If You Build It Will They Come?
Three Steps to Test and Validate Any Market Opportunity

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Electronic version of this presentation available at www.drrobadams.com/events
If You Build It Will They Come?

- What is this book about?
  - Ready, Aim, Fire

- What do most companies do?
  - Ready, Fire, Fire, Fire, Aim
If You Build It Will They Come?

- What are the facts behind this?
  - 90% of all start-up businesses fail
  - 65% of all new products fail
  - North America alone spends a whopping $260 billion annually on failed products
  - … and only $140 billion on successful products
Why do 90% of news businesses and 65% of new products fail?

- Companies focus on operational issues
  - Educated to manage, not create
  - Tendency to gravitate to data so it can be analyzed
  - Development is a process with an endpoint
  - Engineers work in the world of the tangible
  - None of the above issues are critical to product sales

- Companies don’t focus on markets
  - Products fail because they don’t sell
  - 85% of product failure can be traced to market related issues
  - Marketing is not a process driven effort
  - Marketing and engineering are opposite functions
    - If you want to differentiate yourself have credibility in both worlds
How can this be addressed?

Market Validation

- Market Validation is a process applied to the unstructured, serendipitous task of doing a complete evaluation of the market for a product before the product is built.

- Market Validation is a series of standard business practices applied using an objective, market oriented and fact based data collection process.

- A complete Market Validation process takes 60 days and has a budget of 10% of the expected cost of developing the product.

  - For those of you in start-ups the book covers how to use your own labor and save on the costs
Market Validation

- The philosophy behind Market Validation is that success is achieved through a series of fast failures.

- Market Validation lets you figure out in a matter of two months, for 10% of your development budget, whether your product or service will work in the market.

- The alternative is to spend 100% of your budget and 2-3 years coming to the same conclusion.
Market Validation

- Case Study: Motorola’s Iridium
- Case Study: Apple’s iPod
Market Validation

The three steps of Market Validation

- **Ready**
  - A fast triage of your idea to understand if more time and effort should be invested
  - Time investment of 2 days

- **Aim**
  - A deep dive into the target market using primary research techniques to develop a product with unique, differentiable features that are compelling to your target audience
  - Time investment of 60 days

- **Fire**
  - The art of converting market data into product features and getting a product out the door quickly
  - Time investment is management diligence from the end of the Aim process until the product ships
The Ready Step

- Domain knowledge
- Market size and growth rate
- Lifecycles and trends
- Competitive analysis
- Outside data sources
Market Validation

- The Ready Step
  - Domain knowledge
    - Where does your idea come from?
    - Is it part of your work experience?
    - Is it part of your consumer experience?
  - Areas to be careful around
    - Consumer: margins are tight, marketing is expensive
    - Medical: Large volumes of money do not mean success
    - China: Big markets do not mean easy money
Market Validation

- The Ready Step
  - Market size and growth rate
    - What is the size of the overall market?
      - What are the submarkets?
    - What are the sizes of the submarkets?
    - What are the growth rates?
    - What is the growth rate of the economy?
    - What is the growth of your market relative to the economy?
      - Above
      - Same rate
      - Below
Market Validation

- The Ready Step
  - Lifecycles and trends
    - What is the lifecycle of your market?
    - What are the trends affecting your market?
      - Population
      - Expanding and contracting industry sectors
      - Technology adoption
      - Competitive rivalry
    - What business model does your industry use?
      - Consumer
      - Manufacturing
      - Life Sciences
      - Technology
      - Services
Market Validation

- The Ready Step
  - Competitive analysis
    - Who are your competitors?
    - Why are they successful?
    - What do their customers think of them?
    - What are substitutes for your product?
    - What are the economics of your product?
    - How much competition is the customer keeping their money?
Market Validation

The Ready Step

Outside data sources

- Is your market established enough to have analyst firms?
- What other sources of data can give your market data credibility?
- What analyst firms follow your market?
- What are the names of the analysts?
- How big do they say the market is?
- What do they say the trends are?
- How do you get your hand on their reports?
Market Validation

The Aim Step

- Primary market research
- Who to interview
- Interviewing, interpreting the data and analyzing the results
- Using outside firms
- Getting the market ready for your product
The Aim Step

Primary market research
- What kind of data we’re after
- Types of surveys
- Types of questions
- Developing and conducting interviews
  - Initial interviews
  - Mid-stage interviews
  - Late-stage interviews
- Who to interview
  - Sourcing names
Market Validation

- The Aim Step
  - Who to interview
    - Sources
    - Doing the math on the available listings
    - Similarity to the sales process
Market Validation

- The Aim Step
  - Interviewing, interpreting the data and analyzing the results
    - Conducting the interviews
    - Analyzing the data
    - Interpreting the data
    - Using the data to target your market
    - Using the data to design your product
Market Validation

- The Aim Step
  - Using outside firms
    - Multifaceted process
      - Assembling questionnaires
      - Conducting interviews
      - Crunching data
      - Analyzing data
  - Objectivity
  - You can’t outsource the whole process
Market Validation

- The Aim Step
  - Getting the market ready for your product
    - Similarity to the sales process
      - Target market
      - Suspects
      - Prospects
      - Closing
  - Customer use and success stories
    - Case studies
    - References
    - Credibility
  - Press, industry analysts and pundits included
    - Up to speed on your product
    - Know the approach you’ve taken in evaluating the market
Market Validation

- **The Fire Step**
  - How to get a market oriented product out quickly
  - Written product specifications and schedules
  - Design Partner Programs, Advisory Board Programs
  - Launch
  - Sustained sales and marketing efforts
Market Validation

- The Fire Step
  - How to get a market oriented product out quickly
    - Tightly targeted, narrow markets
    - Minimally acceptable feature sets
    - Fast product iterations
    - Why quality doesn’t always matter
Market Validation

- The Fire Step
  - Written product specifications and schedules
    - Market Validation team of engineering and marketing talent
    - Written product specs
    - Written schedules
    - Killing features early in the development process
    - The product manager
Market Validation

- The Fire Step
  - Design Partner Programs
    - Drawn from target market
    - Product usage and design
    - 10-20% of your primary research base
    - Complete understanding of usability usage, and support issues
    - Early sales pipeline
    - Case studies for launch efforts
  - Advisory Board Programs
    - Drawn from target market and analysts
    - Executives in your buying chain
      - Economic buyer, user buyer, installer, supporter, budget owner, …
    - Sales pipeline
    - Case studies for launch efforts
The Fire Step

Launch

- Been through it before with Ready and Aim steps of Market Validation process
- Large amount of supporting content
  - Ready step data
  - Aim step data
  - Early users, analysts and executive
- Fact based approach to product development should be emphasized
- Budget is a critical universal benchmark for success…
Market Validation

- The Fire Step
  - Sustained sales and marketing efforts
    - Budget for first year sales and marketing needs to equal the budget for development
    - No excuses; this is the only way to assure the market is made aware of what you’re offering
For More Information

- Book is currently available at all major book sellers
- 200 pages and very readable
- Speaking events around the world
  - See www.drrobadams.com under "events"
  - Significant coverage in Inc. Magazine and Inc.com
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