



Week 3: Entrepreneurial Marketing

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

Prof. Chris Tucci and Prof. Marc Gruber

Welcome back to Week 3 and the segment Guerrilla Marketing and the Marketing Mix. Today's session is essentially about implementation of your marketing strategies, and that's also why I'm wearing my vest, in order to signal to you that this is a hands-on subject that we're going to be talking about today and that it actually should be aligned with the strategy that you have developed in the previous sessions, meaning the segmentation of your market and how your customers should perceive your product, either positioning of your product, vis-à-vis the competition towards your customers. These two decisions on the strategic level really form the backbone of what we will be discussing today because they should give you the guidelines, the general thrust for what you will be implementing in the marketing mix. There are more creative elements that you can also use in entrepreneurial marketing. We label them *guerilla marketing*, like a guerrilla fighter who's fighting with little resources and tries to achieve maximum output or maximum effects. That's actually the situation that an entrepreneur finds himself in.

Notes

Summary



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Week 3: Entrepreneurial Marketing

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

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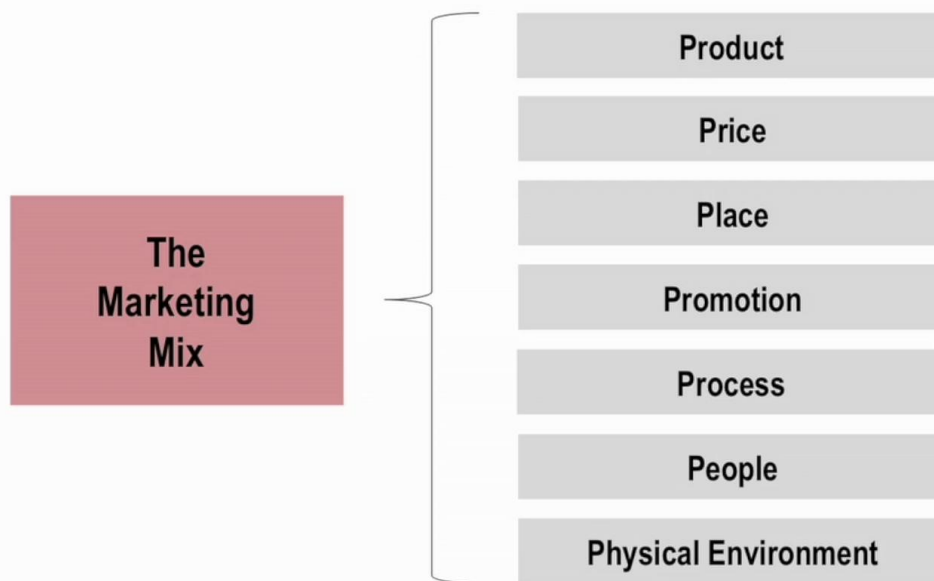
What we will be discussing is also some tools and tricks that you can apply in order to have a very efficient type of marketing in new venture creation. I have some very interesting, nice examples to share with you. When we think about the marketing mix, conventionally, there were four P's: price, product, promotion, place. This has been enlarged to seven P's in more recent editions of this concept. Let me briefly walk you through an overview here and then focus on each and every one of them. The marketing mix is really concerned with the implementations suggested. It's about how your product will be designed. It's about the pricing of your product. It's about the place, I mean the distribution of your product. It's about the promotional elements that accompany your marketing effort. It's about the process. It's about the people. It's also about the physical environment, which is oftentimes referring to the store environment in which you may sell your goods. Each of these elements has a couple of decision points to them. And as you see already by looking at the name of these elements, this is really hands-on as I said.

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The 7Ps: The tools available to a firm in order to gain the reaction it is seeking from its customers



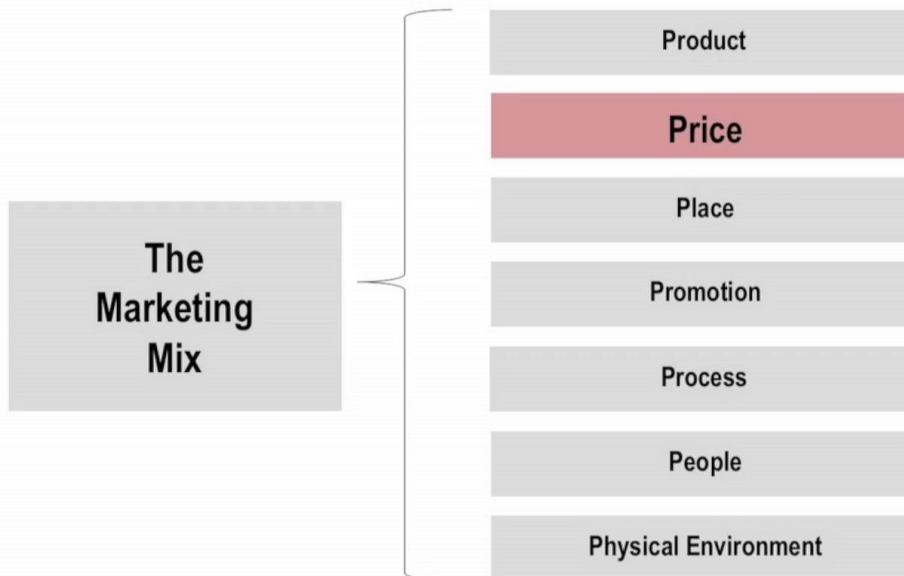
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Let's walk you through some of these decision points and what you can possibly do about the product, price, place, etc., what are common fallacies, what are common recommendations in that sense. Let me also stress that, at the end of the day, these all need to form a coherent view.

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Strategies:

- Skimming
- Penetration
- Psychological
- Cost-Plus
- Loss Leader
- Value-Based Pricing

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This needs to be coherently set, designed so that the customer ultimately will see this as a product offering with right price that is distributed through those distribution chains that are most appealing to your customer target market, etc. Let's move through this one by one. One core element that is essential in the entrepreneurial marketing approach is, of course, the price you set. How much would a customer have to pay for your offering?

Notes

Summary



2m 45s



Strategies:

- Skimming
- Penetration
- Psychological
- Cost-Plus
- Loss Leader
- Value-Based Pricing

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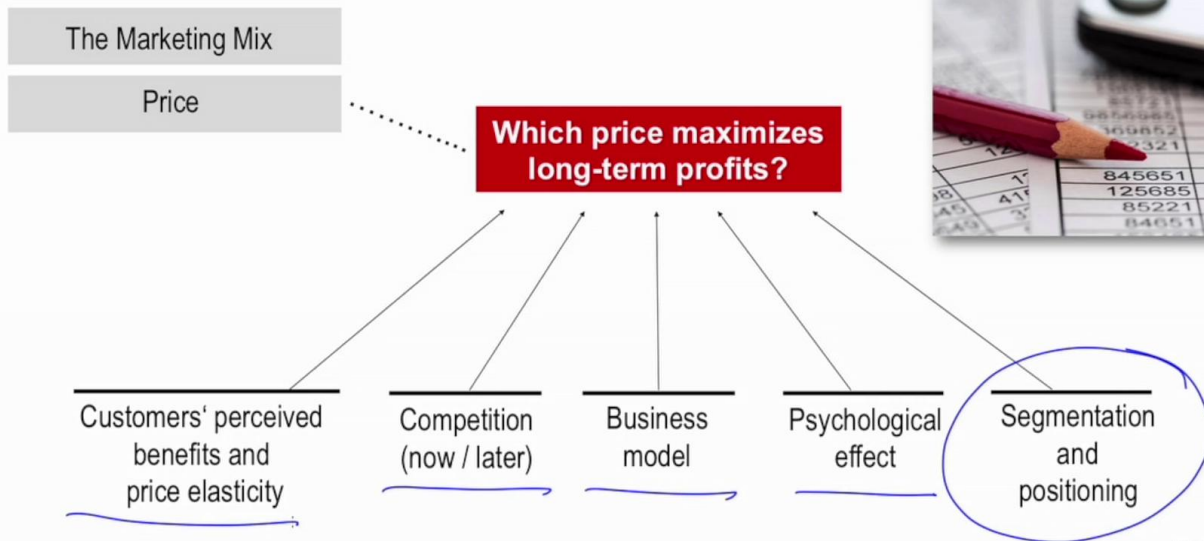
This is a vital consideration to the customer because this determines whether he or she wants to buy the good. But it's also vital to you as an entrepreneurial company because the price the customer pays and how many customers will find that product attractive at that price will determine your cash flows. And that determines, of course, whether you as a company can survive. So the pricing decision is one that is extremely vital. There are also problems that are associated with that because it's not so easy to determine the right price. Oftentimes, an approach that is recommended is that you want to start with understanding how valuable this product is to your customer. This means the value that you're creating for your customer. That can be a starting point. Then you can say, "Well, this is my cost level, and this is the value I render to my customers." Somewhere in between should be the optimum price. Cost-plus pricing is also oftentimes done, which means you have your cost, and you add something on top of your cost -- let's say, 20 percent. Is this a good way of pricing? Think about it. *It's not!* Because the customer might get much, much more value out of your good than what your cost base is plus this 20 percent. You're leaving money on the table constantly, which means, well, the value accrues not to you but to your marketplace, which is nice for the marketplace.

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Many factors influence the optimal pricing level.



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But hey, you want to create a company that is successful in gross. In that sense, there are couple of key issues that you can walk through. We've provided some backup material on our website that you can refer to in order to understand what is scheming pricing, penetration pricing, psychological pricing, etc. We do not have the time in the segment to walk you through each one of these elements. But let me just point out one key question, which is the question that you should have in the back of your mind. The question: "Which price actually maximizes long-term profits?" This is, of course, an issue that has to do with segmentation positioning. This is evident. It's the strategic guidance. There's also some psychological effect. Your business model has some implications, the competition now or later. Think about the markets you're in. Oftentimes, these are dynamic markets so more and more companies will enter those domains. And of course, the customer's perceived benefit. That's what I exactly refer to when I talk about value-based pricing. Also, the price elasticity, which means if I change my prices for a certain percentage like, let's say, 5 percent higher, how many more customers would actually buy my product, or how many customers would I lose that way? If you have a luxury good, maybe increasing the price might make it more attractive.

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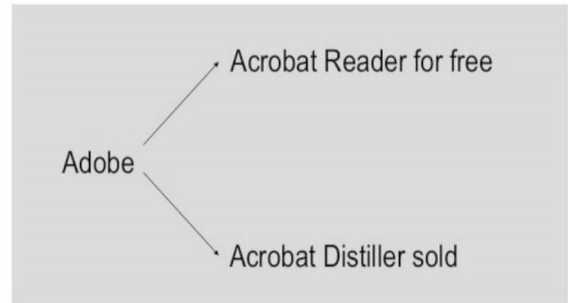
Summary



4m 45s

Pricing: Free?

It might make sense to give away products for free i.e. “freemium” pricing model.
The business model to sell the product is just one of several possible models.



→ Network externalities help the diffusion of Acrobat Reader and thus make the Distiller more attractive

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And thinking about pricing, take into account that there are also options where you actually give the product away for free. There's a *freemium pricing model* where you have, for instance, a plain vanilla version of your product that is given away for free, and then you have a sophisticated version that allows professionals to do many more things with your product for which you're going to charge a certain price. This is oftentimes a pricing model that is useful for those markets where you have to want to achieve a rapid penetration. Of course, with a product that's free, there are some advantages in terms of penetration. This is one real example of a company that dealt with that brilliantly: it's Adobe. They had the Acrobat Reader that was given out for free. Many of you probably use it. Then there's the Acrobat Distiller and other versions that are sold and where the company actually makes some profit.

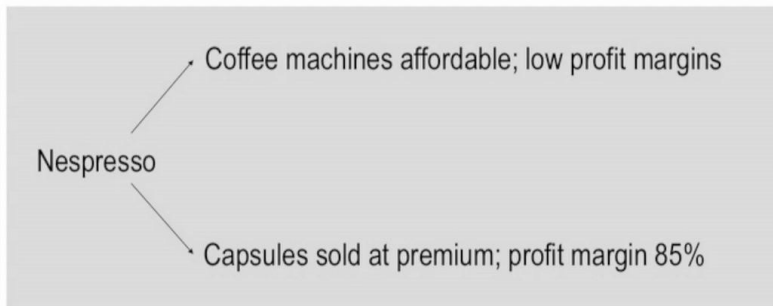
Notes

Summary



Pricing: Example #2

It might make sense to forfeit profits on some products in order to cash in on others.



- Proprietary, unique design of the machine requires specific capsules made only by Nespresso. Selling machines creates demand for a higher-margin product.

"The price of the pods is ridiculous, but it's still the best contraption I've ever bought," says Radlauer, a New York City software developer.

(TIME Magazine)

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Source: Levine, J. (2011). "Pod of Gold." *TIME*.

Another wonderful example about pricing is provided by Nespresso. You may know the coffee capsules by this company that is actually owned by Nestle, which is a company just down the road here from Lausanne, where I'm based. What they are doing is actually quite smart because if you think about it, Nespresso relies on the customers having coffee machines that are compatible with their capsules, and it relies on the sales of the capsules. They could say, "Well, we price the coffee machines highly. And then we are profiting from the sales." That might hinder people actually from buying the coffee machines. That will then hinder the people from actually using and buying the capsules. So in that sense, in order to enter the market and penetrate the market, it's of vital importance to them to keep the price of the coffee machine low. So they have very low profit margins on those. But they have much higher profit margins, then, on the capsules that are repeatedly sold. In some estimates, that's up to 85 percent of profit margin on that coffee capsule, which is amazing. This is another interesting example on that effect.

Notes

Summary



7m 06s



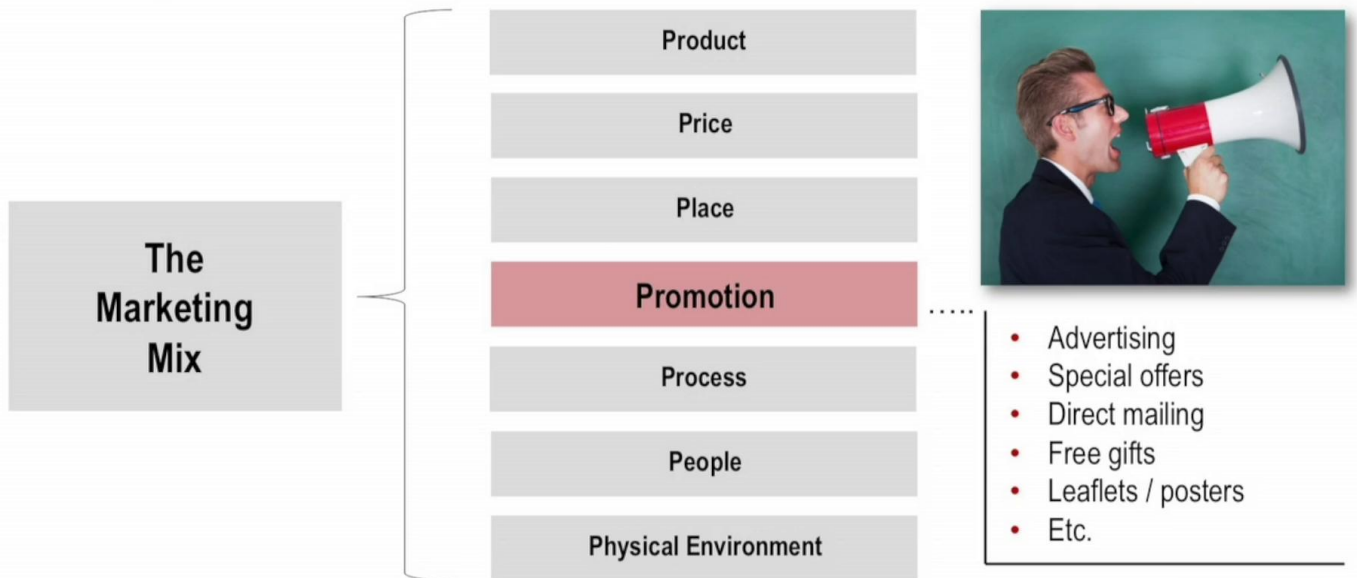
The second key element that is of importance here is the product. The product has a number of decision dimensions that you need to think about in your marketing mix. It's about the design, it's about the technology that goes inside, the quality, it's packaging -- and a couple of others, but these are oftentimes the four most important ones.

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Different approaches, NOT just advertising



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Of course, these need to fit the overall strategy. Meaning, you target customers and how they should perceive you and your product vis-à-vis the competition's product. More concretely, this means if your target market segment would be affluent people and you're trying to produce a product that is on the luxury segment, of course, this has to be visible in its design, in its quality, in the packaging of your good. Otherwise, if your packaging is a cheap type of packaging, there's cognitive dissonance on part of the customers. They might not say, "Well, this is a product that actually fits my needs." They would not consider buying it. This has to fit with the segmentation and positioning, too. The third element is promotion. What is important here to understand is promotion is not just advertising. It's many different things. We listed them here. It's advertising, of course, but it's also having special offers. It's direct mailing. It's maybe a free gift. It's leaflets.

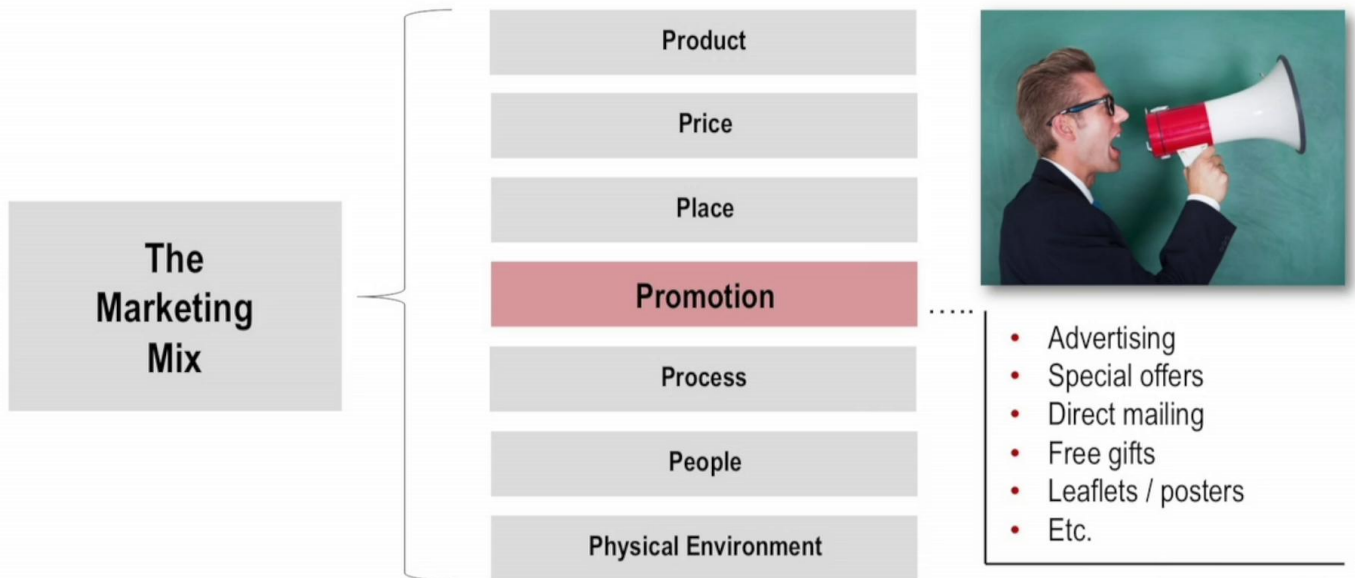
Notes

Summary



8m 32s

Different approaches, NOT just advertising



It's other things that you might want to engage in in order to actually promote your product. There are multiple ways of promoting your product. Think about it. Maybe in that way, they'll say, "Okay, I want to transport a message to you, my potential customers." There are multiple ways of getting this message across. Advertising is just one of them. That guy with a loudspeaker might be another option. Free gifts might be also another -- a coffee mug with the branding on it. If you're, for instance, selling office goods and they have this coffee mug in their office with the brand of that company providing office goods, that's all day long on their desk, and they see this logo a couple of times each day. Their colleagues see this logo. Of course, these people are more aware of your company and the product it offers than other people's companies where they are not on the desks often.

Notes

Summary





Public Relations (PR)

- Is advertising that is perceived as not paid-for by the firm
e.g. press releases
- Is an important way to build trust – with customers, capital sources, and employees – particularly for innovative start-ups
- A start-up (unknown, product benefits unclear) can thus
 - increase awareness
 - build trust
 - signal potential for the future

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Then there's another form of promotion that is quite essential to many start-up firms. It's public relations. This is a low-cost alternative when you don't spend much money on that. It's perceived typically as advertising that is not being paid for by the company. For instance, press releases, so you have a reporter reporting about your innovation. That's actually often something that the reporters would like to engage. They're in search for good stories as well. If you have a good story to tell with your product, why not approach newspapers and press agencies to talk about your product? They might advertise it that way in their article for free. It's an important way to build trust because it's an outside party reporting about your company. It increases awareness. It could signal potential for the future.

Notes

Summary



10m 33s



When you think about public relations and the way you're going to transport your message through PR, think also about the different types of people out there who could be more or less helpful in transporting that message. There are some people out there who have two million Twitter followers while others have only a dozen. Of course, the ones who have two million would be better in transporting PR than the ones with a couple of leads only. We typically say there are some gurus out there, key people in the market, some authorities who can influence many, many others. Then there are some influencers, maybe some industry peers, experts, opinion leaders, key customers. Then there are some additional decision makers who get their messages, either directly from you with the PR or are shaped by what the gurus and the influencers think. There are oftentimes companies in an industry who look up to other companies and say, "These other companies are leading in terms of technology, in terms of customer approaches, in terms of their product. We closely follow what they are doing and then mimic what they're doing." That's exactly what I want to stress here.

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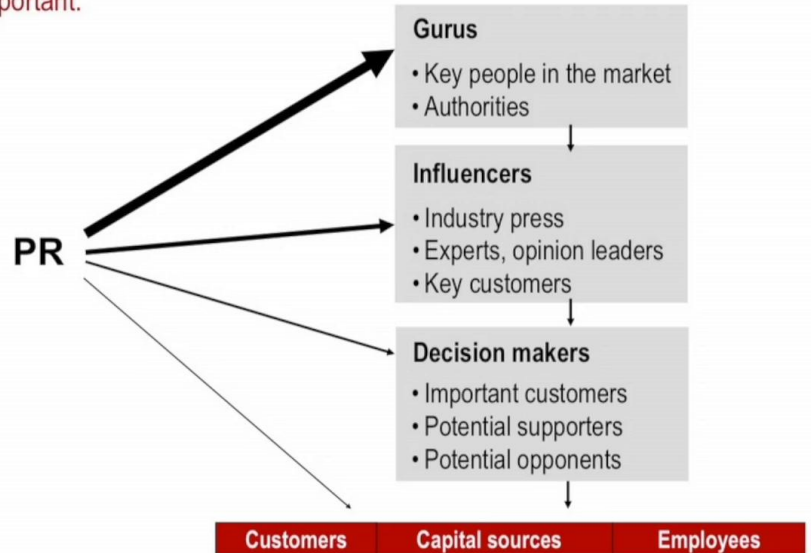
Summary



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Most people follow the purchasing recommendations of authorities, particularly in regards to innovative products. Thus indirect communication is important.



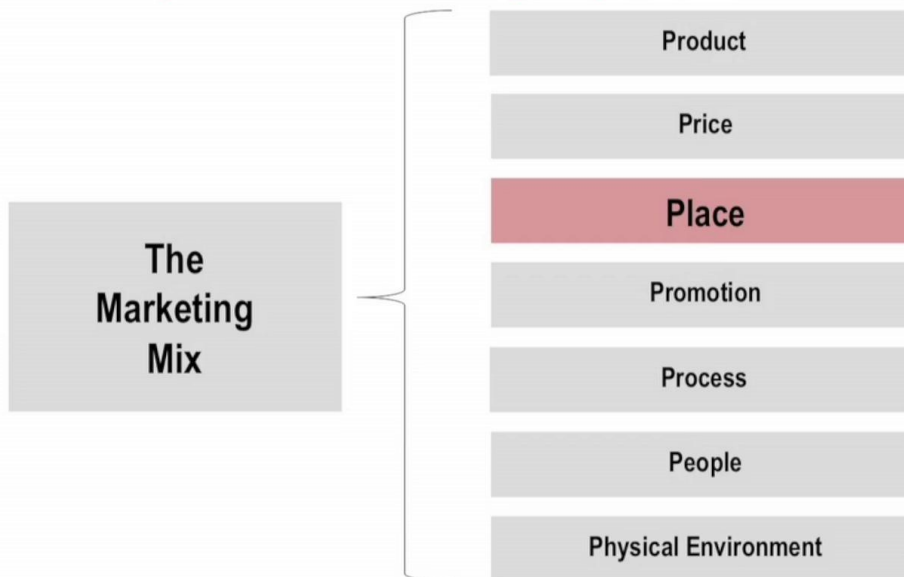
Try to get the gurus and influencers to talk about your company, then these guys will relate the message in addition to what your efforts are. But also, think about what these guys would take away from doing that. Maybe they only want to have an interesting story. Maybe they want to have other types of benefits that are related to that.

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Summary



Place: where can the product be bought?
This is a key element for market entry and penetration.



- Retail
- Wholesale
- Mail order
- Internet
- Direct Sales
- Peer to Peer
- Multi-Channel

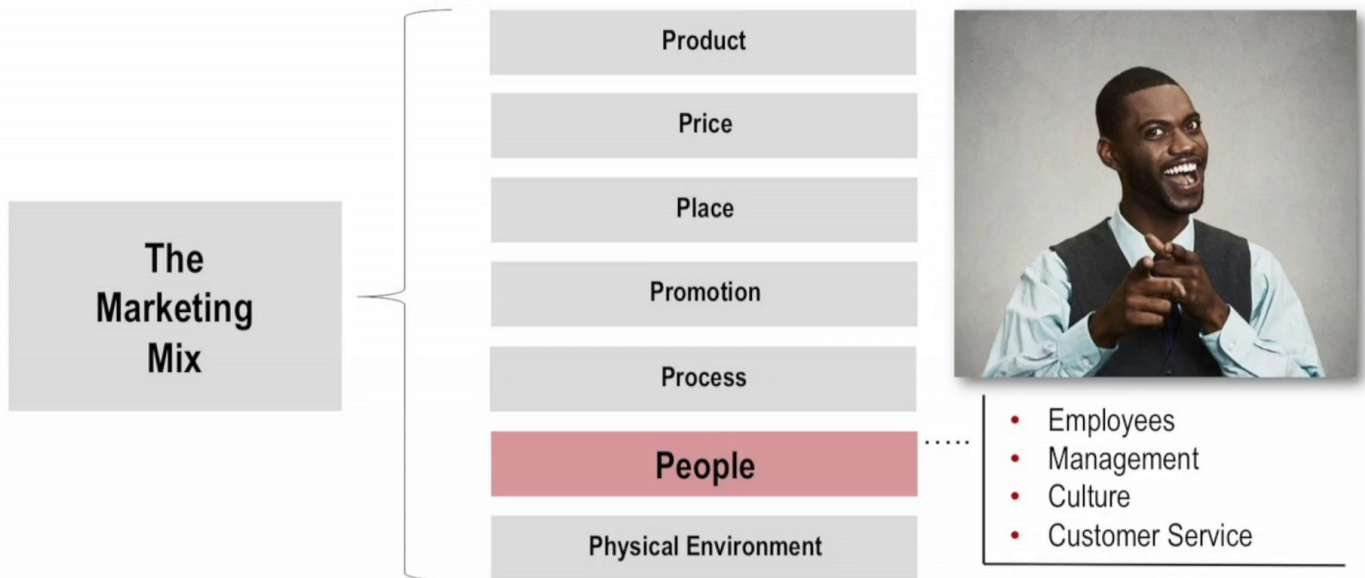


Another element is the place, i.e. where can the product be bought? This is a key element for marketing, market entry, and penetration. It actually means the distribution channel that you're going to adopt. Is it retail? Is it wholesale? Maybe mail order, Internet, direct sales, peer-to-peer, maybe multichannel approaches. Whatever you decide, you make sure that you are targeting with your distribution channel exactly the segment that you want to address so that you do not -- some segments actually have preferences for one or the other channel, so find out where they buy and how often they buy, if they would like to prefer buying the good maybe in a different way. It's not said that if they keep on buying in a retail store that they would not be willing and able to switch to online buying, for instance.

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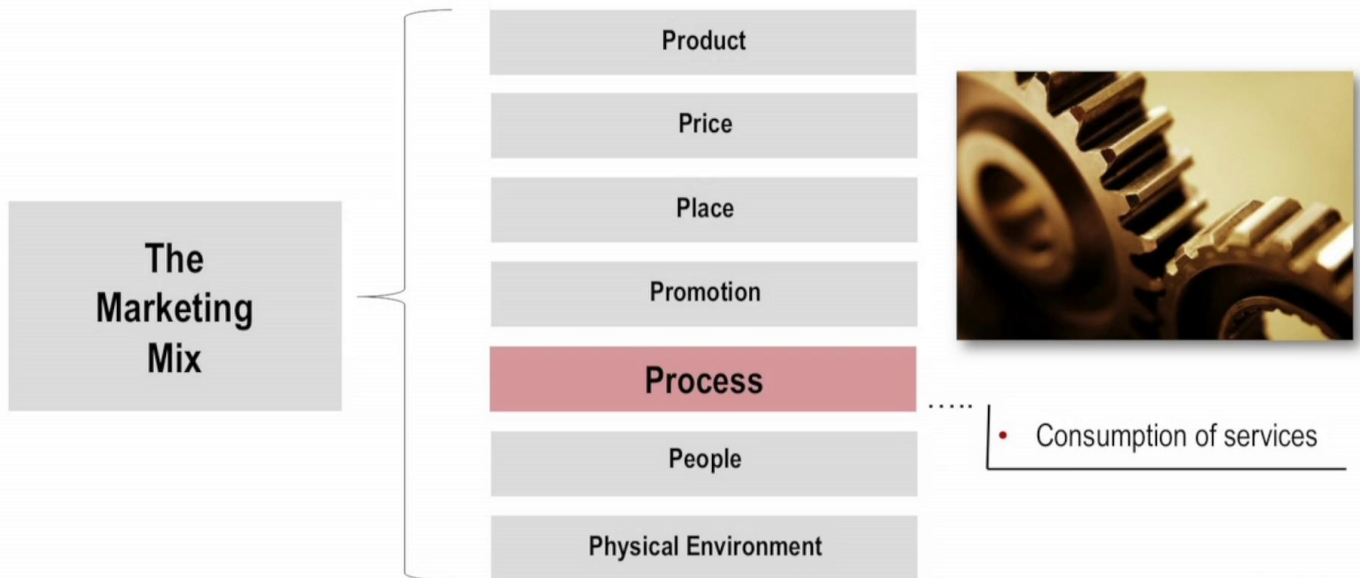
Another key element are the people. These are your employees. It's you as the management, it's the culture of your company because all of these will shape interaction with your customers. It will shape the impression that customers have of your company. It will shape how the customer service is actually executed, how customers will deal with your company. If you think about that, that's actually of vital importance because that shapes the customer's experience. They will come back if they are happy with your company, if they think you are doing a professional job, but they won't come back if you lose out on the customer service. Make sure that the people dimension is one that you take into consideration because it has a lot to do with the solid implementation of your marketing mix.

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Summary



13m 49s



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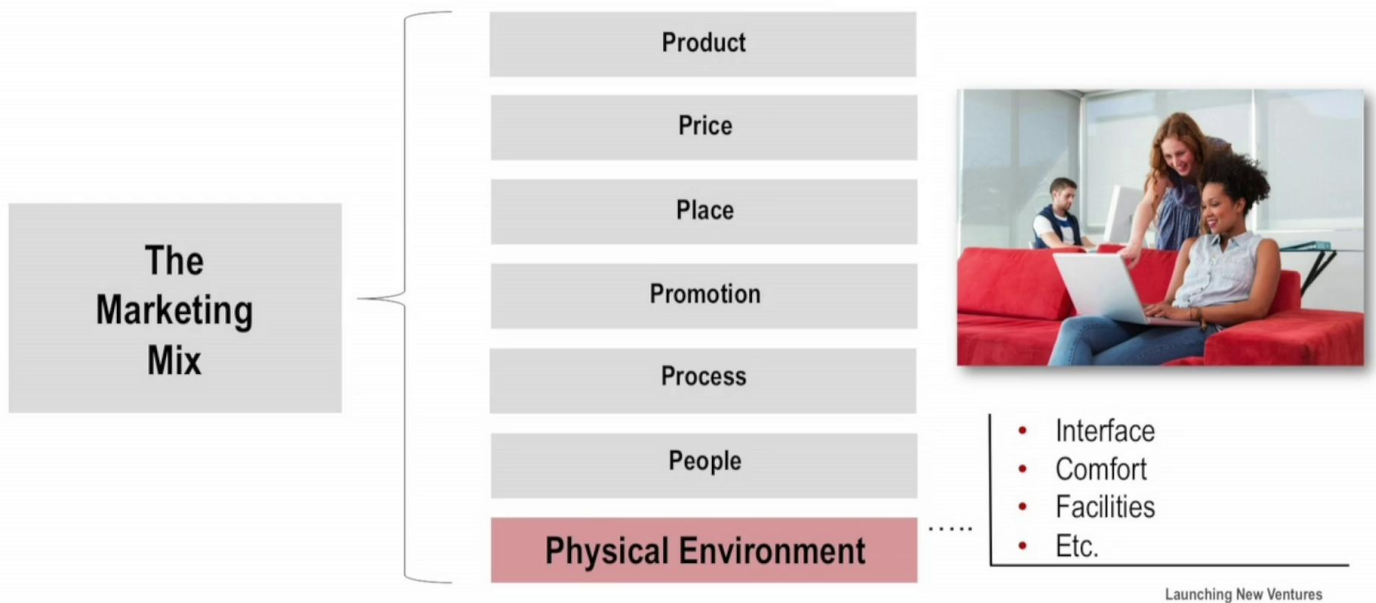
Then two more points. One is the process. The process element is of high relevance for more service-oriented ventures. Think about how the customer would consume your service. It also can be relevant to product-related purchases. You might have warranty issues. You might have other inter-linkages with your company, on the website, etc. The process dimension is also one that you might want to consider on that front.

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14m 38s



Finally, it's also about the physical environment. That means the environment in which the customer consumes the service or gets in touch with your company to purchase a product, or both. Think about the interface that is created by your company to have the customer on the site in a store. Maybe it's your company store. There's different levels of comfort. The facilities may or may not be posh, etc. What this means is that physical environment actually shapes the perception of who you are as a company quite a lot. It also shapes the customer's experience with your company quite a lot. Ideally, of course, that should match who you want to be seen as, as a company. Like, what is your positioning and what is your segmentation?

Notes

Summary



15m 07s

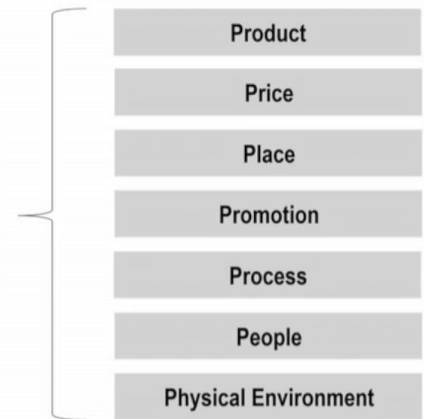
The marketing mix: Summary

How you employ the different elements depends upon:

- Marketing strategy & objectives
- Type of product & target market
- Rivals' behaviour
- Global considerations – culture, religion...
- Etc.



The
Marketing
Mix



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These are the seven key elements of the marketing mix. It's a mix of elements. They should be implemented in an orchestrated fashion. What's important to consider is that, of course, it should be orchestrated with the marketing strategy. It also depends upon rivals' behavior, global considerations, cultural issues, religion, etc., in some nations. Depending on who you are, these type of elements, as they are implementing the strategy, should breathe basically the norms and the institutional elements of your particular geography.

Notes

Summary



15m 55s

*“What is Guerrilla Marketing? It is a body of **unconventional** ways of pursuing conventional goals. It is a proven method of achieving profits with minimum money.”*

(Levinson, 1984)

In other words:
“spending **imagination** instead of money”

It is mostly used in the firm's communication:



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Now, building on these seven P's, you might ask yourself: Are there more interesting ways, more creative ways of engaging in your marketing? Everyone can spend the normal amount of money in order to implement it to marketing. But the smart people spend imagination instead of money.

Notes

Summary



*"What is Guerrilla Marketing? It is a body of **unconventional** ways of pursuing conventional goals. It is a proven method of achieving profits with minimum money."*

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That means, maybe let's find unconventional ways of pursuing the conventional goals, meaning, achieving sales, achieving market penetration. That can actually filter down, trickle down to all the marketing mix elements. Oftentimes, guerrilla marketing is an approach that is used mostly with communication, sometimes with pricing, sometimes with product issues, sometimes with distribution issues. Most often, there are interesting ways of communicating your product, communicating about its benefits, communicating about its availability, etc., that will then make a splash in the marketplace. In other words, you're finding ways in order to, with little effort, make a big splash. That means you need to be creative because there are lots of people out there who are trying to do exactly that.

Notes

Summary





Challenge for YOC:

Build customer base / audience
(mobile phone number, personal info.)
to make their mobile marketing service
interesting for firms

But: restricted marketing budget!



Solution:

Cooperation with Radio Energy Berlin for
a guerilla marketing event:

Crash or Cash?

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Let me give you some intuition and maybe even some inspiration of what this means in terms of guerrilla marketing. This is one of my favorite examples. Actually, this is a company called YOC. YOC is a firm located in Berlin. It used to be a start-up. It's grown up quite a bit. But in its early days, it faced a challenge that was actually quite a big challenge. They are a company that are providing mobile marketing services for firms. When you think about it, well, they have a chicken-egg problem in a way because where should they start? They do not have phone numbers of the customers. They do not have references in terms of great marketing campaigns with which they could go to companies. In a sense, they are lacking in all of these dimensions. What they did in order to create awareness for the company and also to collect the customer information is to create an event.

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17m 40s

Guerilla marketing: YOC

Guerilla-Marketing-Event, Potsdamer Platz, Berlin

CRASH or CASH:

Energy 103.4 and Yoc let participants decide by SMS

- if a 150,000 DM Porsche 911 **crashes** from 50 meters
OR
- if a single participant would **win the car** on Monday,
- July 7, at 7:07 am.

Event with bands; large screen for status of the ballot

Result: **53% CRASH**, 47% CASH

Large media echo: all major TV chains reported,
also important newspapers



What's this Crash or Cash event that YOC engaged in? It's an event that they designed together with Radio Energy, a radio station in Berlin. What they did is to say, "Okay, we have an interesting event happening out there on the Potsdamer Platz, which is right in the middle of Berlin. We are doing the following. We have this Porsche 911, a wonderful Porsche hanging up there at 50 meters high. People could vote with their cell phones, whether this Porsche should crash i.e. fall down these 50 meters, or whether some of the people, one person, would actually win the car at the end, which means cash." There was an event, with bands, with a large screen for the status of the ballot. The result was 53 percent said crash and 47 percent said cash, so you actually know what that meant.

Notes

Summary



18m 39s



The Porsche fell down. I have a picture of that in a minute. I think what the important element here is -- and if you can think about it beyond just this entertainment factor, of course, it's wonderful and it's interesting to see this Porsche crashing. But on the other hand, they created a lot of attention for their start-up, attention for their services. There was a huge media echo. If you think about how much it cost them, it was the sum of the price for the Porsche. Beyond that, they had all the newspaper coverage they got; all the TV coverage that they got was a high multiple of what they actually spent for the Porsche. In that sense, it was a very smart way. It was a little expense relative to the output and the outcome they were able to achieve. In that sense, a guerrilla marketing event par excellence. Let me show you now what the Porsche looked like.

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19m 32s



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It looked like this. You can still see that the Porsche looks like a Porsche, looks like fairly okay still, considering that it fell, it just fell 50 meters. You'll see it on the crane. This is actually quite high, 50 meters. Just imagine that. That's a guerrilla marketing event. Is that in the textbooks of marketing books? *No!* It's not there because this is very much out of the scope. It takes creativity and ingenuity to come up with something like this. But this is actually fun to do. Think about how your company might be able to benefit from some of these events or some of these approaches.

Notes

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20m 32s

Meet Kate of Scathingly Brilliant
by Turi on 01/16/2013 in Blogger of the Moment



..... Scathingly Brilliant

Kate of *Scathingly Brilliant*'s style is fit for a pastel princess. Her outfit photos are often taken in front of her heavenly-hued workstation, which pairs perfectly with her candy-colored hair and feminine frocks. When she's not snapping outfit pics, she's doodling adorable drawings, which she sells online. We caught up with her to learn more about her tastes, her artwork, and other fun facts. She also picked out her fave *ModCloth* pieces that will help you get her lovely look, but you can start by nabbing her *namesake* dress.



ModCloth.com :

« social-shopping community »

- Engaged the blogging community by naming dresses after fashion influencers, namely other bloggers
- These bloggers got excited and shared the content on their own blogs, drawing attention to ModCloth throughout the blogosphere

Sources: modcloth.com; referralcandy.com

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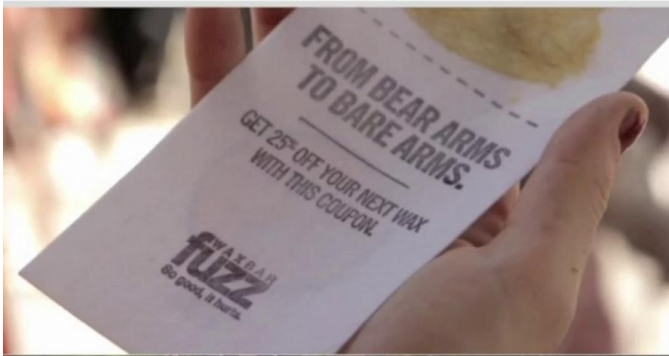
Another interesting example of guerrilla marketing that might inspire you is ModCloth. This is a social shopping community. What they did is actually quite smart. They said, "Okay, we are naming our dresses after fashion influences namely other bloggers." Then these guys picked it up and blogged about it. In that sense, in retrospect, it's a simple way of getting attention and spreading the word. But *ex-ante*, before the fact, someone had to have this idea. So be creative. Find new ways, find interesting ways to engage in guerrilla marketing.

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Summary



Guerilla marketing: Fuzz Wax Bar



Toronto-based **Fuzz Wax Bar** plastered a man in wax and sent him to the streets to be waxed by strangers.

Not only did potential customers « test » the product, but they surely remembered the experience.



Source: fuzzwaxbar.com

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Here's an interesting example. It hurts a bit for the man that's standing here. It's called Fuzz Wax Bar. This was a new bar that wanted to enter the market. The question is, if you have a waxing bar, when you tear out all the hair on your body to appear sexier maybe, if you want to call it that way, how do you create attention, awareness for your company? This is what this bar did. The Fuzz Wax Bar, they send a person, a plastered man in wax down the streets of Toronto in order to be waxed by strangers. Not only did the potential customers test the product, but they surely remember that experience. If you look at those up here on the left, what they were quite smart in doing, each of these papers was actually a coupon: "Get 25 percent off your next wax with this coupon." They actually created lots of awareness in the environment where this wax bar was located.

Notes

Summary



21m 48s

Guerilla marketing: Varusteleka



Finnish army-surplus store **Varusteleka** created an open letter to Arnold Schwarzenegger, in the form of a high end video, inviting him to visit their store and introducing the staff and products.

It was picked up by international press.

Source: varusteleka.fi



Here's another example. It's a company called *Varusteleka*. They are selling Finnish army surplus products to the public. What they did to create awareness for the company was the following. They sent an open letter in the form of a video to Arnold Schwarzenegger -- yes, the "I'll be back" guy who has been in lots of videos with lots of guns, so you see the association. They invited him to visit the store and introduce the stuff and the products. In that sense, it was not a lot of effort that they did, but they had the idea. This was then picked up by the International Press who said, "Oh, this is an interesting story to report about." If you look at the YouTube video there, it had more than 600,000 clicks at the time. We looked at it. If you look at it as well, this has many more clicks in a few minutes.

Notes

Summary



22m 50s

Guerilla marketing examples



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Then here are some more examples. I don't walk you through all of these one by one, but just look at that. It's very creative ways, very innovative ways to even market some existing products. Of course, this is not only a domain that entrepreneurial start-ups are engaging in nowadays. It's also a domain that established companies have discovered for themselves because they want to see more effects, better outcomes based on their marketing expenditures. The traditional ways are just not enough to get the attention of customers anymore.

Notes

Summary



23m 37s



- The **Marketing Mix** is the vehicle you use to implement your Marketing Strategy
- The **Marketing Strategy** provides the guidelines for an orchestrated implementation
- **Creative**, low cost approaches are often key to start-up success
- Spend **Imagination** instead of Money

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This brings us already to the end of an interesting and also, I think, funny type of segment here. Let's just recap a couple of points that I want you to remember. First, the marketing mix is the vehicle for you to implement your marketing strategy. We talked about this repeatedly. The marketing strategy provides the guidelines for an orchestrated implementation. It will make it much easier for you to find a clearer way of actually designing and implementing your marketing mix elements. We talked about some creative low-cost approaches that are often key to start-up success. As a company, as a young company, you often lack resources. Guerrilla marketing might be one way of actually getting a lot out of limited resources. Ultimately, like in more general entrepreneurship, what is particular here? Spend imagination instead of money and enjoy that intellectual challenge. See you next time.

Notes

Summary



24m 13s