➤ PRODUCT POSITIONING AND SALES SEGMENTATION

A data driven approach

Chris South

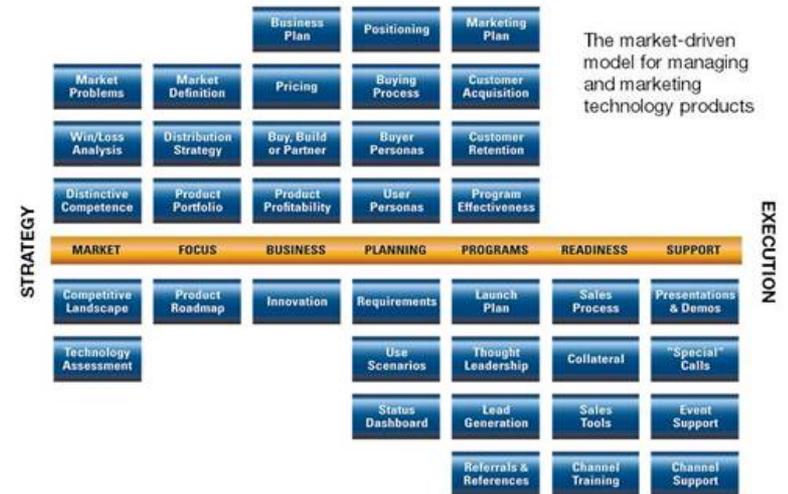May 2013

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➤ TODAY'S TOPIC

- What it is
  - Focus on the market you understand and need to scale
  - Build out value propositions for current and roadmap product
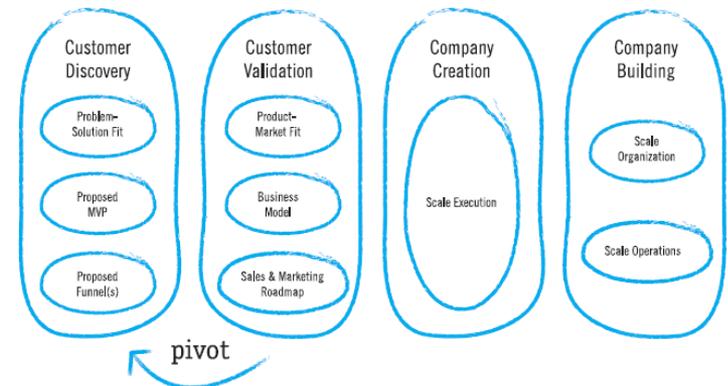 - B2B focus

Pragmatic Marketing Framework™

The market-driven model for managing and marketing technology products

- What it isn't
  - Focus on market's and customers you are *trying to* figure out…

    [Customer Development](#)
    methodology is better approach for this problem

Customer Development

➤ AGENDA

- Market Analysis

- Product positioning by market – an overview

- Go to market planning

- Quota development

- Collecting the right data to measure effectiveness

➤ ABOUT ME

- Technology focused business executive with over 30 years experience in application of technology to business challenges

- Industries include software, nonprofits, telecommunications, manufacturing, forest products

- Sales, operations, consulting and technology leader
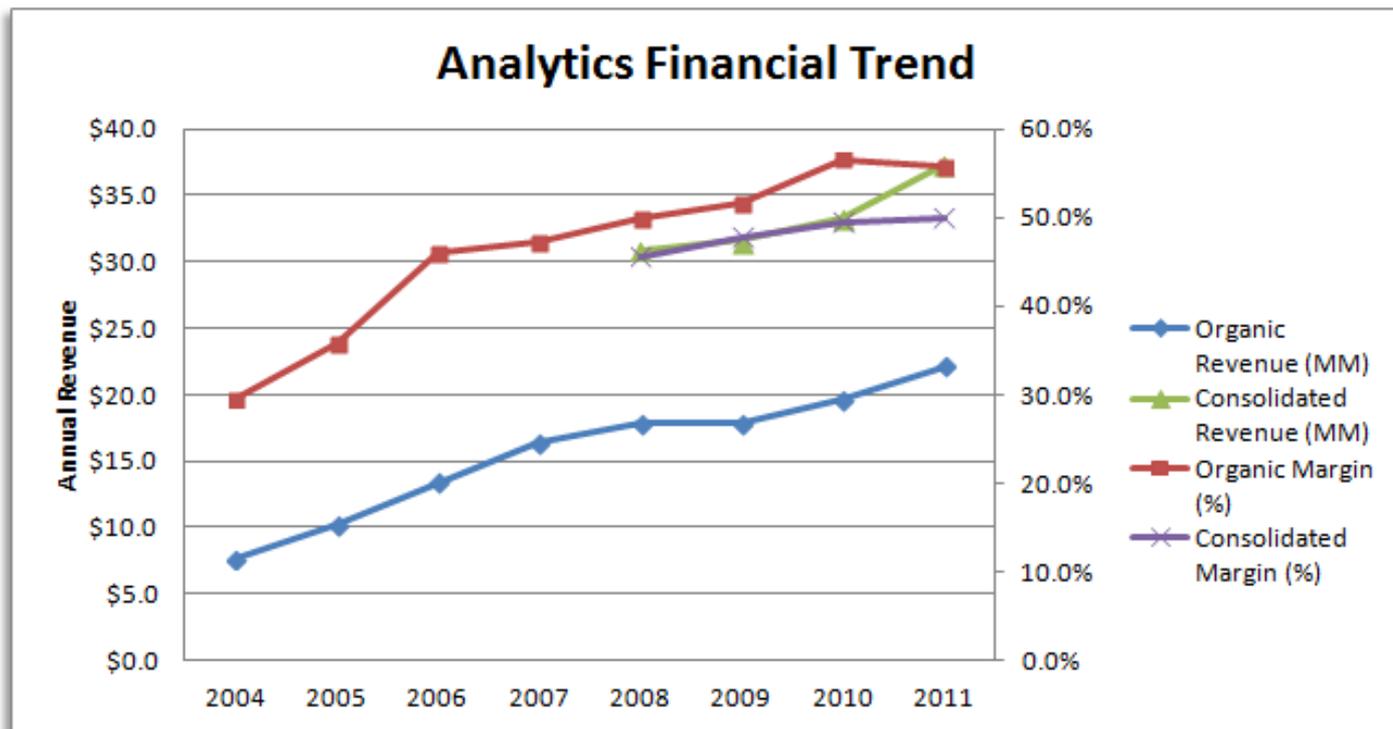
- Data and analytically driven focus

"In God we trust.
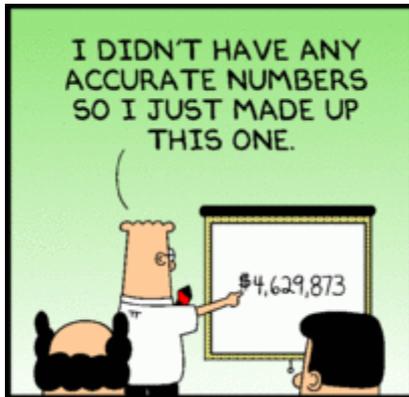All others bring data."

W. E. Deming

RESULTS AT BLACKBAUD

Product Offerings

- Data Enrichment Services ($7.5MM)
- Wealth/ Capacity Research Subscription and Data ($17MM)
- Predictive Modeling for Marketing Services ($14MM)

Analytics Financial Trend

MARKET ANALYSIS
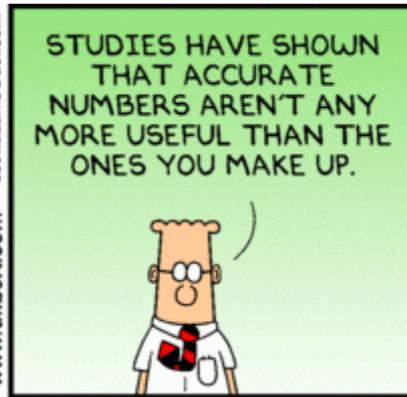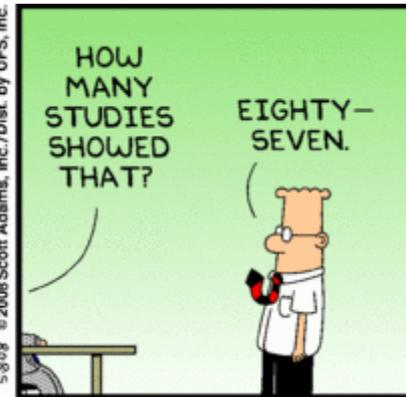
MARKET SEGMENTATION AND SIZING

- Segmentation is necessary to focus sales, marketing, and development resources

- There's no 'right way' to do segmentation – you have to do deep dives to test your theories.
  - Document your assumptions and sources of data – you will not remember it all when you look at the data again in 6-12 months

- Take at least two angles to develop your best estimate of the market…
  - Top down (e.g. Google and best guesses)
    - *1MM non-profit 501c(3) organizations; 300k report > $25k income; 4.5k are higher education institutions; 10% have revenue over $50MM leaves ~400 targets*
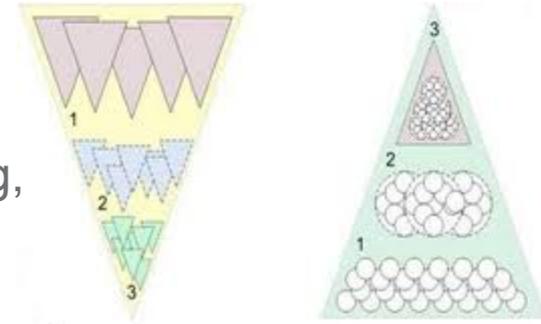
MARKET SEGMENTATION AND SIZING

- Bottom up (databases of prospects)
  - 4.7k GuideStar higher ed; 4.6k Carnegie classifications higher eds
  - There will be conflicts in different sources – test and check assumptions on each source to compare to your target market segments
  - More detail is better to help with additional plans with the data – financial cuts, sales territories, lead generation,…
  - Break into segments where data exists on demographics, observed behaviors, self identification, predictive behavior
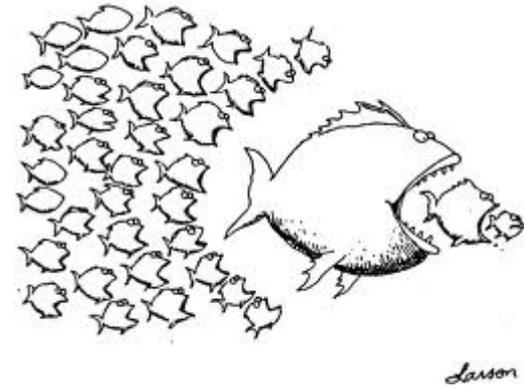
➤ YOUR OPPORTUNITY

- In Market:
  - After defining overall market, determine how many could be in market at one funding cycle
    - for example, evaluate changing CRM systems every 7 years means about 14% of the population could be in market annually
  - Helps with planning to get into their budget cycle

- SWOT
  - Assess competitive landscape
  - Reality check for your market numbers
  - Consider for each segment

SWOT ANALYSIS

	Helpful to achieving the objective	Harmful to achieving the objective
Internal origin (attributes of the organization)	Strengths **S**	Weaknesses **W**
External origin (attributes of the environment)	Opportunities **O**	Threats **T**

MARKET SIZING

Higher Ed

ANNUAL CONTRIBUTION LEVEL

Level	# Higher Ed
Over $100 mm	65
$30 – 100 mm	111
$10 – 30 mm	319
$5 – 10 mm	370
$1 – 5 mm	1,269
$300K – 1 mm	1,219
< $300K	1,386

HE: 4,739

Propensity to Purchase	Addressable market	Customers (2012)	Average Revenue per Customer	Target penetration of Addressable Market	Customers in market each year	Annual Revenue Opportunity ($mm)
75%	49	20	$90,000	50%	100%	$2.21
75%	83	45	$65,000	40%	100%	$2.16
50%	160	52	$50,000	35%	100%	$2.8
20%	74	24	50,000	30%	50%	$0.56
10%	127	10	$30,000	20%	50%	$0.38
0.5%	61	1	$20,000	10%	25%	$0.03
0.5%	34	1	$20,000	10%	25%	$0.02

Addressable Market: 588 | 2012customers: 167 | penetration: 28.4% | Ann. Rev. Opportunity: $8.2 mn

➤ PRODUCT POSITIONING

'Would you tell me, please, which way I ought to go from here?'

'That depends a good deal on where you want to get to,' said the Cat.

'I don't much care where" said Alice.

'Then it doesn't matter which way you go,' said the Cat.

'so long as I get SOMEWHERE,' Alice added as an explanation.

'Oh, you're sure to do that,' said the Cat, *'if you only walk long enough.'*

Lewis Carroll
Alice's Adventures in Wonderland 1865

➤ PRODUCT POSITIONING

- Linkage of the market plan to execution
  - Basis for most of your MarComm and sales enablement
  - Marketing needs for content creation
  - Sales needs for training and lead validation
  - Ensures alignment of strategy with pursuits

- Conveys product value to buyer
  - What problems can you solve for the buyer?
  - What benefit does the customer achieve?

➤ PRODUCT POSITIONING

- Positioning statement is key component
  - Quickly and clearly gets to compelling reason
  - Leverages and iterates your market segmentation
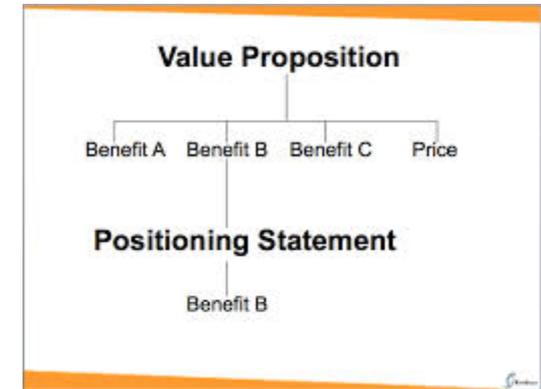
◊ **For** [target customer]

◊ **Who** [statement of need or opportunity]

◊ **The** [product name] is a [product category]

◊ **That** [statement of key benefit, a compelling reason to buy]

◊ **Unlike** [primary competitive alternative or approach]

◊ **Our product** [statement of primary differentiation]

◊ *Example: **For** travelers **who** read a lot, **the** Kindle is an electronic book-reader **that** puts thousands of books at your fingertips. **Unlike** Apple's iPad, you can use **our** reader for weeks on a single charge.*
(*"Regis McKenna" format – Crossing the Chasm)

➤ GO TO MARKET PLANNING

➤ GO TO MARKET PLANNING

- Assuming a direct or channel model, you need to think how to best cover the market

- Territories or team approaches
  - Prospect vs customer (inside/outside, back to base,…)
  - Geographic
  - Target size (revenue, users, transaction size …)
  - Strategic vs transactional buying pattern
  - Specialty knowledge
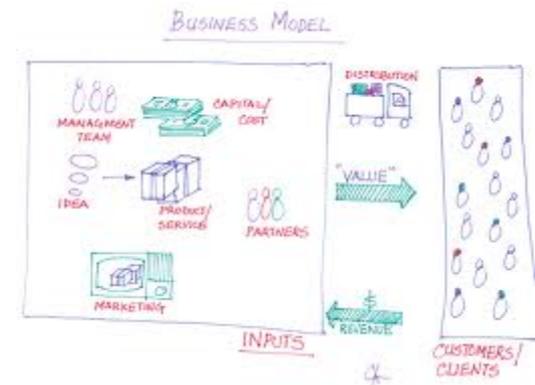
➤ TERRITORY PLANNING

- Market data to get to territories and quotas

- Detail data is key
  - historical so helpful

- Your funnel history
  - Lead to close ratio key for Marketing planning

- Growth planning – is next year's plan based on this year plus growth, market opportunity or account opportunity driven?
  - To move to account opportunity driven, find indicators or predictors of sales potential, apply to customers and prospects to set quotas
  - The key is collecting this information and using it for territory design and deployment
  - Once comfortable with the data, hot spots of opportunities and markets become apparent

TERRITORY PLANNING

- Flexible tool to do your what-if analysis (e.g. excel)
- Cut prospect/customer database by the segment your planning – look at penetration by territory (e.g. state)
- Vary territory in tool and look at roll-up for leveling/ consistency

| Row Label | Current Customers | | | | Prospects | | | | Grand Total | | Penetration | Target Pen% | LY_Opps | Pipeline | Potential# |
	<1MM	1-3.5MM	3.5-6MM	>6MM	<1MM	1-3.5MM	3.5-6MM	>6MM							
SE	4,720	995	164	486	30,921	2,320	283	555	40,444		15.7%	44.5%		$2,750,000	2,603
AL	256	64	7	15	2,202	140	13	16	2,713						
FL	1,239	274	40	128	8,164	597	78	143	10,663						
GA	772	138	26	79	4,479	314	42	86	5,936						
MS	130	28	5	8	1,266	73	7	17	1,534						
NC	698	136	32	66	4,641	352	37	77	6,039						
SC	413	65	14	25	2,390	127	19	25	3,078						
TN	441	118	17	39	2,885	215	15	59	3,789						
VA	771	172	23	126	4,894	502	72	132	6,692						
NE	7,790	1,760	366	1,030	50,134	3,951	483	944	66,458		16.5%	47.9%		$1,950,000	4,434
CT	529	101	23	56	2,990	168	19	29	3,915						
DC	462	159	49	137	2,982	570	89	179	4,627						
DE	95	19	6	9	718	38	5	9	899						
MA	1,104	240	47	137	5,808	439	47	103	7,925						
MD	625	119	25	7	4,110	320	28	72	5,372						

QUOTA DEVELOPMENT

QUOTA ASSIGNMENT

- To over assign quota or not…
  - To cover for openings in territories and underperformance
  - At prior company, added quota to managers and reps
  - 2 to 5% on company quota to rollup of reps, depending on growth expectations

- 50-75% of reps should reach quota
  - 10% target for highest level (e.g. President/ Chairman's club)

- Quota to comp – fixed to variable proportion will vary based on new business vs existing mix
  - Quota's an important number to get right – has a big impact on motivation
  - Good sales people are driven by competition and money…
  - 70% base/ 30 variable is common
  - Prior company was 55% / 45 - high focus on new business

➤ COLLECTING AND MEASURING

➤ MEASUREMENT

- Identify metrics up front – key is collecting during sales cycle in your CRM
    - Opportunities/ at bats
    - Funnel to close rate – how many leads needed to hit targets
    - Lead source – which lead type generates the most opportunities, the highest ASP, the best close ratio, …
    - Time to close – average sales cycle – is it reducing?
    - Win/ loss – why losing and to which competitor (or no decision)
    - Parent/ child prospect linkage (key for enterprise sales)

➤ MEASUREMENT

- Funnel will change over time as you adjust and improve tactics

- Awareness level is hardest to measure
  - Usually pre-lead
  - Blogs, ads, tradeshows, PR, …

- Define rule of a qualified lead (or interest) so you can use it for future comparison
  - E.g. person in target market with problem to solve, authority and budget to purchase within 6 months
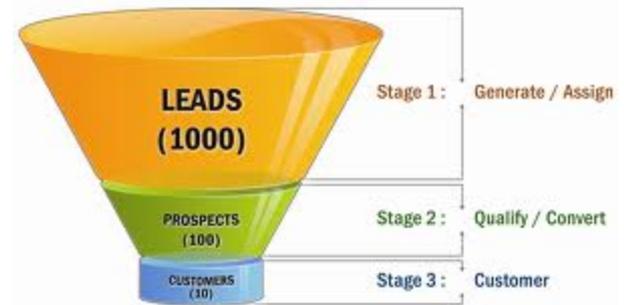
WHERE'S THE OPPORTUNITY

- Look at customer penetration (by product)
- How often are they in market

| Size	Vertical	Product Count				Penetration		
		Product1	Product2	Product3	AnyProdu	Product1%	Product2%	Product3%
1-250k	Cultural	2	4	0	35	5.7%	11.4%	0.0%
	Family/Human Service	13	25	1	120	10.8%	20.8%	0.8%
	Healthcare	14	29	1	80	17.5%	36.3%	1.3%
	Higher Education	6	13	1	38	15.8%	34.2%	2.6%
	Recreational/Social	2	3	0	21	9.5%	14.3%	0.0%
	Religious	0	7	0	16	0.0%	43.8%	0.0%
	Schools (K-12)	8	21	0	50	16.0%	42.0%	0.0%
1 Total		45	102	3	360	12.5%	28.3%	0.8%
250k-1MM	Cultural	9	5	2	87	10.3%	5.7%	2.3%
	Family/Human Service	15	15	5	179	8.4%	8.4%	2.8%
	Healthcare	12	32	6	201	6.0%	15.9%	3.0%
	Higher Education	5	17	15	76	6.6%	22.4%	19.7%
	Recreational/Social	2	6	8	31	6.5%	19.4%	25.8%
	Religious	4	13	0	49	8.2%	26.5%	0.0%
	Schools (K-12)	13	39	10	75	17.3%	52.0%	13.3%
2 Total		60	127	46	698	8.6%	18.2%	6.6%
1MM-2MM	Cultural	6	10	2	110	5.5%	9.1%	1.8%
	Family/Human Service	23	73	6	336	6.8%	21.7%	1.8%
	Healthcare	23	43	5	247	9.3%	17.4%	2.0%
	Higher Education	14	18	4	83	16.9%	21.7%	4.8%
	Recreational/Social	6	5	1	51	11.8%	9.8%	2.0%
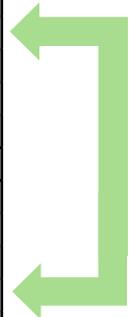
➤ LEAD GENERATION

- Assess future change in pipeline based on past trends and Avg days to close (e.g. 3 leads make to 1 sales ready opp)
- Assess what marketing activities are generating opps, and which are best value
  - Look at ASP by closed lead

Lead Source Group	Lead Source Type	2011						2012						11-12	11 Win %
		Active	Lost	Other	Sold	Unqual	2011 Total	Active	Lost	Other	Sold	Unqual	2012 Total		
Sales Driven	BizDev Initiated	25	48	1	24	20	118	68	4		11	2	85	-28%	20%
	Rep Initiated	11	32		64	6	113	149	10		46		205	81%	**57%**
	Calling Campaign							13	5		7	1	26		
Sales Driven Total		*36*	*80*	*1*	*88*	*26*	*231*	*230*	*19*		*64*	*3*	*316*	*37%*	*38%*
Referral	Employee Lead	14	18		36	12	80	92	7	1	31	12	143	79%	**45%**
	Referral		1				1							-100%	0%
Referral Total		*14*	*19*		*36*	*12*	*81*	*92*	*7*	*1*	*31*	*12*	*143*	*77%*	*44%*
Face to Face	Web Seminar					1	1							-100%	0%
	Conference							1					1		
	Miscellaneous					1	1							-100%	0%
	User Group		2		1	4	7							-100%	14%
Face to Face Total			*2*		*1*	*6*	*9*	*1*					*1*	*-89%*	*11%*
Mass Market	Internet	1	8		8	25	42	16	1		2	2	21	-50%	19%
Mass Market Total		*1*	*8*		*8*	*25*	*42*	*16*	*1*		*2*	*2*	*21*	*-50%*	*19%*
Other	Client	2	5		14	1	22	5	3		9	2	19	-14%	**64%**
	ACD Line					1	1							-100%	0%
Other Total		*2*	*5*		*14*	*2*	*23*	*5*	*3*		*9*	*2*	*19*	*-17%*	*61%*
Grand Total		**53**	**114**	**1**	**147**	**71**	**386**	**344**	**30**	**1**	**106**	**19**	**500**	**30%**	**38%**

WIN-LOSS ANALYSIS

- Track "at-bats", wins and losses (competitor and no-decision).
- Leverage lost sales calls by non-sales – e.g. executive, product manager

Sales Team	Team 1			Sales Team	Team 1			Graph Data						
Sales Region	All			Sales Region	All									
Opportunity Stat	**Lost**			**Opportunity Status (**	**Sold**									
Opportunity Lo	Competitor 1			Competitor Name	Competitor 1			Competitor 1						
								Date	Win #	Win $	Loss #	Loss $	Win % on	Win % on $
	Values				Values									
Competitor/Tir	# Distinct Opps	Lost Amount		Competitor/Timef	# Distinct Opps	Won Amount		2011 Febru	18	302,126	10	70,769	64%	83%
2011 February	10	$70,769		2011 February	18	$302,126		2011 Marc	18	299,441	14	159,265	56%	66%
2011 March	14	$159,265		2011 March	18	$299,441		2011 April	18	297,907	7	115,104	72%	73%
2011 April	7	$115,104		2011 April	18	$297,907		2011 May	20	354,899	10	206,105	67%	63%
								2011 June	33	534,434	11	100,595	75%	85%

Win-Loss $

Win % on $

➤ DATA HYGIENE

- Data hygiene so key – minimize duplicates – they will live forever
  - Don't simply import new lists – too many variations on names and addresses

- Develop standards for prospect and customer interactions so you can analyze them – contacts, actions, outcomes, ...
  - Keep the standards up to date and part of new employee orientation

- Ensure everyone uses the same database and rules for analysis -- the risk is you'll spend too much time chasing discrepancies if not
  - Add database, criteria, date pulled to reports used to help understand differences