



Lecture 12
Pricing and Go-to-Market Strategy

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Project: FARS-Tech

Program: [Indonesia Summer 2013](#)



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Members



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Description

Discussions

Coming Soon!

Today's Agenda

- Daily Scrum
- Competitor Analysis
- Customer Acquisition/Go-to-Market
- Key Takeaways

Let's Scrum!

- Take a minute to reflect...
 - What have you done since yesterday?
 - What are you planning to do today?
 - Any impediments/stumbling blocks?

 - What else are you thinking about?

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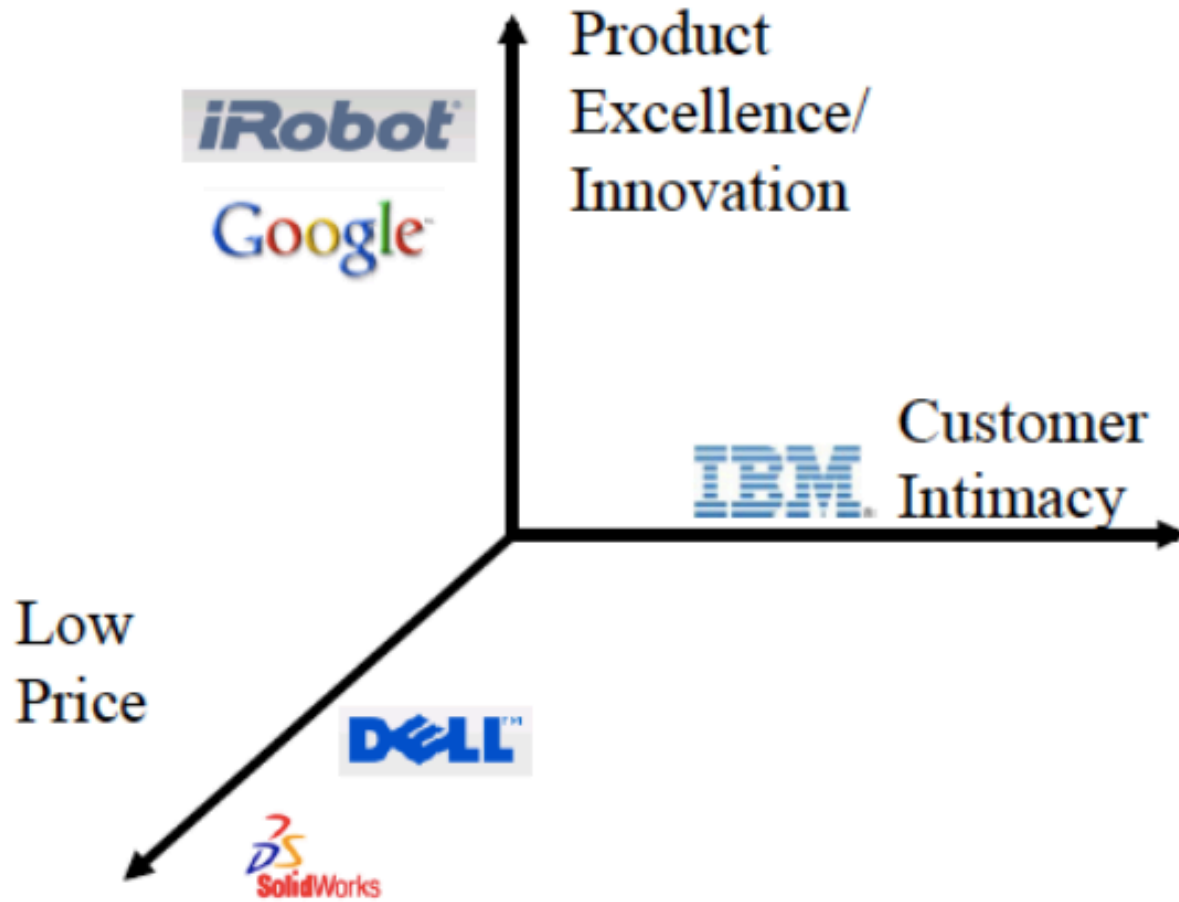
Homework Assignment #9: Individual Exercise

1. List a group of your top competitors. If you cannot find any within Indonesia, find a similar international company.
 - If you say you have NO competition, there is no market!
2. How do you group them (e.g. geography, size, focus)?
3. If you were YOUR competitor, how would you compete with you? List 5 weakness of your own business model, or places of improvement.
4. What creates value for your target customers? What is your major criteria to make your product better (i.e. price, quality, quantity, reputation, service)?
5. Best way to start is looking at customer, not your competitors.




Group Exercise

1. Go to your team and compare notes.
2. In 1 slide, provide a visual representation of your company vs. your closest competitors.
3. Present!

What does your customer value?



Group Exercise Example

Chart Key	
	- Capability available / High Attribute Score (1)
	- Capability available, but limited / Medium Attribute Score (0.5)
	- Capability available / Low Attribute Score (0)



	Design Tool Capabilities				Total Score	Furniture Shopping Features				Total Score
	Design Tool Capability (None/2D/3D)	Ease of Use of Design Tool	Multiple Options to Initiate Design	Collaboration Features (Designers / Social Networks)		Furniture Shopping Available	Multiple Furniture Retailers	Dynamic Furniture Suggestions	Scale / Reliability	
Furniture Manufacturers										
IKEA	1	0.5	0.5	0	2	1	0.5	0.5	0	2.5
Crate & Barrel	0	0	0	0	0	1	0.5	0.5	0	2.5
Ashley	0.5	0	0	0	1	1	0.5	0.5	0	2.5
Interior Design Websites / Tools										
MyDeco	1	0.5	0.5	0	2	0.5	0.5	0.5	0.5	2
Google SketchUp	1	0.5	0.5	1	3	0	0	0	1	1
AutoDesk HomeStyler	1	0.5	0.5	1	3.5	0	0	0	0	1
Online Retailers										
Amazon	0	0	0	0	0	1	1	1	1	4
FillBee	1	0	0	0	4	0	0	0	1	3

Group Exercise

- Team presentations: 5 minutes
- Questions to think about:
 - What do your customers value?
 - Who do you think are your closest competitors? Why?
 - What do you believe you can do better?

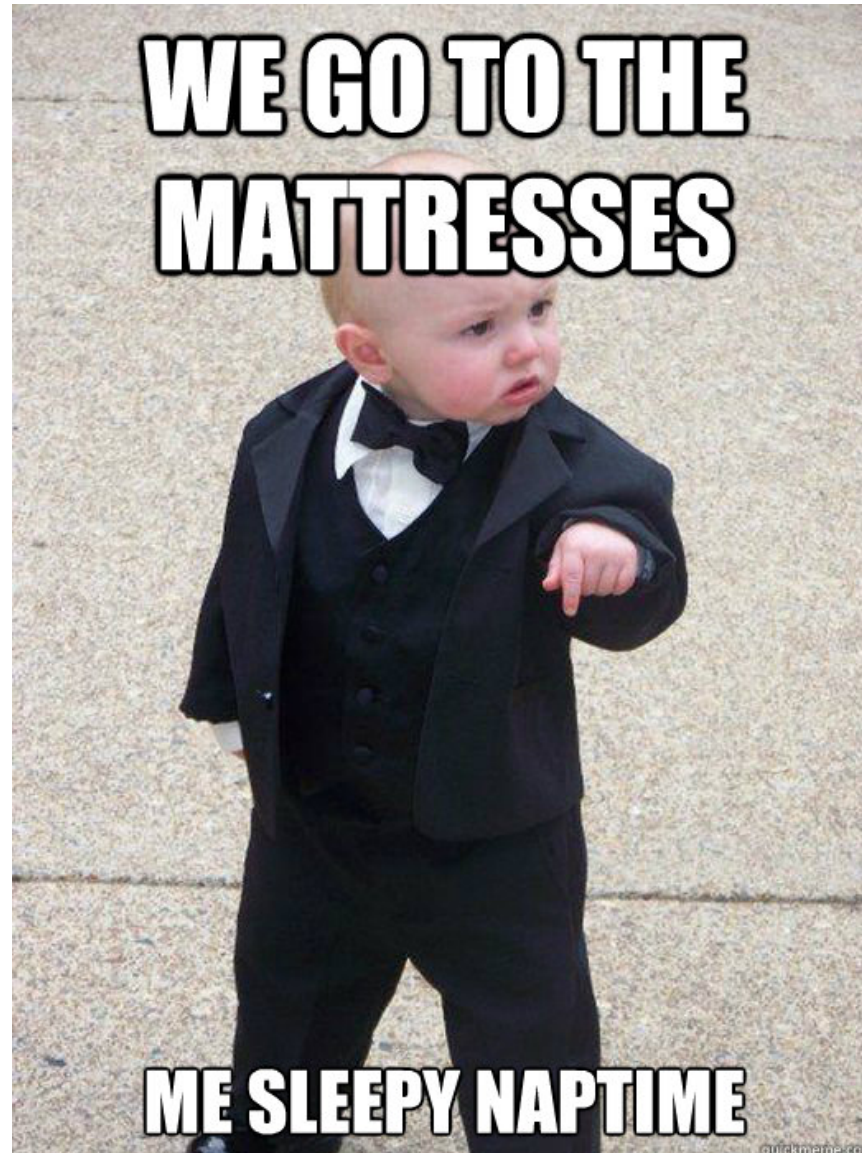
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#6: How will you reach your customers? How will you get more customers?



Go-to-Market Strategy



We will get customers by...

- How do you acquire customers?
 - What is your sales, marketing, and distribution strategy?
 - How will you reach the target customer?
 - What is your cost to acquire a customer?
 - Mention established partnerships, if any

Go-to-Market Strategy

- WHOM will we actively target within the market?
- WHAT will be our product portfolio for target customers?
- HOW MUCH will we charge for our products for different customers?
- HOW will we promote our products to target customers?
- WHERE will we promote and sell our products to target customers?

This is an iterative process. Each component impacts the other.

Go-to-Market Strategy

- Overall Marketing Strategy
- Pricing
- Sales Tactics
- Advertising and Promotion
- Distribution

Overall Marketing Strategy

- Describe the specific marketing philosophy of the company, given the value chain and channels of distribution in the market niches you are pursuing.
- Describe which geographic areas you will initially target, how will you expand geographically, and why this makes sense.
- Describe any seasonality to your business and what can be done to promote sales offseason.

Pricing

- Discuss pricing strategy vs. competition.
- Analyze gross margin per product sale and show that you can cover the expenses to reach your desired profit.
- Justify the difference in price between you and your competition.

The secret to pricing: there is no secret. So try small while you can.

Determining Price

- Cost-based pricing vs. Price-based costing
 - Cost-based pricing: Determining the cost of a product, choosing a desired profit margin, and generating a sales price
 - Price-based costing: Choosing a desired sales price and costing out production to meet that sales price with a desired profit margin

Free (Ads Revenue)

- **Price:** Free
Audience: Mass Market
Model: Advertisement Supported
Example: Facebook, Yelp, etc.
- The main goal is to deliver content in multiple formats and extend reach.

Pros

- Easier to manage for established brands.
- Easy to build traffic initially for a free app, although may not be long lasting.
- Ratio of downloads for free to paid apps is 400:1, or 95% of apps downloaded are free.

Cons

- Highly competitive: popular model, advertisers have the advantage.
- Ads take up application space.
- To get profitability the traffic has to be extremely high.

Charging for Apps (Flat Rate)

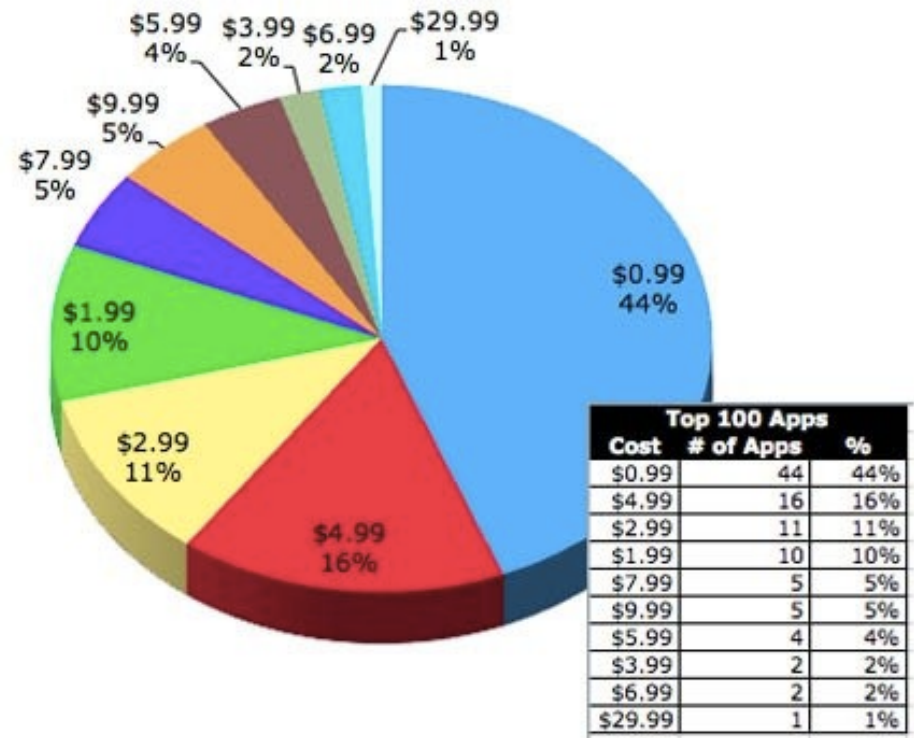
- **Price:** Paid applications, at a low price point
Audience: Mass Market
Model: Direct Revenue
Examples: Sim City, etc.

Pros

- Greater potential revenue without compromising form
- Returns are immediate from Innovators and Early Adopters

Cons

- Need to continue traffic to continue revenue: Early Majority
- Must have compelling value proposition to capture buyers: lots of free competitors



Charging for Apps (Freemium)

- **Price:** Paid applications, at a low price point, with free trial version/ in app purchases
Audience: Mass Market
Model: Ads on Free Trial Version, Direct revenue on paid version
Examples: StickTennis, Angry Birds etc.
- **2 Options:** Separate and In-App Freemium

Pros

- Easier to capture initial users than initially paid apps.
- Natural transition once value has been proven.

Cons

- Value of paid application needs to be proven.
- Risk of losing customers after free version expires.

Other (Less Common) Options

- If your business model allows:
 - Subscription/licensing
 - Mobile TV, other ongoing services
 - Direct sale of goods and services
 - Movie and concert tickets, virtual gifts
 - Indirect sale of goods and services
 - Dunkin' Run (from Dunkin' Donuts)
 - Sponsorship
 - Government support for mHealth apps

Sales Tactics

- Describe the method (direct, distributors, sales representatives, etc.) that will be used to make sales and distribute the product or service
- Discuss the value chain and margins for retailers, distributors, wholesalers, and salespeople
- Describe special policies, e.g. discounts, regional exclusivity, etc.
- Describe how your sales force and sales efforts will grow and scale over time
 - Geography, demographic, etc.

Advertising Schemes

- Traditional:
 - Posters
 - Billboards
 - Newspaper Ads
 - TV/Radio Ads
- Non-traditional:
 - Mobile advertisements
 - Printing on sides of cars
 - Offering promotions
 - Word-of-mouth
- Think about placement
 - Where is your target customer? Where do they hang out? What are their hobbies?
 - How can you grab their attention? How can you be different from the competition?

Promotional Schemes

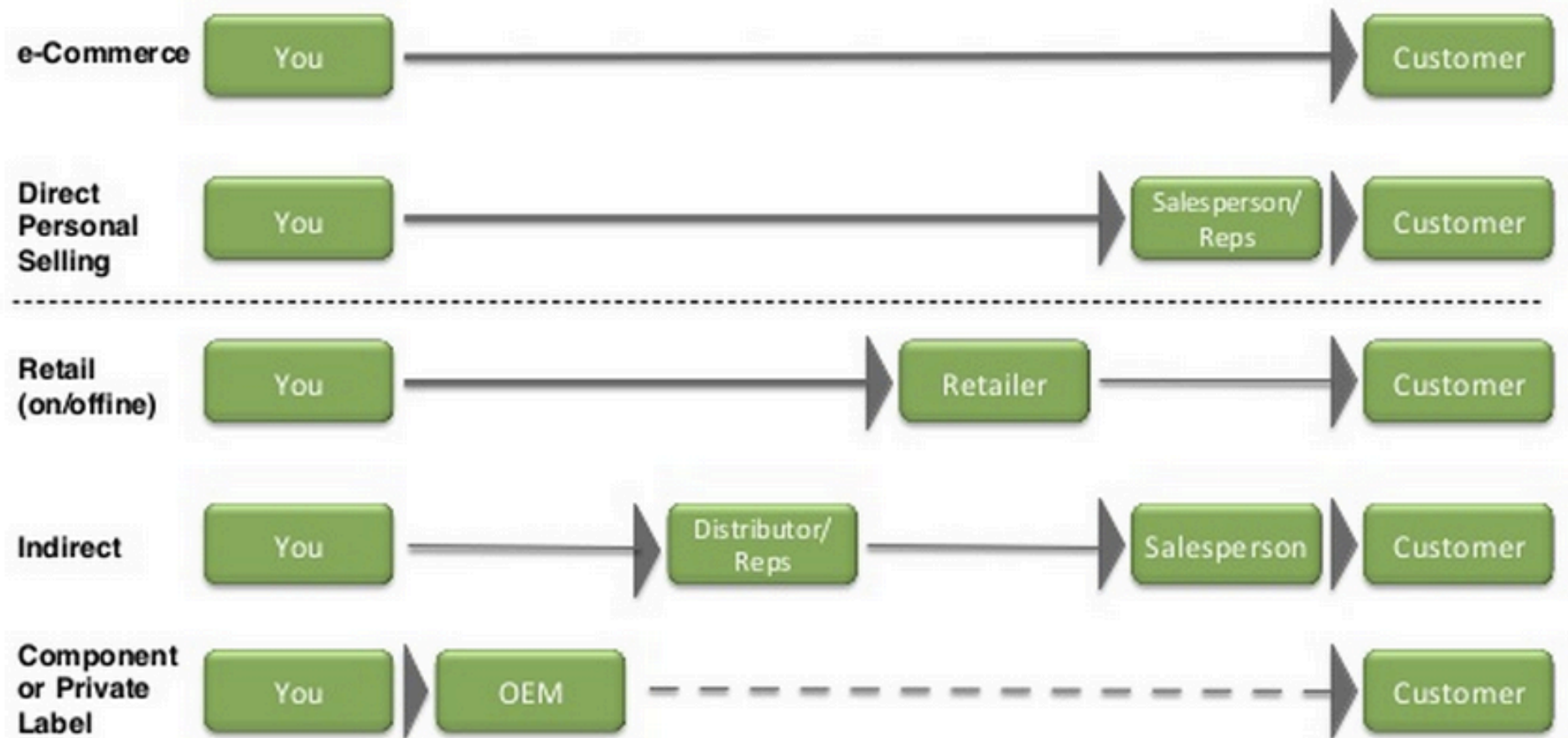
- Earn a reward for the first time you use the service.
- Earn a reward for every recommended friend who also uses the service.
- Free trial (one week - one year free).
- Random draw reward for downloading the service.
- These are only a few examples.

Distribution

- Describe methods and channels of distribution you will use.
- Describe shipping costs if applicable.

Distribution Value Chain

Channel Options



Homework Assignment #10

- Over the week and weekend, think about your go-to-market strategy
- By next Monday, have your strategy described in 750 words or less
- Try to conduct some field research – scope out locations and find communities

In-class Exercise: Start with Social

- Use the rest of class today to set up:
 - Facebook Page
 - Google+ Page
 - MIT AITI Page
 - Twitter
 - What else?
- Things to post:
 - Value Proposition/Unique Selling Proposition (USP)
 - Logo
 - Product Name
- Tips for creating a Facebook Page:
<http://mashable.com/2013/06/21/social-makeover-facebook/>
- 10 Google+ Tips for Your Business:
<http://www.webpronews.com/10-google-page-tips-for-your-business-2011-11>

Create Page

2012

2011

2010

2009

2008

2004

2002

2000

1999

1998

1995

1992

1987

1986

1980

1975

1960s

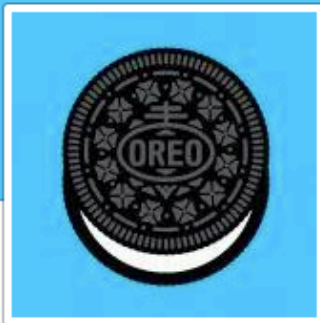
1950s

1940s

1930s

1920s

Founded



Oreo

33,905,223 likes · 217,330 talking about this

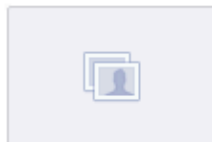
Like

Message



Food/Beverages

The classic cookie you know and love, bringing you moments of Wonder.



Photos



Likes



Moments Gallery



Oreo Pères à Croq...



About - Suggest an Edit

Highlights



Post



Photo / Video

Write something...

8 Friends
Like Oreo



Google+



Nicole Yap



+ Share



Profile >

About


Posts

Photos

Videos

Hangouts

FOLLOW OUR PHOTOS, CONTESTS AND FREE TRIP GIVEAWAYS



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<http://www.matadornetwork.com>

Following **+2,591**



Matador Network

Shared publicly - Yesterday 11:30 PM

#Alaska

LISTEN >>> Our Managing Editor, Carlo Alcos, traveled to Southeastern #Alaska with Un-Cruise Adventures. He brought back photos, but also sound clips, to create a multi-sensory photo essay:

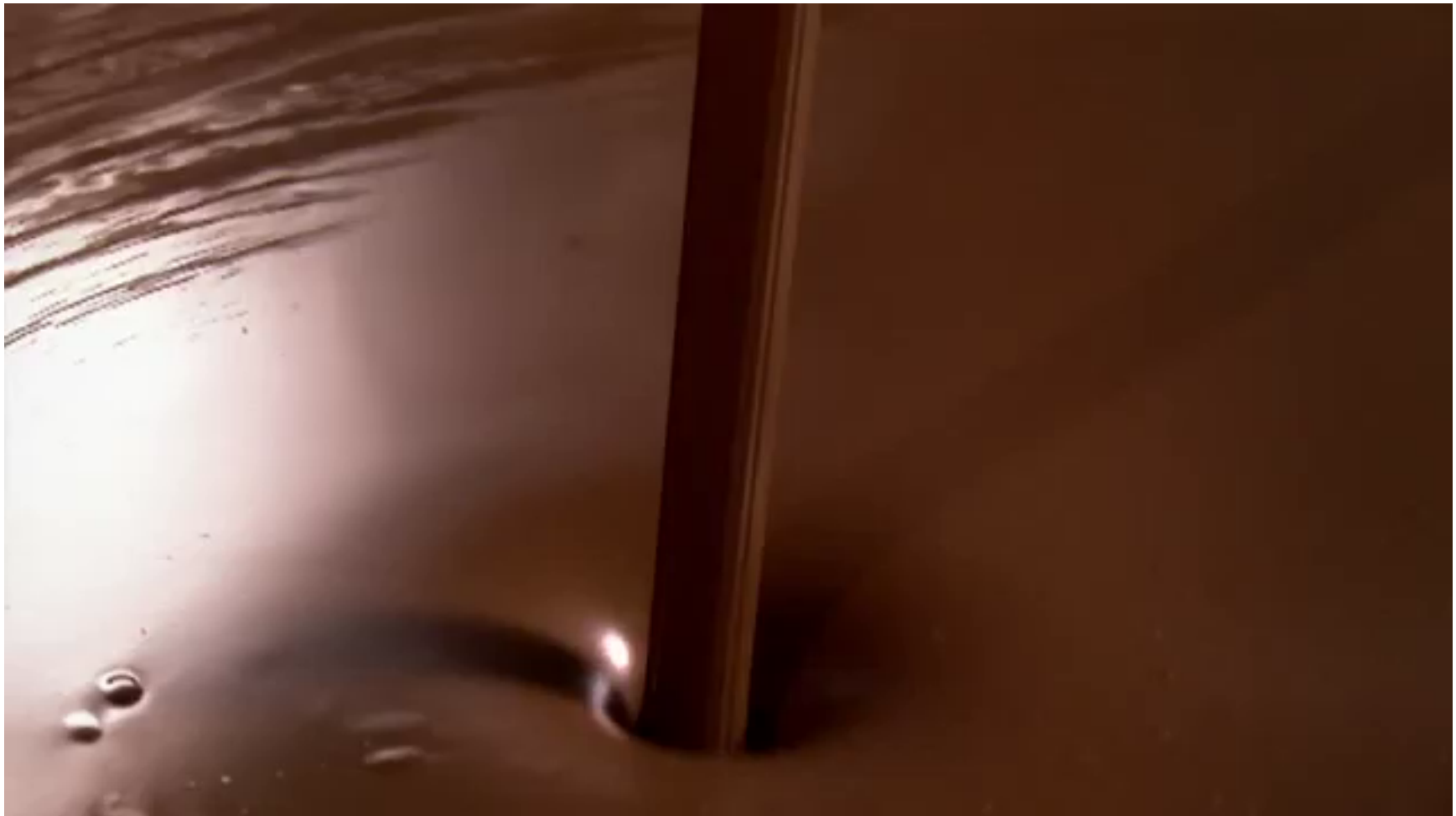
In their circles

69 people



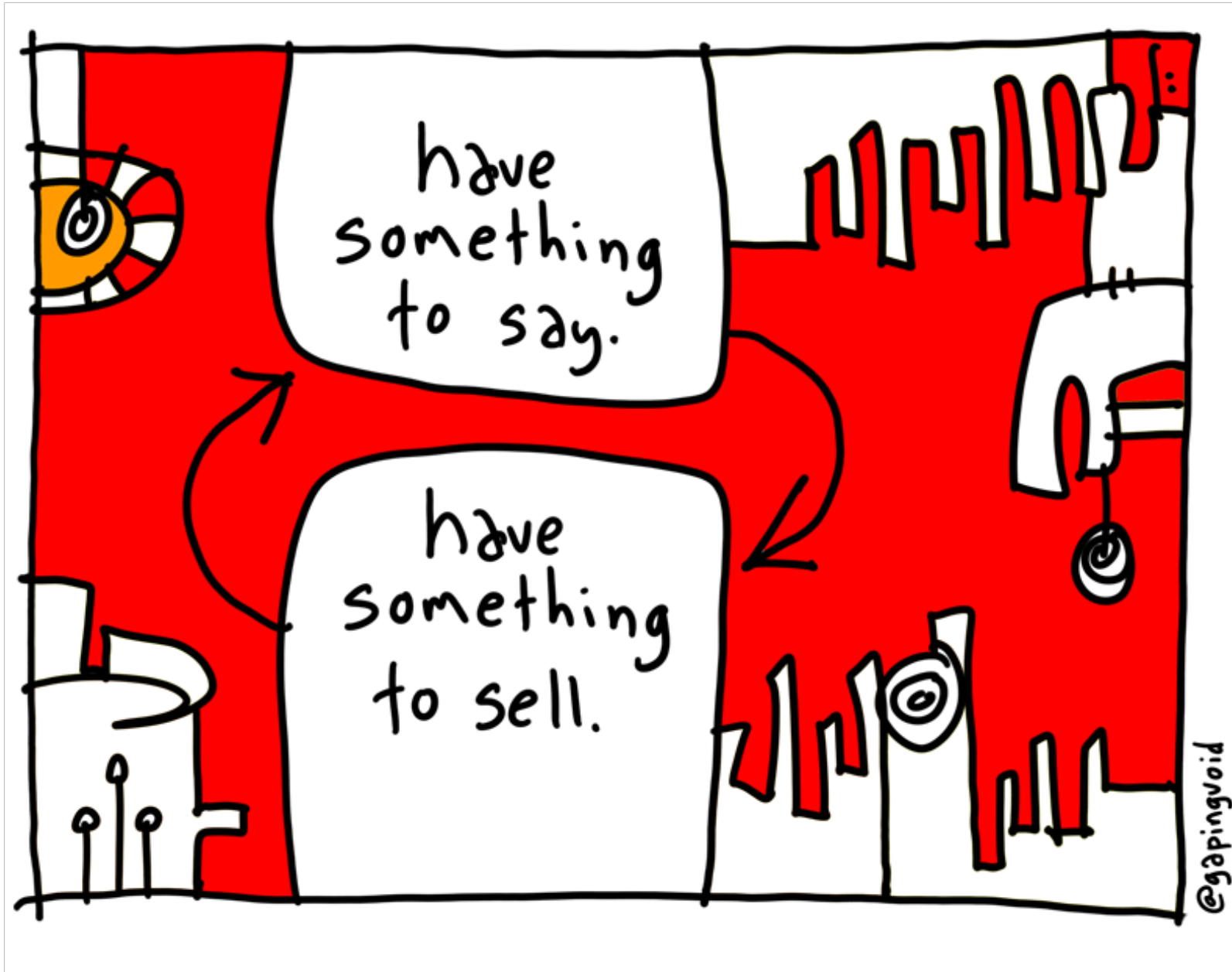
Daniel Kocian Photography .

Add



General Pointers on Social Media

- Determine an owner (e.g. VP Marketing)
- Have a purpose: what is your message? What values do you have?
- Don't limit yourself to the obvious outlets
 - Find the special networks where your target users hang out (e.g. Reddit/r/___)
- Find the influencers (e.g. bloggers, “Twitterati”)
- Join the conversation! Build relationships. Be human.
- Set goals and measure against them.
- Check the sites of your competitors...



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Key Takeaways

- Competitor Analysis is critical to understand how your product is going to stand apart from the rest.
- Your Go-to-Market strategy describes how you will reach your customers, how much you will charge, and how much it will cost to do so.
- Your pricing model can depend on the role your mobile application plays in your business.
- Social media can be a powerful tool, but it must be maintained.

“The most valuable thing you can make is a mistake - you can’t learn anything from being perfect.”

- Adam Osborne

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- Check your e-mail and Facebook for any additional announcements.
 - Sign up for individual office hours.
 - Questions?
 - See you tomorrow!