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THE BETTER PRODUCT NEWSLETTER

Learn how to build and launch marketable, valuable, and usable digital products.

September 2023

First Time Founders Think About Product, Second Time Founders Think About Distribution

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In July, we hosted a private lunch in NYC with early stage founders for a casual conversation about product, investment and everything in between. A founder said something brilliant, **"First time founders think about product, second time founders think about distribution."** I froze and got a little chill. As a marketer, I understand how much was said in that powerful statement.

Every founder at the table had go-to-market (GTM) strategy on their mind — and rightfully so. In this economic climate, buyers aren't buying as quickly as they were earlier this year. But the problem is actually foundational, and we see it over and over again: founders often do not give the proper focus to their distribution plans. They build great products that the world never sees.

Why is that? Because distribution is hard, messy and unclear. Every product and industry requires unique distribution plans. First time founders (FTFs) don't prioritize distribution as much as product and engineering, and that's where they fail.

As a marketing leader and product advocate, I die a little on the inside every time I see a founder or marketer struggle with this. It's not a simple fix, but I believe my experience can help guide marketers and founders to work together, GTM fast and fill the pipeline.

Build valuable and usable products first.

Your product must be something buyers want to buy, and users want to use. First time founders (FTFs) fall into two camps: those who don't think about product enough, and those who think about it too much. Like a chef that fixes a plate until the food gets cold, FTFs fixate on the product until the ideation is no longer valuable.

That sounds counterintuitive for a product agency to say. Product should always be central to decision making, but there comes a time when priorities need to shift to product distribution. It's like the old adage: if a tree falls in a forest when no one is around, does anyone hear it? You could build the most beautiful, magnificent product, but if no one knows it exists, what's the point?

If you're an FTF or an investor evaluating a founder, watch out for these traps:

Feature Overload:FTFs often fall into the quantity as value trap (more features=more value). In the early stages, a simpler product can help users understand and appreciate the product's value proposition far better than one with a hundred features. As feedback is gathered over time the product's value is clear, founders can add new shiny features.

Designing for Themselves, Not the User: This one is the worst, but it can happen without FTFs realizing it. When a founder is deeply passionate about their product and/or space, they may end up designing a product that makes sense to them but doesn't add value to their target users. Their confidence may lead them to bypass user research and testing, assuming if it works for them, it'll work for everyone. FTFs also may treat NPS surveys as a substitute for user research (it's not).

Focusing on One or Two Customer Requests: A FTF may get too focused on a small pool of customers (particularly those with the largest contract value) and accidentally build their product around them. An inexperienced sales leader or founder may try to appease customers by building features just for them that begin to either create a Frankenstein product with too many features cobbled together, or a product that only serves a very small group of customers, ultimately losing focus on the ideal customer profile.

Distribution matters more than you think.

A lot of FTFs miss the mark on distribution because it's one of the hardest things to get right. In my 15 years in marketing, I can honestly say that no matter what product or service you sell, distribution is rarely understood or activated correctly.

Over a decade ago, I shouted from the rooftops that no team of mine would write content without a distribution plan attached. People thought I was crazy. If we write great content, people will just find it on their own, they said. Writing content is a lot easier than distributing it, so people often avoid the hard part.

Just like my content marketing example, FTFs can spend too much time in the product because it's more fun to build than to market and sell. FTFs who are subject matter experts (SME) are very likely to hyper-fixate on the product because it's where their expertise is needed most. It's even more critical, then, that SME FTFs hire a salesperson or marketer, stat, and trust them to steward distribution.

In addition to building the right product, founders and early-stage teams should get the product to market fast, receive feedback and help buyers and users become evangelists.

Distribution hinges on the right budget and channels.

Budget

FTFs miss the mark on distribution because they allocate money to the wrong areas of business. Sure, engineering is important and expensive, and you need to build the thing right. But overspending on engineering comes at the expense of sales and marketing.

I see too many early stage startups who ask their marketing leader to push the product onto the market in what I call "street team" methods — like a kid who recorded an album and is walking through the parking lot of an event trying to get people to buy. FTFs think big when it comes to the product, but they often don't think at all when it comes to marketing and sales, leaving the revenue leader to beg for a sufficient budget.

So how much should be spent on sales and marketing to distribute a product? VC Tomas Tungaz says early stage startups should spend 90% of their revenue on marketing and sales and I couldn't agree more. If investors out there say otherwise, then please show me a product that reached mass distribution without it.

Sure, some industries will have nuanced go-to-market (GTM) strategies where maybe 90% isn't needed, per se. But don't confuse cash budget — the money a marketing and sales team needs to spend on activation — with the hard costs of talent. Your budget should include talent and operating costs.

If your strategy is to hire a massive salesforce, that's part of your sales and marketing budget. If your strategy is to spend money on influencers for TikTok videos, that's part of your budget. If your strategy is to find partner channels and collaborate with customers, again, that's part of your budget.

Channels, Traps and Solutions

Now that we've discussed budget, let's discuss channels. The hardest part of distribution is figuring out which channel returns the most.

FTFs frequently fall into these distribution traps:

Trap #1

Demanding the product be marketed via channels that don't reach the ideal buyer or user. Often because the FTF just likes the channel, they reference a successful product that used such channel, or they get bad marketing advice from VCs.

Solution #1

Take time to research your buyers and users at the start. Hopefully this was done as part of building the product. That competitive landscape that helped you build the product is the same landscape that helps define the position and message in market and offers examples of what's working and not working for the competition's distribution.

Trap #2

Expecting people to buy the way you think they buy, and never changing your mind. If this is happening, run far away. This FTF is going to run out of runway soon and isn't reading the tea leaves.

Solution #2

Realize that nobody buys the way you think they do. Unless your product is direct to consumer (DTC), stop expecting the market to click an ad and buy immediately. Don't tell your marketer "When I buy software, I always do this." Don't hang onto channels for dear life. If that 4-month period is now 6 months are you aren't getting a return from the channel, it's time to move on and figure out what DOES work.

Trap #3

Not giving channels enough time to show return. High consideration purchases require months of activity before they'll return. Don't forget to leave time for you and your team to experiment and find out what works. You won't get it right on the first try, so leave space for trial and error.

Solution #3

Campaigns and channels need 3-4 months to get traction and show results. Stop hitting publish on campaigns and expecting results by the end of the week. I know 3-4 months feels like a year in startup land, but campaigns take time to saturate the market. People need to see messaging multiple times before it sticks.

Budget allocation across marketing channels is the part of distribution where even the best FTFs get stuck. Early stage marketing leaders who've been first time marketers before should have experience — a big reason why paying more for an experienced leader does matter (and again remember, you have to prioritize spending 90% on your revenue ! !) — but those who don't *will*get stuck here, too.

Brand

Brand is another important consideration when allocating budget to the right channels. I'm often asked, "How much do I spend on brand when brand isn't easily attributable to pipeline creation?" Great question.

A good ratio for spending the non-talent part of your budget is 90/10 or 80/20.

80-90% of your GTM strategy should be spent activating channels that support your pipeline. This includes experimenting. Everything you do at the beginning is an experiment that you'll run for 3-4 months and evaluate return on. Paid ads, personalized landing pages, field marketing, that conference or event you want to put on — all that goes here.

10-20% should be about brand strategies that are buzz worthy and creative but aren't easily attributable to your pipeline. Examples like SKIMS giant diving board at Rockefeller Center to launch the new swimwear collection or Terminus launching Terminus TV for sales and marketing video content can be incredibly impactful but difficult to track. But think of the PR, the social content, the talk and referrals created from those unique campaigns ! Don't try to attribute this. It's not worth your marketing team's time to truly track these brand campaigns. Let the creativity happen. The return will follow.

Takeaways

- FTFs need to build the right product first, and then move onto distribution — fast.
- Why? Because distribution is hard, requires experimentation and brute effort, and it's the only way to get your product to market fast to either gain mass customers or get feedback and iterate.
- Early stage startups should spend 90% of their revenue on sales and marketing.
- Experienced marketers get distribution — hire them.
- Channels require 3-4 months to show results. Let them live, then quickly cut the ones that don't work.
- Spend 80-90% of your sales and marketing budget on channels that can attribute pipeline, and 10-20% on brand campaigns that aren't easily attributable.

Upcoming Events

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