

# ROCKET BUILDERS

bringing technology to market

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## Marketing 301

"SFU - Marketing Overview"

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## Marketing Research Technology Adoption Models 'Whole' Solution Offerings Product Positioning Pricing

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## About the Rocket Group

 **ROCKET ACADEMY**

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 **ROCKET INSIGHTS**

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## Rocket Academy

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January 16, 2008 in Vancouver

- 75 + Investors from 40+ Firms
- 36 Growth Companies - Raising \$ 1-50 M
- 15 Minute Presentations
  - Information Technology and Cleantech & Advanced Tech Companies
  - Raise Capital, build relationships
  - Waterfront Hotel, Vancouver

[www.financingforum.com](http://www.financingforum.com)

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Dave Thomas  
[dthomas@rocketbuilders.com](mailto:dthomas@rocketbuilders.com)  
[www.rocketbuilders.com](http://www.rocketbuilders.com)

Product Launch Bootcamp – Late Fall 2007  
Market Readiness Program – January 2008  
[www.rocketacademy.com](http://www.rocketacademy.com)

Canadian Financing Forum – Venture Capital Event  
January 16, 2008 [www.financingforum.com](http://www.financingforum.com)


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Learning Objectives for Today

- Taking the time for **market research** increases your chances for success.
- Understand the concepts of **technology adoption cycles** and **whole product** and how it impacts market entry.
- Understand how **product positioning** influences all messages in marketing materials.
- Understand how **pricing** is determined and what models can be employed.

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Market Research

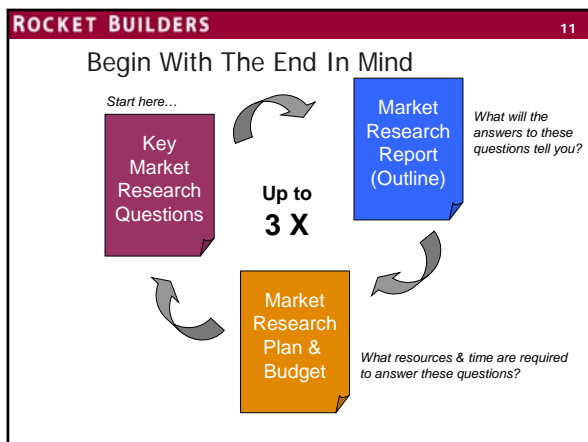
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Key Milestones – Customer, Partners, Resources		
<ul style="list-style-type: none"> <li>Getting first paying <b>Customer</b></li> <li>Work with Beta customers</li> <li>Customer Input into product development</li> <li>Customer Input into business model development</li> </ul>		59%
<ul style="list-style-type: none"> <li><b>Partners</b> important to startup companies' acceptance into marketplace</li> <li>Partners played key role in product development</li> <li>Enhanced marketing and financing credibility</li> </ul>		68%
<ul style="list-style-type: none"> <li>Hired or engaged expertise in product development, finance, marketing and sales</li> <li><b>Personnel</b> focused on sales growth and controlling operating expenses</li> <li>Marketing and customer service infrastructure</li> </ul>		69%
		32%
		29%

ROCKET BUILDERS	10
<h2>Marketing and Focus</h2> <p>A company can..." cross the chasm by targeting a very specific niche market where you can dominate from the outset, force your competitors out of that market niche, and then use it as a base for broader operations. Concentrate an overwhelmingly superior force on a highly focused target."</p> <p>(Geoffrey Moore. 2002. Crossing the Chasm. P.99)</p>	



ROCKET BUILDERS	12
<h3>Which statement most closely fits your market understanding?</h3> <ol style="list-style-type: none"> <li>1. We have identified a large market in ...with a clearly articulated business need for...</li> <li>2. We believe there is a business <b>need</b> for ... and therefore a market opportunity to provide ... to ...</li> <li>3. We have a prototype and want to align product development with a large and growing market.</li> </ol> <p>Now what do you do?</p>	

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## Key Market Research Questions

- What is your target market?
- How big is it?
- Who buys your product?
- **Why do they need it?**
- Who pays for it?
- Who uses it?
- How does the customer fix the business problem you are addressing today?
- How much are they willing to pay?
- Why would they buy from you?
- What business problems are more important to them than this one?

\*BusinessWeek October 20, 2004. "Taking the Trouble to Research Your Market."  
http://www.businessweek.com/smallbiz/content/oct2004/sb20041020\_9945.htm

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## Market Segmentation

- **Revolutionary Products**
  - Segment originates with technology or product
  - Vendors can't predict next innovation or its consequences
- **Evolutionary Products:**
  - Segment is pre-defined; challenge is to refine definition/redefine
  - Mainstream market customers insist vendors fit solution to **their** problem

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## Why Segment?

- **Focuses** scarce marketing & development resources on target customer group
- **Narrows** whole product definition
- **Limits** real competitors
- **Leverages** past success into other segments
- **Allows** the benefits of market leadership to develop more quickly

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## Market segmentation

The diagram illustrates the market segmentation process. It starts with a 'Total Market' box, which leads to an 'Addressable Market' box. From the 'Addressable Market', the process branches into 'Market Segments'. These segments are further divided into 'Market 1' and 'Market N'. 'Market 1' is shown with a total value of \$100M, which is split into \$20M, \$80M, and \$10M. 'Market N' is shown with a total value of \$00B, which is split into \$00B, \$00B, and \$00B. The final step is 'Market Share', which shows the total market share of \$30M, with 'Market 1' holding a 20% market share of \$10M. A callout box explains that this is where an organization develops a unique, competitive view of the market and identifies specific opportunities to pursue which will provide significant, sustainable growth. Within overall markets, identifying markets that an organization can realistically address is a critical challenge. From here, market opportunities can be broken down further to uncover the segments that offer the best growth and margin. This will lead an organization to revenue opportunities which are grounded in market realities and therefore more attainable over the short to long term.

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**Product Positioning** – How You Describe Your Product To Potential Customers

1. Customer: Who do we / could we sell to?
2. **Need:** What problem is our customer trying to solve, or opportunity to address?
3. Products: What do we / could we sell to meet our customer's need?
4. Differentiation: Who else can address our customers' needs. How are we different?
5. Whole Product: What else is needed to get a solution to the problem?
6. Positioning Statement Development.

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Market Research Skill Areas

- Secondary research sources
- Customer & Partner Interviews – Primary Research
  - Warm calls
  - Cold calls
  - Retail customer survey tools


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Customer Interviews - Calls

- Must have a product positioning “straw-man” to describe your product to customers
- Develop a consistent set of questions to ask all interviewees
- Trade shows are a great place to do research and make contacts: follow-up after for the interview
- Follow-up with an email – thank you and next steps...  
(is this the end of the business relationship or the beginning?)

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Retail Customer Surveys: Online tools  
<http://info.zoomerang.com/>




The screenshot shows the Zoomerang website interface. It features a navigation bar with 'Home', 'Create Surveys & Get Feedback!', 'It's Fast and Easy.', 'How to Use', 'Contact Us', and 'Sign Up'. The main content area is titled 'How to Create a Survey' and includes a 'Getting Started' section with a 'Quick Start' button. Below this, there are several steps: 1. Choose a Survey Type, 2. Create a Survey, 3. Send to Interviewees, and 4. Analyze Results. The page also mentions 'Zoomerang is the premier global online survey software that businesses, organizations and individuals use to create professional, customized surveys.' and 'Zoomerang is the premier global online survey software that businesses, organizations and individuals use to create professional, customized surveys.'

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## Technology Adoption Cycle

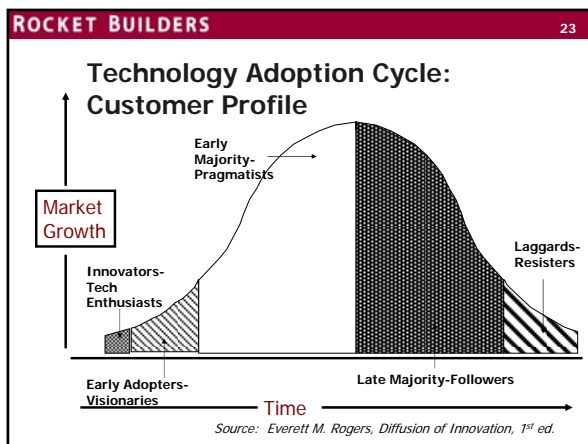
'The Chasm' - How it develops and What to do About it

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## Technology Adoption Cycle

- Provides an understanding of customer requirements e.g. **Why** buy? **What's** in it for me/us?
- Establishes focus for and timing of marketing strategy. **How** and **when** to execute marketing activities.



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## Innovators-Technology Enthusiasts

- **Primary Goal:** Extend the benefits of technology to 'the rest of us.'
- **Characteristics**
  - 'Leading edge technology value system
  - Ignore missing whole product elements
  - Accept references from other tech enthusiasts independent of industry segment
- **Needs**
  - First access to data/works with developers
  - No-profit pricing
- **Role**
  - Gatekeeper to Early Adopters
  - Alpha test, identify product bugs
- **Marketing Implications**
  - Especially important with revolutionary technology, products and market creation

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## Early Adopters-The Visionaries

- **Primary Goal:** Achieve a revolutionary breakthrough resulting in a dramatic competitive advantage
- **Characteristics**
  - Envision strategic applications for technology easily
  - Attracted by high-risk, high-reward propositions
  - Assume system integration responsibility
  - Value order-of-magnitude effects – not price sensitive
- **Needs**
  - Rapid time-to-market (from vendor perspective)
  - High degree of customization and support
- **Role**
  - Fund development of early market
  - Help define whole product requirements
  - Serve as evangelists, marketing betas
- **Marketing Implications**
  - Identify these customers proactively & build programs around them (you can only work only so many at a time)
  - Leverage them as references into mainstream market

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## Early Majority - Pragmatists

- **Primary Goal:** Provide an evolutionary, incremental improvement resulting in a sustainable competitive edge
- **Characteristics**
  - Approach risk prudently, have 'long-haul' value system
  - Value proven relationships with established companies
  - Value reliable service and predictable results
  - Averse to any kind of disruption in operations (need a transition plan)
- **Needs**
  - Good references from trusted colleagues in their market
  - All components of the solution available and tested (vendor assumption of system integration)
  - Vendor solution 'sell' capability
- **Role**
  - Bulwark of the mainstream market
  - Provide credible references to the late majority, laggards
- **Marketing Implications**
  - Develop strong industry specific references
  - Use these customers to define, test and refine whole product

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## Late Majority - Followers

- **Primary Goal:** Reduce costs in order to stay competitive
- **Characteristics**
  - Risk averse, change resistant and technology shy
  - Very application-literal
  - Very price-sensitive
- **Needs**
  - Predictable products/no surprises
  - Completely assembled solutions
  - Simple, standardized operational instructions
  - Strong references from own industry segment
- **Role**
  - Extend product life cycles and markets
- **Marketing Implications**
  - Deliver what you promise
  - Provide a whole product solution

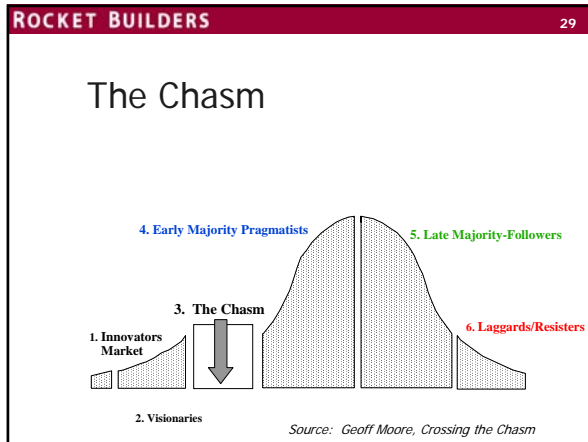
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## Laggards - Resisters

- **Primary Goal:** Block technology adoption
- **Characteristics**
  - Skeptical, risk averse
  - Disbelieve productivity-improvement arguments
- **Needs**
  - Bullet-proof cost-justification
  - Conviction that all other alternatives are worse
- **Role**
  - Challenge need for new, technical solutions
- **Marketing Implications**
  - Understand their mindset as a window to skeptical viewpoint

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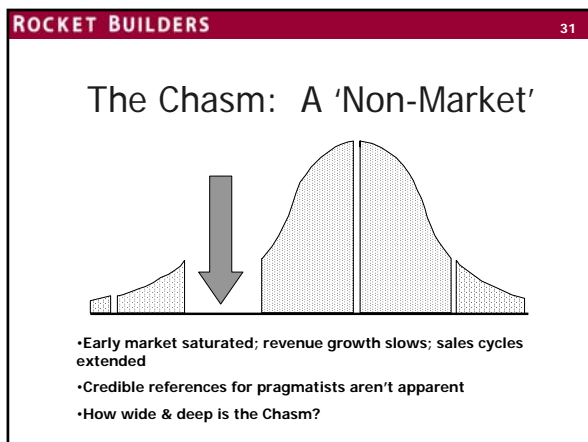


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## Why Chasm Develops

Visionaries	vs. Pragmatists
■ Adventurous	■ Prudent
■ Early buy-in	■ Wait & see attitude
■ Go it alone	■ Expect relationships
■ Think big	■ Management expectations
■ Spend big	■ Spend to budget
■ Think Pragmatists are pedestrian	■ Think visionaries are dangerous

*These two groups are not compatible!*



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## How to Cross the Chasm?


- **Segment** - Vertical applications/target customer
- **Redefine** & understand target customer's whole problem/compelling reason to buy
- Define & develop **whole product** (and how can you do it better than the competition?)
- Develop **marketing plan**



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## Whole Product

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## Whole Product Definition

**Physical Product**  
+  
**All Associated Factors**  
(services, partners, warranties, guarantees, image, training, etc.)  
=  
**"The Whole Product"**

Both tangible & intangible elements required by target customer to solve his/her whole problem.

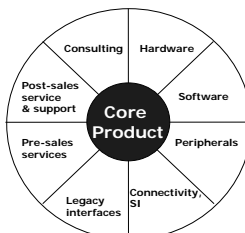
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## The Whole Product Concept

- Determines which pieces company intends to provide
- Remaining areas must be filled in by partners
- Provides focus on customer requirements
- Time to Market Acceptance: Accelerates mainstream market acceptance
- Competitive Barriers: establishes differentiators in a commodity/standards world.

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## The Whole Product

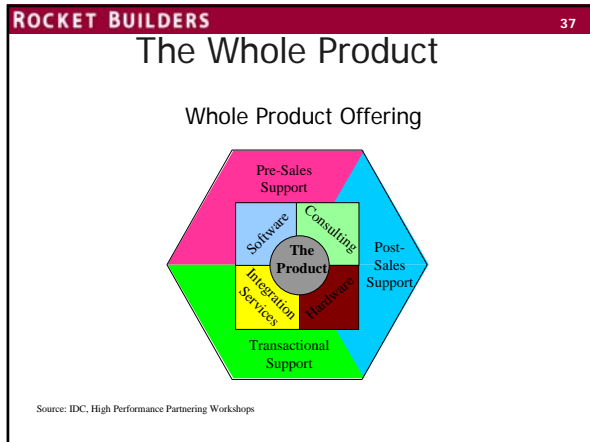


All other products, services and relationships needed by the target customer to fulfill their compelling reason to buy

Source: Crossing the Chasm, Geoffrey Moore

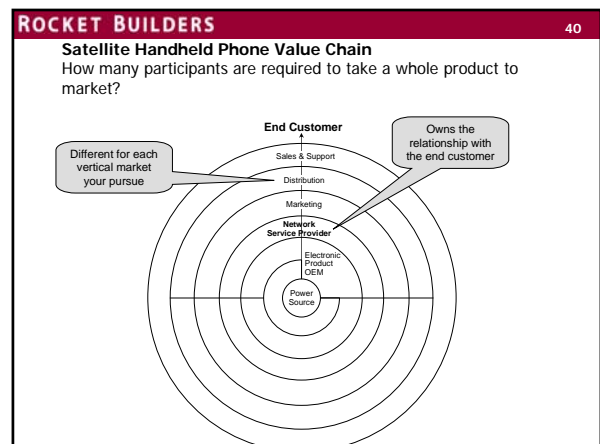
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- ROCKET BUILDERS** 38
- ## Whole Product Questions
- What complementary services must be acquired with your product?
  - What additional hardware or software must be purchased to deploy your product?
  - Will customers achieve ROI without complementary products or services? How will these 'total cost of ownership' issues affect:
    - Your sales process?
    - Customer satisfaction?

- ROCKET BUILDERS** 39
- ## How Do you Market the Whole Product?
- Evidence of whole product solution
    - Launch activities
    - Partnerships, alliances
    - Sales people (solution sell capability)
  - Manage the evidence of whole product solution
    - Contact points with customer? What are their issues
  - Build reference base
    - Develop infrastructure marketing programs



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### Exercise: Ad-Hoc Whole Product Audit

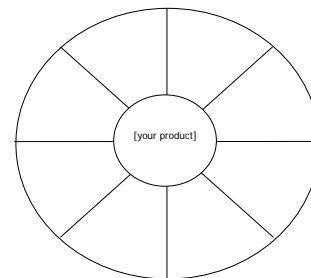
✧ For your company's primary product, make some quick notes off the top of your head on:

- What complementary services must be acquired with your product?
- What additional hardware or software must be purchased to deploy your product?
- Will customers achieve ROI without complementary products or services? How will these 'total cost of ownership' issues affect:
  - Your sales process?
  - Customer satisfaction?

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### Whole Product Worksheet



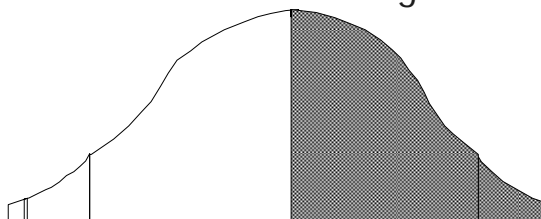
All other products, services and relationships needed by the target customer to fulfill their compelling reason to buy

Source: Crossing the Chasm, Geoffrey Moore

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### Whole Product Strategies

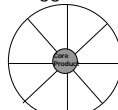
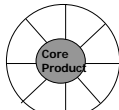
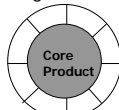
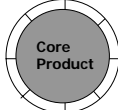


Innovators

Pragmatists

Followers

Laggards



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### Positioning

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### Definition

- **Why** will they buy from us vs. our competition?
- **Positioning** = Managing the product and its presentation to fit a predetermined place in the mind of the customer
- Positioning = Market + Competitive Segmentation Differentiation

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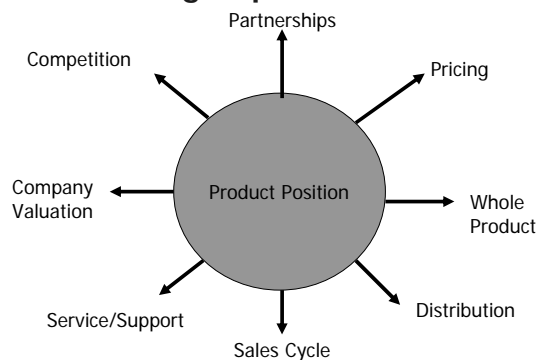
### More Definitions.....

- **Perceived** status within market segment. (Exists in people's heads)
- **Build relationships** to secure & communicate competitive advantage. (Something marketing folks do)

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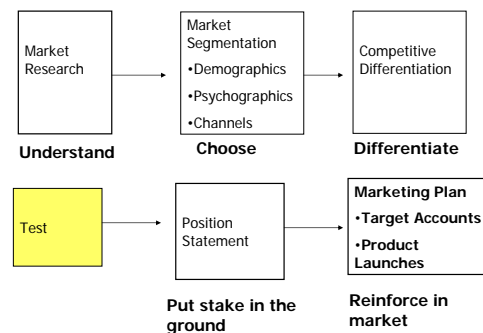
### Positioning Impact



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### Positioning Process



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### Positioning Example: Apple iPod

**For** mobile, high-income individuals  
**who** need a way to listen to their entire music collection in different settings  
**the** Apple iPod is a small, portable digital music player  
**that** offers elegance of design, the ability to store an entire music collection, and easy purchasing of new digital music.

**Unlike** flash mp3 players (Creative, Rio, etc),  
**the product** stores an entire music library and is integrated into a service to purchase new digital music (iTunes)

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### The Positioning Statement

- |   |                                       |
|---|---------------------------------------|
| ■ <b>Positioning Criteria:</b>                            | ■ <b>Positioning Statement:</b>       |
| ■ Who is the target customer? Is this the decision maker? | ■ For (target customer)               |
| ■ What is the compelling reason to buy?                   | ■ Who (compelling reason to buy)      |
| ■ What is the product category?                           | ■ Our product is a (product category) |
| ■ What is the key benefit of that product category?       | ■ That (key benefit)                  |
| ■ Who is the main competitor?                             | ■ Unlike (main competitor)            |
| ■ What is the key differentiation of this product?        | ■ Our product (key differentiation)   |

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### Product Positioning Exercise (12-18 months out)

**FOR** [target customer segment]

**Who wants/needs** [solution to problem]

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

**That provides** [compelling reason to buy from vendor]

**Unlike** [main competitor]

**The** [product name] [key differentiator]

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### Elements of a "Great" Positioning

- |                                 |                          |
|---------------------------------|--------------------------|
| ■ <b>Company</b>                | ■ <b>Customer</b>        |
| ■ Fit with company strategy     | ■ Credible               |
| ■ Fit with company capabilities | ■ Relevant               |
| ■ Fit with corporate culture    | ■ Unique                 |
| ■ Fit with product strategy     | ■ Durable                |
| ■ Fit with physical product     | ■ Emotionally appealing  |
| ■ Fit with brand                | ■ <b>Context</b>         |
|                                 | ■ Fit with trends        |
|                                 | ■ Unique vs. Competition |

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### Acid Test for Product Positioning (ask yourself the following)

- Can competitor's product name be substituted?
- Is there a relationship between compelling reason to buy and key differentiator?

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### Pricing

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### Common Pricing Issues

- What are some common price objections you hear? Is your price too high or too low?
- How does your pricing model compare with the industry? With your competition?
- Do you offer promotional pricing? How effective is it?
- What licensing alternatives do you offer?
- What discounts do you provide to resellers?

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### Price Constraints

- Price Ceiling
- Channel
- Competitive Pressures
- Customer Buying Restrictions
- Value Proposition
- Reputation of Seller
- Total Cost of Ownership

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## Price Models - Software

- per seat
- per seat and per server
- per seat and power of server
- concurrent user and per server
- site license levels
- per seat and per volume usage
- business value\*

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## Pricing Objectives

- maximize long-run profit
- maximize short-run profit
- increase sales volume (quantity)
- increase dollar sales
- increase market share
- obtain a target rate of return on investment (ROI)
- obtain a target rate of return on sales
- stabilize market or stabilize market price
- company growth
- maintain price leadership
- desensitize customers to price
- discourage new entrants into the industry
- match competitors prices
- encourage the exit of marginal firms from the industry
- survival
- avoid government investigation or intervention
- obtain or maintain the loyalty and enthusiasm of distributors and other sales personnel
- enhance the image of the firm, brand, or product
- be perceived as "fair" by customers and potential customers
- create interest and excitement about a product
- discourage competitors from cutting prices
- use price to make the product "visible"
- build store traffic
- help prepare for the sale of the business (harvesting)
- social, ethical, or ideological objectives
- get competitive advantage

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## Pricing Factors

Internal Factors

- Objectives of the Firm
- Marketing Mix strategy
- Costs

External Factors

- Nature of the market
- Demand
- Competition
- Channel pressures

**Pricing Decisions**

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## Pricing Strategies

- Cost-plus pricing - set the price at the production cost plus a certain profit margin.
- Target return pricing - set the price to achieve a target return-on-investment.
- Value-based pricing - base the price on the effective value to the customer relative to alternative products.
- Psychological pricing - base the price on factors such as signals of product quality, popular price points, and what the consumer perceives to be fair.

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## Pricing Methodology

- Determine Market Size and Segments
- Define Whole Product and Product Positioning.
- Determine Cost of Goods and Cost of Sales.
- Estimate the Demand Curve
- Choose Pricing Model
- Set Pricing Objectives
- Choose Pricing Strategy
- Select Pricing

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## Exercise: Ad-Hoc Pricing Audit

✦ For your company's primary product, make some quick notes off the top of your head on:

- What are some common price objections you hear? Is your price too high or too low?
- How does your pricing model compare with the industry? With your competition?
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## Exercise: Session Self-Assessment

- This is a quick self assessment with 5 True/False questions:
  - Our product positioning is consistent in all marketing materials. (True/False)
  - Our pricing is well understood by sales prospects. (True/False)
  - The whole product is well understood by sales prospects. (True/False)
  - Our current pricing is consistent with our market objectives. (True/False)
  - Our positioning, pricing and whole product definition are well packaged for resellers. (True/False)

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## Optional Reading – Positioning

- A good introduction to the positioning section of our next session.
  - <http://www.answers.com/topic/positioning-marketing?method=6>
  - <http://www.marketingpower.com/content1482.php>
  - <http://www.messagesthatmatter.com/columns/positioningst-artswithamessagestrategy.pdf>
  - <http://www.messagesthatmatter.com/columns/GettingManagementtobuy-inonpositioning.pdf>
  - <http://www.tornado-insider.com/news/Article.asp?id=13613>



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### Optional Reading – Pricing

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  - <http://www.inc.com/articles/2003/07/pricing.html>
  - <http://www.marketingprofs.com/4/lucke1.asp>
  - <http://www.website-marketing-plan.com/online/Pricing-Strategy.htm>
  - <http://www.entrepreneur.com/article/0,4621,270370,00.htm>

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### Optional Reading – Whole Product

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  - <http://www.answers.com/topic/whole-product>
  - [http://www.siliconstrat.com/techmkt/whole\\_product.html](http://www.siliconstrat.com/techmkt/whole_product.html)
  - <http://www.marketingprofs.com/4/fischler15.asp>

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### Resources - Suggested Books

- These books are not required reading, but are excellent references:
  - "Chasm Companion" by Paul Wiefels
  - "Positioning: The Battle for Your Mind" by Al Ries, Jack Trout
  - "The Strategy and Tactics of Pricing: A Guide to Profitable Decision Making" by Thomas T. Nagle, Reed K. Holden, Reed Holden
  - "Product Strategy for High Technology Companies" by Michael E. McGrath

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### Some useful references

Geoffrey A Moore. 2002. Crossing the Chasm. Marketing and Selling High-Tech Products to Mainstream Customers.

Clayton M. Christensen, Michael E. Raynor. 2003. The Innovator's Solution. Creating and Sustaining Successful Growth.

Herbert E. Meyer. 1991. Real – World Intelligence. Organized Information for Executives.

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Dave Thomas

[dthomas@rocketbuilders.com](mailto:dthomas@rocketbuilders.com)

[www.rocketbuilders.com](http://www.rocketbuilders.com)

Product Launch Bootcamp – Late Fall 2007

Market Readiness Program – January 2008

[www.rocketacademy.com](http://www.rocketacademy.com)

Canadian Financing Forum – Venture Capital Event

January 16, 2008 [www.financingforum.com](http://www.financingforum.com)

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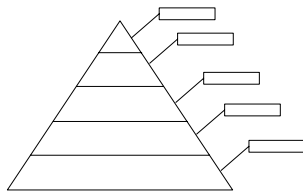
### Messaging Pyramid



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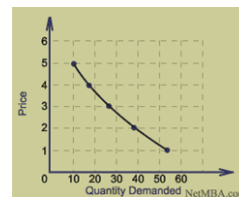
### Pricing Pyramid for Software



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### Demand Curve




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### Pricing as Per Life Cycle Stage



In the Bowling Alley, pricing is value based against the status quo.



In the Tornado, pricing is competition-based against the market leader.



On Mainstreet, pricing is competition-based against the low-cost clone.

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### Pricing as Per Life Cycle Stage

#### Stages of the Technology Life Cycle

