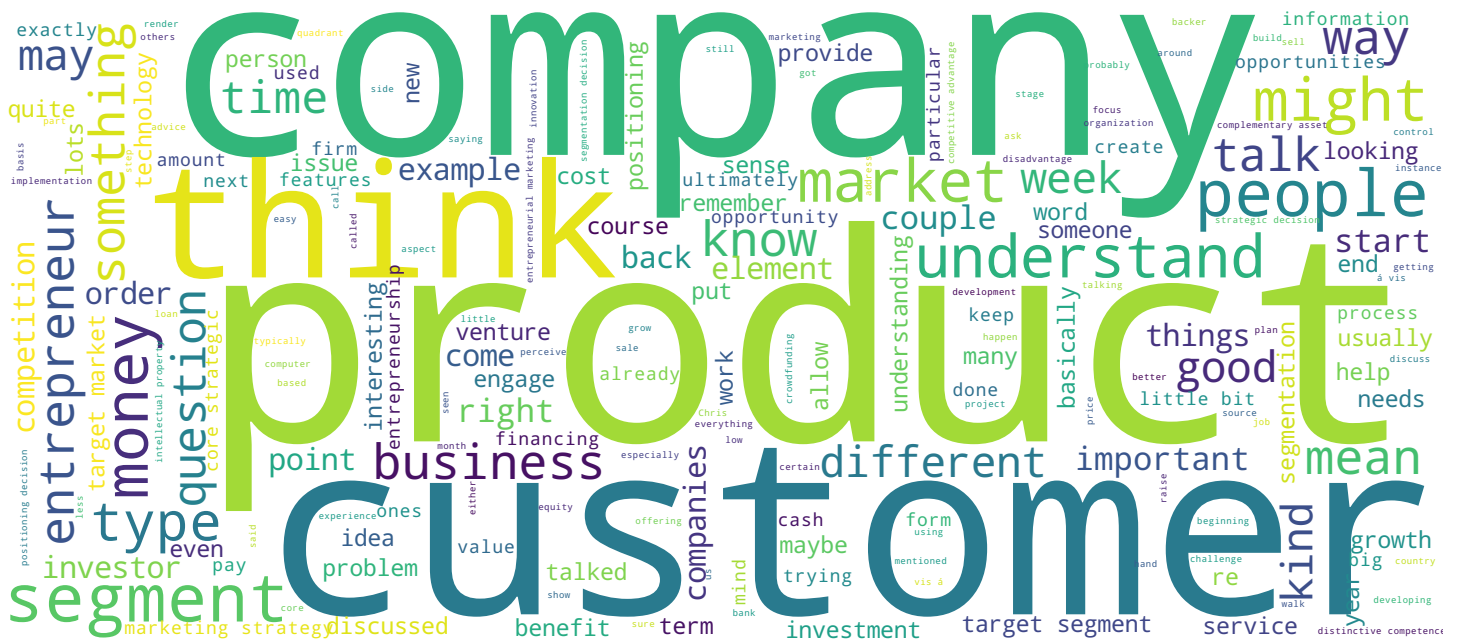




Developing Your Marketing Strategy

Launching New Ventures: Entrepreneurship & Strategy for Technology-Driven Startups

Prof. Chris Tucci and Prof. Marc Gruber



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Week 3: Entrepreneurial Marketing

Launching New Ventures: Entrepreneurship & Strategy for Technology-Driven Startups

Prof. Chris Tucci and Prof. Marc Gruber

So welcome back! This is week three, *Entrepreneurial Marketing*, and during this week you're going to hear about developing strategies that make your marketing work, that will help your company to grow, and that will help your firm to get traction in the marketplace, i. e. you are on the way to establishing a healthy, viable new business. There are a couple of issues that we will be discussing this week but the first segment discusses, probably one of the most important elements, which is the development of your marketing strategy. The development of your marketing strategy is one of the core strategic activities that you engage in during the firm creation process. Let's remember that the market, i.e. the customers in that market, will ultimately pay for your company creation, and because they like your product, they will pay for your product and that money will come into your company as cashflow. When you think about developing a marketing strategy, one of the core elements that you need to decide upon is the target market segment that you want to address, and the other core element that you want to decide upon is how that target segment should perceive your product vis-à-vis the competitor's product.

Notes

Summary



0m 00s

Core elements of your marketing strategy

- Customers determine your venture's cash flow
- Who is your **target market segment**?
- How do your target customers **perceive** you compared to your competitors?



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Let's go back to what we discussed in the introductory segment to this week on *Entrepreneurial Marketing*, where we gave you a systematic framework, so let me remind you about the framework and then show you what we will be doing in this segment.

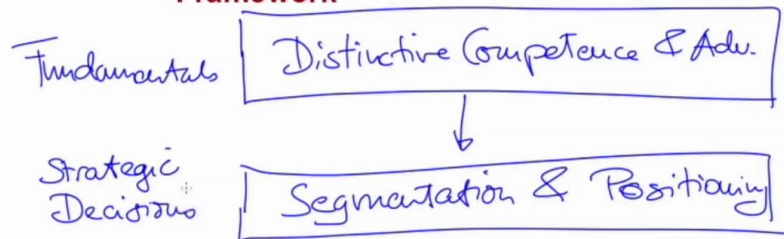
Notes

Summary



1m 15s

Framework



Split screen

Me here

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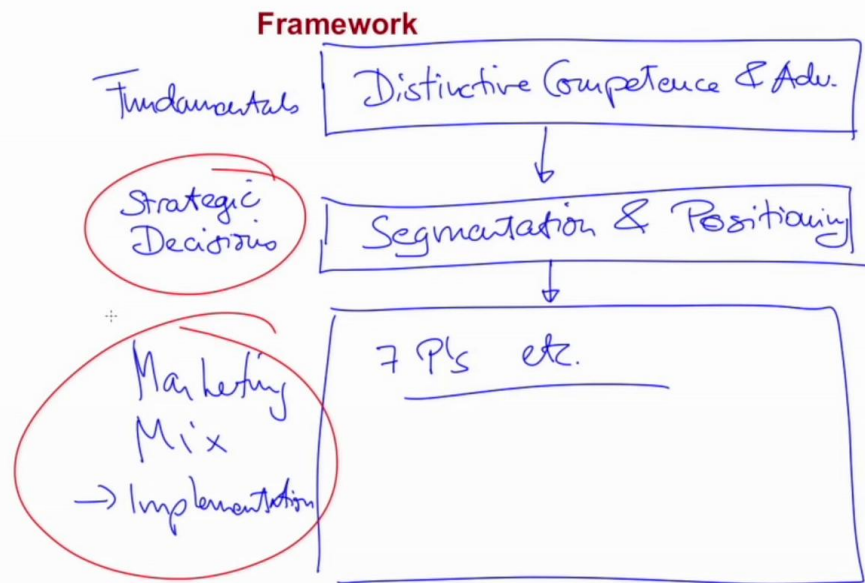
The fundamentals are the following: Building on that basis you can then decide which target segments get the most benefit from your product, and also how those customers in this target segment should perceive your company. The second element would be the strategic element. It means, how should I be positioned, what is my target market. We call this the segmentation decision and the positioning decision, and as I mentioned, these are two core, strategic decisions that you engage in during the development of your marketing strategy.

Notes

Summary



1m 28s



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Based on these two core strategic decisions you will be able to decide upon a whole range of other issues that are more operational, that are in the implementation phase of your marketing strategy. Some of you might have heard of the well-known marketing mix. Exactly those elements would be the more operational ones, the implementation issues. So, it's the marketing mix and the implementation that follows. What we will be discussing are the Seven P's which are an extension of the Four P's with a special consideration about the service industry and a couple of the implementation issues like Guerrilla Marketing, etc. But one thing is core: you need to understand the difference between the strategic elements and the implementation elements. This is something that many entrepreneurs do, unfortunately, not get right, and then have to adjust and readjust their market implementation. So when we think about marketing, really keep this in mind, that there is a strategic level to it, and there is a more implementation operational level to it.

Notes

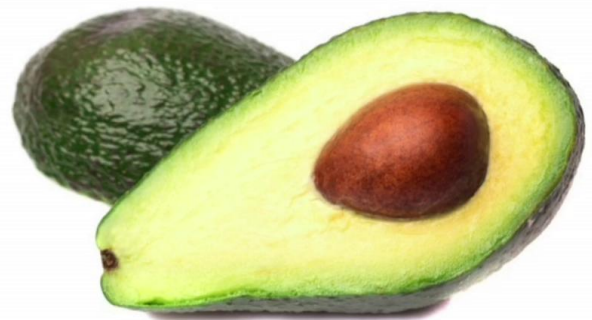
Summary



What is the firm's core?

- This question is the starting point for planning marketing activities.
- The answer is the firm's **distinctive competence**.

Distinctive competence is the source of **competitive advantage**.



Source: Lodish et al. (2001)

Launching New Ventures

The first element that you need to understand is the firm's distinctive competence. Why is this important? Because the firm's distinctive competence allows you to establish advantage vis-à-vis the competition.

Notes

Summary



What is the firm's core?

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Distinctive competence is the source of **competitive advantage**.



Source: Lodish et al. (2001)

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There must be something that you're really, really good at in your company. Think about your own competences. If you, as a person, are applying for a job out there, you need to be special, you need to have some competences that other people who apply for this job actually do not have, so that you get that job, and the same logic applies in firm creation as well. You need to find out what your company is really good at, produce products that embody that great skill, capability, and then you have something to provide to the market where the customer will say, "Wow, that is a great product! That's a great offering, and I choose yours vis-à-vis the competition's offering." So in that sense, the firm's core of this competitive advantage issue that it relates to is something that you need to address, and you need to understand early on in your venture's creation.

Notes

Summary



4m 02s

It can be based on:

- **Technology**, protected by patents or trade secrets
- Excellent **design**
- Perceived high **quality**
- Continual **innovation**
- Excellent customer **service**
- Loyal **employees**



Source: Lodish et al. (2001)

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When we think about distinctive competences, it can be multiple things. In a high-tech venture it's typically the technology, which is innovative, novel, and has aspects to it that render services that other technologies cannot render. But it can also be excellent design, high quality, customer service. Typically, when we look at the successful startups, it's a mix of all these elements, and even more elements. Why is this the case? Because other firms, your competitors, will have a hard time copying you, imitating what you're doing if your competitive advantage relies on so many ingredients. It's just harder to observe what you are doing, and it's just harder to imitate, so once you have a bundle of competences that you build on, you actually have quite a leg forward relative to the competition.

Notes

Summary



4m 57s

- Market segmentation & positioning should be developed **together**
- These strategic decisions provide the **foundation** of all future marketing activities



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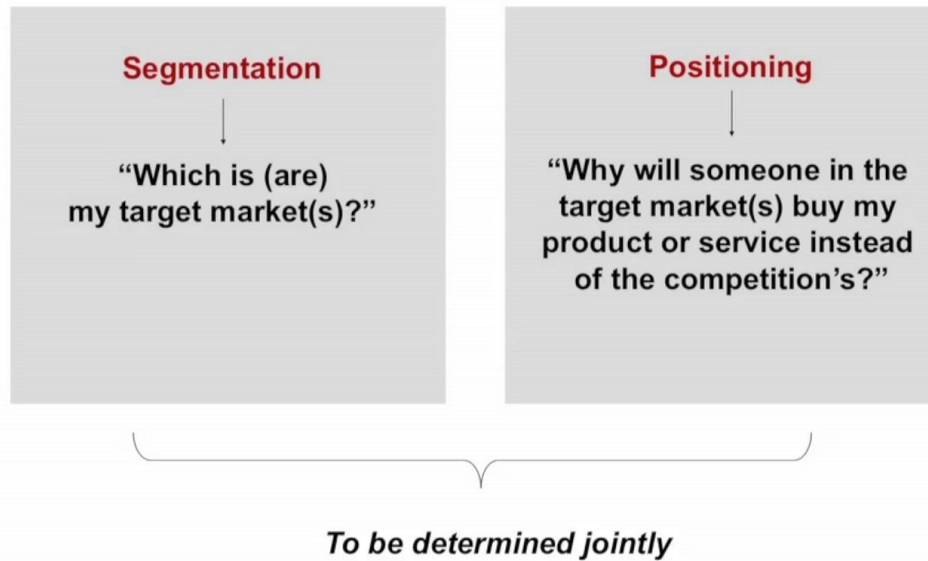
This understanding of your distinctive competences and your competitive advantage will actually form the basis for all subsequent marketing decisions, the core ones, the strategic ones, and the more operational ones, the implementation issues that we discussed before.

Notes

Summary



5m 53s



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The segmentation decision answers the question, "Which is my target market?" while the positioning decision answers the question, "Why will someone in the target market buy my product or service instead of the competition's?" So you really see how those segmentation and positioning decisions are two sides of the same coin. That's why they should be determined jointly. Let's look at them in more detail to make you understand what they entail.

Notes

Summary



6m 09s

- **Entrepreneurs typically only serve one segment.**
- **This segment deserves full attention.**



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Let's start with segmentation. Entrepreneurs typically only serve one segment. This is because they have limited resources, limited attention. Some entrepreneurs might decide to say, "I enter multiple segments at once," but this can only be done if there is some strong synergy between the segments. Typically, you focus on one segment and this segment deserves your full attention, because there are customer requests from the segment. You want to enter the segment successfully and create happy customers that are talking about your product in a favorable way, so you create word-of-mouth.

Notes

Summary



6m 34s



Central question: *Who are my customers?*

Further questions:

- Is the perceived benefit that my positioning targets matching the benefits desired by this customer segment?
- How, and how quickly, can I reach this segment?
- Size and purchasing power of the segment?
- Possible changes in the segment (due to, e.g., economic forces, social trends, regulations)?
- Competitors' activities in the segment?

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The central question in segmentation is "Who are my customers?" Building on that question you have a couple of additional questions that you need to check and to answer in order to understand whether that segment that you have chosen is actually a good one, OK? The first question is hinting this notion that positioning and segmentation are two closely related decisions that should be jointly developed because it asks you, "Is the perceived benefit that my positioning targets matching the benefits desired by this customer segment?" So, there needs to be an alignment. Another key question is "How quickly can I reach a segment?" What's the size and purchasing power of this segment, and if you look across time, are there possible changes in this segment that may affect purchasing power and other attributes of the segment, i. e., could make it more or less attractive to you? Finally, you may also want to think about the competitors' activities in this segment.

Notes

Summary



Checklist for successful segmentation

The requirements of successful segmentation:

- **Homogeneity** of needs and wants appears **within** the segment.
- **Heterogeneity** of needs and wants exists **between** the segments.
- Differences **within** the segment should be small compared to differences **across** segments.
- It should be possible to determine the **size of the segment**.
- The segment should be **large enough** to be profitable!!!



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Here's a checklist for successful segmentation. A successful segmentation should be one where there's homogeneity of needs and wants within the segment, and there's heterogeneity of needs and wants between segments. This picture is actually quite telling in that sense, because you see three people here, all wear a red sweater, all have white glasses on, they have the same beard, and the same hairstyle, and even the same smile. They might be triplets, but I think they Photoshopped the same person three times. So in that sense, what is interesting is that if you are, from a company's perspective, looking at this segment here, these types of people, you will say, "OK, I exactly know what they need, what they want, it's homogeneous, it's the same." That provides you with some ability to send a marketing message so this is very targeted, because you know what they need. If these would be now different types of people, one wearing a blue sweater, another wearing a green sweater, you would have a much harder time in saying, "OK, do I actually fulfill the needs of these people?" They might actually come back to you and one might say, "I need a product that is different in shape and design." Another one needs another type of product, so that will kill you in terms of complexity.

Notes

Summary



Checklist for successful segmentation

The requirements of successful segmentation:

- **Homogeneity** of needs and wants appears **within** the segment.
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- It should be possible to determine the **size of the segment**.
- The segment should be **large enough** to be profitable!!!



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A good segment should thus have few differences within the segment, and large differences to other segments. You should also be able to determine the size of the segment. If you cannot determine the size of the segment, it's typically an indication that you did not segment well enough. And ultimately, the segment should be large enough so that you can be profitable as a company. These elements provide you with a checklist, but I think, fundamentally, try to think of benefits that you will establish by saying, "This is my target market, I know who these people are, I know which type of marketing messages appeal to them," because once you can say this, these people will come back and say, "Wow! I was addressed with my needs through your marketing messages."

Notes

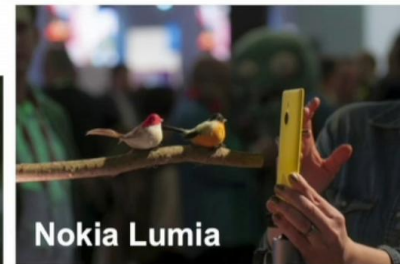
Summary



Example: Segmentation in mobile phone market

Many factors play into segmentation:

- Psychographic / Lifestyle (upmarket vs. downmarket)
- Consumer Behavior
- Geographic
- Demographic
 - Age
 - Gender
 - Family size, income, etc.



Let me get your product." An interesting sample of segmentation is the mobile phone market. Many factors play into the segmentation decision in this market. For instance, psychographic and lifestyle considerations, consumer behavior as the most sophisticated ways of segmenting a market, but also geographic and demographic characteristics such as age, gender, family size, etcetera. So let's just look at these different pictures that people could use to market different phones. This already tells you which types of market segments these phones are attempting to address. Look to the left side. There is, for instance, the Blackberry which used to be a business phone for business people. That target segment was specifically designed that way. Nowadays, Blackberry tries to relaunch itself as a money sending device. That could be a strategy that Blackberry could adopt. Ultimately, you need to choose criteria that will allow you to have an interesting understanding, a very deep understanding of your target market.

Notes

Summary



New & Unknown
Firms

in

New & Innovative
Markets

should highlight their

Unique
Attributes



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The decision that has to be taken in parallel to the segmentation decision is the positioning decision. Positioning is so important, as it portrays how the customers should perceive your product, your company vis-à-vis the competition, and especially when you think about new firms. These are unknown entities in new and innovative markets, oftentimes, so that customers should actually understand the unique attributes of that company, and that relates back to what we have been already discussing with regards to the competitive advantage question and the core competence question at the beginning of this segment.

Notes

Summary



11m 27s



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So, the central question is "What are the unique differentiating characteristics of my product or service as perceived by members of the target segment?" There are a couple of further questions that you will need to understand in order to provide and develop a compelling positioning. The first question here is a very relevant one. It says, "Why should my product service be bought instead of the competitors'?" We mentioned this issue briefly in the previous module, when we talked about putting yourself in the customer's shoes. This is exactly what it means here. Try to understand why my customer should choose my product and not the competitors' product. This relates then to the second question, "Which differentiating characteristics should my target segment perceive?" This might sound like a trivial question, but for most innovations, it's not a trivial question. This is because you have lots of features in a product and you need to understand which features you should actually put to the forefront when you communicate with the customer so that he can perceive those features.

Notes

Summary



0m 18s

New & Unknown
Firms

in

New & Innovative
Markets

should highlight their

Unique
Attributes

Central
question:

What are the unique **differentiating**
characteristics of my product or service **as**
perceived by members of the target segment?

Further
questions:

- Why should my product/service be bought instead of competitors'?
- Which differentiating characteristics should my target segment perceive? (**Focus!**)
- Which characteristics does my target segment care about most?

Launching New Ventures

It's not a trivial question because it actually could turn out to lead to insights like the one where you say, "OK, this is not a segment that actually values my product." So you go back to the drawing board and say, "OK, maybe this target segment is not fitting my positioning or the type of benefits that I want to render to the segment." Here's an example of a positioning in the auto market.

Notes

Summary



13m 14s



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In the auto market, oftentimes customers perceive cars as either being sporty or more conservative, and they perceive cars as either being classy and distinctive, or practical and affordable. If we have that positioning cross, you can then start to put all kinds of brands of car companies in there and try to understand how they are perceived by customers. For instance, if we are in the sporty/classy & distinctive quadrant here, you have companies like BMW, Audi, Porsche, and for instance, Tesla. When we are in the quadrant that is more conservative and practical & affordable, this one down here, we would have companies like Plymouth, Dodge, and Ford. Then again, you have the other quadrants. I don't walk you through those. Let's just remember that this is how the customers perceive the auto market. It's really standing in the customers' shoes. For you as an entrepreneur, this is actually quite an interesting type of strategic decision making process here because it allows you to understand a couple of issues that are core to your marketing. First, it allows you to understand where the blank spots, where there is no competition, for instance, here, here, and also here.

Notes

Summary



0m 20s



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The question then is "Is this target segment that would be reflecting this type of positioning still an attractive one? It also allows you to understand, if you are positioned that way, as a new company, who are my direct competitors? Here it would be Tesla, Audi, Porsche, but maybe also Pontiac. In the customers' mind, these companies would be closely together, so in that sense, these would be the ones you want to differentiate yourself most from. But this also allows you to actually say, "OK, I do an analysis where we do not use the classical dimensions of how the car market is segmented - sporty versus conservative and classy versus distinctive - but I actually adopt a new type of dimension and try to understand how the segmentation and the positioning would look with this new type of dimension." So think about Tesla. They are a company that produces energy efficient cars. They could actually say, "The car market is moving into another direction. It's no longer that these two classical dimensions are used in order to understand customer choices. There's a new dimension coming in, it's energy efficiency." So there is high and low on energy efficiency on one axis, could say, instead of conservative/sporty, could say low and high energy efficiency.

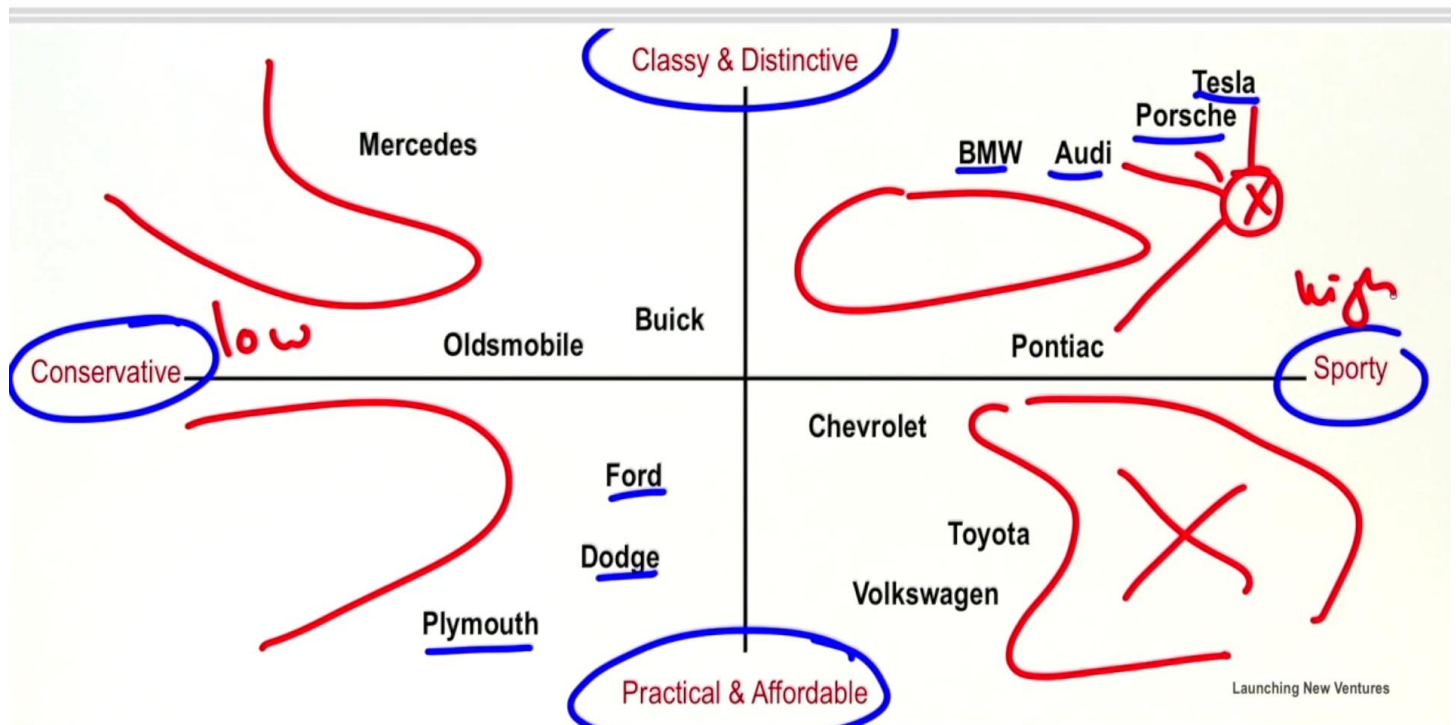
Notes

Summary



0m 22s

Example: Positioning in the auto market



Tesla would come out ahead, and then you could say, "Where would all the other companies now be relative to Tesla?" This would provide you with a novel insight into the market. What's the interesting thing then for entrepreneurs is that by introducing new technologies, by providing customers with unique, new benefits, you will have and could have the chance to redefine the markets in a way that Tesla is doing right now, and several other companies are trying to do now.

Notes

Summary



Successful unique characteristics should be ...

1 Clearly visible

2 Relevant for the target segment

3 Easy to remember

... so the **focus** should be on a **few important characteristics**.

Customers don't buy features, they buy benefits.

High-quality technical features alone are not enough.

However the **real** benefit (or lack thereof) must not leave customers disappointed after purchase!

Regardless of **real** benefit, the **perceived** benefit matters most for the purchasing decision.

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So your positioning, in other words, has to be based on some unique characteristics, and these unique characteristics should be clearly visible or relevant to that segment and easy to remember. So the focus should be on a couple of important characteristics. Few important characteristics. Don't spread yourself too broadly here with lots of characteristics because the customer will have a difficult time understanding what your product is and how it relates to the competition. What you also need to bear in mind is that customers don't buy features, they buy benefits, so high quality technical features are not enough. Regardless of the real benefit, it's only the benefit that customers perceive that matters most for the buying decision, for the purchasing decision. But ultimately, it's the real benefit that then they will experience when using your product that will tell them, "Shall I be happy about this purchase? Shall I be disappointed? Shall I recommend this product to others?" In other words, will they engage in positive word of mouth or negative word of mouth regarding your product?

Notes

Summary



The Kindle Experience



Perfect for reading

Reads Like Real Paper, No Glare Even in Bright Sunlight

Kindle uses an electronic ink screen that looks and reads like real paper. The matte screen reflects light like ordinary paper and uses no backlighting, so you can read as easily in bright sunlight as in your living room. Unlike tablet screens, Kindle has no glare.

Lighter Than a Paperback

Less than 6 ounces, Kindle is lighter than most paperback books, and weighs half as much as many tablets, making it easy and comfortable to hold in one hand for extended periods of time.

One-Month Battery Life

Kindle also has the advantage of significantly lower power consumption than tablets. Kindle does not require power to maintain a page of text, allowing you to read for up to a month on a single charge, with wireless off and a half hour of reading per day, versus hours on a tablet or smart phone.

Sharp, Clear Text

Kindle uses actual ink particles and proprietary, hand-built fonts to create crisp, print-like text similar to what you see in a physical book. The screen's 100% aperture ratio means no gaps between pixels. The blacks and whites on the screen are uniform, improving image quality.

Easy on the Eyes

Every time your eyes switch from a bright screen to a dimmer, ambient room, your eyes have to adjust, which may result in fatigue. With Kindle the page is the same brightness as everything else in the room so there's no adjustment needed.

Read in Any Position

When you read for long periods of time, you often switch positions to get more comfortable. Kindle has a uniform contrast ratio that does not change with your viewing angle, so you can read in any position.

Source: Amazon.com

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Let me give you some intuition about what it means when I say "customers buy benefits". You all know, or many of you know the Kindle reader from Amazon. This is a technical device you could describe in technical details. It has a certain size, it has a certain weight, it has a certain resolution on the screen, etcetera. Is the customer caring about these features? He does so, but only to the extent that they can render a benefit to him, so let's look at this advertising that Amazon actually has put out. They say it's perfect for reading. It reads like real paper and no glare even in bright sunlight. They say it's lighter than a paperback. They say it has a one-month life battery. They say it has sharp, clear text, it's easy on the eyes, and you can read in any position.

Notes

Summary



18m 15s



More sophisticated buyers
might prefer
the “hard facts” (i.e., features)
over
“blah-blah”
**(i.e., what the seller claims are the
customer’s benefits).**

Example: Lenovo’s online notebook
store (US version)

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That's basically your perspective, as a reader, that Amazon is adopting. They are describing the technical features of the product in a way that the customer will understand what type of benefits these technical features will render to them. They select a few of these characteristics so that you will ultimately get an understanding that this is really perfect for reading. This said, there may also be segments out there that actually value technical description above anything else. Understanding your target segment means also to understand, do they prefer customer benefit explanation, of the type that I just explained with the Amazon example, or would they prefer a more technical description, where they would say, "everything else is blah, blah, blah.

Notes

Summary








19m 09s

Features vs. Benefits

Need help choosing your next  machine? Answer these questions:

1. How would you use your new PC?

Select up to two answers

- ☐  Work
- ☐  Entertainment
- ☐  Gaming
- ☐  Home
- ☐  School

2. What type of PC are you looking for?

Select up to two answers

- ☐  Laptop
- ☐  Convertible
- ☐  Touch Laptop
- ☐  Desktop
- ☐  Tablet

3. What features are important to you?

Select up to two answers

- ☐ Portable
- ☐ Touchscreen
- ☐ Basic
- ☐ Performance
- ☐ Large vibrant display
- ☐ Long Battery Life
- ☐ All-in-One Desktop
- ☐ Optical Drive
- ☐ Small Desktop
- ☐ Colorful
- ☐ Tower Desktop

4. How much are you willing to spend?

Choose all answers that apply

- ☐ Up to \$599.99
- ☐ From \$600 to \$899.99
- ☐ From \$900 to \$1,199.99
- ☐ \$1,200 and above

More sophisticated buyers might prefer

the "hard facts" (i.e., features)

over

"blah-blah"
(i.e., what the seller claims are the customer's benefits).

Example:
Lenovo's online notebook store
(US version)

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Source: shop.lenovo.com

We want the hard facts." So, as an example, consider Lenovo's online notebook store. This is definitely a store that is addressing the more technologically savvy consumer, buyer of notebooks because it walks you through a couple of questions. These are mostly technical questions, so that you can understand which type of PC you need. You need to select between the primary use of your computer, what type of computer you're looking for, what features are important for you, and what price you are willing to spend. Then Lenovo provides you with some examples of computers that fit your needs. This is a fairly different way of asking and pointing out the features compared to the more benefit-driven explanations that we have just seen with the Amazon Kindle example.

Notes

Summary



19m 59s



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So coming to the end of this segment on developing your marketing strategy, there are a couple of key issues that I want you to remember. First, we have seen that there are fundamental decisions regarding the competences that you have in a company that will form the basis for making all subsequent decisions. These are core strategic marketing decisions that build on this understanding of what your distinctive competence is, other decisions regarding your segmentation, and other decisions regarding your positioning of your company. These decisions are core to everything else you will be doing in marketing, especially the implementation of your marketing plan which then entails distribution decisions, advertising decisions, because ultimately, if you do not have a clear idea who your target customers are, if you do not have a clear idea about how your target customers should perceive your company, you will have an incredibly hard time understanding which type of distribution, which type of advertising you should engage in. So in that sense, keep in mind that there are core strategic decisions that you need to engage in, and then only can you come to the implementation part of your marketing plan. In this sense, see you next time.

Notes

Summary



20m 48s