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How Marketing Can Help Tech Start-Ups Survive

Fewer start-ups would fail if marketers had a bigger say in the 4 Ps of the marketing mix.

Most founders have heard of the 4 Ps of classical marketing: product, place, price and promotion. But in my 20 years of experience working in start-ups or coaching their upper management, I've observed that the poor application of the 4 Ps is at the root of many deadly marketing mistakes.

Product in tech firms is usually owned by the product management or engineering team (and in early-stage companies, by the founders). Place, aka distribution, usually falls under the purview of business development and sales. Price is handled by the sales or product management team. Which leaves marketers with promotion, more commonly known as advertising or "growth hacking" in Silicon Valley.

I'm not saying that marketing should own all the 4 Ps. The complexities and skillsets needed are too great, and tech culture is unlikely to change easily. However, if marketing isn't deeply involved in all these aspects, it can result in poor market fit, money wasted acquiring the wrong consumers, brand erosion and reduced profitability. Let's look at each P in turn:

Product

Too often, start-ups fail because founders built cool tech in search of a market. The incredibly smart technical teams that develop the product just aren't close enough to consumers to understand their pain points. Just think of VR equipment. The market, with some exceptions, hasn't really taken off as planned, as it doesn't solve a massive problem.

Another issue that arises when marketing isn't involved is "feature creep". Great products are crammed with excess features that ruin the user experience. The thing that makes WhatsApp, Instagram or Amazon Echo great products isn't their cool features. It's that they offer a simple solution to a real problem. Too many products are overly complicated, lack clear tutorials or don't directly address a particular need. Customers throw up their hands in despair. The rule of thumb, especially in consumer businesses, is to design a product for the market's lowest common denominator and improve it over time.

How marketing can help the product

The key to nailing product-market fit and avoiding feature creep is ensuring the product manager (PM) and product marketing manager (PMM) work together from the concept phase. Don't build a product and then expect marketing to just acquire users. While the PM develops product requirement documents, working with engineering to build and test the product, the PMM's role is to study the market, consumers and the competition to ensure that:

1. The product solves a real pressing need.
2. It can be differentiated.
3. It will have a solid go-to-market plan at launch time.

Good PMMs have both some technical knowledge and the ability to identify the unique positioning that will give a product a competitive advantage.

Place

Place, more commonly known as distribution, can make or break a product. You can have the best product in the world but if a weaker competitor is more widely available, you're probably going to lose. When I worked at Pepsi in the 1990s, Coca-Cola couldn't be beat because it had much better distribution, not better advertising.

Even in tech, you have to be where your customers are and even where they aren't. The more consumers see your brand, the more they will consider it when planning a purchase. Twitter and Facebook aren't massive just because of their product and virality. They are successful because you see them everywhere – on innumerable third-party websites via the Share option, and constant mentions in the press. In effect, their ubiquity reflects their distribution.

How marketing can help distribution

Marketers can identify all possible distribution channels, i.e. where users find the product. Working with business development teams, they can also determine how to market to each segment based on their unique characteristics. For example, when I managed Google Play marketing, one of our targeted programmes was called "Comes with Google Play". It provided handset vendors and carriers with tools reminding users that Android devices came with Google Play content. The goal was to ensure that consumers considering Android wouldn't be pushed towards buying an iPhone because they thought the Android platform lacked content. Our channel partners helped us convey our message to prospective users.

Price

Usually the domain of sales or senior management, pricing can dramatically increase profitability, extend product life cycles and destroy competition. Conversely, the wrong pricing can have dramatic consequences on your sales. In 2011, Blackberry introduced its first tablet, the Playbook, in the same price range as the market leader, the iPad, even though it was an inferior product with less content. The result was a dismal flop. Blackberry's fall from grace had many contributing factors, but a large one was its marketing or the lack thereof.

Your business model matters, too. When I started working in mobile gaming in 2005, consumers were asked to fork over US$4-5 for a product sight unseen. At Glu Mobile, we solved this challenge by providing trial versions of our games. For years, the wrong pricing held the mobile gaming industry back. Once games became free to play, friction was removed and the market exploded.

How marketing can help pricing

Ideally, the PM and PMM should have a joint pricing strategy not just for launch but for the entire lifecycle of the product. It should reflect the competitive landscape, the introduction of new features and the planned obsolescence of the product. In Silicon Valley, not only do teams spend insufficient time on pricing, they often underprice a product (to undercut the competition) or fail to identify features that would justify higher pricing. This is a big mistake, as pricing not only underpins profitability but also brand value perception. If you position your firm as the market leader, why should your pricing be the same as everyone else's?

Marketing teams need to assess how sales and volume change as a function of pricing. They should plan promotions at specific times of the year, price increases when valuable features are added and price reductions when products are being phased out. Lastly, teams marketing physical products should work with sales to identify opportunities to set prices based on channels. There's a reason why a can of soda costs more in a restaurant than at a petrol station.

Promotion

With the increase in noise and channel fragmentation, advertising is not as effective as it used to be, particularly among millennials. Consumers now often base their purchasing decisions on friends' recommendations, the latest fads, old habits, etc. Even Google admitted in 2015 that possibly up to 50 percent of Adwords clicks were **accidental**.

On the B2B side, many customers prefer to buy products and services from companies they trust and that "help" them with their business. B2B marketers should thus focus on content marketing (the creation of valuable materials centred on clients' needs) instead of trying to sell.

In tech, too many companies focus strictly on product awareness. While it's true that consumers usually need to be exposed to an ad between 8 and 12 times to have any recall of it, they also need to ***like* your product** before considering a purchase. In addition, they need an opportunity to try it (with minimal risk and pain). Even if they try your product, it doesn't mean they will **stick with it**. An existing customer is always worth significantly more than a future one. That's why many VCs place so much emphasis on retention.

What your marketing team should be doing in terms of advertising

Good marketers will develop advertising strategies that capitalise on each stage of the consumer journey. Successful marketing strategies will have different messages, creative applications and advertising channels depending on the goal at each stage. Billboards or display ads may be good for awareness but not for the trial stage. Re-targeting is effective for consumers who are already considering your product but not for those already using it. Blog posts, white papers and webinars are only effective if the content is properly tailored.

Each step should have its own evaluation metrics. For example, awareness can be measured in terms of brand awareness, website visits, shares, posts, etc. Trial can be measured in terms of the number of consumers who signed up for a free trial or purchased a sample of your product.

Better marketing will result in better products, solving problems for the right consumers, with the right message, at the right price, available wherever those consumers are. Marketing has never been more important than it is today. Marketers should embrace this opportunity while CEOs and VCs should encourage their marketing and product teams to work more closely together. Consumers, tech companies and investors will be much better off for it.

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