



# Less is More:

## How to Make Funding Go Further with Market Focus

**KATE HOPKINS**  
Vice President  
Mainsail Partners

# Do you remember this?

## Sillicon Valley Idea Generator



Your billion dollar idea is...

WordPress for Chefs

Generate Unicorn



Share:   



# Do you remember this?

## Sillicon Valley Idea Generator



Your billion dollar idea is...

Craigslist for Prisoners

Generate Unicorn



Share:   



# Do you remember this?

## Sillicon Valley Idea Generator



Your billion dollar idea is...

LinkedIn for Farmers

Generate Unicorn



Share:   





Search Engine

...for...

Police Officers





Search Engine

...for...

Police Officers



CRM

...for...

Home health  
providers





Search Engine

...for...

Police Officers



CRM

...for...

Home health  
providers



Payments

...for...

Municipal courts



## This isn't a new idea...

“As market share increases, a business is likely to have a **higher profit margin**, a **decline in marketing costs** as a percentage of sales, **higher quality**, and **higher priced products**.”

*-Harvard Business Review, 1975*





# **“CHEAT” SCALE** by defining a narrow market



## More compelling product

When you don't have the resources to be everything to everyone, having a narrower product strategy helps ensure that your product is fantastic for someone

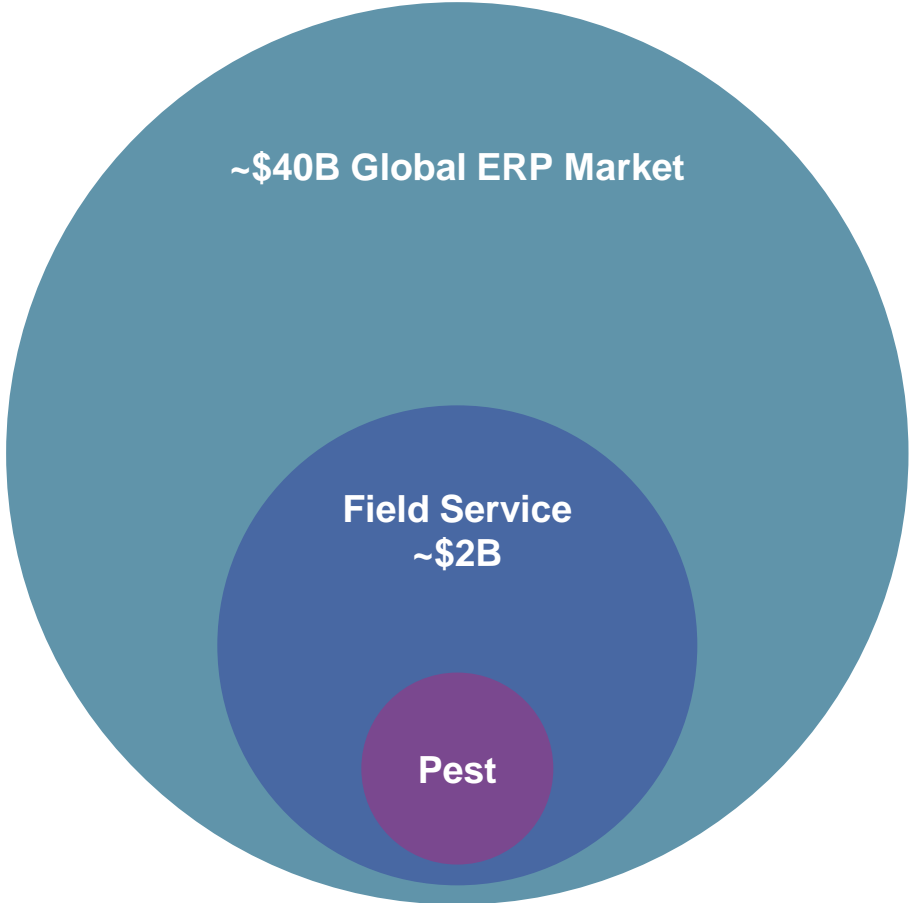


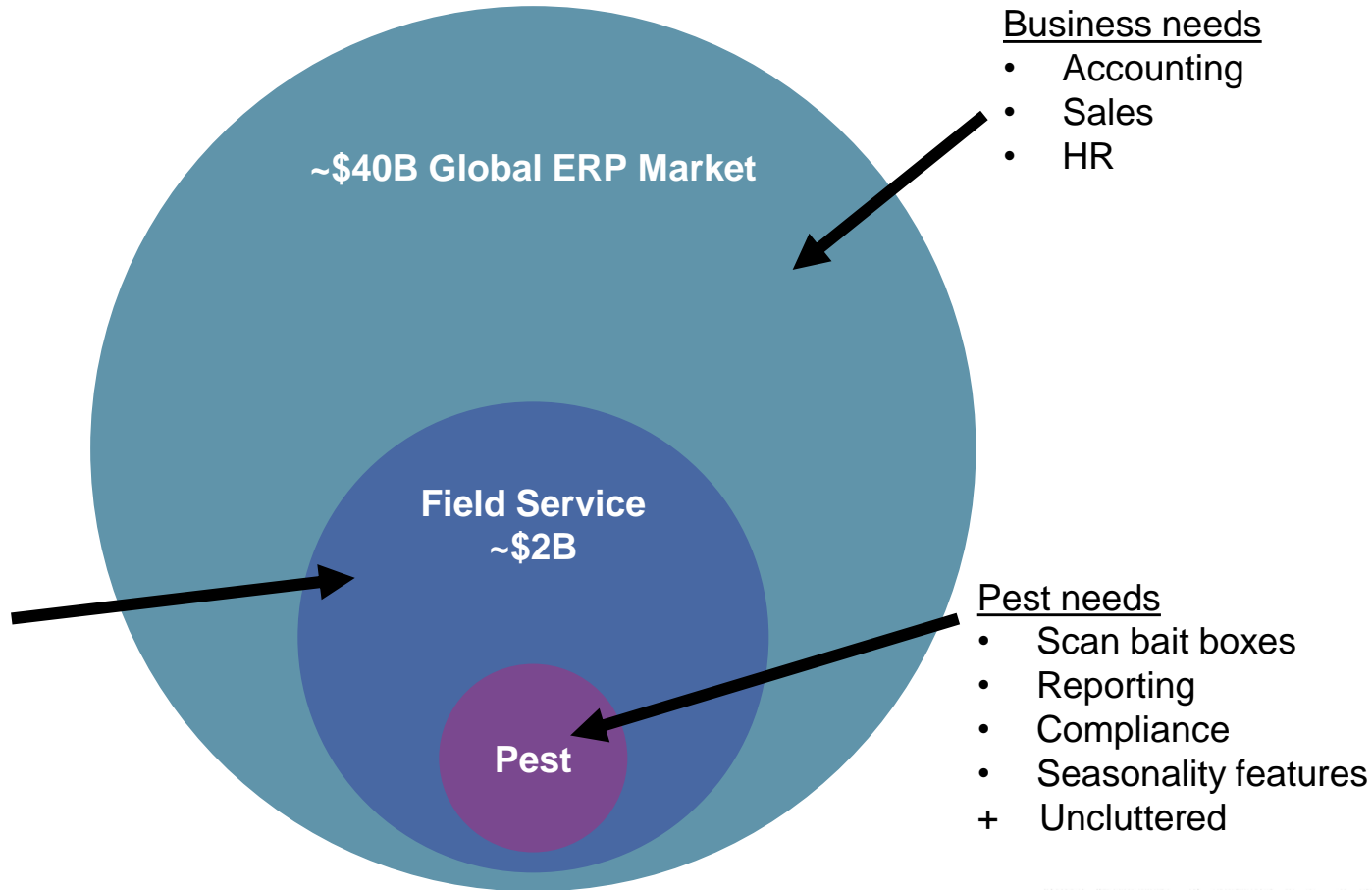


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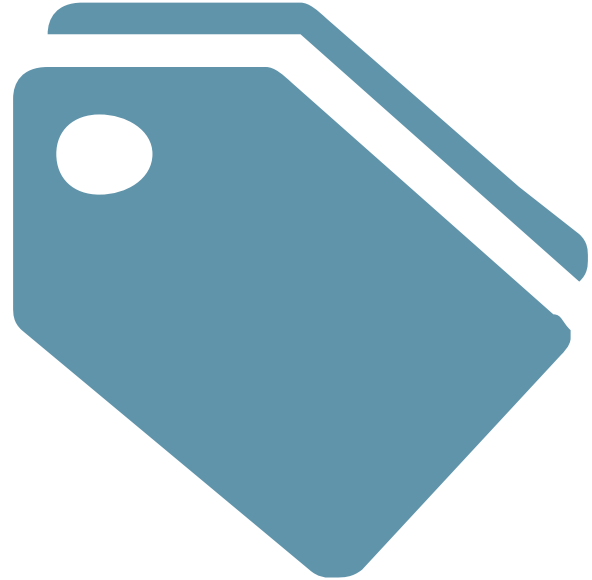






# Lower customer acquisition cost

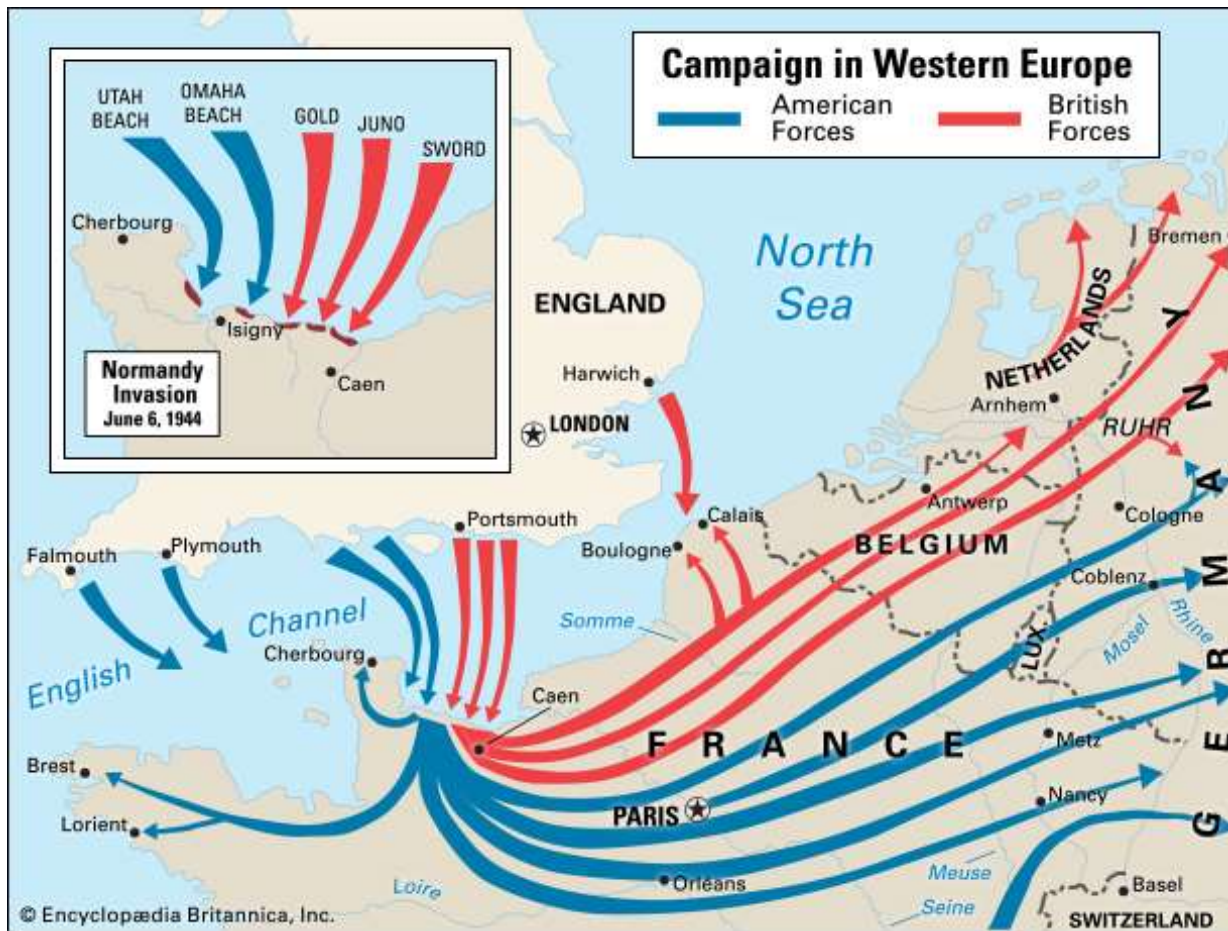
Focusing on a smaller target market limits the number of people you need to inform and convince. Focus permits you to spread the message less widely.



**“Trying to cross the chasm  
without taking a niche market  
approach is like trying to light a  
fire without kindling.”**

**Geoffrey A. Moore**  
*Crossing the Chasm*









# CrossFit®





*“We would rather have a CrossFit customer in California than a local Chicago independent grocery store just because in the grocery store, we’re among the sea of competition. Whereas in a CrossFit gym, we were by ourselves.”*

**-Peter Rahal, Founder RXAR**





**Stronger expertise**

**Lower CAC**

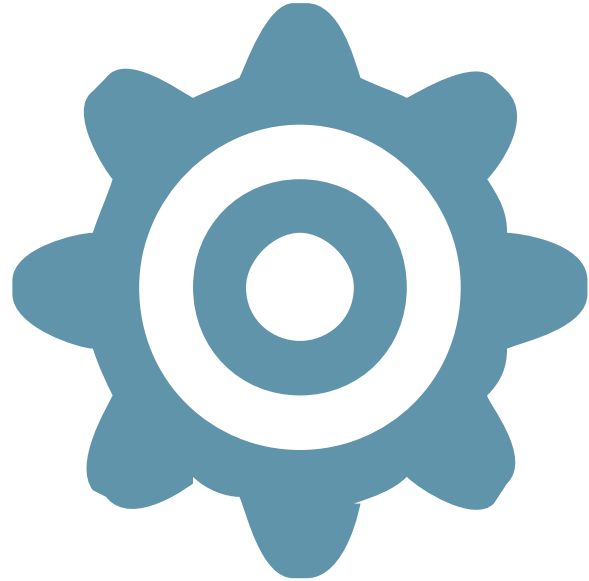
**Less discounting**

**Lower churn**



# Operational efficiency

A small company can mimic the operational economies of scale of a much larger company by defining its market narrowly.



# Do more of the same thing

In manufacturing	In software
More volume through each machine	Fewer features, all heavily used
Fewer supplier partners	Few integrations, each used by many customers
Specialized vs. expert employees	Similar support needs, serviced repeatably by automation or lower-level employee



# Say more of the same thing

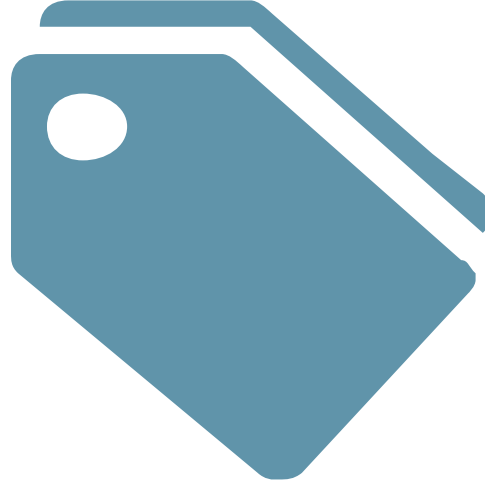
Repeated communication  
Repeated communication  
Repeated communication  
Repeated communication  
Repeated communication  
Repeated communication  
Repeated communication



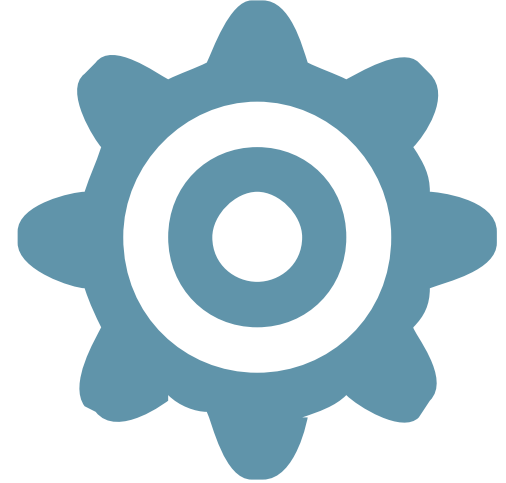
**More Compelling  
Product**



**Lower Customer  
Acquisition Cost**



**Greater Operational  
Efficiency**



**Is your target market  
the right size?**





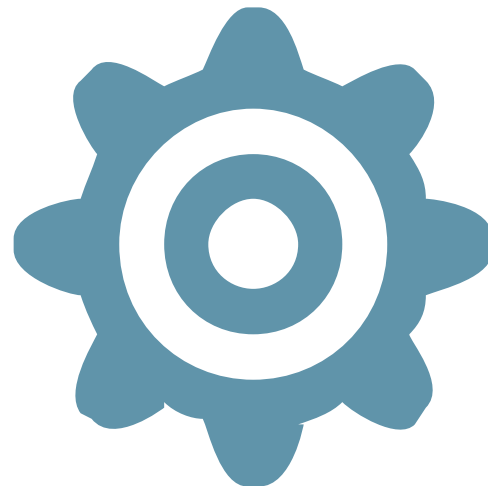
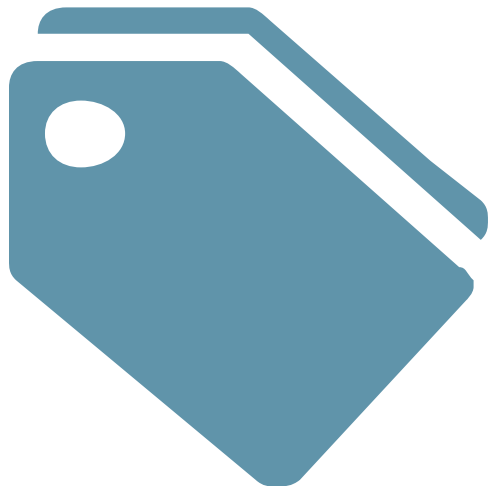
# A too-big niche



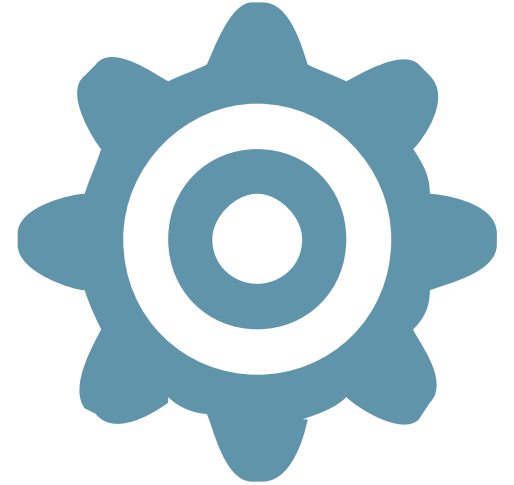
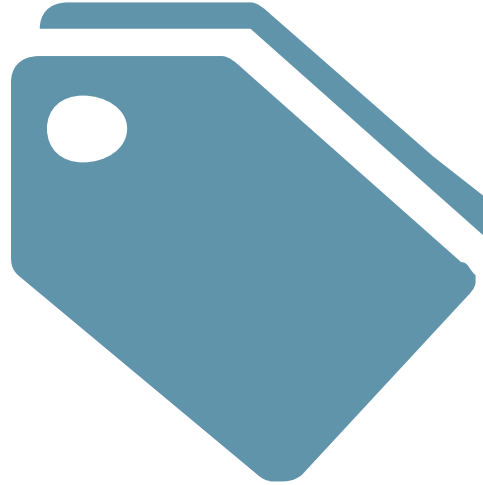
*Your niche is probably too big if...*

**You're not #1 or #2**



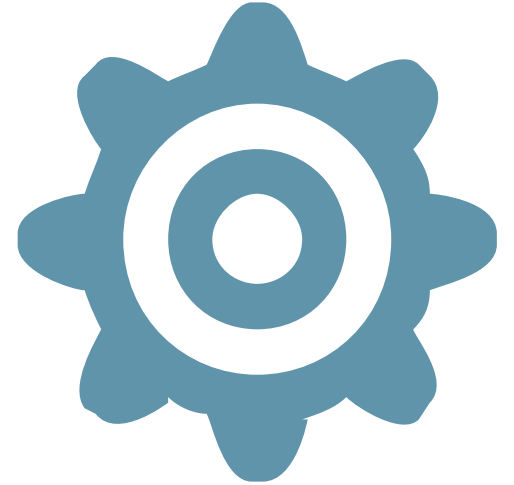


“Me too”  
product



**“Me too”  
product**

**Outgunned in  
sales and  
marketing**



**“Me too”  
product**

**Outgunned in  
sales and  
marketing**

**Bogged down  
by switching  
costs**





**Total  
Addressable  
Market**

**Target  
Market**



## A too-small niche





*Your niche is probably too small if...*

**There isn't room to grow**



**Annual  
market  
vend**

**>**

**Your  
planned  
growth**



***Find annual vend by considering:***

# of customers who switch providers per year

# of customers who start using a solution per year

# of customers who start-up per year (net)

**Your share of vend > Your planned growth**

**Your share of vend**

**>**

**Your planned growth**

\$1M ARR

**Your share of vend**

**>**

**Your planned growth**

\$1M ARR

10% Churn

**Your share of vend**

**>**

**Your planned growth**

\$1M ARR

10% Churn

100% Growth goal

**Your share of vend**

>

**Your planned growth**

\$1M ARR

10% Churn

100% Growth goal

---

\$1.1M Bookings target



## Your share of vend

400 Deals each year (vend)

>

## Your planned growth

\$1M ARR

10% Churn

100% Growth goal

---

\$1.1M Bookings target

## Your share of vend

>

## Your planned growth

400 Deals each year (vend)

\$20K Average deal size

\$1M ARR

10% Churn

100% Growth goal

---

\$1.1M Bookings target

## Your share of vend

400 Deals each year (vend)

\$20K Average deal size

---

>

## Your planned growth

\$1M ARR

10% Churn

100% Growth goal

---

\$1.1M Bookings target

## Your share of vend

>

## Your planned growth

400 Deals each year (vend)

\$20K Average deal size

---

\$8M Segment vend

\$1M ARR

10% Churn

100% Growth goal

---

\$1.1M Bookings target

## Your share of vend

>

## Your planned growth

400 Deals each year (vend)

\$20K Average deal size

---

\$8M Segment vend

50% Win rate

\$1M ARR

10% Churn

100% Growth goal

---

\$1.1M Bookings target

## Your share of vend

>

## Your planned growth

400 Deals each year (vend)

\$10K Average deal size

---

\$8M Segment vend

50% Win rate

---

\$4M Potential share of vend

\$1M ARR

10% Churn

100% Growth goal

---

\$1.1M Bookings target

## Your share of vend

>

## Your planned growth

400 Deals each year (vend)

\$20K Average deal size

---

\$8M Segment vend

50% Win rate

---

\$4M Potential share of vend

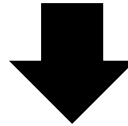
\$1M ARR

10% Churn

100% Growth goal

---

\$1.1M Bookings target



Good to grow.

# Not too-big, not too-small target markets





# Not too-big, not too-small target markets

1) New market



# Not too-big, not too-small target markets

1) New market

2) Fragmented market



# Not too-big, not too-small target markets

- 1) New market
- 2) Fragmented market
- 3) Inattentive incumbent



**“More organizations die of  
indigestion than starvation”**

**David Packard**  
Co-founder, Hewlett-Packard





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