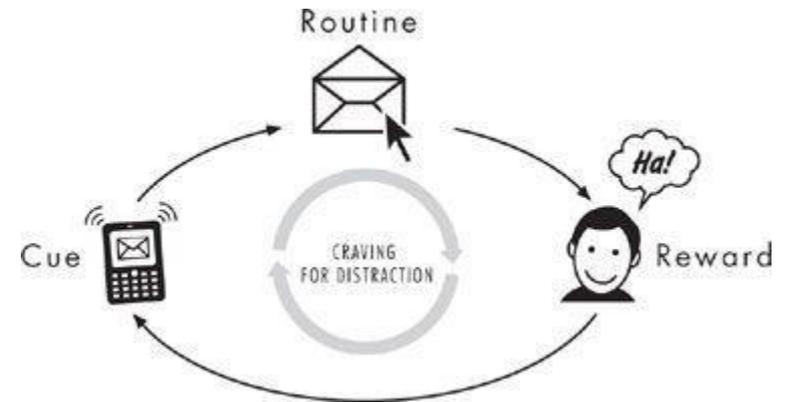
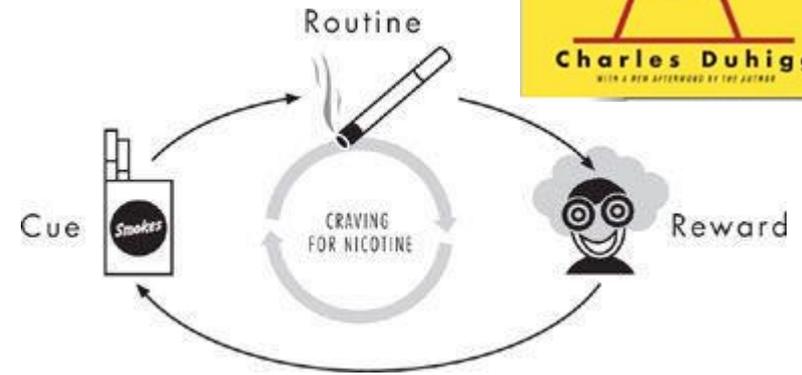
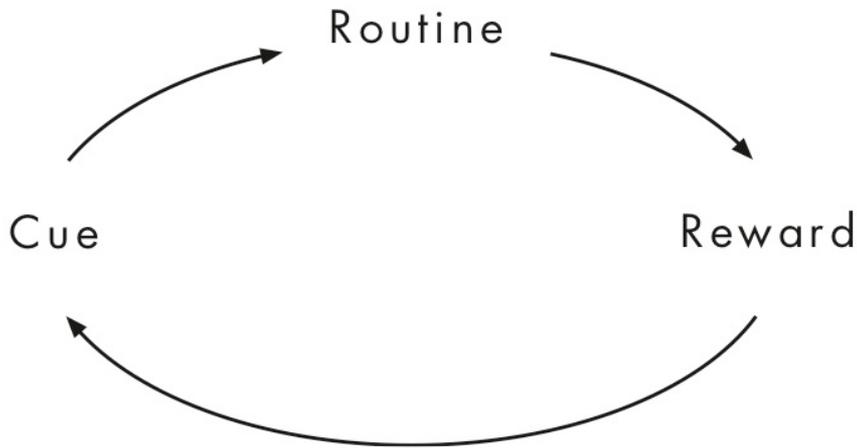
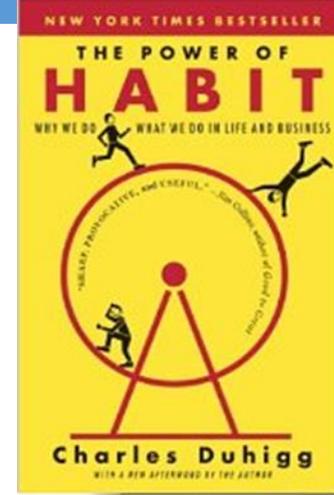
3. Existing products to new markets
4. New products to existing markets
5. Take enhanced products to adjacent markets

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



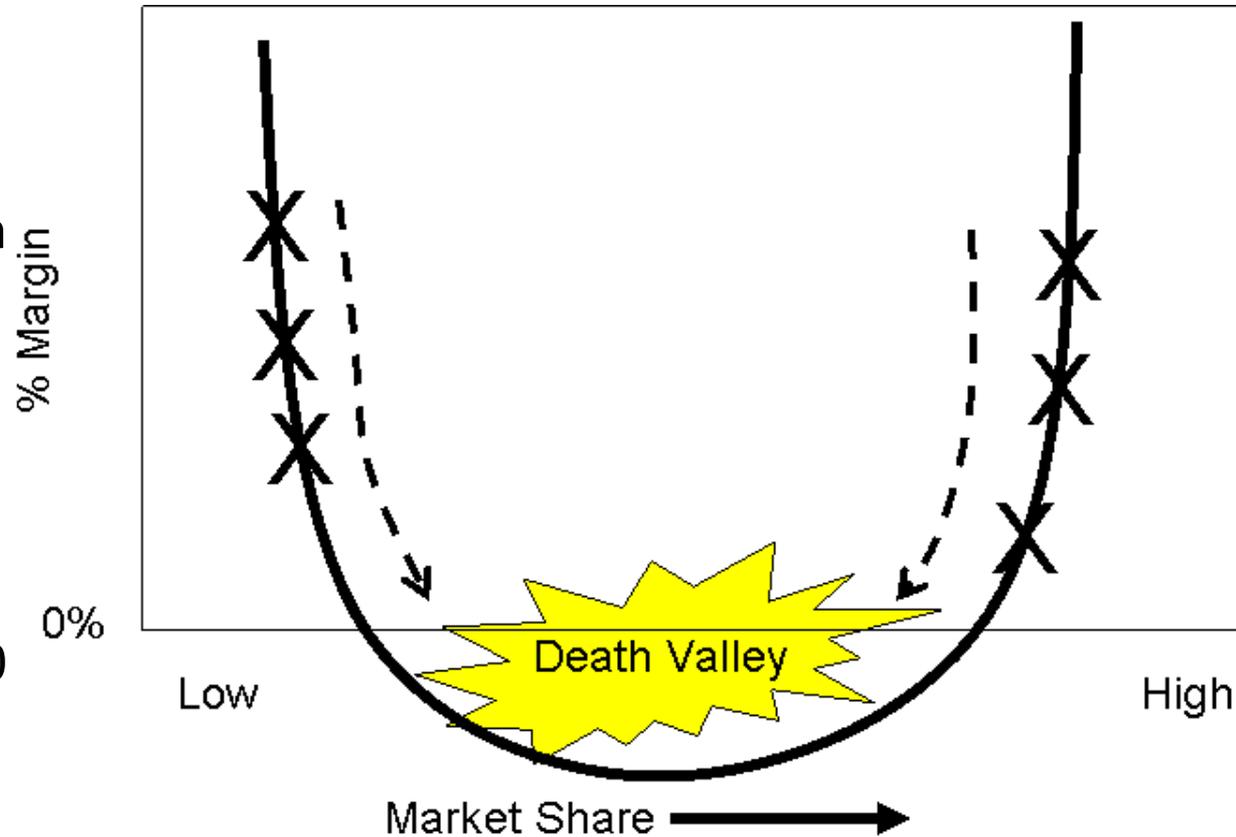
Pick Davids, Not Goliaths

■ Customers

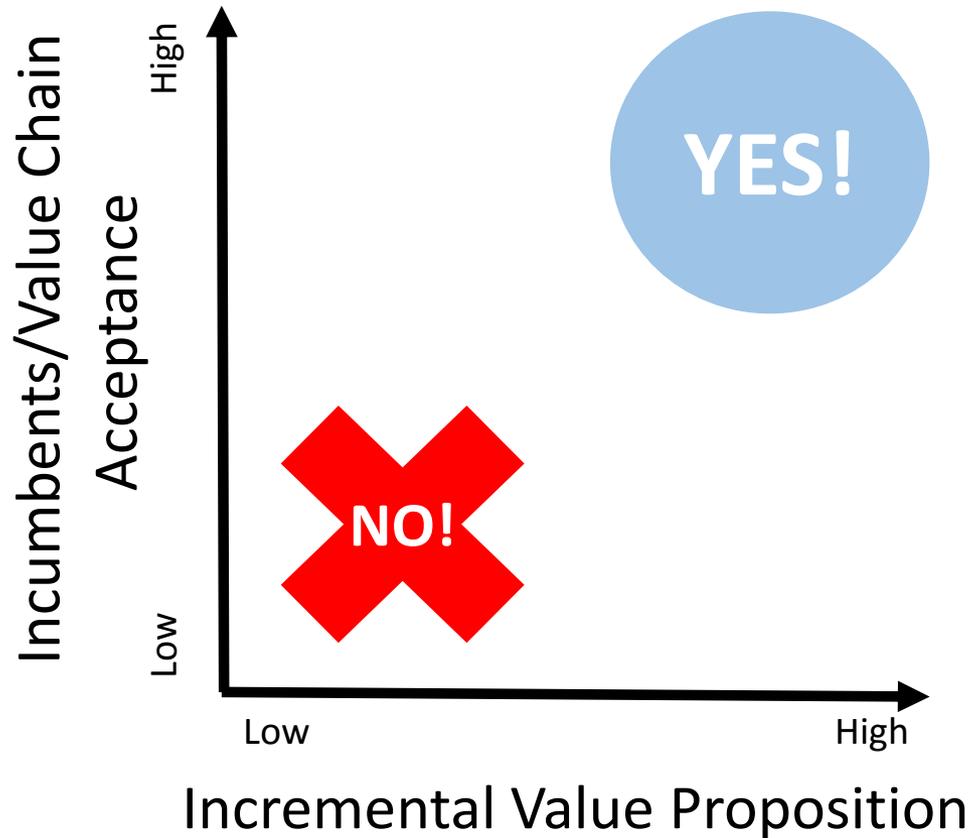
- Pick first customers who are closer to death valley
- Others don't have reasons to change habits

■ Competition

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



New Product Failure/Acceptance Modes



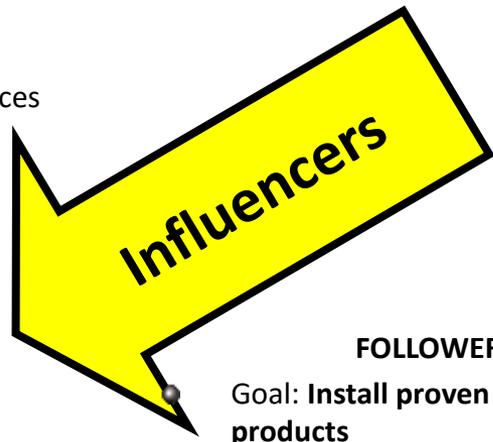
Right Customers

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

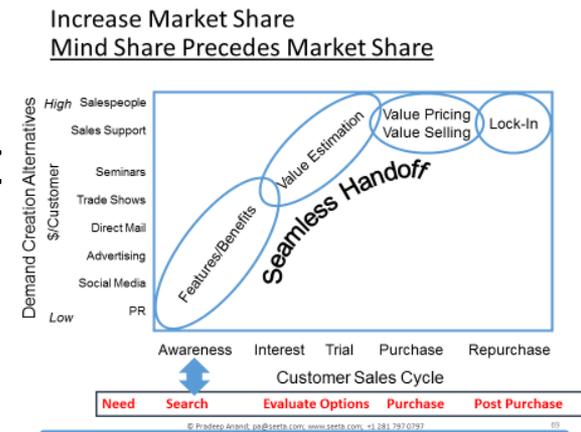
- Goal: **Install proven technologies & products**
- Characteristics:
 - Not risk-takers
 - Slightly afraid of high technology
 - Extend the market for technology products
 - Price sensitive
- Needs:
 - Pre-assembled products at discounted prices
 - Predictable products

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

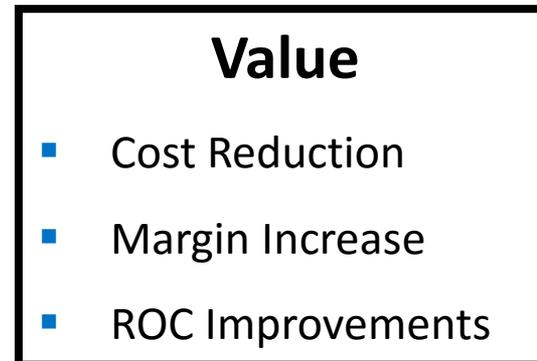
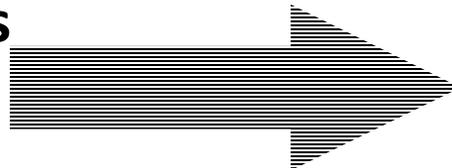
- Move customers from Unawareness to Buying Action
- Content is king
- Process
 - Awareness, Interest, Evaluation, Trial, Adoption, Repurchase
 - Mindshare precedes market share
- Personal selling is the key component
- Stage of product lifecycle
- Changing customers' habits



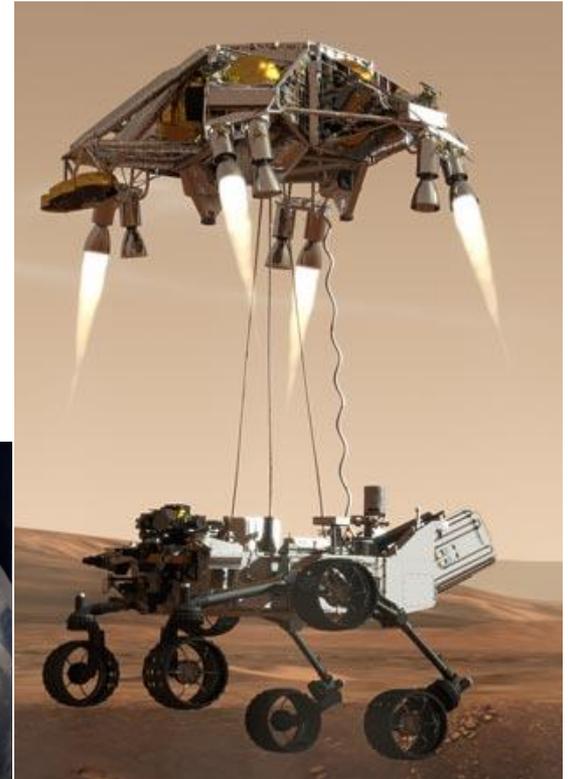
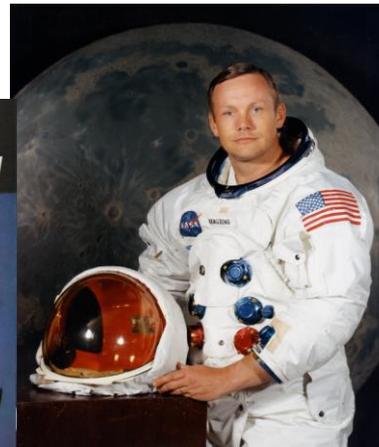
Borrow from Step 2: Competitive Positioning + Value

- 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**

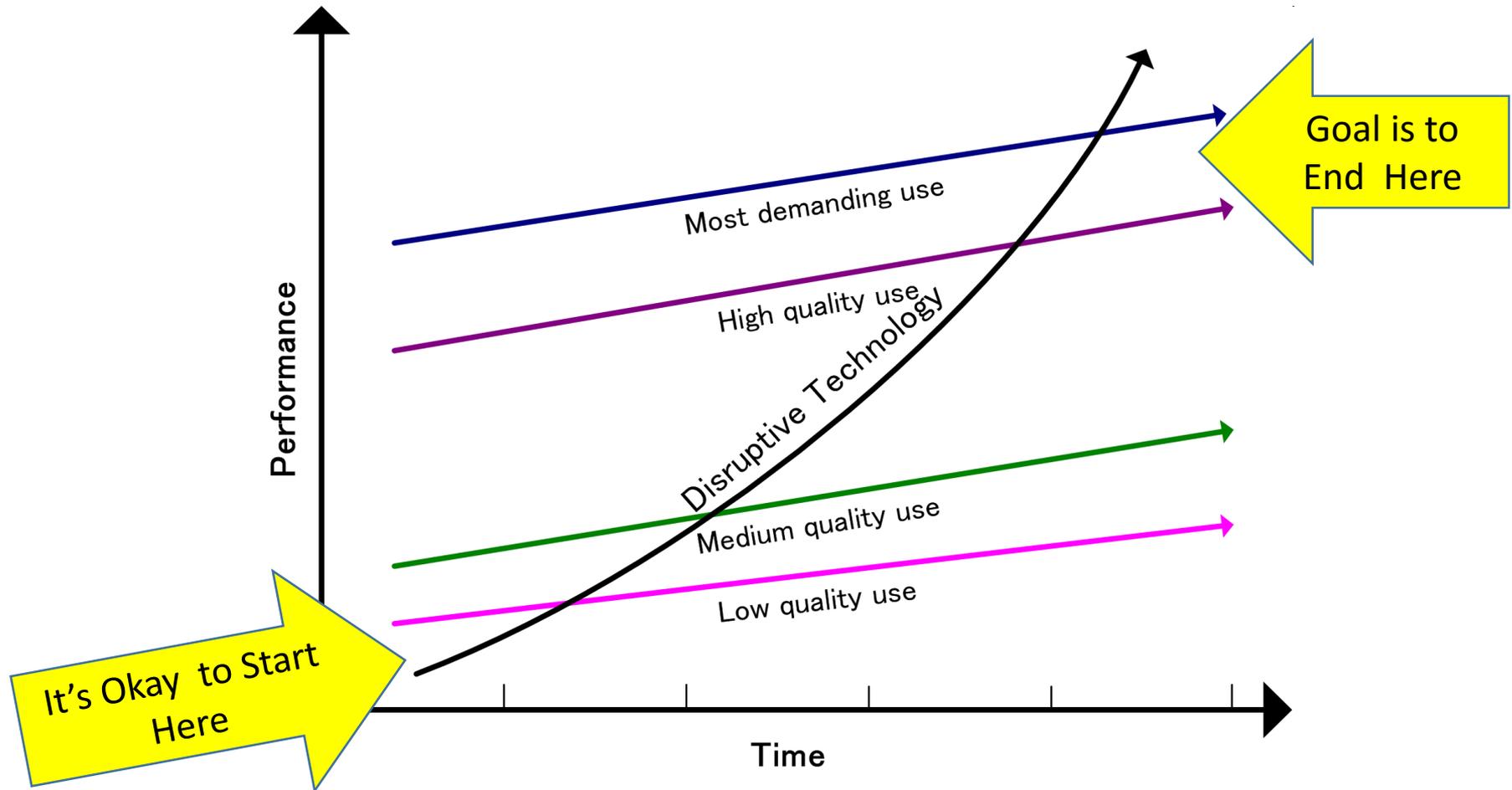
- Features
- **Benefits**



From Small Steps to a Giant Leap

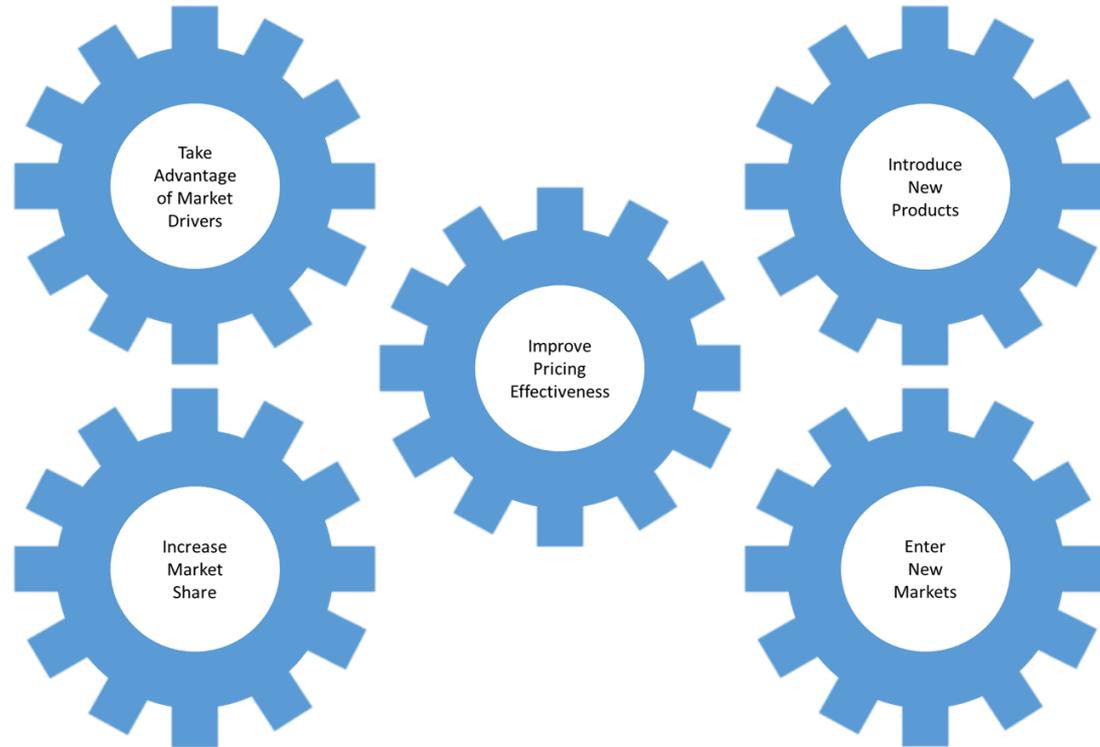


From Small Steps to a Giant Leap

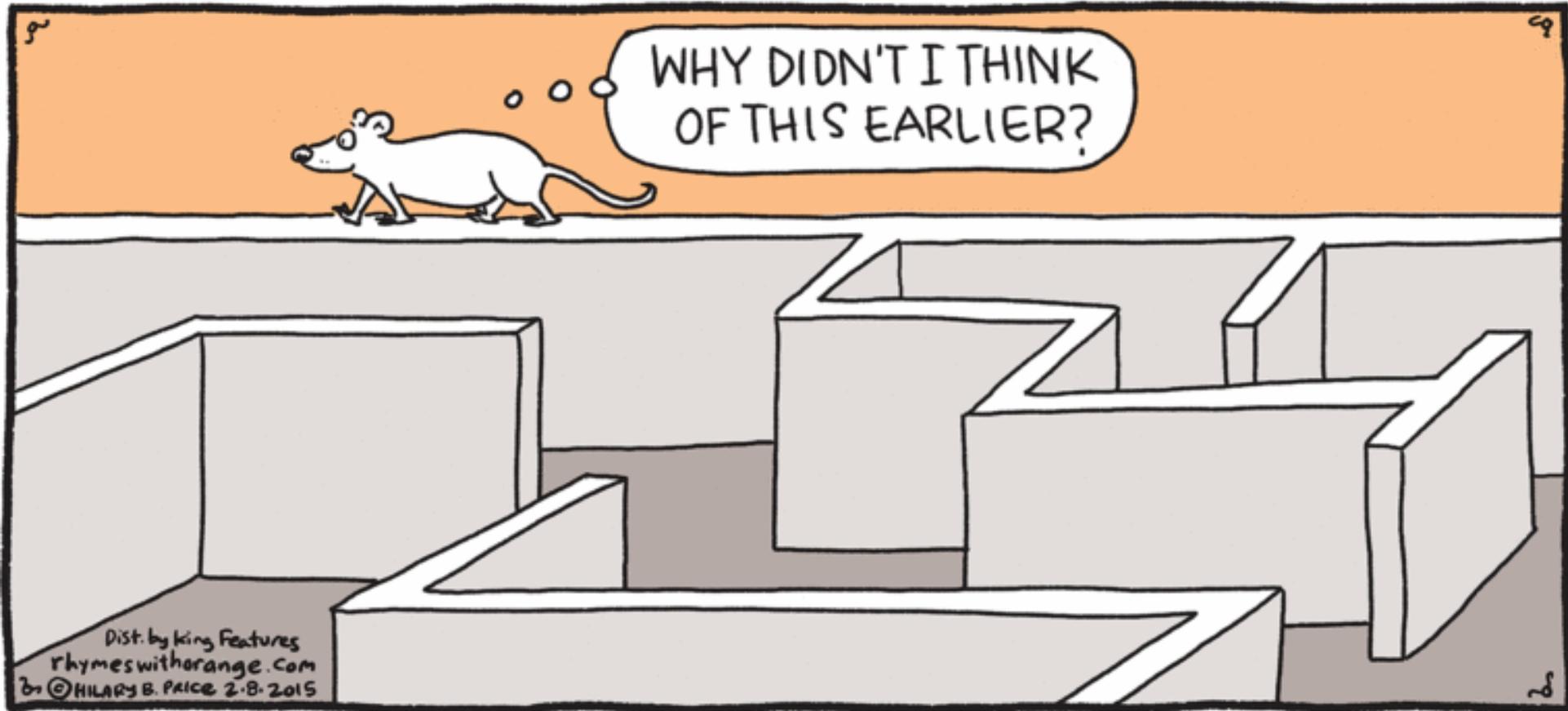


Seven First “Go-to-Market” Steps

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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