



**START-UP  
ENTERPRISES**

# Finding your customer

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January 2024

**Great technology is not enough**

# Why are you taking this course?

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Lots of reasons – some good, some not so good

# Basic skills you should have for your venture



- Finding your customer
- Knowing how you will make money
- Organizational & people issues
- Legal issues
- Selling, making presentations
- Negotiating skills
- Understanding finances
- Raising capital



Nuts &  
Bolts of  
New  
Ventures

# Tonight's agenda

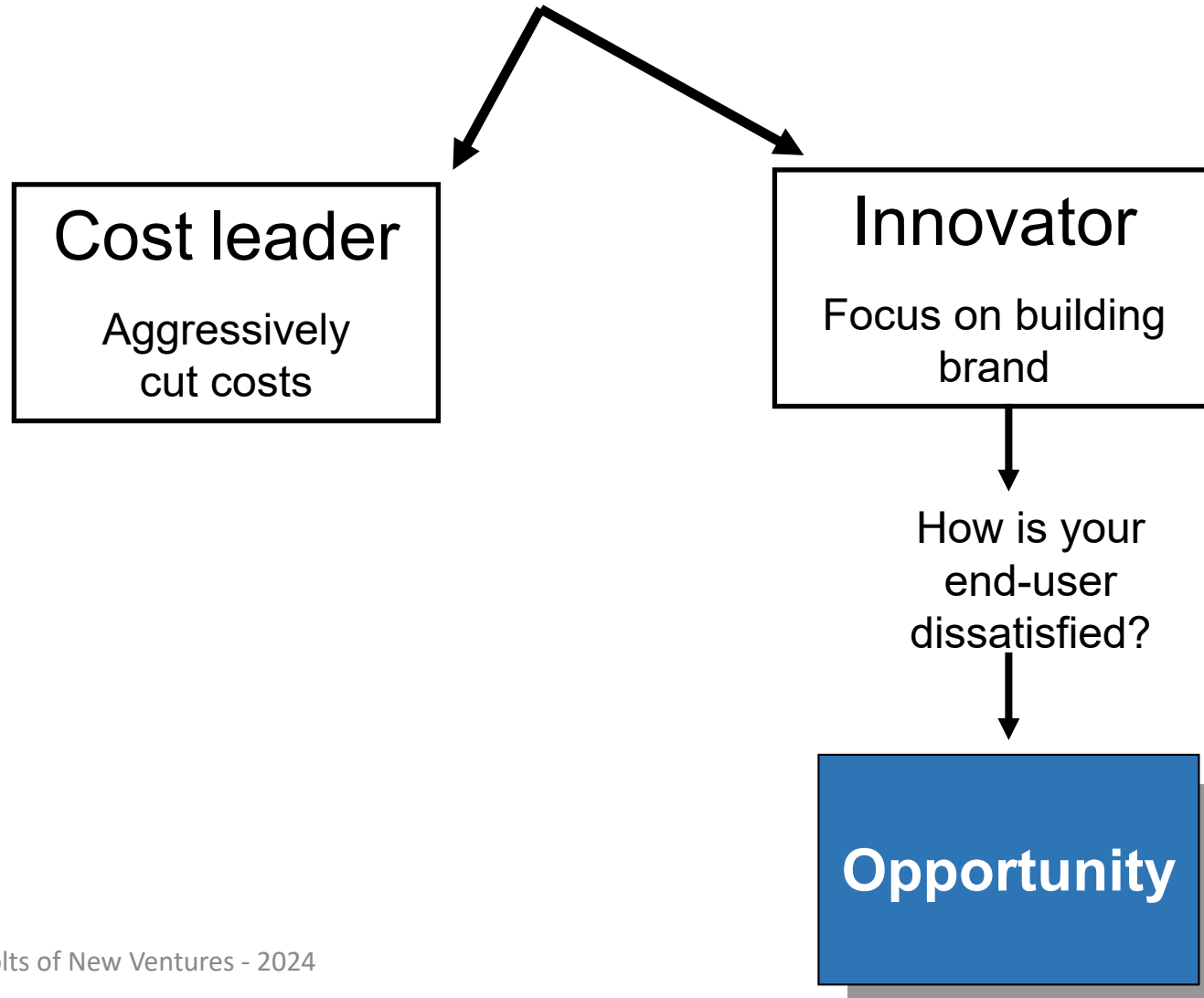
- 1** Hot tips to Find Your Customer and succeed with your venture
- 2** Stories: two product launches I led
- 3** Lessons: that I should learn from this and that you may have learned
- 4** Your turn: Q&A; Conclusions

# My background

- Author: The Start Up Starter Kit (Amazon)
- Founder & CEO – four healthcare startups
- CEO of Vitasoy USA (publicly traded, Hong Kong exchange – turnaround)
- Executive positions at Baxter, Abbott, other companies
- Princeton, MIT Sloan (MSM)
- Performing musician
- Volunteer – homeless shelters



# Two success strategies



# Your business will not prosper until you know:



**1**

What am I really selling?

**2**

Who wants that?

**3**

How will I find them?

**4**

How will I make money?



# **Questions you should ask regarding your venture**

**They seem simple, but they're fundamental**



# Those basic questions



- What's the unmet need that we address?
- Who cares? That is, who is trying to fix that problem? How many of them are there?
- Will they spend money to solve the problem?
- How do I find them and let them know about us?
- How are they solving the problem now?
- Why is my solution compellingly better in THEIR eyes than what they've been doing?
- Exactly who will pay me? Can I make any \$\$?

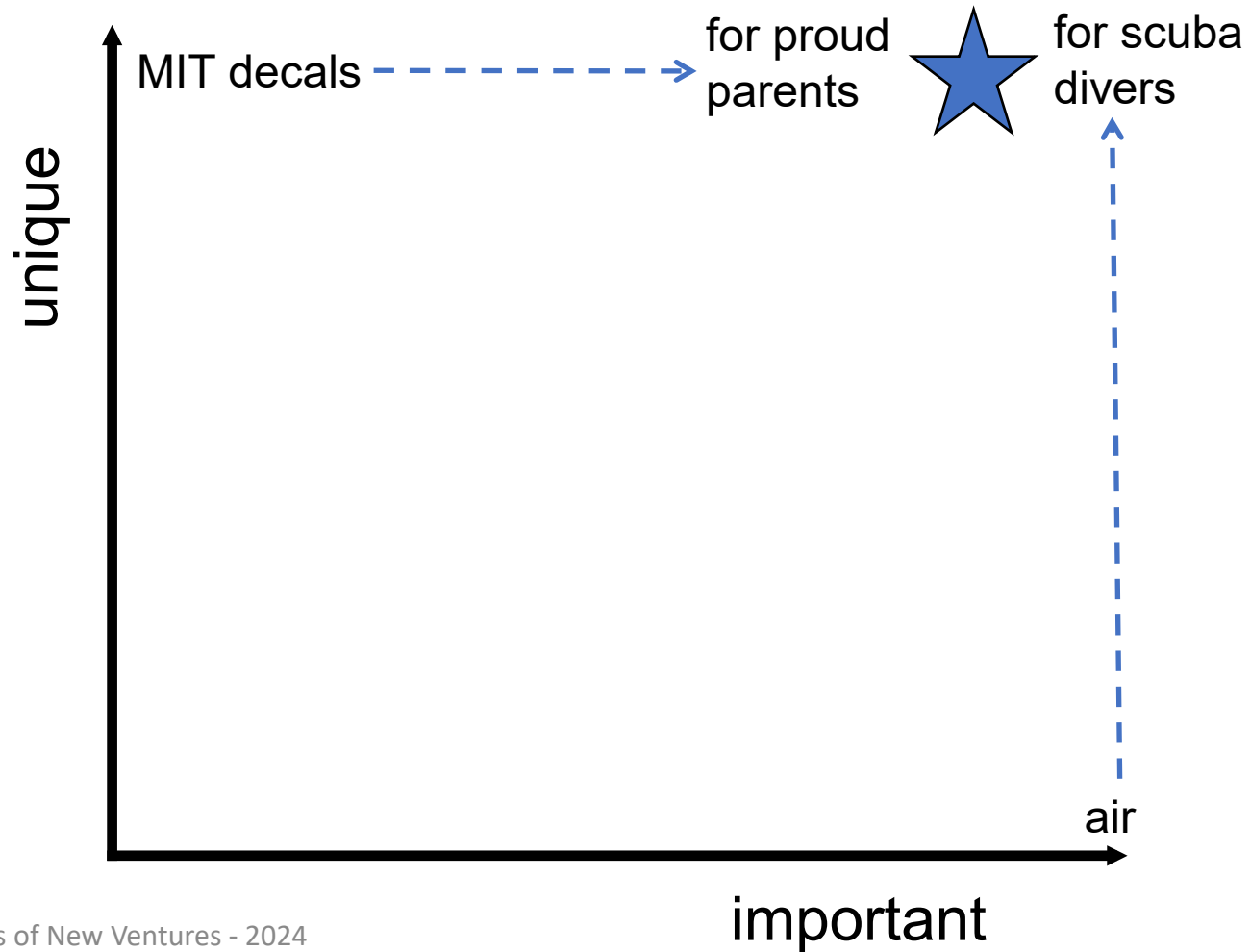


# How does that affect raising capital?

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- A standard concern 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 worth? How many do you need? 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, tell them about your offering
- Take their order

# Example #1: Regain®

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**Nutrition supplement for  
patients with renal failure**

# Background

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- 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 (then)

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- 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?

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- 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: It worked. (Solid scientific support → product measurably improved 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

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- 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: wouldn't carry it (Why not?)

# 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®

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

# New company, new product

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- Moved to Boston, launched new company with Harvard scientists
- Selected diabetes as field, based on an insight about something the customers needed and weren't getting

# The market/customer need (then)

**1**

10 million diagnosed people with diabetes; chronic disease → manageable but incurable

**2**

Goal of management: keep blood sugar from being too high or too low

**3**

4 million used insulin to lower their blood sugar

**4**

All insulin-using diabetics were at risk of hypoglycemia: blood sugar goes too low



# Medical background

- Hyperglycemia: major cause of retinopathy, nephropathy, neuropathy
- Hypoglycemia: must be treated right away, leads to fainting, can lead to coma



# Hypoglycemia at night (in those days...)

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- Insulin users typically ate a night-time snack
- Constant anxiety trying to manage evening regimens of insulin & night-time snack
  
- But there was a bigger problem...
- Greatest fear: "...dying in my sleep"



NEW

Timed-release Glucose Bar™  
**NiteBite™**

**For the  
Nutritional  
Management  
of Hypoglycemia**



## Our answer: NiteBite®

- 1** Patented formulation: nutrients that turn to glucose at different rates: called it “timed-release glucose”
- 2** Designed to lower incidence of hypoglycemia without causing hyperglycemia
- 3** Tasty; non-medical name, packaging (Why?)
- 4** Looks like “energy bar” rather than “medicine”



# Our business planning



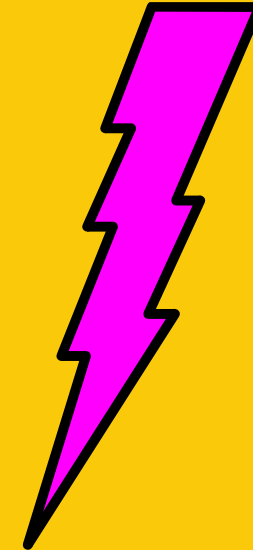
- 1** We engaged clinicians, parents and patients in product formulation
- 2** Interviewed prospective customers: concerns, price, distribution points, who do you trust?)
- 3** Went to support group meetings
- 4** Picked ad agency → knew diabetes → instead of hypodermic needles, our first ad: flying pigs

# The results: very exciting

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- 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







# How we reached our consumers



## Questions we asked about our target consumers:

How do we find those spending money to take care of themselves?

Where do they look for advice? Who do they believe?

## The best answer: **Certified Diabetes Educators**

Learned about the AADE, learned about “locate an Educator”

What do the CDEs worry about? How can we help?

## What we did

Hired team for Inside Sales, trained, monitored and paid them

Eventually: several thousand advocates working on our behalf

# Who wins if you win (& wants you to win)?

*Who influences your customers? What do they care about?*

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## Background: Certified Diabetes Educators

15,000 in the USA; 12,000 were members of the AADE

Many held monthly meetings with patients → always needed new content

CDE's biggest concern:

Us → CDE: "it works, and your patients will love it"

→ CDE tells patients

CDE → pharmacists (retailers!) re: patients

Pharmacists would agree to take the product

No mention of "slotting fees"

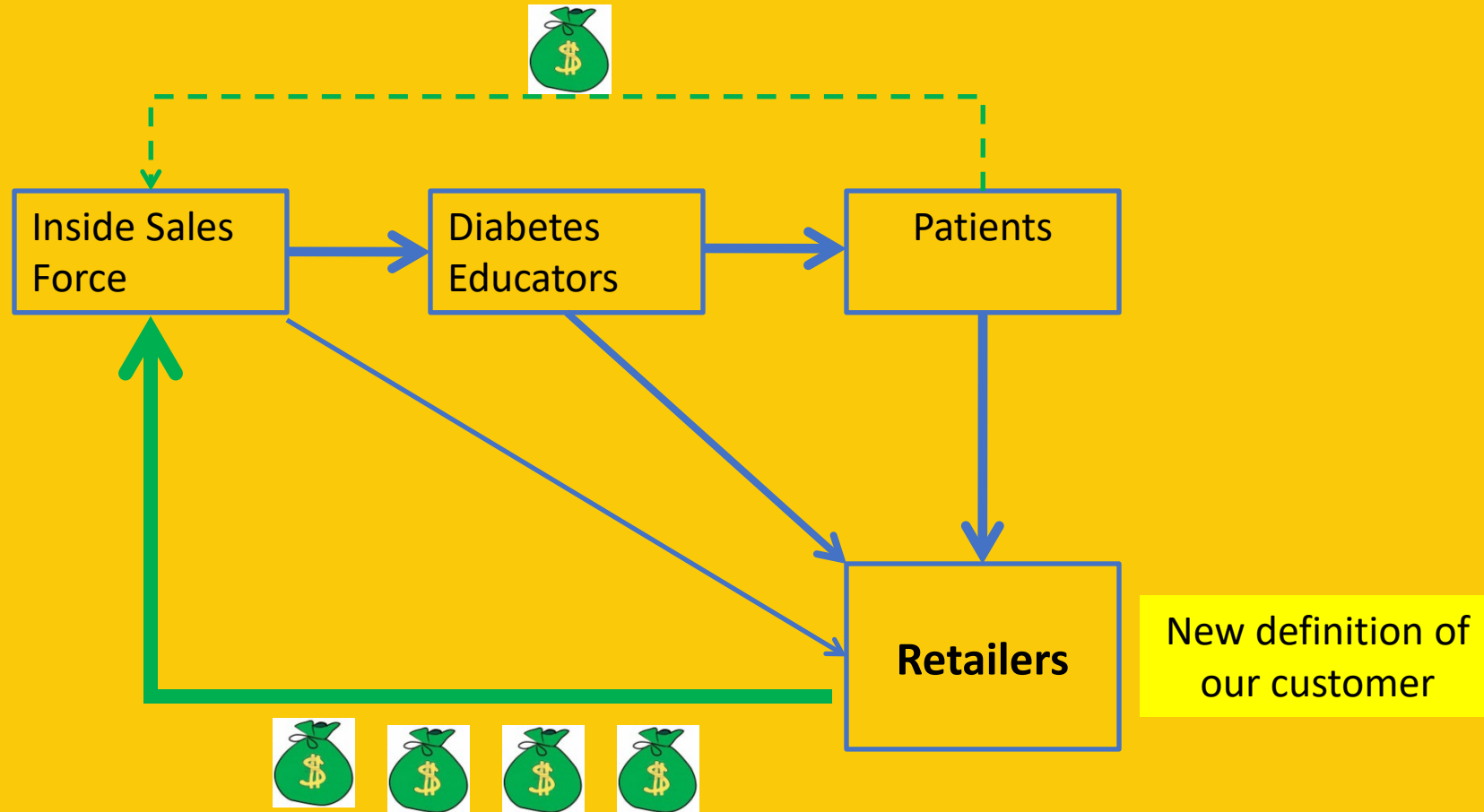
What gave us that negotiating power?

Patient compliance

High quality sales force for free



# The Selling Flow Chart





# Getting into retail channels,

## 1

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- 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?

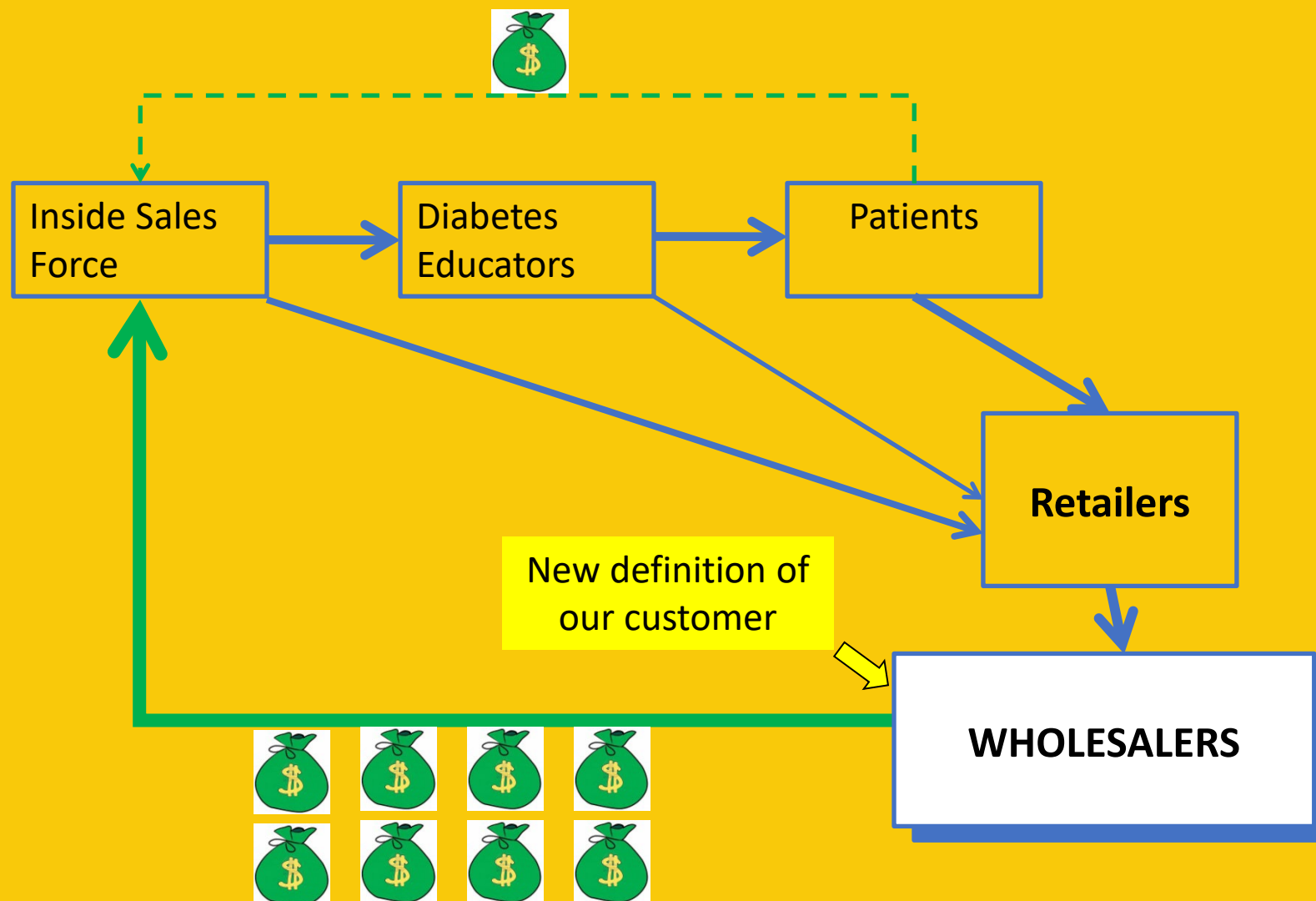
# Getting into retail channels, 2

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- 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?



# The Next Step: Wholesalers



# Turning up the heat...

## *New customers: wholesalers and major chains*

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- New customer: wholesalers [what do they care about?]
  - 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 money → no work for you
  - Now we could tell pharmacists, “Your wholesaler stocks our product.”
- New customer: major chain stores [what do they care about?]
  - 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



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

# Lessons and questions

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- *Lessons and questions*

# Lessons

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- I've learned a lot of lessons from these (sometimes painful) experiences
- Help me summarize them
- What should I have learned from these experiences that might be relevant to building my next sales model?





# Lessons I hope I've learned

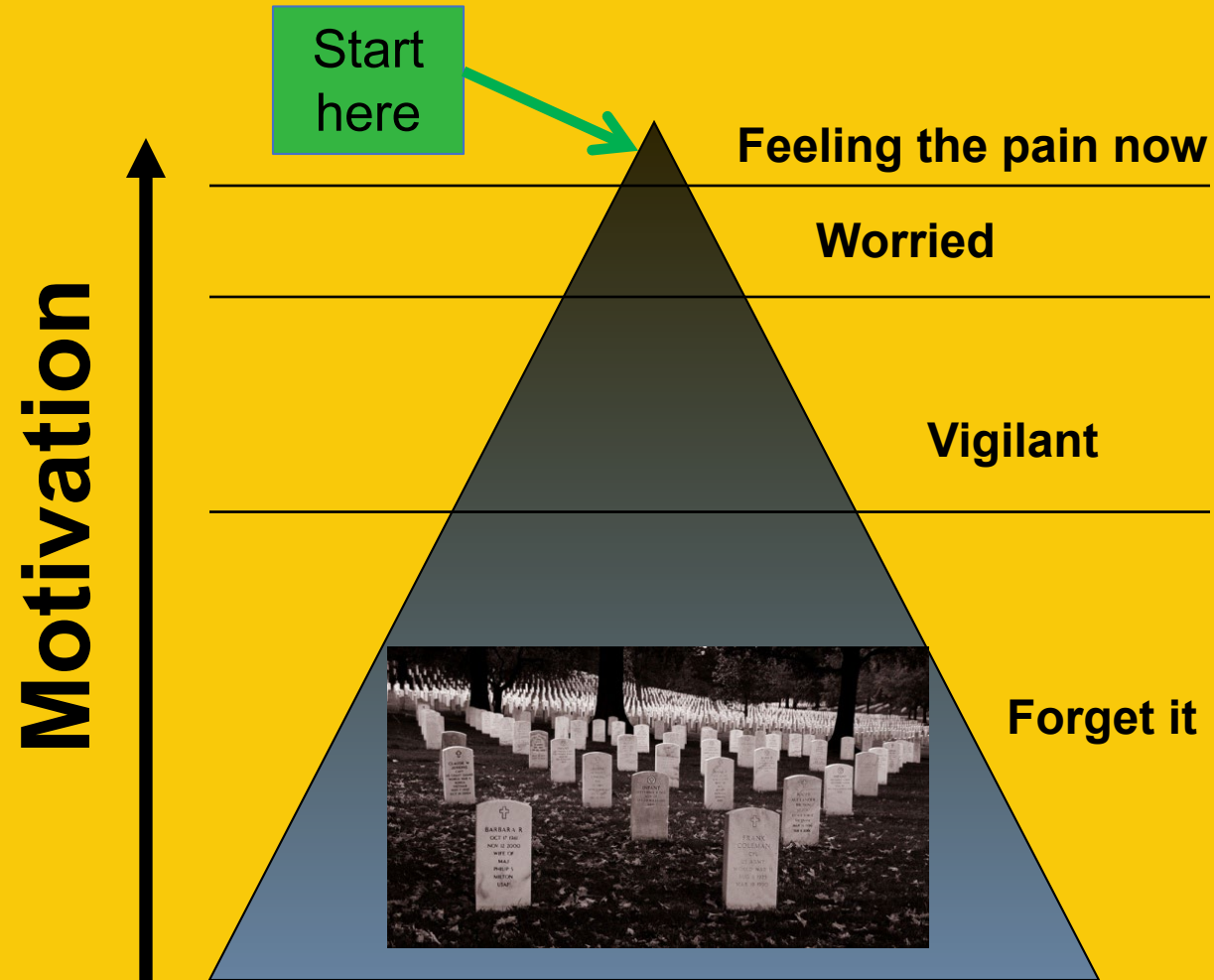
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- Know your customers intimately: what are they really buying?
- Products which are “for everyone” aren’t for anyone → positioning is imperative (“air for scuba divers...”)
- Face it: no one needs your product or service (I don’t need these glasses...)
- They might need its benefits → sell the benefits first, then the “reason to believe”



# 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

What motivator was I addressing with Regain?

What motivator was I addressing with NiteBite?



# 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, tell them about your offering
- Take their order

# **Power marketing in two easy steps**

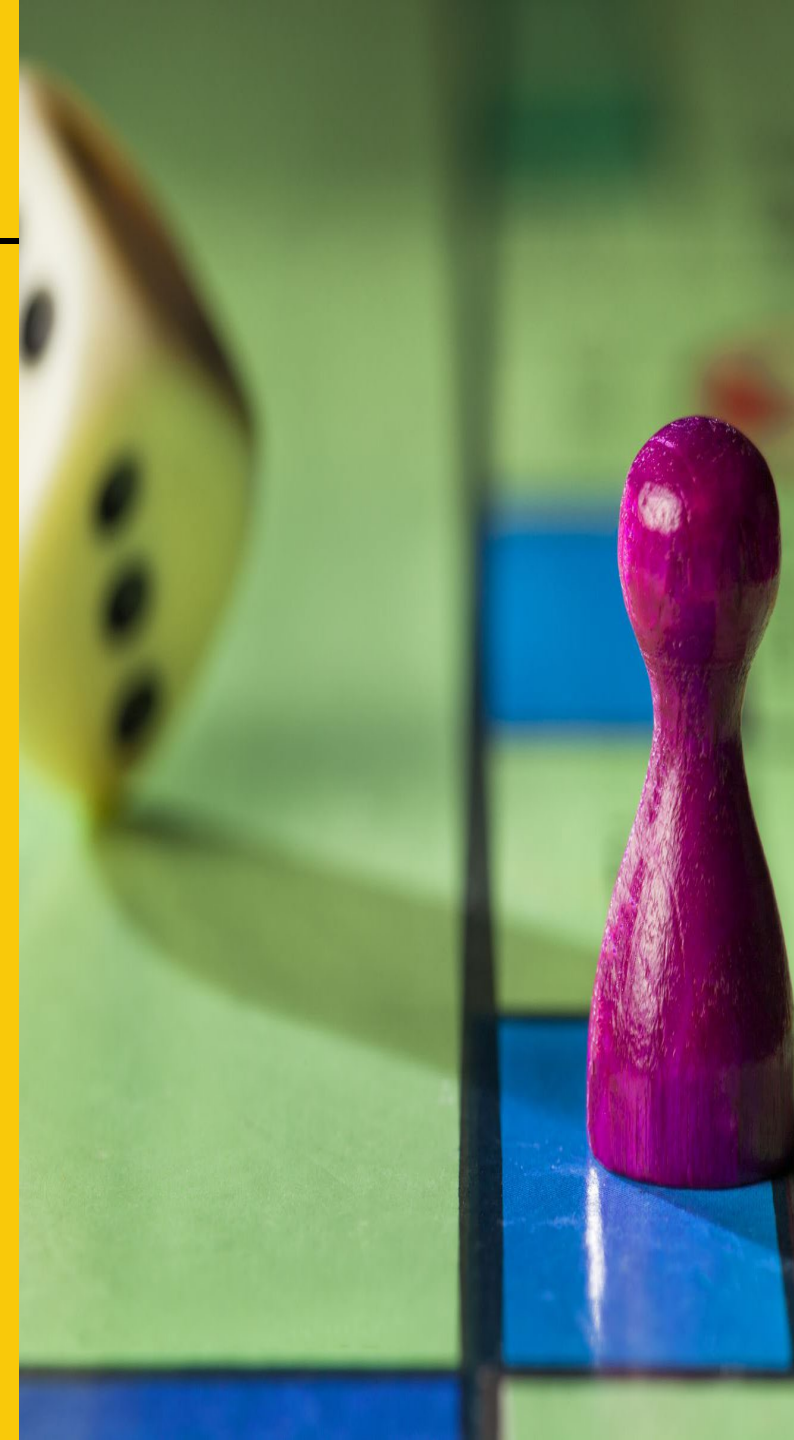
**Find out what  
your customers  
want**

**Give it to them**

# FOCUS: imperative in new firm

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- Pick 1-3 well-defined market segments that you can dominate
- LAUNCH your business in those niches and get to critical mass (then you can pursue the bigger game)
  - Where you start may not be where the biggest opportunity is
  - But you need a LAUNCH MARKET that will get you started
- Corny but true:  
“There is no hocus-pocus that takes the place of focus.”



# A different way of looking at this

## *It's not sales, it's forensics...*

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- 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:

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- TALK with your prospective customers – there's only so much you can glean from reports or **social media**
- Brief rant: using social media for market research
- 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? Who are their influencers?
- Understand what's behind what they're asking for (Henry Ford quote)



# You do have competition

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

Customers buy VALUE





# More lessons re: building the sales model



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

# Acid test: the 30-second sell

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- If you can't tell your story to a customer in 30 seconds or less, you're in trouble
  - You need focus to create web sites, 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 an investor 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...

See you  
next  
Tuesday...

# Final questions

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- 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?



# Questions ?

- *Lessons and questions*
-

# Want to stay in touch?



# 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 really WANTS your product or service

- Find them and tell them about it

- Take their money



THANK YOU

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