



Selling Disruption™ Show

With Mark S. A. Smith

*Design Your Extreme Value Strategy to
Disrupt*

Mark S A Smith

Mark S A Smith: On today's podcast, I'm going to share with you a speech that I delivered for DevPRO18, a developers' conference in Tomsk, Siberia, Russian Federation, for a group of over 700 software developers sponsored by Rubius. I think you'll find the conversations quite interesting as I discuss with developers, how to create extreme value so they can disrupt their market. I found the audience to be interactive, enthusiastic, and really excited about the future. And I wanna share with you what I shared with them.

Mark S A Smith: Woo hoo. Yeah. Yeah. What's up? Are you fired up? Ready to learn about how to create extreme value? Are you sure? This means yes. This means no. This means I need Red Bull. All right. Let's talk about how to do this. The more value you create, the bigger your marketplace. The more value you create, the more money you can make. The more value you create, the more you will sell your company for to somebody who wants to buy it. Who here is creating a company that you want to sell?

I highly recommend that. Who wants to be rich? Woo hoo! I am in the right room. Because what we're going to talk about is how do you create the value that can make you rich? And without that, nothing really happens. Let's talk about what buyers need to say yes to begin with. 50% of your success is based on your customers motivation. Do they care about what you're creating? Because if they don't care about it, I don't care how good you are, I don't care about how cheap you are, they're not going to buy it. Anybody given a demo piece of software and they never touched it? Anybody have that situation?

Yeah. Don't do that. Here's why. Buyers are liars. They will come up with a reason why they didn't try out your software. And it's not good for you. Never give somebody something for free unless they're motivated to use it. 40% of your success is based on the relationship you create with your customers. Do they believe you? Do they trust you? Do they think that you are acting in their best interest? Because if they think that you're not, they're going to say no thanks. No, I don't think so. Then, 10% of your success is your product, your software. Anybody surprised by that? Anybody surprised? Let's look at it this way. There's lots of ways to get the job done.

There's a lot of people out there that do similar things to what you're doing. If you said to your customers or to your community, "Mine's better. Theirs is worse." Buyers are liars. They're going to make up a reason why you are worse. Keep this in mind. Friends come and friends go, but enemies are forever. We don't need enemies by knocking the other people's software. The reality is, the product is not that important to your success. What's way more important to your success, it's the 90%. The 90% is the heart of your success. So what I'm telling you at DevPRO18, is the development is only 10% of your success. Surprise. That's why we're talking about value. Let's figure out what that 90% is. The real secret here is to figure out your customer's motivation. Why they would want to do business with you. Then make a product with that. That makes it easy. What we have to do to understand their motivation is look at their

objectives, their priorities and their criteria. That makes up their motivation. Let's go a little deeper. Are you ready? Ready to go deeper?

Here's how buyers decide. Number one is objective; what do they want to accomplish? What do they want to avoid? Even if it's just playing Candy Crush. What they want to accomplish is I don't want to be bored. As I was flying here, I saw probably 10% of the airplane playing Candy Crush. Why were they playing Candy Crush? To erase the thought that they were on an airplane. And that counts. Sometimes we create things just to change the reality of the moment. That counts. Usually, objectives are set by a scorekeeper. The scorekeeper could be their boss. It could be their wife or their husband. Scorekeepers are everywhere.

Next is priorities. Priorities are the order in which they achieve their objective. This is set by budget, scorekeepers commitment and deadline. If you're making industrial software, if you're creating software for enterprises, these things count. If you're making them for individuals, less so. Then, criteria is what creates value for them. It's how they're going to choose who they're going to purchase. What I want to focus on for the rest of our conversation here is the criteria that creates value. That's what's going to create extreme value. The truth about value is this; your value propositions have no meaning until they align with your customer's objectives, priorities and criteria. We'll talk about that a little bit more in a moment. The other thing that we have to work on is reducing risk.

Raising value, reducing risk creates success in the products that you create. There's three fundamental ways to reduce perceived risk. Number one is proof. Show people that you can help them accomplish their objective within their priorities. We do that by making sure the proof is relevant. In other words, it fits their view of the world. If you're creating enterprise industrial type of software, you can't use an example from the banking world for the healthcare world. They can't do that. It has to be completely relevant. It has to be contextual. So they have to see how it works inside their world and then it has to be identity aligned for them and their scorekeeper. Remember I just talked about identity and sports. Well, the same thing happens in organizations and companies is they have a specific identity that they have to maintain and they're not going to buy anything that damages or changes that identity.

So you have to have identity alignment. Next is guarantees or insurance. We have to make the risk come to us, not to them. If they feel that buying from you, or doing business with you, will create risk, either risk of loss of money or loss of reputation, people fear their loss of reputation more than they fear loss of money. So we have to take away the risk and we have to make sure that we hold the risk and not them. If you make them hold the risk, they're not going to do business with you. If your guarantee doesn't scare you, it's not a good guarantee. My guarantee is, you're going to like it or you don't pay, including travel expenses. Now I do that for two reasons. Number one, I only agree to things I know I can do a great job doing. Number two, it makes my customers feel comfortable because there's zero risk to them. I'm risky.

Because if I don't show up, or I embarrass myself in front of you, they look bad. I'm risky. So are you when you're doing your thing. Then, number three is reveal the process. Show people how it works. Reveal the process. Here is how it works. Here is how we work together so they feel comfortable and confident that this is something they can agree with. These are three ways of reducing risk. Here's the formula for making billion dollar companies. Who'd like to find that out? Just checking to make sure you're in the right room and I'm sharing with you the right ideas. I got this with my interview with Perry Marshall, who wrote the book 80/20 Marketing. I have a weekly podcast called The Selling Disruption Show, where I interview somebody who is way smarter than I am about a variety of topics.

I interviewed Perry, who's an absolute genius when it comes to marketing. This is one of the things that we got out of the show. So number one is you must create a definitive selling proposition. You must be able to tell your customers what you do very clearly in very short words. If you can tell your eight year old what you do and they understand it, you've got it right. If it takes more than four or five words, you gotta work on that. That's not a well defined value proposition. For example, what I tell people is, I help companies sell expensive things as fast as possible. Is that a reasonable value prop? I don't work with companies that sell cheap things. They don't have money.

Everybody wants to learn how to sell fast. What I'm revealing to you is how you sell things fast. You sell to objectives, priorities and criteria. That's all you sell to. You find out their motivation and sell to that. It's easy. Number two is be number one in a growing market. Here's a tip for you my friends. Never create software for a shrinking market. It frustrates you and it frustrates your customers. You want to be out on the leading edge. That's where the money is to be made. Number three, radically simplify something or incredibly slash the cost of something. The idea is to reduce friction. If you take a look at the software companies that we call unicorns, the ones that are worth billions of dollars, they all reduce friction. For example, Uber. They make getting a ride frictionless.

Amazon. One button gets you toilet paper. That's frictionless. So how can you reduce the friction for your customers? How can you make what they want so easy that it's a single button press? That's part of what we do. Number four is use the network effect. One of the reasons why Face Book, everybody knows Face Book right? The reason why Face Book is so big and so powerful is because there are so many people that use it. The more users you have, the more powerful and the more valuable that what you create has. So we have to have the capacity of creating a massive network if we're going to make a lot of money. Then number five, sell to a distinct, unique, passionate fan base. Think sports. These people will show up in bad weather to cheer a team that's losing. Those are your kind of customers.

Those are good people because they still pay money. Even though they lost, they'll still come back next game. That's a passionate fan base. Let me give you

another way of looking at this. I believe that your minimum viable market is more critical than your minimal viable product. You're familiar with minimum viable products right? Yeah, because we all use the lean approach to creating our products. The minimum viable market is the smallest market that you can possibly use and still make a million dollars. Otherwise, why bother? Really. You're working 80 hours a week, you might as well get paid for it. And let me give you an example of that. Let's think about hamburgers. If you had a hamburger restaurant, what competitive advantage would you want? If you could have just one thing, what would that competitive advantage be? Just shout it out. What do you think it would be?

Audience: Healthy.

Mark S A Smith: Healthy. All right. There's one answer. I've got a better one. Quick. Vegan. I've got better ones than that.

Audience: Less calories.

Mark S A Smith: Less calories. Okay, I've got one better than that. What competitive advantage do you want? Hamburger restaurant. Come on, you're inventing a product here. Tastes better. I got one better than that.

Audience: Cheap.

Mark S A Smith: Cheap. I've got one better than that. What else?

Audience: More calories.

Mark S A Smith: More meat, more calories. I got one better than that. You ready?

Audience: Be in the right place.

Mark S A Smith: Be in the right place. Location. I got one better than that. You ready for it? A starving crowd. You get it don't you? It's not about the product. It's about the motivated buyer. That's what creates value. It's not the product friends. Your competitive advantage is a starving crowd. How can you find somebody that want to do something and haven't been able to? That's the place we create extreme value. Without ready and willing buyers, your product has no value. Invest as much thought, time and money in developing your market as you do in developing your product. Developing your market is as important as developing your product. Then that means that the product development actually will make you money. So how do you find a starving crowd? Number one is define your passionate community. Who are passionate about what it is that you wish to do? Or maybe that's just what you do; you find a passionate community.

What does that really mean by passion? Well, I'll tell you. What is it that you think about more than anything else?

Audience: Hunger

Mark S A Smith: Hunger. All right. So that's you want to look for, is how can you help people solve their hunger if you're always hungry? It's because you're passionate about hungry.

Mark S A Smith: Well, that's right. It happens three times a day. So maybe you could do something around food because you'll find other people that are hungry three times a day, or four times a day or six times a day.

Audience Mental hungry, hungry for knowledge.

Mark S A Smith: Oh. All right, that works too. Some sort of unfulfilled need creates a passion. That gap is where we make money. Get it? I knew you would. So we define our passionate community. Then identify a cause. A cause is something they want to improve, like helping hungry children or helping people who are addicted to drugs or helping people who have a hard time, but maybe they're homeless. Whatever that cause happens to be. Whatever it is, that charity that they want to fulfill. Identify that charity that fuels their passion. Then, find your community and start to create a relationship by supporting their cause.

Do you see how we can connect with that community extremely fast by using something that they're passionate about within their passion? The passion within their passion is the starting point because it's their most passionate point. So we connect that. That's a starting point. Then, within that, you're going to get incorporated within the community. Then find the most passionate members and invite them to help you design your product. Is this a cool formula? You think you can make money with this idea? Yeah.

Let's talk about how do you create that extreme value. There's fundamentally thirty elements of value. This comes from Bain and Company and this was published in The Elements of Value in the Harvard Business Journal, September, 2016. Let's take a close look at them. First of all, at the bottom of the pyramid is functional value. What creates function? It helps them improve things physically and some of these things include saves time, reduces cost. Frequently, people use save time, save money as a value proposition. Unfortunately, that value proposition is not a necessarily good one. The reason why is because how much time can we save to?

Instant. Zero. In fact, most of the frictionless applications we use today, already do that. Click a button, our ride shows up. Click a button, toilet paper shows up. We're already at that zero point. Saving money. How much money is the maximum that we can save them? To free. Many things today are already free. So today, saving time and saving money is the cost of admission to the marketplace. You with me on that? Is that cool or what?

Audience Yeah.

Mark S A Smith: This is the list of things that are the cost of admission now. You just have to do these things. If your product doesn't include at least half of these, you're not in the marketplace. Next is emotional value. Now, we're getting more important. Now we're getting into something that's even more motivating. So reduces anxiety. For example, I use Uber as my second car. I raised five Millennial children. I know. It's impressive isn't it? I think I'm a good dad because none of them live at home. Yeah. So, reduces anxiety. So when I use Uber as my second car, what I like is the fact that they actually tell me how long that I have to wait for that car to show up, which is really good when I'm getting an Uber to the airport.

So reduces anxiety is easy. It rewards me. Badge value is a big idea because people like to level up. Then, next is life changing value. This gets to be even more important. People are willing to spend even more for this, such as motivation, affiliation, belonging. Provides hope. Self actualization, being able to live to your full potential. At the top of the pyramid, what's most value is self transcendence. In other words, being better than who you thought you could be. If you can help people do better, that's where that idea of finding people who have a cause. Cause is always self transcendental. Where you're giving beyond yourself to help others be better than they are. Those are places where we create extraordinary value. That's why cause-based marketing has such extreme value.

Use these thirty ideas to help you build more value into your products because the more elements of value you deliver that matches your customers motivation, the more extreme your value is. Do you have new ways that you can create extreme value for your customers? Are you sure?

Audience: Yes.

Mark S A Smith: Woo hoo! Let's go do it. Yeah. Thank you. Thank you, thank you.