



Duke Entrepreneurship and Venture Capital Club

The Brass Tacks of Market Research

Guest Lecture:
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November 14, 2006



About the speaker

Suzanne Miglucci

- VP Marketing & Strategic Alliances, SciQuest
- 20 years experience from start-ups to Fortune 50
- Chasm Group formal training
- Worked with market research professionals for targeted projects



Why market research matters

- This is a matter of life and death...
... to your new venture
- Major cause/predictor of business success
- You can virtually *ensure* success if this is done correctly



Market Research Philosophy

- Fallacy: Build it and they will come
Reality: Sell now & know for sure
- Don't start believing your own PR
- Never-ending process, not discrete event
- Start with the end in mind – Stephen Covey



Informal vs. Formal

- Informal (secondary research)
 - Accelerated learning process for mgmt team
 - More flexible, less reliable/statistically valid
 - Most useful when it 'feeds' primary research
- Formal market research (primary research)
 - Face time with prospects
 - Test market your product, positioning, pricing
 - Adjust go-to-market plan based on primary research



Brass tacks

- Step 1: Define your universe
- Step 2: Secondary research
- Step 3: Primary research
- Step 4: Build into business plan

...and iteratively repeat



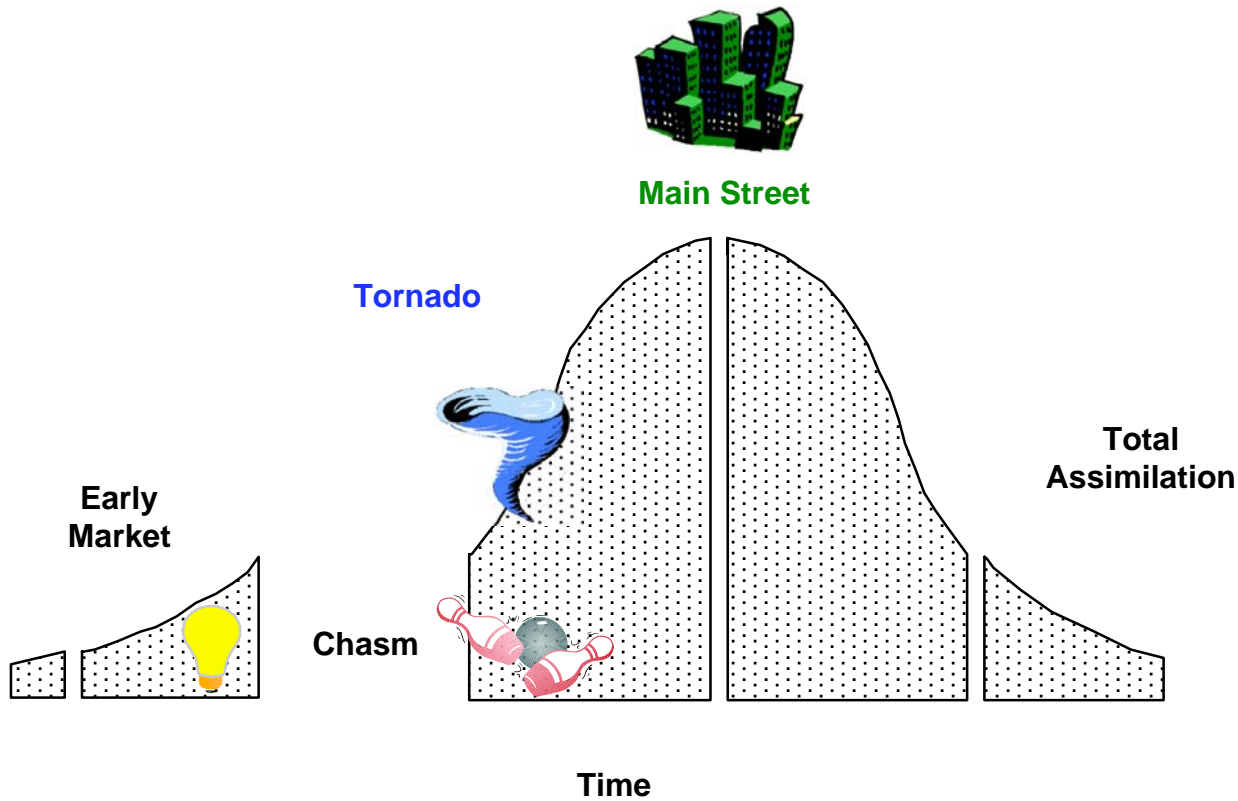
Brass tacks

Step 1: Define your universe

- Identify your target audience
- Identify where your audience is on the Adoption Lifecycle
- Identify compelling reasons to buy
- Define your 'Whole Product'

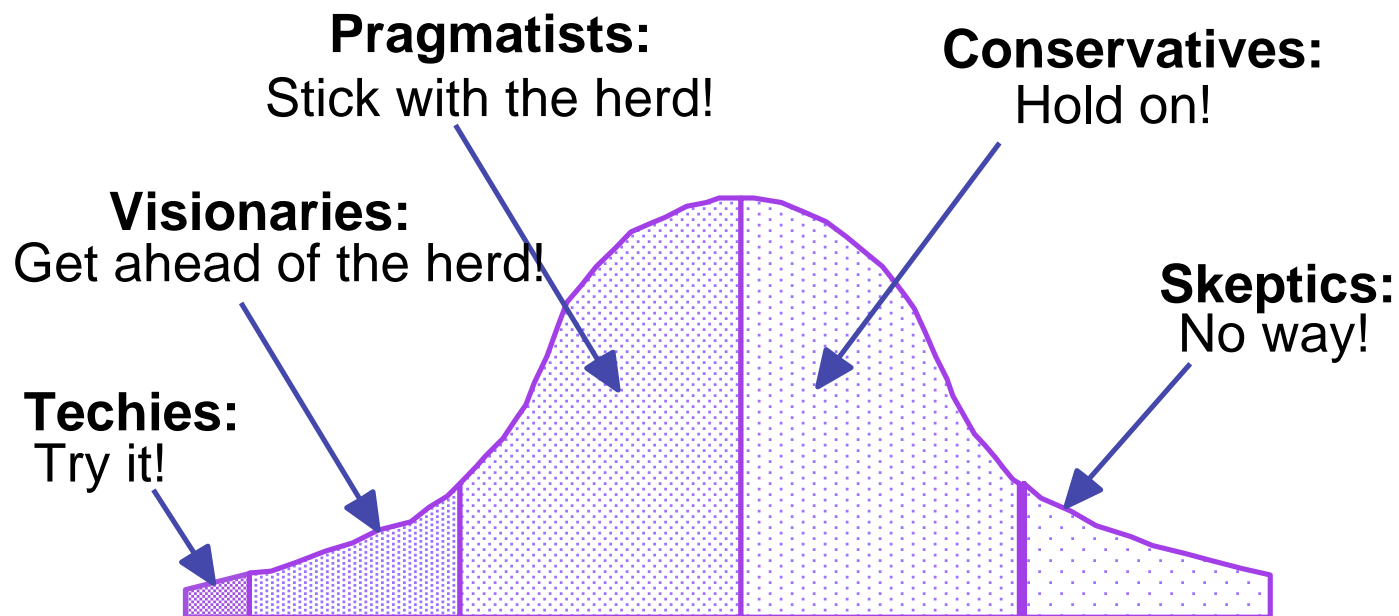
Market Development Model

% of potential adopters who make first purchase



Adoption Life Cycle

% of potential adopters who make first purchase

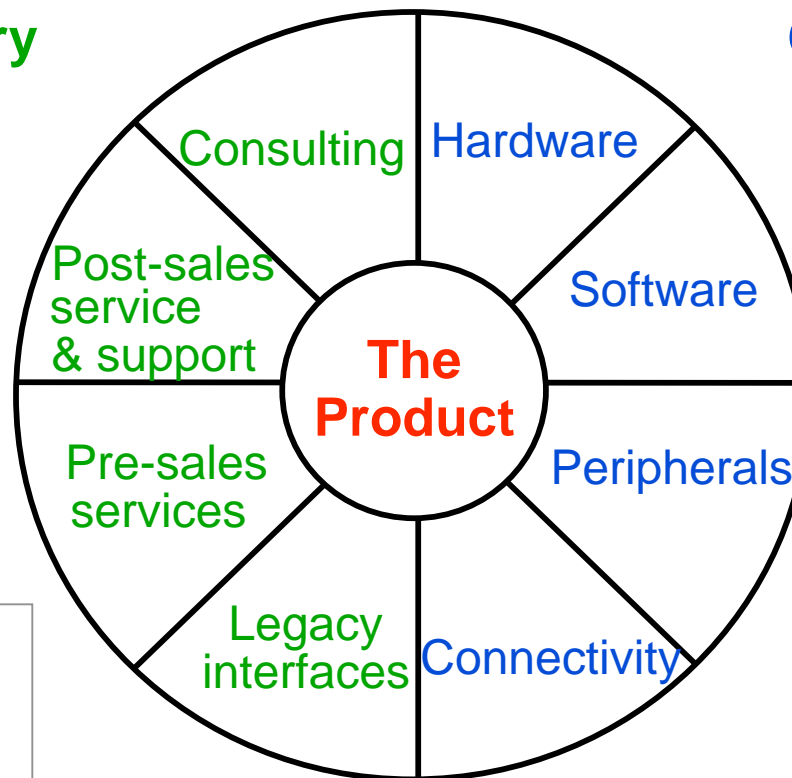


Example: the endoscopic market is on the 'conservatives' side of the curve

The Whole Product

Complementary
Services

Complementary
Products



Whole product modeling is an *exhaustive* analysis of what it takes to ensure the fulfillment of the target customer's compelling reason to buy



Brass tacks

Step 2: Secondary Research

- Identify your competition
- Find 'comps'
- Define the Total Available Market for your product/service



Secondary Research

- Google!
- <http://www.wikipedia.org>
- Magazines and news sites
- Analyst firms
- Financial industry sites
- Associations and organizations
- Business research sites:
 - Hoovers
 - Lexis-Nexis
- Competitor's activities



Sample Total Available Market

Technology Offering suited to Large Pharmas & Biotechs

- 6,500 Biotechs and Pharmas in the USA
- 88% are not candidates;
research is purely NCEs (5,720 orgs)
- Leaves a TAM of 780 organizations:
 - 65% (507) have 300 researchers or less = Entry-level product
 - 35% (273) have more than 300 researchers = Enterprise-level product
- TAM:
 - 507 Entry @ \$100k* average deal size = \$50,700,000
 - 273 Enterprise @ \$800k* average deal size = \$218,400,000
 - \$269,100,000 Total Available Market Value

* Include your market assumptions, pricing assumptions and other mitigating factors such as competitor's market penetration



Brass tacks

Step 3: Primary Research

- Prepare your positioning
- Prepare your pricing
- Develop market validation deliverables
- **Talk with prospects**
- Adjust your plan based on findings
- Talk with prospects



Positioning: Make it CRUDE!

Create Your Positioning

- For: (Target Segment)
- Who: (Need Statement)
- The (Product Name)
- Is a (Product Category)
- That (Key Benefit)
- Unlike (Primary Competitor)
- Our Product (Differentiation)

Is Your Positioning

Credible

Relevant

Unique

Durable

Easy to Communicate?



Sample Positioning –

ABC Clinical Management Solution

- For: the Principal Investigator of a Behavioral Healthcare facility
- Who: Needs to perform more accurate diagnoses
- The ABC Clinical Management Solution
- Is an industry-wide shared knowledge base of clinical psychiatric symptoms and targeted diagnoses
- That rapidly delivers accurate diagnostic data through an online Web interface.
- Unlike: Other paper-based, clinical management systems that lack an industry-wide, integrated, data sharing model...
- Our Product – delivers proven, accurate diagnostics from over 50,000 licensed clinicians; resulting in 50-70% first time diagnostics and an overall improved quality of clinical care.



Market Intelligence

- How much will they pay?
Price points for different offerings
- Their buying cycle, not your selling cycle
 - Length, phases, pilot? legal/contract process
 - Which departments to pitch
 - Who signs-off? Who influences?
 - Sign-off limits, budget cycle



Market Validation Deliverables

- A target account profile
- A target customer list based on the target account profile
- A script that can be used to approach target accounts AND the flexibility to deviate from it
- A presentation that communicates your solution and solicits desired feedback



Host Market Validation Sessions

90 minute sessions with a cross-section of target customers in the following format:

- 30 minutes of learning about the account
- 30 minutes education about your solution
- 30 minutes of feedback



Brass tacks

Future steps:

- Build your Market Model
- Build your Business Plan



Sample Market Model –

Example: Agricultural BioSciences Offering

Target Customer

PI in Agriculture Biotechnology

Compelling Reason to Buy

Dramatic competitive advantage and TTM

Whole Product

Production support for direct materials

Partners and Allies

Outsourced production support provider

Distribution

Direct sales

Pricing

Value-based, gain motivated

Competition

Gene expression and modification labs

Positioning

Technology-based leadership

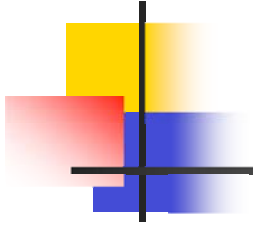
Next Target Customer

Another PI in a different industry



Closing thoughts

- This is not rocket science...
So why is it that new ventures often fail to perform adequate primary research?
- Because:
 - Entrepreneurs can get over-excited about their ideas
 - Of “target fixation” on *The Plan*
 - It’s hard work



Q&A / Discussion