



## Will The Dogs Like The Dog Food?

### SUMMARY

This paper provides a fast, decisive approach for testing new product ideas and market concepts.

Our approach is for lean-thinking companies who want to bypass more traditional, cumbersome and expensive market research methods. The paper includes:

- A 5-point model for strategy development
- A model for aligning your vision with the marketplace
- A model for capturing industry competitive dynamics inexpensively
- A simple process for arriving at an unbiased 'go' or 'no go' decision

## A 5-Point Model for Strategy Development

New products and services are the lifeblood of every company. Many marketers, however, are unaware that fast, low cost guerrilla techniques for market concept testing can easily replace cumbersome market research, saving lots of money and time in the process.

In order to test a new market concept you need to have one, right? Use this simple, intuitive model for understanding the dynamics in the marketplace you're considering.

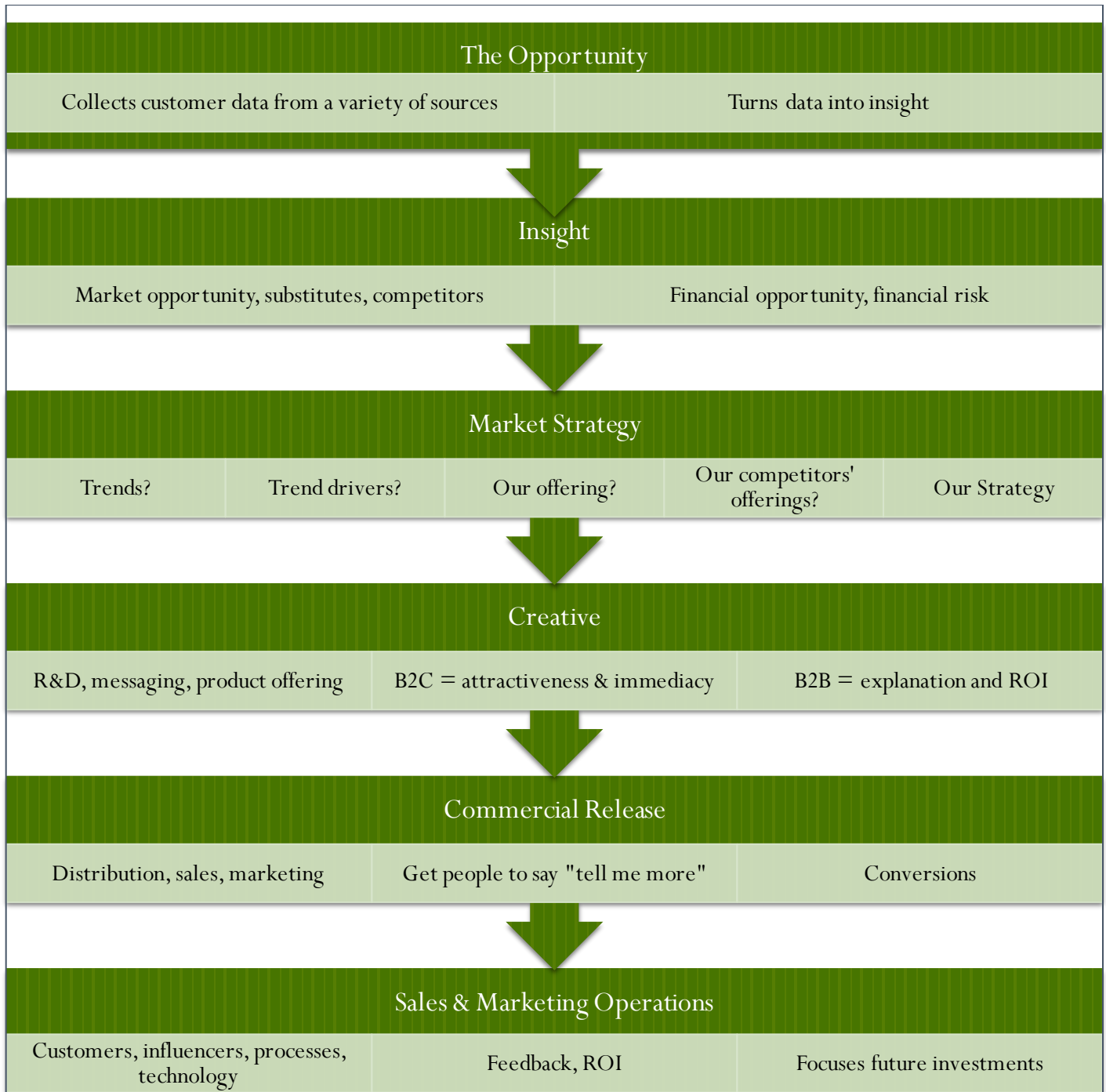
At first you simply work through the model applying what you already know or strongly suspect is true about the market. Then you go back and support each and every assumption you're holding with market data.

- 1. What are the trends in my industry?*
- 2. What's driving those trends?*
- 3. What are competitors and customers doing about the trends?*
- 4. What am I planning to do about the trends?*
- 5. What do I need to do in order to lower risk and increase probability of success?*

During this process you're squarely in the analytical phase of marketing. You're creating ties between your idea and a market that will welcome or reject it.

Do your work carefully at this stage or you'll wind up with every marketer's nightmare...a product or service that answers a question no one is asking!

# The 6 Phases of 21<sup>st</sup> Century Marketing



## Collecting Unbiased Customer Data

There are a couple of ways to approach this task. It's recommended that you use both methods so that your information will be balanced between primary (straight from the customer) and secondary (conclusions from experts). The objective here is to clearly understand your **WOW!** And how you'll prove it.

The first thing to understand (and many people don't) is that business is a **social** process. Which means, to do this successfully, you'll be spending the bulk of your time dialoguing with people...not noodling around on the internet. If the thought of this provokes anxiety you're in good company. Most people don't relish talking to strangers but successful people in just about every profession just bite the bullet and do it any way.

### Step 1: The Internet Part

To establish a beachhead spend about 10% of the time you've allocated for this project doing internet research.

The objective is to gain a baseline understanding of available information about current offerings and substitutes in this market space. You also want to understand the various marketing and sales channels.

It's especially good to know about substitute choices your prospects could make instead of buying your product. It's good to look at the whole chessboard, not just the squares immediately surrounding your next-move.

You'll find out what's available by doing these searches:

1. "financial analysts [industry] [product] [competitor]"
2. "market research [industry] [product] [competitor]"
3. "Hoovers-Bloomberg-Manta [industry] [product] [competitor]"
4. "business news [industry] [product] [competitor]"
5. "industry news [industry] [product] [competitor]"
6. "experts [industry] [product] [competitor]"

If something about your subject has been written, podcasted, YouTube'd, tweeted, blogged or discussed at a conference you will find it with these searches. Sift through what you find and plug each piece of key information into the 5-point strategy model we're using.

## **Step 2: Create A Discussion Guideline**

This is what you will use as a guideline in talking with potential purchasers of your market concept. In essence this is the heart and soul of your project. The care and accuracy you put into this step will determine whether your market concept test results are accurate.

These are the objectives:

1. Understand whether your **WOW!** is really a **WOW!** *before* you start developing it.
2. Understand industry and purchasing trends related to your market concept...and what's driving those trends.
3. Establish a view on growth opportunities for your company or division.

We recommend that you structure your guide so that it results in a discussion. People are more likely to loosen up and talk freely about your market concept, and the alternatives, if you're not reading a script.

Sketch out five key areas of information that you want. These might include:

- What do you think about the concept I've presented?
  - Steer them toward their thoughts on advantages and disadvantages.
  - Ask them what would make it even better.
- What are the substitutes or alternatives including do-it-yourself and in-house solutions?
- How, when and where do you like to receive information on new products and services such as this?
  - Word of mouth (Colleagues, friends & family)
  - Digital (Google searches, favorite web and blog sites)
  - Traditional (print ads, trade shows, telesales, etc.)
- Where and how would you most like to purchase something like this market concept?
- Who is the final decision maker and who else is involved in making a purchase decision? Refer to your notes on complex sales and remember that large consumer purchases can often involve multiple decision makers and influencers.

It is critical that you not approach this exercise with pre-conceived notions of what your company can or cannot do. You simply want to visualize the best possible purchasing scenario for your new market concept. You can parse internal strengths and weaknesses later. *Do not base a go/no-go decision on your weaknesses!*

You may think of many other categories of questions. Just remember that most people will limit your time with them to 15-30 minutes so keep the number of categories low and focus on going deep in each category. You can always substitute different categories in subsequent calls with different people. Again, after three or four calls you'll have a much better idea of which categories of information are the best for your purposes.

### **Step 3: Create A List of Potential Customers**

The next is interacting directly with your market. This is a hugely valuable exercise for strategic planners, product managers, marketing managers and marketing leaders. You'll learn more about your market concept in a day of doing this than just about anything else you might choose to do, including conjoint analysis and focus groups.

The objectives for this stage are:

1. Who holds the knowledge you need?
2. Know how each influencer will influence the purchase in a complex sale.
3. Know how all the influencers get their information about your offering.

If you're selling B2B products, the people you need to talk with can hold one or more of the following roles:

1. Decision maker
2. Influencer
3. Approver
4. User
5. Deal killer

With some products and services, mostly consumer products and B2B products costing less than \$1,000, you'll be selling straight to the decision maker. With more costly products and services you'll be selling to the decision maker plus, perhaps, one or more of the other types of influencers. If you're not familiar with the mechanics of a complex sale you'll need to pause the project until you're caught up. Just do a search on 'complex sale' and you'll find what you need to know. This is critical for B2B and higher-end or more complex consumer products and services.

Your objective is to talk to at least 100 people who have direct influence on the purchase of this market concept you're testing. If you're testing a consumer concept (for example tax preparation software) start talking with people in your circle of influence including friends, family members, colleagues and professional contacts. You will qualify your research participants based on who prepares his/her own taxes and whether a software product is used. Once you have the list and their telephone numbers you're ready to move on to Step 3.

If you are testing a B2B market concept you must go straight to the companies to whom you'll be selling your products or services. You may have a few contacts in these companies but you'll spend the bulk of your time talking to people you don't

know. Be up front about your mission and never disguise yourself as a student doing research for a term paper or project. Just be yourself and be honest in describing what you're doing.

If you're cold calling a company start where you can get a foothold. If your market concept is a new and better alternative to traditional inventory control systems in mid-tier manufacturing companies, likely you will be talking to people in logistics, purchasing, operations and accounting.

Go to the company's website and list the names of key people in those functions if they're identified. Then call the main number or department number, if listed, and ask to speak to that person. You may get through or you may not.

Regardless of whom you talk with, even if it's the main switchboard operator, just give him/her your 25-word elevator pitch on what you're doing and ask for his/her recommendation.

You will find that after calling three or four companies your comfort level will rise dramatically and you'll start getting through more often to people who have the information you need.

## **Conclusion**

1. Get yourself immersed in your new product or service from your customer's standpoint.
2. Gain a deep understanding of what your salespeople will encounter in the marketplace.
3. Listen clearly to each person that will talk with you. You will likely gain tremendous new insight into aligning your new product or service with the marketplace in a manner that significantly shortens your time to revenue.



## Case Study

A startup company in California has a new idea for a data aggregator that scrapes information from social media and news sites, turning it into keyword-programmed alerts available on any device to sell to investors, journalists and others.

The startup's value proposition, they think, is that they're selling a *shorter time-to-reaction* to people and businesses where the competitive ability to respond is measured in seconds.

This startup is reluctant to spend \$50-100K on formal market research so they've decided to do the project in-house.

They plan to assess the current competitive landscape for data aggregators by:

- Interviewing 100 potential customers, asking the following:
  - Do the trends they're seeing suggest a market opportunity for our concept?
  - What do they know about current solutions on the market?
  - How would our offering solve a current problem or pain point better than other offerings?
  - What would they pay to solve that problem or pain point?
  - What level of disruption or complexity can the organization handle for installation and testing?

Next, the startup will assess current substitutes and competitive offerings for their concept. A current substitute, for example, is Google Alerts. However these alerts are triggered only after something has been published, generally by the media, which the startup has identified as a significantly slower time-to-response than their product.

Most of this information, however, must come from having real conversations with potential users of the new product.

Here are some potential findings:

- Current substitutes are mostly 'manual'. Investors and journalists rely on someone or something to broadcast crucial information.
- The new concept could have much broader appeal than originally thought.
- Sales will depend heavily on believable ROI scenarios tailored to specific industries.

- A utility pricing model (pay based on consumption) would give them a strategic advantage
- A unique guarantee would give them a strategic advantage
- This is a nascent industry, thus acquisitions would not be a source of competitive advantage near term

The team now has enough information to make a go or no-go decision. If it's a "go" the next step is to make sure there's plenty of money in the bank, or coming in, to fund development and commercialization.

Before the software writers begin, though, the team needs to create a marketing requirements document and a commercial release process to make sure they won't run out of money before sales revenue kicks in.

About the author:

Mike Harris helps clients resolve challenging marketing situations and improve demand generation with proper use of marketing tools and technology. He has served as the top marketing and business development executive for companies or divisions in consumer electronics, software, data storage/networking and others with revenues up to \$120 million. He has also served as a corporate officer and head of investor relations for NASDAQ:NM companies.

Mike holds a B.S. from the University of Tennessee and an MBA from Vanderbilt University.

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