

Finding your customer

(Great technology is not enough)





Agenda:

- Introduction: why are you here?
- I'll try to provide a few hot tips to
 - Find your customers
 - Succeed with your business
- Two examples of product launches
- Lessons
 - That you've learned
 - That I hope I've learned
- Your turn; Conclusion



Why would you need this course?

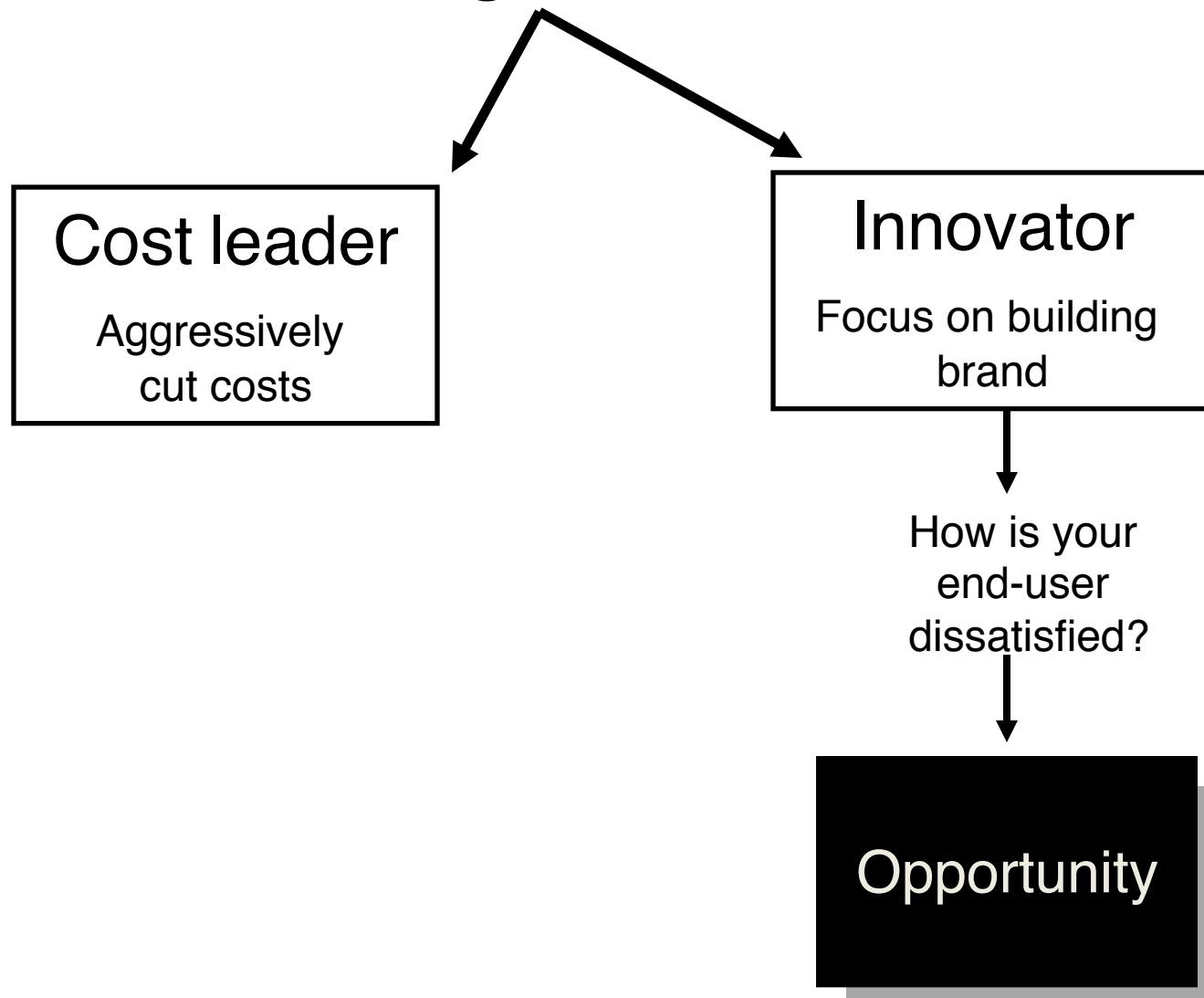
- You're smart
- You've got a great idea
- You're passionate about making it succeed
- You've got a life-long track record of succeeding at everything you've ever tried
- So what could possibly go wrong?



My background

- Principal at Scientia Advisors – management consulting – growth strategies: life sciences, health care
- CEO of Vitasoy USA (turn-around)
- Founder & CEO: three medical companies
- Executive positions at Baxter, Abbott, other companies
- Numerous articles, speeches, industry presentations
- Two issued patents
- Princeton, MIT Sloan

Two success strategies





Your business will not prosper until you know:

What am I really selling?

Who wants that?

How do I find them?

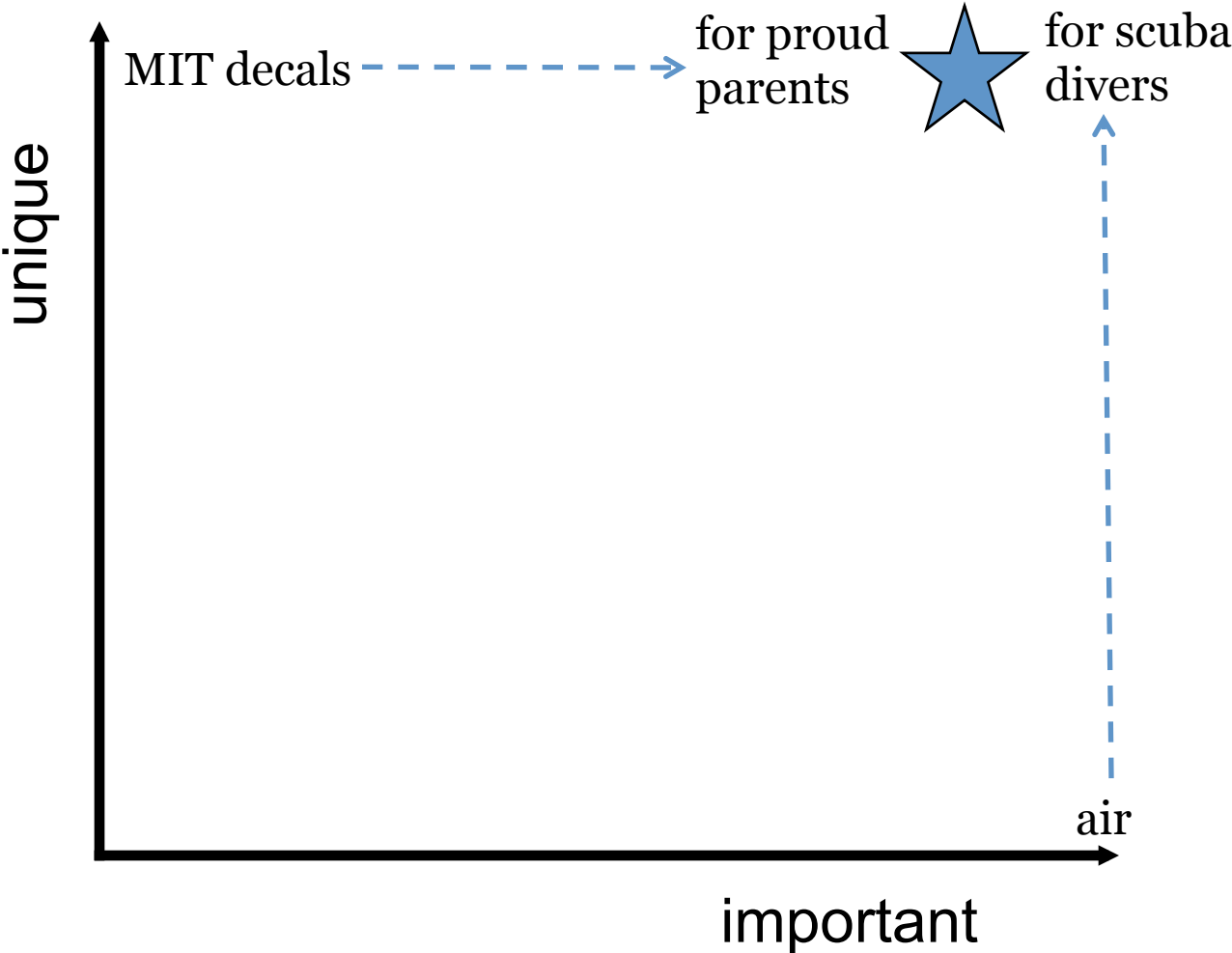


Who gets the investor's money?

- A predominant emotion for investors: FEAR that you will lose the money
- Primary goal: determining if you have a chance of succeeding with your business
- Non-negotiable requirement: CUSTOMERS
- Therefore:
 - Do you have any customers? Will you have any? Do you even know that you need them?
 - How will you get them? How much is each one worth? How many do you need and how long will it take you to get them?



Two descriptors you want





The point:

- Figure out who will find your offering to be both important and unique (or at least, better...)
- Figure out how to find them and tell them about your offering
- Take their order

Example #1: Regain®

Nutrition supplement for
patients with renal failure





Background

- I was running the clinical nutrition division of a California medical company
 - \$300MM company, on track to go public → we'd all make \$\$\$
 - Nutrition division was very profitable business
- Saw impending market changes → my business would go away → threatened our ability to go public (oops...)
- I wanted (and needed) to explore new opportunity
- Potential re-positioning of corporation
- First in country to do this → no model for success existed



The market/customer need

- 400,000 dialysis patients, rapidly growing market; it was easy to locate both the patients & the caregivers
- Patients were generally fluid-restricted, clinically malnourished, need life-long nutrition supplementation
- All existing nutrition supplements were liquids → obviously bad for fluid-restricted customers
- We had the technology to formulate a nutrition supplement that met customers' specific needs without fluid—a food bar:

Regain™



Clinical question: does it work?

- Ran clinical trial (even though it was not required for non-Rx products)
- Got results published in *Annals of the National Kidney Foundation* (peer-reviewed, prestigious)
- Bottom line: solid scientific support → product measurably improves patient health



Our business planning

- Dialysis patients see a doctor re: dialysis regimens, and see a dietitian re: their nutritional requirements
- Our market research – ask the opinion leaders:
 - Renal physicians: would you recommend?
 - Renal dietitians: would you recommend?
- Competitive analysis: all competing products are liquids, ours is the only entrant with no fluids
- Market projections: big business opportunity → revenue forecast for corporation → exciting!
- Product launch: developed marketing materials, trained sales force, made product, went to market

The result: DISASTER

- Sales < 10% of forecast



Why?

- We surveyed the clinicians, but:
 - they don't buy it
 - they don't eat it
- When we finally talked to the patients
 - they didn't want it
 - they couldn't afford it
- Retailers: won't carry it





How did this affect me and my job?

- Our company was on track to show Wall Street that we were a good candidate for a public offering
- IPO → My colleagues and I would own stock worth significant \$\$\$
- My shortfall put the IPO at risk
- Monthly senior management meetings
 - Had to report my results to my colleagues on senior management team
 - Embarrassing (to say the least)
- This was like a slow-motion train wreck: it just got worse and worse
- And it went on for an entire year...

What we did about it

- Learned about inside sales
- Learned about local patient publications
- Got Medicaid reimbursement:
40 states
- Felt really bad
- Sold the business



Example #2: NiteBite®

*Timed-release glucose bar™
for the nutritional management of hypoglycemia*





New company, new product

- Moved to Boston, launched new company with Harvard scientists
- Triaged their current projects, developed a business plan (ahem...)
- “Let’s develop/sell product in a field that’s big enough to get noticed, small enough that we can handle it”
- Selected diabetes as field, based on an intuition about something the customers needed and weren’t getting



The market/customer need (at that time)

- 10 million diagnosed diabetics; chronic disease → manageable but incurable
- Goal of management: keep blood sugar from being too high or too low
- 4 million used insulin to lower their blood sugar
- All insulin-using diabetics are at risk of hypoglycemia: blood sugar goes too low



Medical background

- Hyperglycemia: major cause of retinopathy, nephropathy, neuropathy
- “Tight control” dramatically reduces incidence of high blood glucose (hyperglycemia)
- But with tight control, the incidence of hypoglycemia (low blood glucose) triples
- Hypoglycemia: must be treated right away, leads to fainting, can lead to coma

Hypoglycemia at night

- Insulin users typically eat a night-time snack
- Very important: prevent hypoglycemia without causing hyperglycemia
- Consequence: constant anxiety trying to manage evening regimens of insulin & night-time snack
- Greatest fear: “...dying in my sleep”





Our answer: NiteBite®

Timed-release glucose bar

for the nutritional management of hypoglycemia

- We created a nutrition bar to be used (primarily) as a nighttime snack
- Patented formulation: nutrients that turn to glucose at different rates: called it “timed-release glucose”
- Designed to lower incidence of hypoglycemia without causing hyperglycemia
- Tasty; non-medical name, packaging (Why?)
- Looks like “energy bar” rather than “medicine”

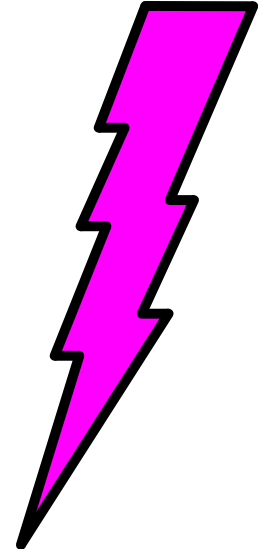


Our business planning

- We engaged clinicians, parents and patients in product formulation
- Held focus groups with prospective customers: fears, concerns, price, distribution points, clinical contacts
- Went to support group meetings
- Picked ad agency → knew diabetes → instead of hypodermic needles, our first ad featured flying pigs

The results: very exciting

- Ran ads:
 - At 100 calls/day, we got more phones
 - At 200 calls/day, hired more sales staff to answer the phones
 - At 300 calls/day, installed a database to track all these people
 - At 500 calls/day, rented tables & chairs to hold the extra computers, started training our new staff → we might be onto something
- Hired/trained inside sales force
- Penetrated all major pharmacy chains & were stocked in all major wholesalers without ever paying slotting fees (very difficult)
- The lesson: understanding our customer helped us invent a better product and build a successful business





Getting into retail channels, 1

- Our ads generated incoming calls from consumers:
 - Qualifying questions
 - Right answer → free sample
- Follow up with consumers:
 - Did you get our product? Your reaction? Open-ended questions...
 - For a limited time: free shipping – would you care to order?
 - Then: aren't you about out? Time to re-order?



Getting into retail channels, 2

- The close (consumer):
 - No more free shipping → Would you like to buy NiteBite where you buy your insulin?
 - Where's that? May I call them?
- The close (pharmacy):
 - “Your customers want our product & you don't have it”
 - “What can we do about that?”
 - We took their initial order → re-orders at larger volumes
- No one ever mentioned “slotting fees”
- What gave us that negotiating power?



Leveraging experts (for free)

- Background: Certified Diabetes Educators
 - 15,000 in the USA; 12,000 are members of the AADE
 - Many hold monthly meetings with patients → always need new content
 - CDE's biggest concern: “patient compliance”
- Us → CDE → patients → high-quality sales force for free
- CDE → pharmacists re: patients
- Pharmacists would agree to take the product
- No mention of “slotting fees”
- What gave us that negotiating power?



Turning up the heat...

- Wholesalers
 - New Orleans trade show → 25 drug stores → called their wholesaler
 - “You don’t know me, but I’ve sold ‘em and built in a profit for you”
 - Put us in your system, take the order & take the money → no work for you
 - Now we could tell pharmacists, “Your wholesaler stocks our product.”
- Major chain stores
 - Clearwater, FL meeting to discuss slotting & slotting fees
 - “How would you like us to answer their question?”
- No mention of “slotting fees”
- What gave us that negotiating power?



Results, in conclusion

- Impressive growth in sales
- Extraordinarily high reorder rate
- Got a great deal of publicity
- Got numerous offers to buy business, sold to \$1B pharmaceutical firm

Conclusions

Lessons and questions





Lessons

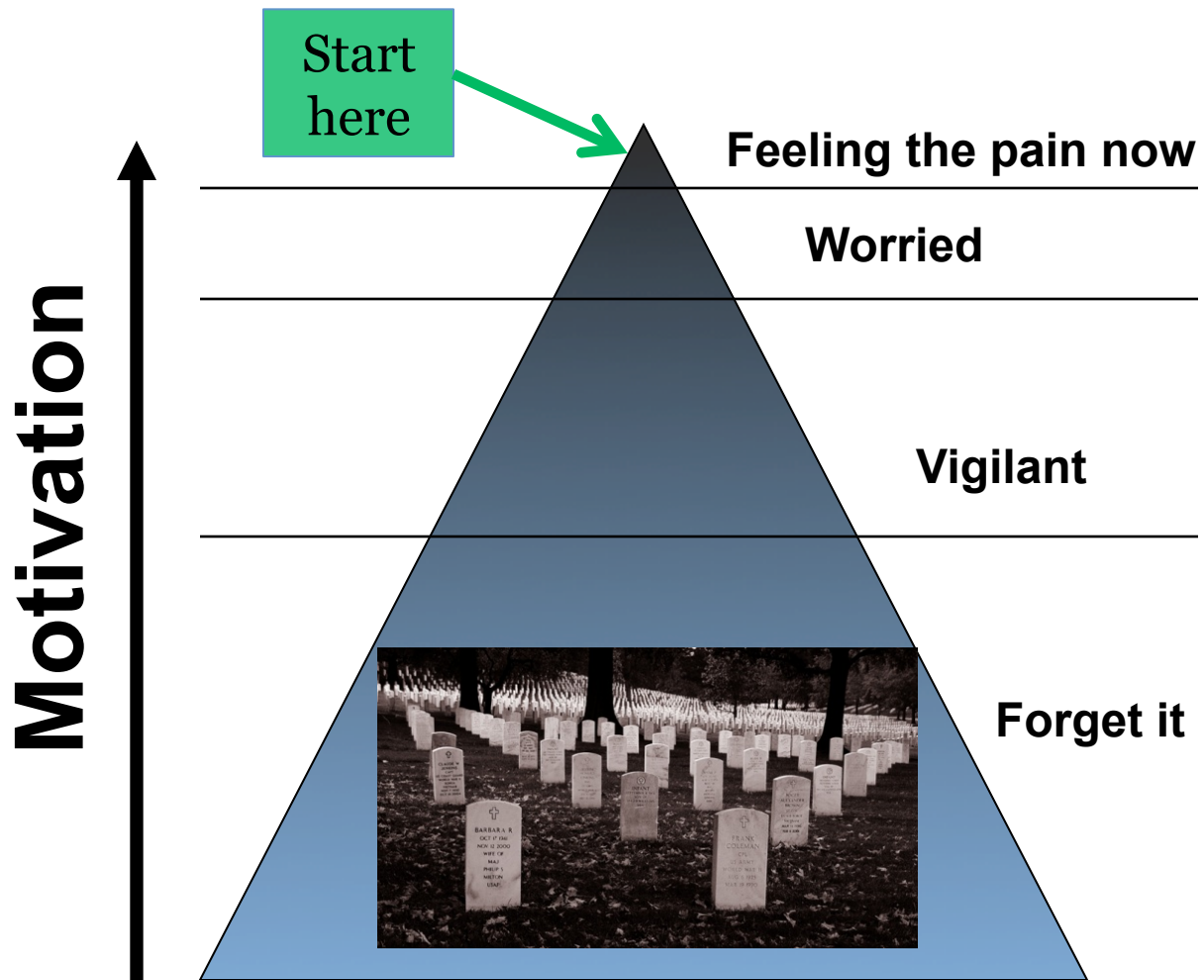
- I've learned a lot of lessons from my (sometimes painful) experiences
- I'll summarize them for you
- But you go first
- What have you learned from this presentation that might be relevant to your business plan?



Lessons I hope I've learned

- Know your customers intimately: what are they really buying?
- Products which are “for everyone” aren't for anyone → positioning is imperative (“air for scuba divers...”)
- Face it: no one needs your product or service (I don't need these glasses...)
- They might need its benefits (but only under certain circumstances...)

My view: market segmentation





Changing buying habits

- For consumers to change their buying habits requires a LOT of motivation
- Powerful motivators include:
 - Pain
 - Fear
 - Greed
 - Vanity
- Virtue is a tough sell



Power marketing: in two easy steps

- Find out what your customers want
- Give it to them




FOCUS: imperative in new firm

- Pick 1-3 well-defined market segments that you can dominate
- Succeed in those niches and get to critical mass
- Corny but true: “There is no hocus-pocus that takes the place of focus.”



A different way of looking at this

- Instead of “promoting your product,” it’s “finding your customer”
- Customers “hire” products to do a job
- Design your products to do a specific job for a specific kind of customer
- Then go find those customers
- If you’ve done this right, the selling will be easy



Ways to do that:

- TALK with your prospective customers – there's only so much you can glean from reports
 - Interviews, focus groups, mall intercepts
 - Telephone calls, consumer hotlines, user groups
- KNOW them: how do they view their problem?
 - What are they buying now to solve the problem?
 - What do they read? To whom do they go for advice?
- Understand what's behind what they're asking for (Henry Ford quote)

Example: talking to customers

Understanding the weight loss customer





What do these consumers say?

- “I don’t like how I look or feel. I am so sad, I just want to cry...I feel so lost and alone.”
- “I am mad that food that passes my lips betrays me.”
- “I want to feel like a real woman, sexy...I want to be healthy...I am supposed to be a pillar of support for others, yet I have none of my own.”



Why do they want to lose weight?

- “I’m afraid of catching diabetes....”
- “I have severe leg pain, swelling and high blood pressure...I know it is basically to save my life.”
- “I am 21 and have never even gone on a date. I am not ugly and I have no tragic flaws in my personality, so it has to be the fact that I’m big.”
- “I looked in the mirror and actually saw what I look like. I don’t like the way I look. I want to do something about it.”



Why do they want ... (2)

- “I have to do this for so many reasons that I would get banned from the group if I listed them all. In a nutshell, my weight problem has tainted pretty much every aspect of my life - personal, public, work, home, friends, family, marriage - you name it and either directly or indirectly, it’s been a problem.”
- “I am to the point of facing serious health problems...My family’s medical history is bad and consistent. Besides all of that, I’m simply tired of it being a CONSTANT issue.”



Our end user

- Wants to lose/manage weight (as part of a healthy lifestyle) WITHOUT:
 - Dieting (→ deprivation, failure)
 - Exercise (→ pain, embarrassment, failure)
 - Inconvenience
 - Hunger
 - Bad-tasting foods

But they've been scammed...

- Soap that dissolves your fat in the shower
- Inserts for your shoes
- Acupressure rings
- Exercise in a bottle
- Many, many more....



Their fundamental questions:

- Will this one work for me?
(Can I succeed with this one?)
- How?
- Why should I believe you?
- Does it taste good?
- Is it expensive?
- Where can I get it?



Resuming...





You do have competition

- If customers aren't spending money now to solve the problem you are addressing, it's not a problem
- Whatever they are buying now is your competition
- How is your solution **BETTER** in the eyes of your customer?

Customers buy **VALUE**



Your opinions may not matter

- What you value may not be what your customer values (e.g., technical elegance vs. ease-of-use) – *Crossing the Chasm expands on this quite elegantly*
- Competitive threats sometimes come from out of the blue (Slim•Fast and Atkins, the internet and CD sales, downloading books vs. buying paper publications, etc.)



More lessons

- Even if customers need your product or service, if they don't want it, you can't sell it
- In the early stages, it doesn't matter who needs it—the only thing that matters is who wants it
- If you can't find your customers, you can't sell your product
- If you can't communicate your product benefits within seconds, you can't sell it



Acid test: the 30-second sell

- If you can't tell your story to a customer in 30 seconds or less, you're in trouble
 - You need focus to create brochures, collateral material
 - Your idea may not have real benefits to your customers (or you may not understand them)
- If you can't summarize your story for a venture capitalist in 30 seconds or less, you're unlikely to raise any money
- Remember: customers buy BENEFITS. Tell us the benefit of your idea/product/service.
- This takes more work than you'd think...

Questions you should ask

- What's broke that my product fixes?
- Who cares? That is, who is trying to fix that problem? How many of them are there?
- Do they have any money?
- How do I find them?
- How are they solving the problem now?
- Why is my solution compellingly better than what they've been doing?





Crafting the 30-second sell

- Let's try this process now...
- Tell us about a potential business idea (yours or someone else's)
 - Let's ask a few questions
 - Let's try to create a quick summary of the target customer and the benefits to those customers
- Who'd like to get the benefit of our wisdom here?

Final questions

- Where do my customers go for help/advice re: this problem? Exactly how will I reach them?
- Who will be my first customer? Paint a picture of the typical customer
- What evidence do I have that they will be willing to pay for my product?
- How much will they pay?
- Where will they buy my product?
- Who is responsible for sales?



Your turn

Questions?





Summary

- The only non-negotiable requirement for a successful business is CUSTOMERS
- For your business to succeed, you must provide something that is important and unique TO SOMEONE
- Therefore,
 - Figure out who can't live without your product or service
 - Find them and tell them about it
 - Take their money

Thank you!

Bob Jones

bobjones_02142@yahoo.com

