Entrepreneurship Essentials
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Module - 11
Lecture - 53
Go-To-Market Strategies - II

Welcome, we will continue our discussion on Go-To-Market Strategies.

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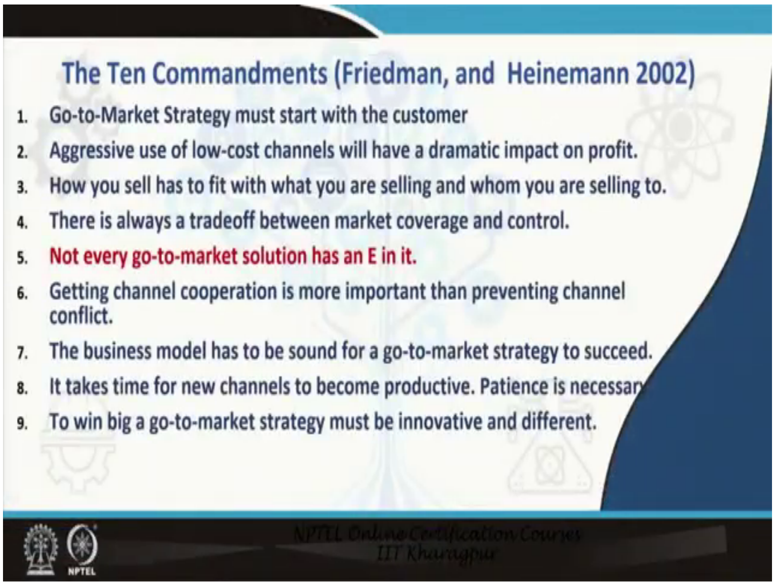

So, I referred a book by Friedman and here are 10 commandments given by written by him and this is this I felt is very are very important. So, the 10 commandments are: go to market strategy must start with the customer. So; obviously, even if even before you think of a product you start with the customer. Aggressive use of low cost channel, meaning customer acquisition cost should be less will have a dramatic impact on profit.

If you can acquire a customer with minimum cost and send the product make them facilitate purchase through easier channel is going to increase the profit. How you sell has to fit with what you are selling and whom you are selling obviously. Depending on the customer you have to this decide the channel depending on the customer as well as the product. There is always a tradeoff between market coverage and control.

Like if you are trying to spread theme all across the market you will not have control over customer service and eventually customer will complain and then it is going to crash on his own weight. So, you have to really maintain the control. Remain focused as well as maintain control otherwise everything is going to fall like ninepins. Not every go to market solution has an E in it, meaning everything is not electronic or E means through digital marketing and all that.

Getting channel cooperation is more important than preventing channel conflict. Cooperation means, like I will talk about this collaboration cooperation will understand this better than. The business model has to be sound for a go to market strategy to succeed because, as I mentioned several on several occasions, that it is not just a groundbreaking go to market strategy that is going to make us successful, we need to have a value proposition.

That means, you need to have a wonderful product but, having an wonderful product alone is not good enough, we must have a winning go to market strategy. So, both are complementary and both are very important. It takes time for new channels to become productive. So, patience is oriented necessary. To win big a go to market strategy must be innovative and different. It has to be new; you just copy somebody’s go to market strategy, it is not going to help us.

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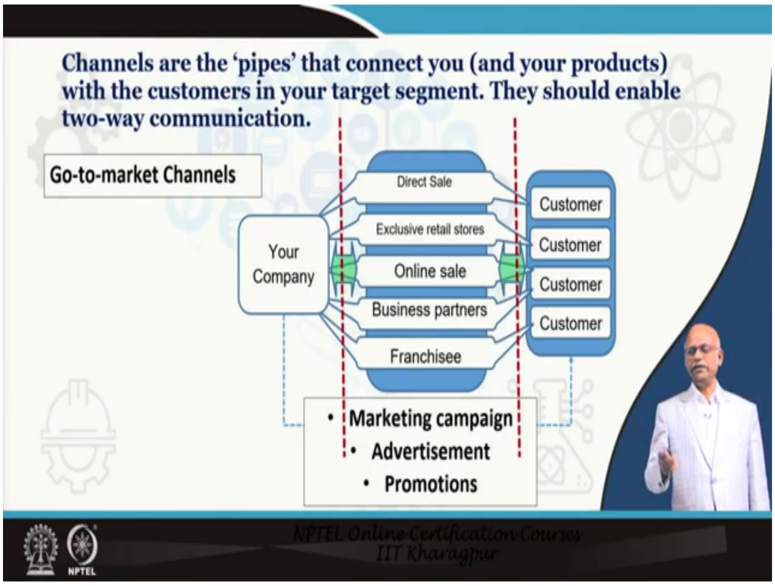

Now, this has been taken from Friedman is very intuitive like, the channels are kind of pipes meaning through which you connect with the customer. Your companies on the left, customers are on the right. There are many channels through which you can reach out to the customers. In between you do the marketing campaign, you do advertisement you do promotion.

So, that facilitates communication, that creates kind of demand for the customers. But, how your product will risk to the customer will depend on whether you are directly selling or you have exclusive retail store, exclusive may be non exclusive maybe you just put your product because, setting up exclusive retailer store is something which is a mainstay for established businesses for startups going to be quite challenging, unless you have huge amount of funding.

So, then online sales business partner meaning channel partner kind of; they sell door to door or through establish network or maybe franchisee. Some people buy your product and then they sell, they distribute they sell.

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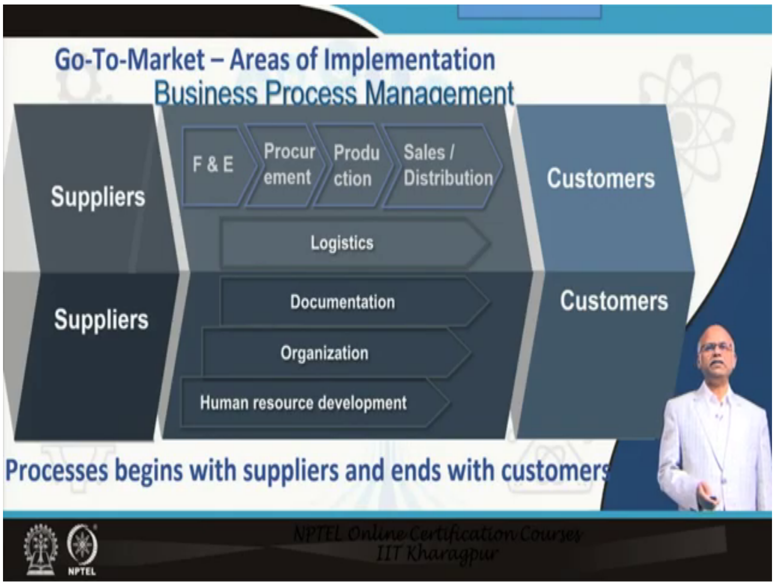

Here again the same old go to market strategies; we have the suppliers at one side, customers on the other side in between you have all the business processes that are involved. So, just a repetition.

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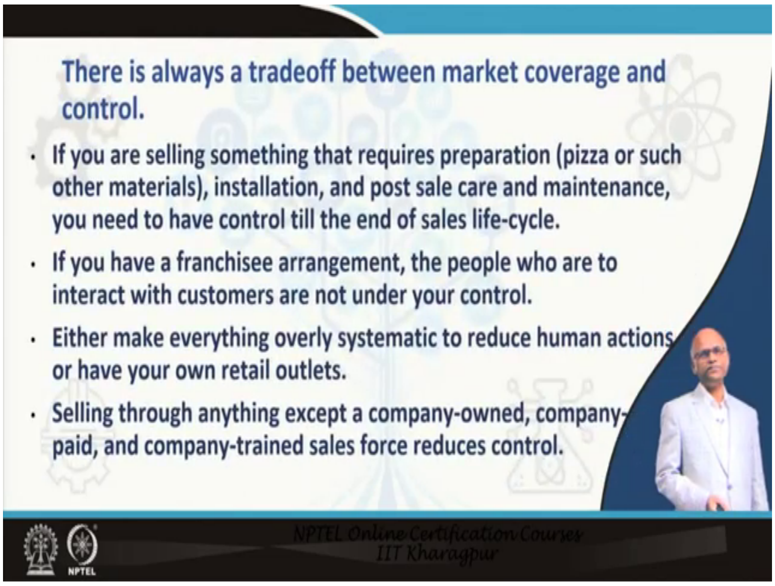

So, let us move forward. Now, as I said market coverage and control there is always a tradeoff. Like suppose, you are selling something where you need technical assistance, maybe some kind of a installation or setting up or some kind of a customer interaction, meaning there will be engagement with a customer.

Now, if you do not have your own marketing people, who will interact with the customer. Meaning, the people who depend on you for payment, whose salary is paid by you, if those are the people whose salaries are not paid by you, they are not going to do it well. You will not have the same urgency, same seriousness or affection to the customers that a direct employee will have.

If you have your technician engaged in between customers and the product and your company. They are going to do a much better customer service compared to a third party. So, if you cannot have if you cannot have sufficient number of people, maybe you have large market and you can sell more and you can depend on a third party for customer service, that may not be a good idea.

Because, you must have achieved this position of your capability to sell large number with lot of hard work, lot of investment, lot of sacrifice. Now, you do not want to jeopardize that overnight, by putting some people who do not respond to the customer favorably, customers become unhappy and then a word of mouth is a spread next immediately you find the sales are falling down.

It will be very difficult really to regain the sales that you lose. If you have kind of a franchisee arrangement, the people who are to interact with the customers are not under your control. So, it is very important that these people are report directly to you, their salary, their future, their promotion everything depends on your recommendation and their performance. Unless something is performance linked is not going to be efficient.

Either make everything overly systematic to reduce human action irrelevant. Like suppose, you have a plug and play kind of a system. You just sell the goods, fully packed and installed. All that they have to do is plug the wire cable to the electric supply and you have the machine running. Nowadays the personal computers are sold like that, you just have to plug and play, you do not have to set up anything or you have your own retail outlet.

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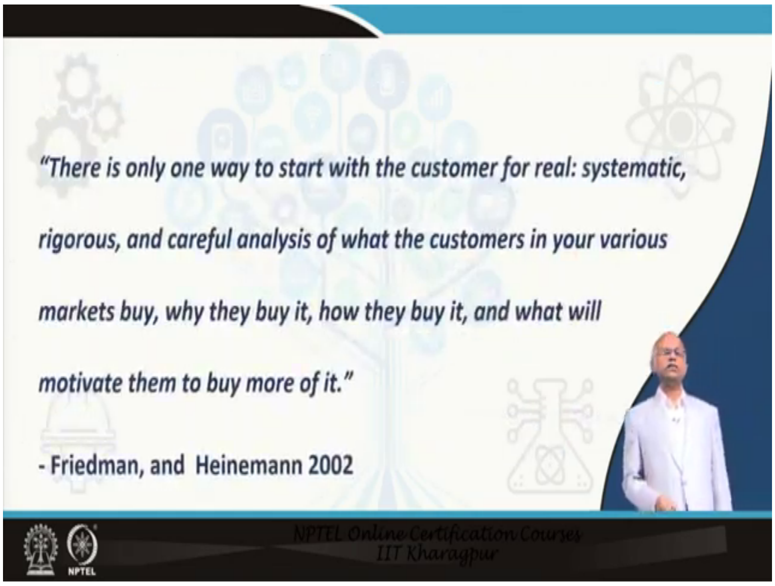

Selling through anything except a company owned, company paid and company trained sales force reduces control and if reduces control means you will lose. There is only one way to start with the customer for real. That is systematic, rigorous, careful analysis of what the customers in your various markets buy, why they buy it, how they buy it and what will motivate them to buy more of it, told by Friedman in his book. I got only one book in the marketplace on go to market strategy.

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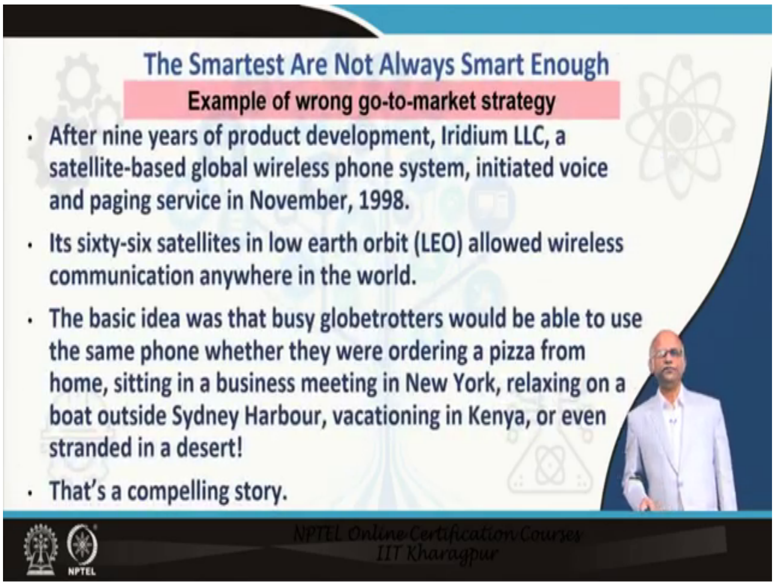

So, repeatedly there is this reference. Now, here is an example of a wrong go to market. I have already mentioned that in my previous session at the cost of repetition, let us just quickly revisit. Remember that iridium has launched with 6 billion dollar by the top notch entrepreneurs but, they failed because, their go to market strategy was wrong.

Why it was wrong? They did not do a market research, they did not talk to people whether they are ready for this service, they did not even talk to vendors who are supposed to give them service, who are supposed to connect their system with the system of these people so, that local communication will be easy through iridium but, then there should be a connectivity. So, that one guy who has a subscription with iridium can talk locally with a cheaper system, even that was not there. So, they did not actually prepare, well they did not do the research, they did not prepare.

So, that is definitely suicidal and iridium 6 billion dollar means in Indian rupee, it is more than 42000 crore rupees and they became bankrupt within 6 months. So, 42000 rupees plus was down the drain by April a just after 6 months.

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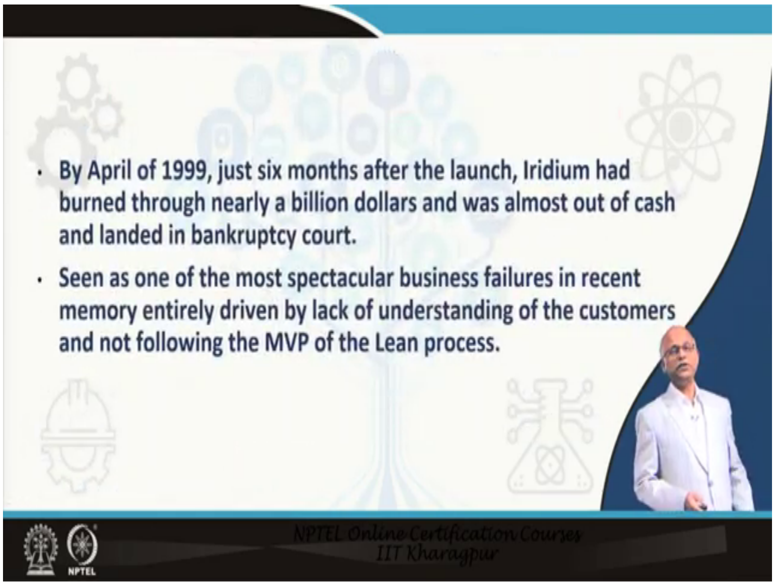

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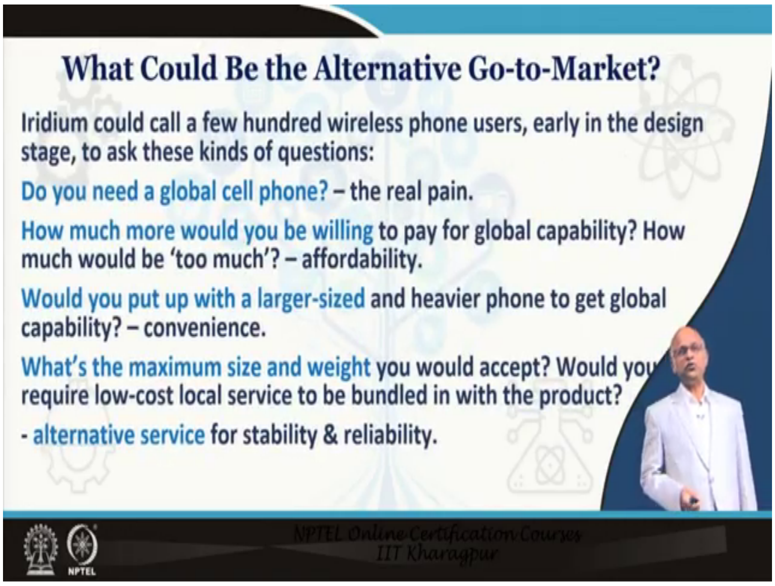

So, what they did not do and why what they could do to make a different story, iridium could call a few hundred wireless phone users. It is so easy because you will spend 42000 crore rupees. So, you can always invite few hundred people. Early in the design stage or they could one would them part of many of them and then take them forward along with develop developing the product. And, then ask them these questions; do you need a global cell phone? If they would have said why not yes then, is it essential or you just want to love to have it or you must have it.

So, if they say I would love to have it. Then, there is a question mark whether I should invest 42000 crore, when people would love to have it, they will not they will not must have it. So, that makes a hell of a difference. So, if they say that yes, I wanted yesterday then, there is a real pain.

So, you need a real pain to alleviate, it should not be nice to have it kind of a pain. How much more would you be willing to pay for a global capability phone? So, if they say that 2 times then, you know that your phone will not be affordable to these guys. Because, your phone cost was more than 10 times. So, this is a time when there will be red signals, that you should be careful.

So, do your homework again maybe do more research bring down the price and then sink so much of money, how much is too much for them, that is the affordability question. Would you put up with a large size and heavier phone to get global capability; that is the convenience.

Because, iridium phone was a bulky phone, it was very heavy; it was not easy to put it in the pocket you have to carry a kind of a box to carry the phone. Then, alternative service for stability and reliability you have to see, what are available in the marketplace in place of this.

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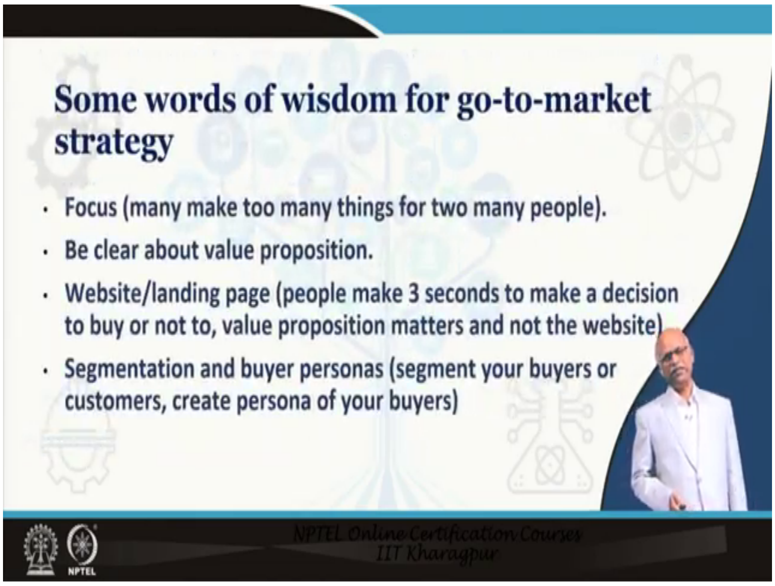

So, what was missing was focus. You have to focus, many make too many things and then they cannot satisfy the customer. If you make too many things you want be able to have a focused attention to the customer. Be clear about value proposition; again I am repeating, sorry to do that but, then you can never overemphasize.

Many people focus so much on website and landing page and simplicity and many more things, these are very good thing. But, then people make 3 seconds to make a purchase decision, statistically speaking. So, they will not have the time to just look at your website and understand whether this website is good, bad or ugly, they will value the value proposition.

So, value proposition is more important than anything else, segmentation and buyers persona. If you understand segmentation, you can understand that these are my customers then, you can define their persona then, you can tell a story to those guys.

So, that it will resonate your narratives will resonate with the buyers. So, know their profile well, know what they aspire, know where they are situated on Maslow's hierarchy triangle, so, that you can focus attention on features that are supposed to be liked by them.

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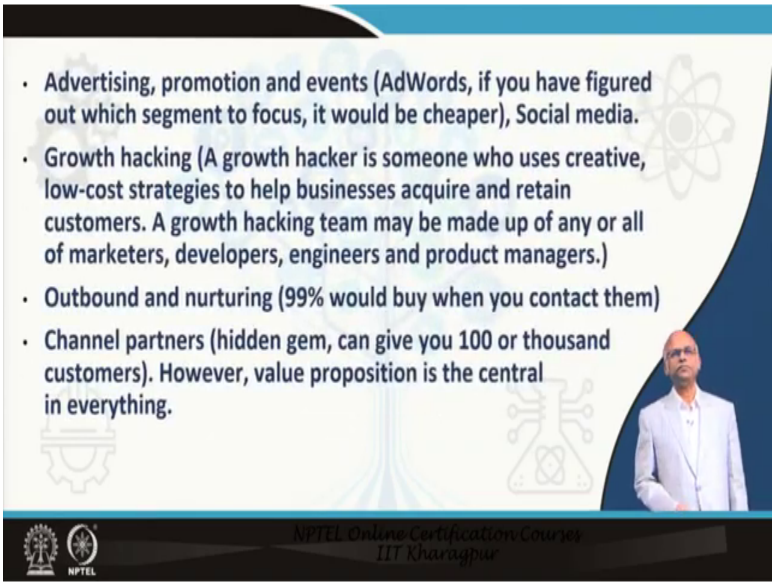

Then, advertising promotion and event like say AdWords, all that those you have to use, you can use social media nowadays, with social media everything has become so very granular. You can focus on a small segment of people because, you know in a particular say channel or

YouTube video, a very different kind of your kind of people will come, means meaning people who like your products.

Nowadays there are so many TV channels. There are TV channels for say spiritual knowledge or this dissemination of spiritual items. So, if you have something connected to that, you can actually pay a small sum of money and advertise. So, nowadays it has become possible, Then, there is another thing called growth hacking.

There are professionals who can create a video or something that will kind of go viral and then immediately you have 1000s of 10s of 1000s of registered users or maybe visitors. Who will have an opportunity to understand your product? So, use them but, then remember that growth can be a vanity metric because, growth alone will not give you profit.

Sales and profit margin will give you a profit. Outbound and nurturing, you should remain in contact with the customers. So, that you can nurture their feeling, if there is some ill feeling or some kind of a pain, you should immediately try to alleviate that.

Take care of the channel partners, channel partners can give you many customers because, their word of mouth like suppose you go to a grocery shop, you buy you ask for a particular paste or maybe toothpaste or maybe say some soap. The shopkeeper says sir this is a new item, you try I have tried it works wonderfully well, we tend to buy them.

So, if channel partners are very close to the field and they have better connectivity with the customer. So, if they say something customers are likely to buy.

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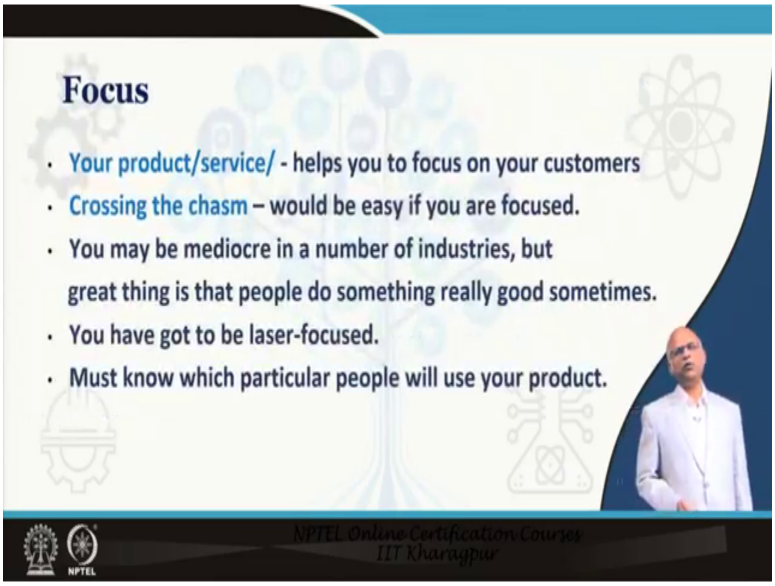

So, partners we should exploit that part more focus again. There are too many slides on focus. Focus on your product; focus on your service that will help you to focus on your customers. If you want to cross the chasm, you must understand the aspiration of the people in the in the early majority, not early adopters but, the early majority. Because, normally we focus on innovator kind of customers or early adopters, early adopters are forgiving on many accounts, they need less validation. Whereas, early majority requires more validation they are more risk averse.

So, if they see that there is some kind of a trouble they will not enter into, they will remain away, they do not trust on troubleshooting. So, if you are if you really want to cross the chasm, you have to be very focused on their liking their issues that they are concerned about. You may be mediocre in a number of field, but, then you are definitely good at something.

Identify that where you are good and then focus on that and try to accentuate that so that you have some competitive advantage, you have to be laser focused. So, just understand what you have and what customers needs and focus on that. Must know which particular people will use your product so that you understand their liking disliking.

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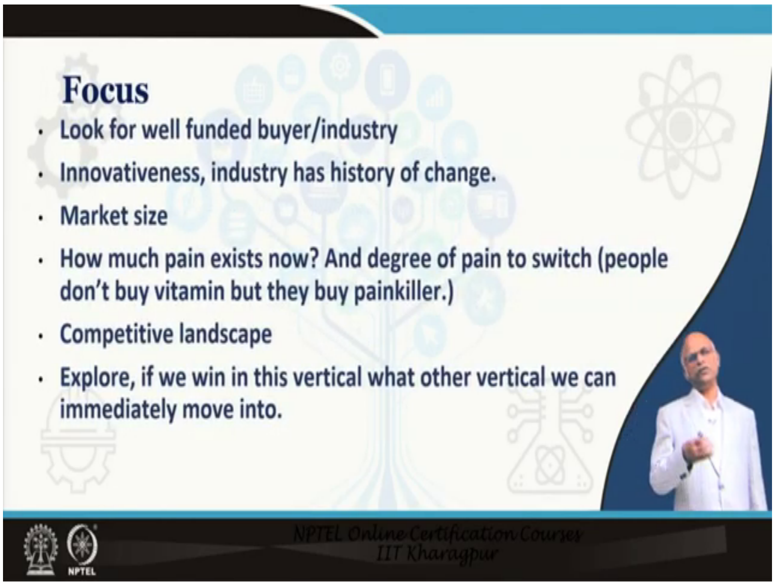

Look for well funded buyer like you chase a buyer who do not have the money to buy or maybe he think. So, he or she thinks that they will raise a loan to buy your product, it is better to chase a person, who can afford so, affordability is important. Innovativeness, industry has history of change because things are changing so far so fast that, you have to be innovative. So, that you are always ahead of the technology paradigm.

So, you do not fall behind technology is changing, understand the market size, how much pain exists now. Because, what you are trying to solve is the pain and the degree of pain to switch meaning, if somebody is using some product, what is the pain to switch. If the pain is too much then, try to work there and enter inside. So, that people will not change they become remain loyal. Understand the competitive landscape explore, if we win this vertical what other vertical can we explore next.

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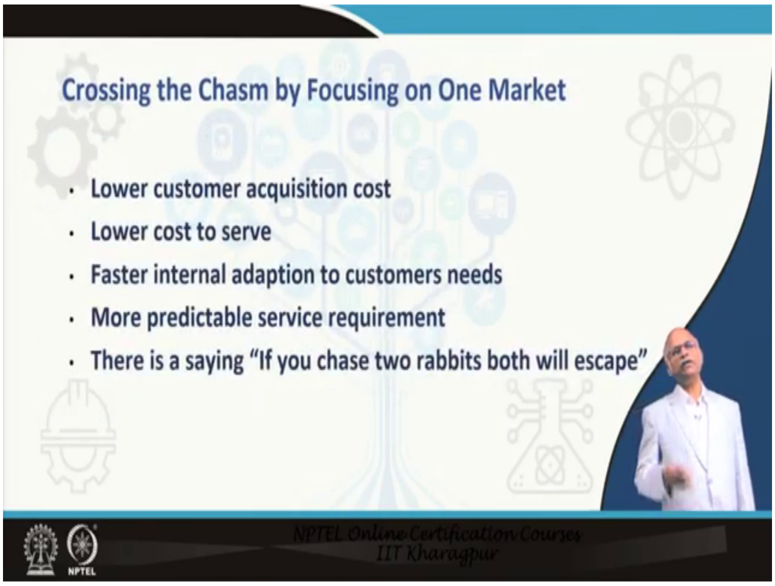

Because, this at time is of the essence so, try to prepare yourself. So, that you can piggyback new product behind the old product and customer acquisition cost may go down.

If customer acquisition cost is low and the cost to serve them is low. First internal adoption to customer needs is easy more predictable service requirement and if you are not chasing 2 rabbits at a time, crossing the chasm can be easy. Otherwise you are going to fall over the precipice.

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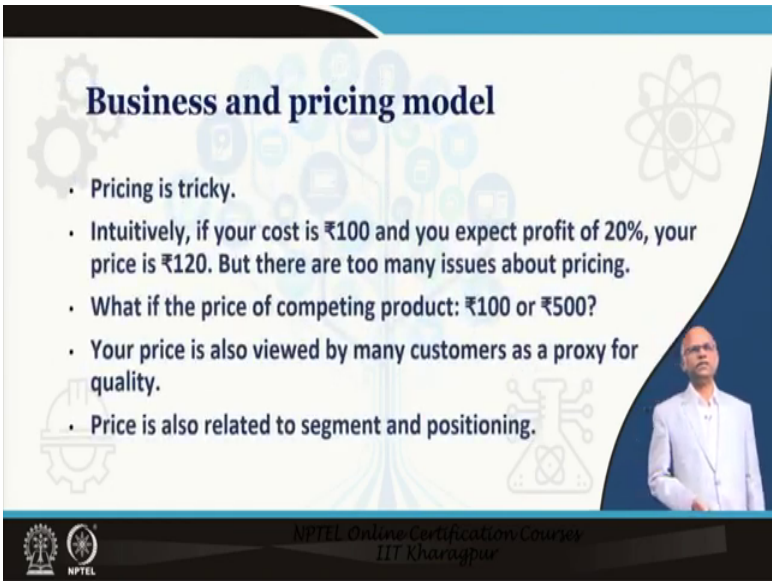

Now, pricing is very tricky, we will have a separate session on pricing. I am just introducing the topic because, pricing is integral part of go to market strategy. You are ready with the product, you are ready with all infrastructure, all business process management, logistics, now retail distribution network or maybe one line channel etcetera. What should be the price?

Now, suppose you manufacture a product for 80 rupees, you want to make a profit of or say 100 rupees, you want to make a profit of 20 percent. So, 120 may be a logical price. Suppose, competitively selling a, the same product as 100 rupees then, nobody is going to buy. So, you have to be careful whether putting it 100 or maybe 500, maybe there will be a logic behind it, maybe you want to focus, your product to be a premium product maybe you have a wonderful packaging and then aesthetically also it looks nice.

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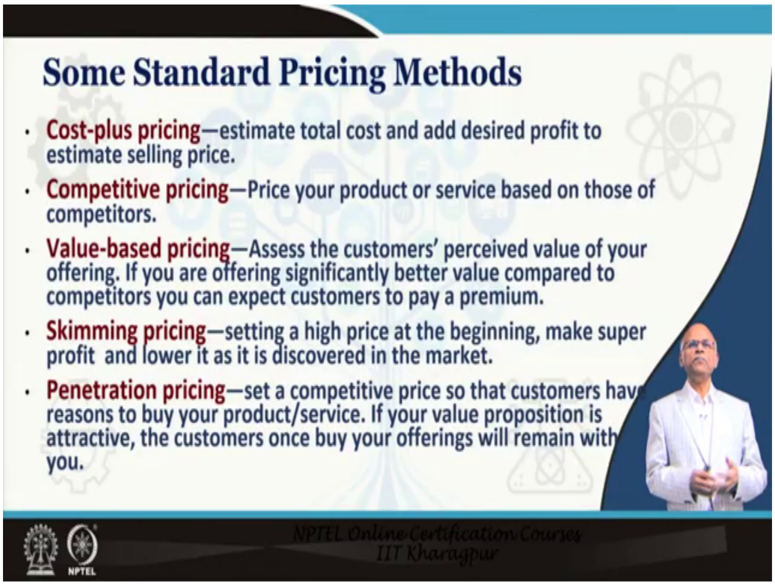

So, pricing is very important. There are some model we will discuss later but, just to introduce because you are discussing about go to market, cost plus pricing. Your cost is 100, you want to put some 20, you want to make some 20 percent profit, that is cost plus 20 percent is the price. It does not always become successful because, you have to understand what the market is offering. Competitive pricing like, if market is offering at a 100 rupees price, you have to fall in line but, then you may actually incur so much cash loss then, it may not be sustainable.

So, you have to be careful about that. Value based pricing, what value the customers perceive around your product. Suppose, the customer thinks that your product is wonderful and they see that your product which equivalent is available at 100 rupees even, if you sale for 150 they are going to buy. Because, you offer value makes sense. Skimming meaning at the beginning customers are enamored with your product. So, you price it at a very high level suppose, instead of 100 you price at 500 rupees.

So, you make wonderful profit but, that profit may not sustain for a long time. But, you make so much money and then gradually reduce the price. Because, you are already making enormous profit you come down to up to 100 rupees even then you do not incur loss. But, then you have capital, you have awareness created awareness.

So, going will be easy moving forward. Penetration pricing: rather than pricing at 100 rupees, what customers your competitors are pricing, you price at 80 rupees. So, customer will not go to competitors they will come to your and then you penetrate in the marketplace, you capture sizable market size and then you increase the price. That is what Jio did, they reduce the price and then the whole market actually had to follow but, they are still chasing in the pricing, they cannot cope up with them.

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Now, there is another pricing strategy maybe we will discuss more about it in future, harvard business review has written an article. But, then it is not their invention or discovery, they just put things in right perspective. Here is the reference for the paper; you can just copy paste there and get the paper.

Good Better Best is the name of the pricing strategy; it has been there for 100s of years maybe 200 years but, these are the examples of that kind. So, Good Better Best what are they? Meaning that if you have a product, you can have different version of the product, one can be a no frill product with minimum features, another is medium features, another is premium features.

Now, suppose your cost of production of these 3 are say, 100 rupees and 120 rupees and 150 rupees. Now, you sell the bottom one at 100 rupees maybe your cost is 100, sale at 100, you create awareness get some cash flow. The middle one the cost of production was 120, you sell it for 150.

The top one where your cost is 150, maybe you sell at 300 rupees, make maximum profit but, then why you do that because, there are different kinds of people, with different kinds of aspiration or impression. There are many people who will go to a shop enter into a shop and, then they will demand which one is the best quality product give me that.

Then, they will give a best quality, what is the price; 300 rupees; pricey but, then they will settle with that because, they do not understand the quality of that or this or that. They will think that these are highly cheaper products, they will buy that, number 1. Number 2, if people can afford better product, you have the reason to offer them better product, with better features. So, features comes with money.

So, if they are if they can afford to buy a better product, there are always people who will always buy the best product. So, give some features give some value for money at the same time charge a premium profit. And, that has been found to be a wonderful profit making proposition. Companies who could device, design this kind of a pricing strategy, we say we the products, experience shows that they become successful.

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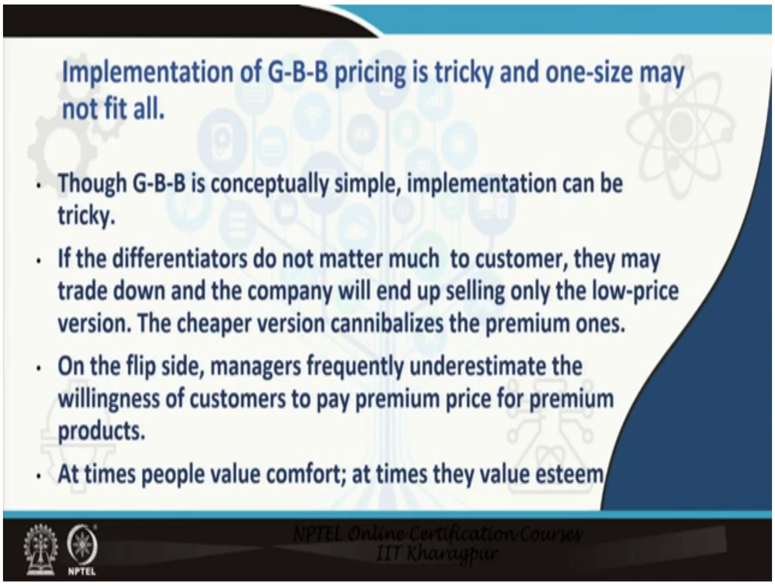

So, there are many examples given by the time by the article itself and you will see enormous number of examples around. If the differentiators like suppose, you think of credit card. If a credit card sales man will enter into your room chamber, they will talk about so many things, so many types of cards.

One card will not have a annual charges, another card will have some kind of a some kind of a incentives double incentives. Then so many other features like, purchasing power or credit limit etcetera.

So, that actually helps to cater two different people because, peoples need is different. But, then it can be tricky, it is not applicable everywhere. Like in there may be some places where the, if there is a low cost option everybody will go there. So, they will kind of trade down and you will lose the profit.

So, the premium ones will not be bought by anybody. On the flip side, many managers do not understand or underestimate people’s readiness to pay premium for a premium product. I am giving you just a small example. About 15 years back, we had only dot pen, there was no gel pen. And, dot pen maximum price was something like 1 rupee 25 paisa or so.

But, then suddenly gel pen appeared and 1 gel pen was costing about 10 rupees that was the minimum price at which, it became viable to sell. To the surprise of the market to my surprise people started buying 10 rupee pen without complaining even once. In fact, more people bought gel pen than they than they bought dot pen because they thought this is a wonderful kind of a product and they are writing it. So, writing with that and they need a good kind of good pen.

So, it is sold and people are adjusted with it and the price of 10 times not just you know 10 percent 20 percent increase. So, you never know, it depends on product; it depends on the esteem per say.

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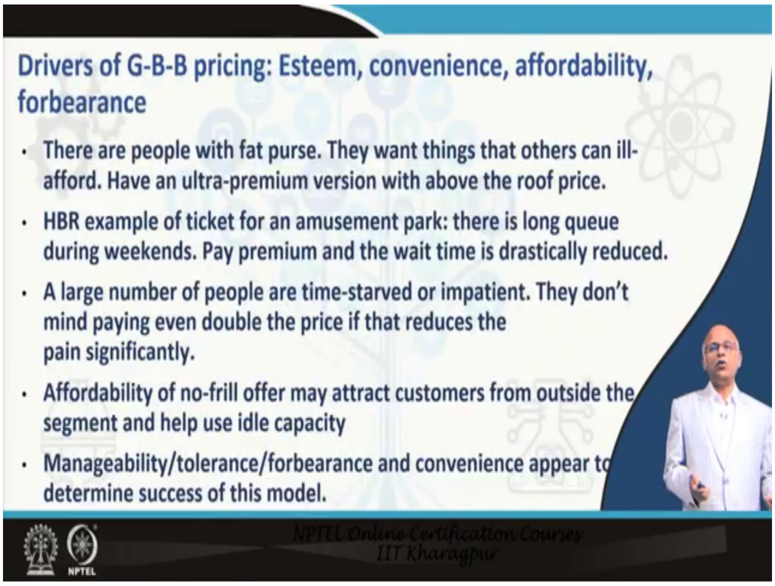

How, what value we attach like esteem, like convenience, like affordability, like forbearance, like esteem meaning there are many people with so much money that they do not know how to spend. If there is a premium product they will feel yes I should buy this, at least I have a product that other people will not be able to afford and I shall have a some kind of exclusivity.

Harvard business review gives example of a ticket in an amusement park, like in weekend there will be huge queue for ticket. It will be something like 1 hour you have to stand in the queue. Now, the amusement park came up with 3 types of tickets. In one counter there is no crowd at all, you just go pay and move forward, that was something like 150 dollar. In another counter the line is slightly shorter 125 dollar, another counter line is very long but, you have to pay only 100 dollar.

So, if people are not able to afford 150 and 120, they have this choice. At the same time, if you are time starved and you are impatient you have pay money and go. Likewise you go to Balaji temple, pay 500 rupees your line is short, you pay a 200 rupees line is slightly shorter, you pay no do not pay anything your line will be 3 days long or 2 days long. So, everywhere that pricing model is there and it works, you earn lot of money. You earn lot of money because, the premium that you earn.

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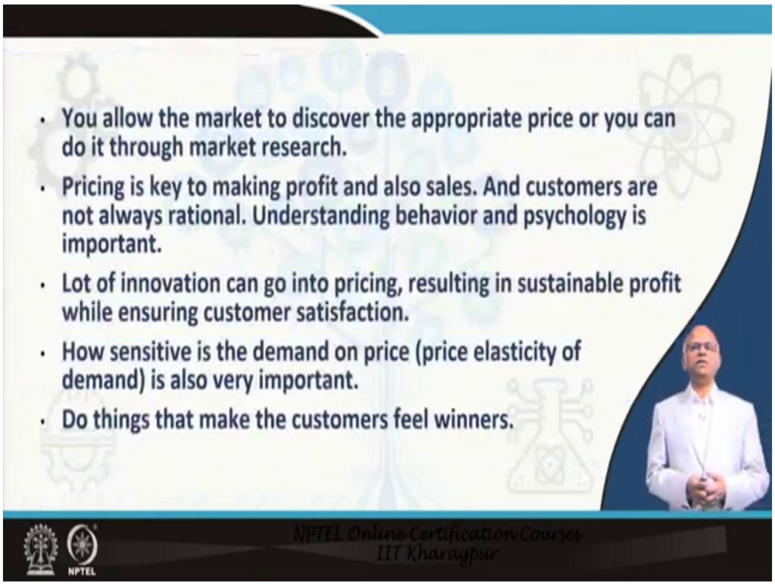

You allow the market to discover the appropriate price or you can do it through market research. Pricing is key to marketing making profit. Because, by tweaking this pricing mechanism, you can almost like give a better impression to the customers for their money and then earn more money more profit. But, you have to see how sensitive is the demand. You make a 500 rupee option and a 200 rupee option and a 100 rupee option, maybe this 500 rupee option will not sell because, that the demand will be highly elastic.

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Now, there is a company called d light, I will just quickly flip the pages. It is there was a guy called Sam Goldman, he was in Africa with some military work and then he found that in rural Africa people did not have electricity.

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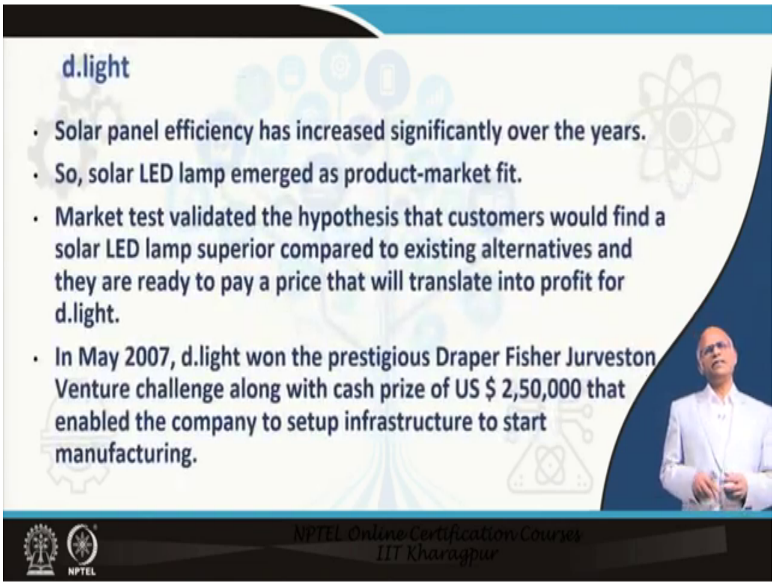

So, he thought here is a pain that I can solve because, LED was the technology at that point of time was emerging, it has highly powerful consume less energy. So, he thought maybe with lithium and battery, if I come up with a LED lamp, rural people will have electric lamp, their children will be able to read under this lamp and they will be empowered.

So, this story was bought by competition in a competition by Draper Fisher Jurveston and then he got 250000 dollar prize. With that prize he put the infrastructure but, then he thought where is the market, America is not the market; he found India is the market.

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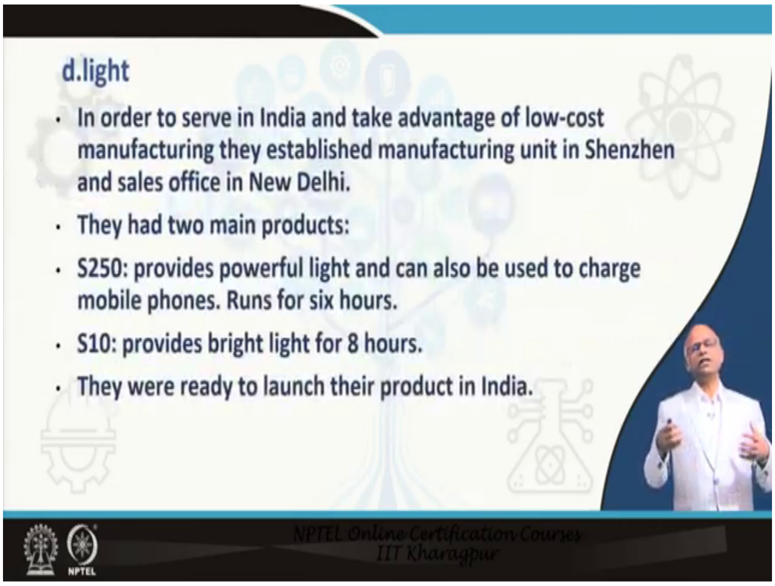

So, he wanted to do market it in India but, then India did not have the cheaper manufacturing facility, whereas we do not have the affordability. So, he thought where can I get it cheaper. So, he set up his manufacturing in China, distribution in India, customer's in India.

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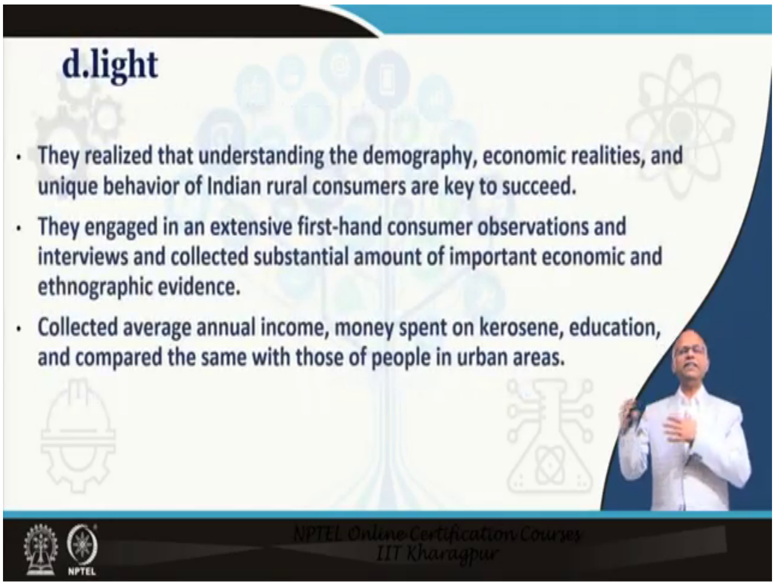

So, look how he has decided about this go to market strategy and he had 2 products. One is 250 is 250 Watt, S10 is 10 Watt, it goes for 8 hours but, light is small 250 Watt will be something like a floodlight.

So, in industry and all that you can put it may be a community place and all that. So, this whole story is about go to market strategy for a cheaper product targeting rural people. So, this is an unique example. Now, for every stage they had this challenge, how we should distribute, where you should manufacture, how means what should be the channel, what should be the pricing mechanism.

So, they want good better pricing, not good better best pricing but, good better pricing because; rural people may not go for best one. So, good better is good enough and income was just average income. So, you cannot price it more than the kerosene and other things.

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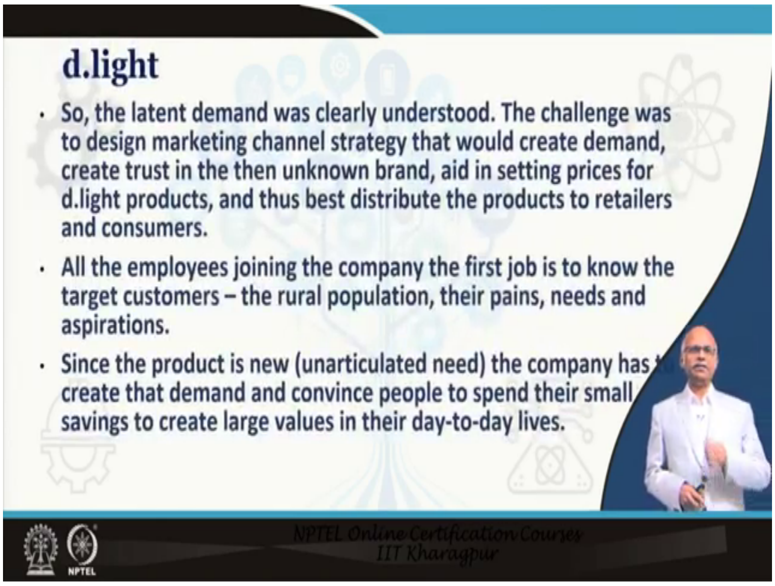

So, d light, they realize that there is huge demand and understanding the demand, understand the aspiration of the rural people, understanding the pain of the children who are not able to study during evening was key to everything. So, they understood the pain and that is how they devised the product eventually.

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d light they manufacture and market solar light, the customer segment is well defined, people living in rural India who do not have access to grid power, the pain point is clear, customer validation has been done with full satisfaction.

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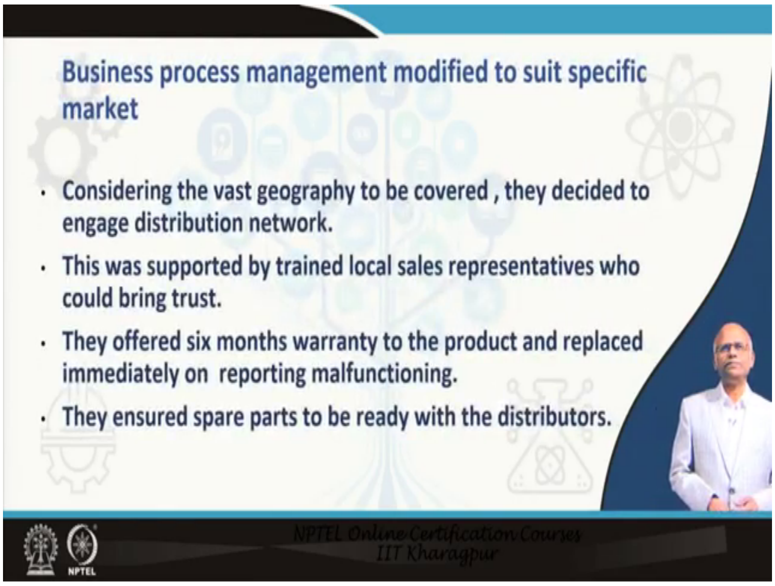

Let us sorry, let us move forward. So, business process management modified to suit a specific model. As I said that considering the geography, they decided to engage distribution network. So, go to market is related to the geographical challenges, this was supported by trained local sales representative because, there may be some troubleshooting necessary.

So, local trained people were engaged. They offered 6 months warranty to the product and replaced immediately on reporting malfunction. So, that customers do not have any problem, they are absolutely happy. And, then they keep talking to other people because, they are low technology people, if everything goes couple, they will feel helpless.

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Just to avoid that they went ahead with that. General Electric wanted to capture the rural market. How to do that?

So, they designed a new product altogether, a new product for healthcare. They understood the problem that rural people there is no train mechanic, there is no service facility available. So, they designed a product that is such that no maintenance is necessary. There are minimum number of buttons, you just put this on the chest of a patient and press this button, voila you have the result here, take it to the doctor and the doctor will treat.

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So, look at this story, how product market fit was decided by General Electric.

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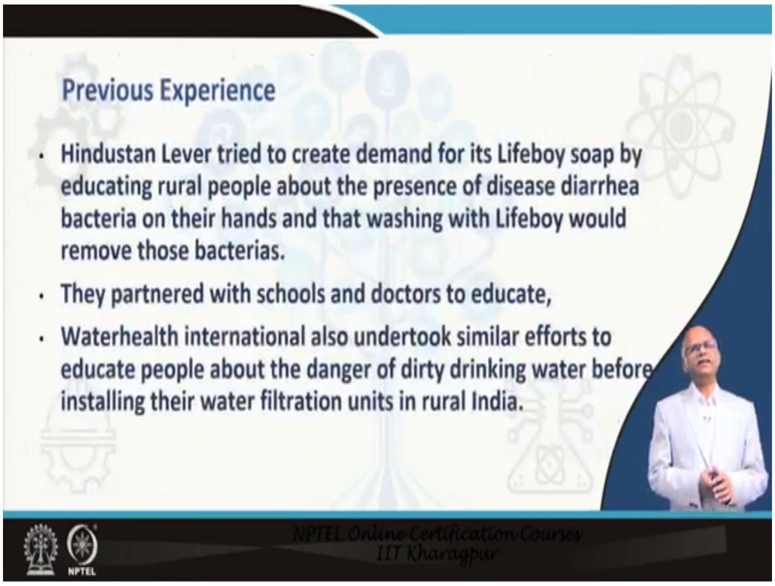

And, then there is another story about Hindustan Lever. When they wanted to launch the Lifebuoy in rural India long time back, they thought that if we go and tell the story people will not believe. So, they engaged schools where the demonstrated they distributed free samples and demonstrated that look, if you wash your hand then these are the benefits.

So, when school people or children told their parents that this soap is better good.

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So, nothing no advertisement was necessary. So, collaboration is highly essential, you collaborate with school or say NGO like General Electric they collaborate with an NGO called East Meets West, who did the marketing door to door or not door to door because, health care products, so, they went to doctors and convince them. Similarly, Hindustan Lever partnered with embrace and schools.

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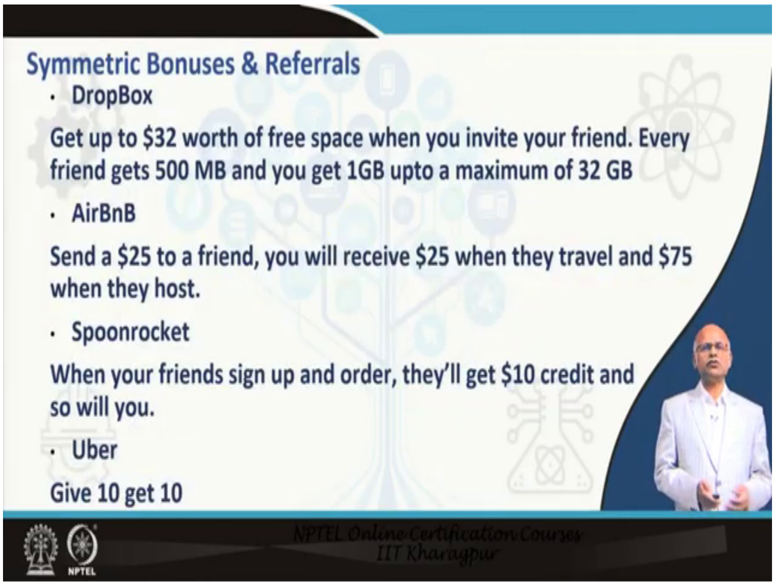

Now, there are incentive schemes like DropBox use bonuses both way to and fro, get up to 30 dollar worth of free space when you invite your friend, your invite also gets 50 dollar. AirBnB: send 50 dollar to a friend, you will receive 25 your friend will receive a 75 dollar or something, host will get 75. Likewise, there are many. Like for Uber give 10 get 10, to way incentive; call to action.

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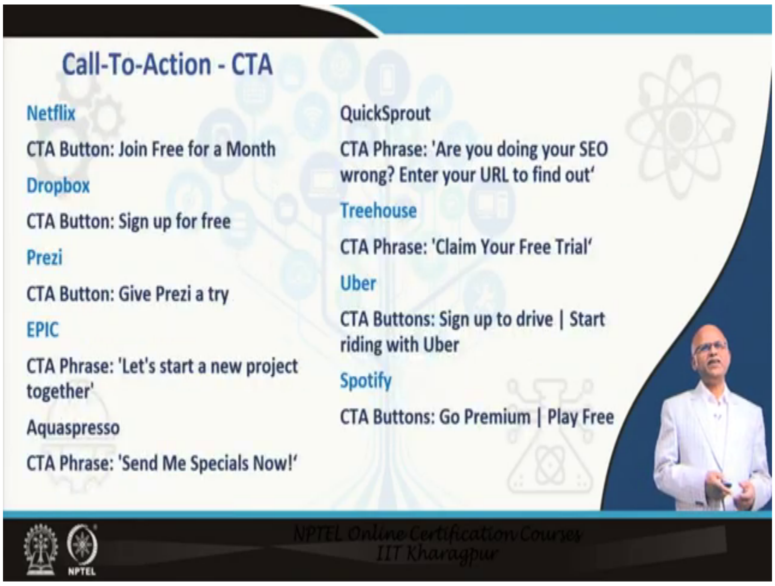

At the end of the marketing channel, you need to do a call to action for customers to finally make a decision.

When they are kind of deterring or wavering, when to buy or not to buy, you just give a call to action and they buy. Netflix: They say Join Free for a Month. So, that becomes an enticement and immediately people just click on the join button. Dropbox: Sign up for free. So, you do not have to pay any money just sign up. Prezi, Give Prezi a try. What epic says: Let's start a new project together. Aquaspresso say Send Me Specials Now; meaning, you just press it there, it will reach them, likewise, there are many more.

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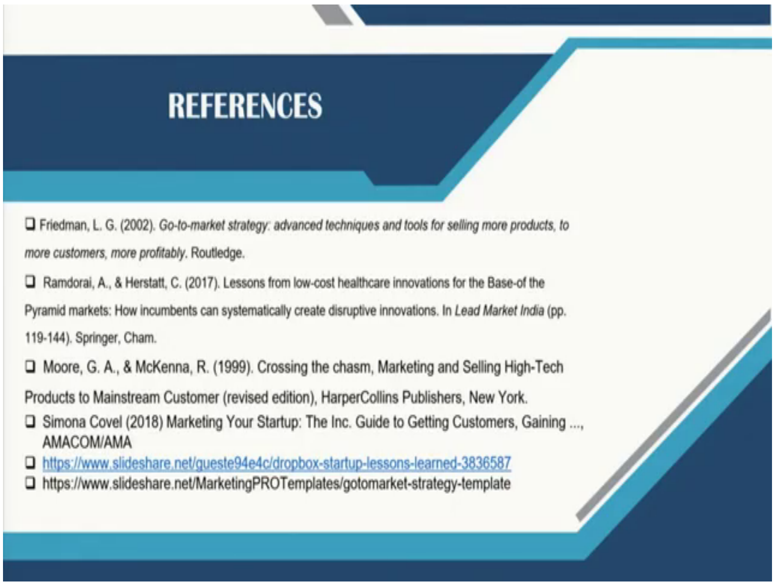

These are references Friedman book is the number 1 and just look at it have a means lay your hands on that.

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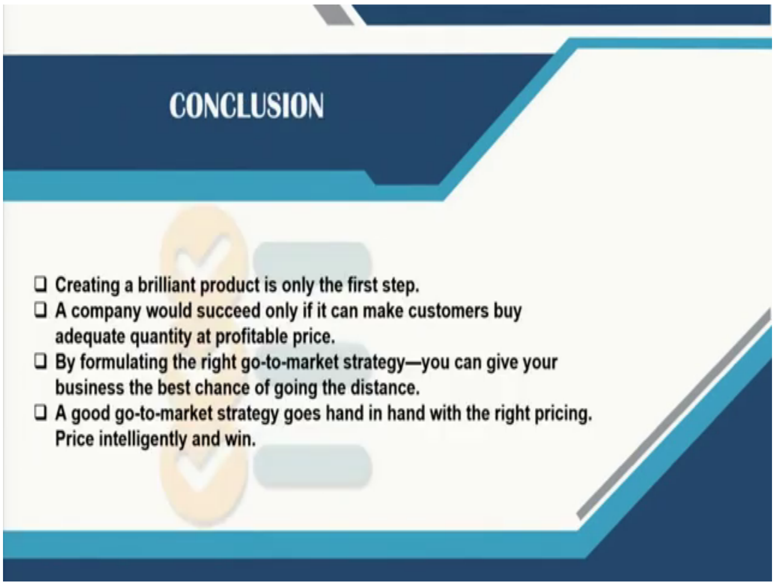

Thank you very much.