

**THE PURPOSE  
OF A BUSINESS IS TO  
CREATE A CUSTOMER**

*Peter Drucker*

 @venturemooc

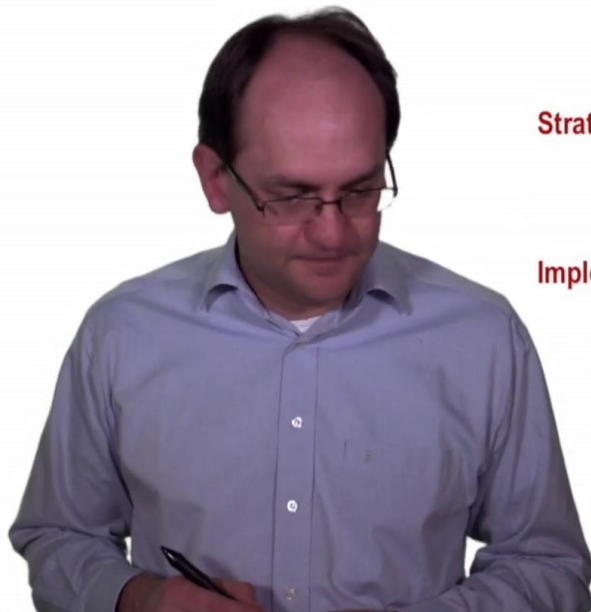
So welcome back, this is already the final segment of this week. Congratulations for making it so far! This week was on entrepreneurial marketing. The customer as well as the competition were central stage during this week because you need to understand both of these key players out there in order to make your sales. And I want you to remember one important quote that we have discussed this week in particular, and it's the quote by Peter Drucker who said: "The purpose of a business is to create a customer," not another product or technology. So, let's revisit what we discussed this week.

Notes

Summary



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## Fundamentals:

Distinctive competence  
Sustainable competitive advantage

## Strategic decisions:

Segmentation: "To which target market(s)?"  
Positioning: "How should I be positioned?"

## Implementation:

- Product/service development
- Naming the company and products
- Pricing
- Distribution
- Salesforce
- Promotion
- Public relations
- Advertising

Source: Lodish et al. (2001)

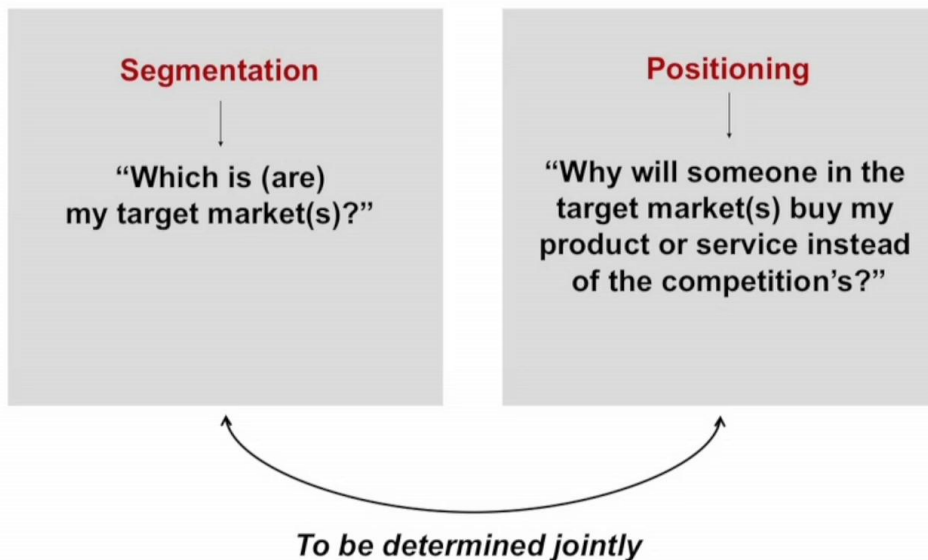
Beyond that quote, I want you to remember a key framework that we discussed right at the beginning and that we walked through during this week. It's this framework that shows you how entrepreneurial marketing can be structured in your head. There are some fundamental issues that you need to understand about your business, which is your company's distinctive competence, your competitive advantage that you may achieve based on your competence, and then it's important to know that there are some strategic decisions in entrepreneurial marketing, some operational implementation decisions that you have to take. And this distinction is quite important, as we discussed, because segmentation and positioning are fundamental decisions that will then shape and affect the other types of decisions that you are going to engage in. For instance, we've got product/service development, naming the company, your pricing, distribution, sales force, promotion, public relations, and advertising. Let me briefly walk you through each of these elements -- especially the strategic decisions, and implementation decisions and options -- in a few slides.

Notes

Summary



0m 40s



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These strategic decisions relate, as I've just mentioned, to segmentation and positioning, "Which is (are) my target market(s)?" Typically, entrepreneurs have one particular target market. And the positioning question is: "Why will someone in the target market(s) buy my product or service instead of the competition's?" So it's how should I be perceived by my customers vis-à-vis competing products. Typically, as it's pointed out here, these decisions are made jointly, because you might think about your target segment and then come to the conclusion: "Well, the positioning that I want to achieve doesn't fit this target segment," or vice versa, so this is really a joint decision, and you might go a bit back and forth until you really understand your target market and how the people, the customers, and the target market will perceive you vis-à-vis the competition.

Notes

Summary



1m 51s



**Customers  
don't buy  
features, they  
buy benefits.**

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Core to understanding segmentation and positioning is an understanding of your customers and of your competitors. And starting with the customer's side you'll remember we discussed the benefits that your product is able to render to customers, to give to customers, because the customers don't buy the features, they buy the benefits. And this is particularly important in a technology context where many people are tempted to say, "This product has wonderful features." The customer looks at the product from the perspective of saying, "Well, what does this product do to me?"

Notes

Summary



2m 43s

# Your customers: making sales & achieving value creation **EPFL**



To make **sales**

## Understand Customer Needs

- What do your customers **actually need**?
- What do your customers **expect** from your venture?

To **create value** for your venture

## Understand Customer Value

- How much value do your customers create for your firm?
- How should I invest my limited resources (incl. your attention)?

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What type of job does this product fulfill for me?" In terms of understanding your customers there are two key features, two key elements that are vital to creating a successful firm. One is, of course, understanding your customers for making sales. This has to do with understanding customer needs and we talked about this at great length. The second element, which is equally important because you want to create a successful venture that creates value, is to understand customers from a value-creation perspective because not all customers create the same type of value for you. Understanding which customer segments might be more valuable for your company will help you to allocate your time properly, and especially your resources and attention.

Notes

Summary



3m 14s





## The big questions:

**1** Who are your competitors?

**2** What do you need to know about your competitors?

## The intended outcomes:

- Make your products, services and marketing stand out
- Set your prices competitively
- Respond to rival marketing campaigns with your own initiatives
- Assess any threats posed by both new entrants to your market and current competitors
- Be realistic about how successful you can be

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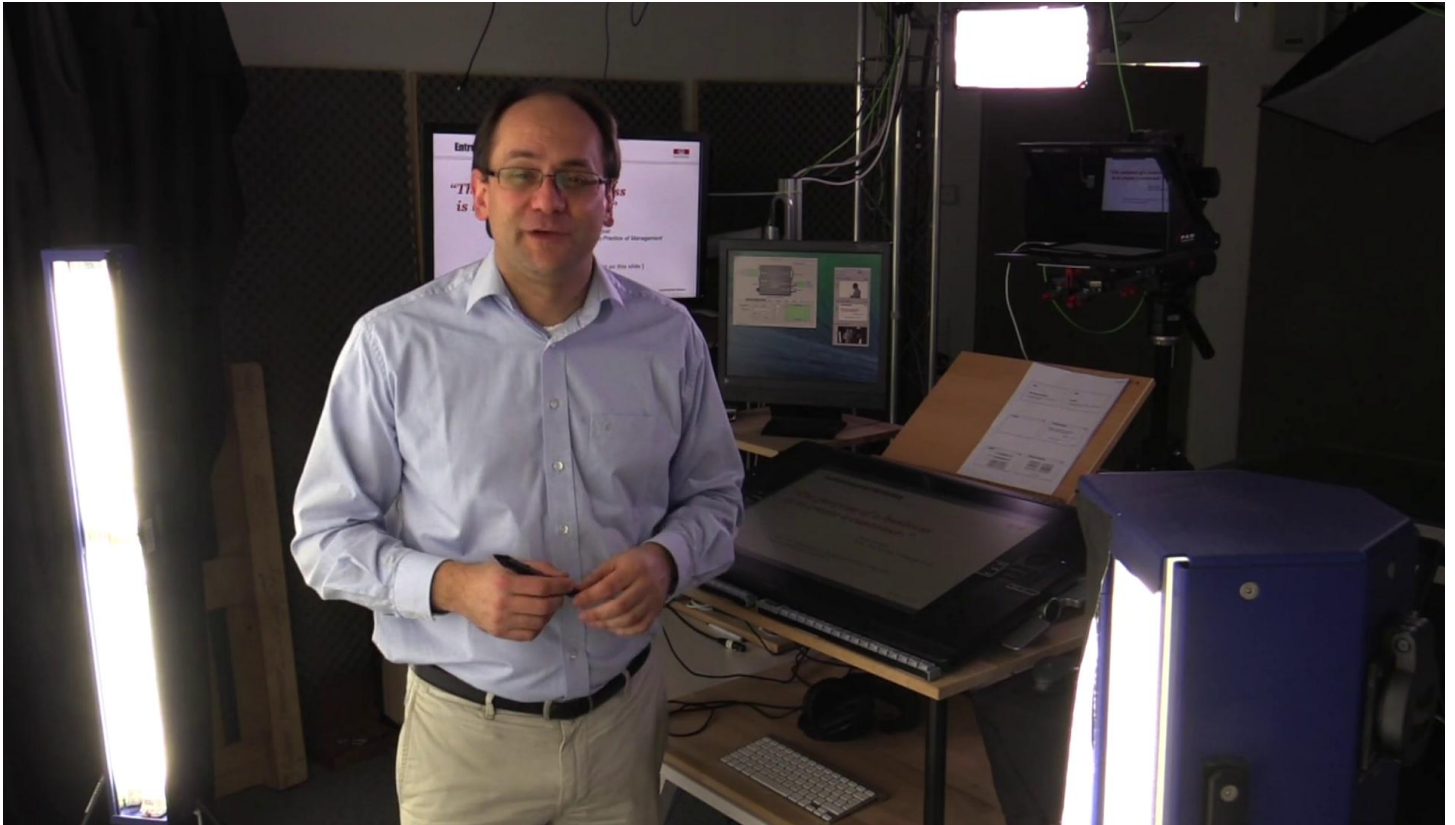
In terms of understanding your competition, there are two key questions that we put to the forefront of our discussions: one was, "Who are your competitors?" and two was, "What would we need to know about these competitors?" Oftentimes, and that's also what we discussed, entrepreneurs have this hunch of saying, "Well, we've produced an innovation, and because we have that innovation we do not have any competition." But that's oftentimes an indication that entrepreneur doesn't really understand his competition well, and also not his customers, because customers typically make a choice what to spend the money on. So there is competition at least for the money in their pocket. The intended outcomes of this type of analysis are manifold, and just to repeat a couple of those: first of all, you want to make your products stand out. You want to position, understand how to position your company. You also want to set your prices competitively and assess any threats of competing firms. Ultimately, it also helps if you understand your competition well, it helps you to be realistic on how successful you can be with your company. And this helps you to judge resource requirements, the sales targets, etc.

Notes

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3m 58s



So, when you've collected all of these insights you have all the ingredients in place to develop a compelling value proposition. And we discussed the features of a compelling value proposition in a segment this week. In a nutshell, the value proposition can be stated very succinctly within these one or two sentences that you see next to me here. The sentence says, "As a result of our" offerings or product or service, "customers" -- you would fill in the profile -- "who are facing" some kind of need, some kind of shortcoming, some kind of customer pain, "will" do, experience, something "for" a certain cost "and enjoy" the customer benefits or some return, within or by a certain timeframe; and then the competitive element comes in by saying, "compared to" these types of alternatives. "The advantages of using our offerings are" bing, bing, bing. So, within that one sentence you can actually very succinctly portray what your company offerings are about or why the customer should buy your offering and not the one of the competition. This sentence might sound easy to you, but it's actually hard work to craft a compelling value proposition.

Notes

Summary



0m 07s



# What is your value proposition?



As a result of our \_\_\_\_\_, customers  
*offerings*  
\_\_\_\_\_, who are facing \_\_\_\_\_,  
*profile* *compelling reason to act*  
will \_\_\_\_\_, for \_\_\_\_\_  
*do, experience* *investment cost*  
and enjoy \_\_\_\_\_, \_\_\_\_\_  
*benefit, return* *within or by (timeframe)*  
compared to \_\_\_\_\_. The advantages  
*alternatives*  
of using our offerings are \_\_\_\_\_.  
*advantages*

Source: adapted from: Jose Campos & Jean-Claude Bolland (2011) Launching New Ventures  
– The Voice of the Customer in Product Development

But I urge you to do this because you need to have clarity in your mind what your company is about. And remember what Drucker said: your company is about creating a customer, and not the product or the technology. So in this sentence you have to understand why and how you create a customer and not a product.

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6m 25s



And then, moving to the implementation side we discussed a couple of elements in the marketing mix. Remember the product, the price, the place, the promotion, the process, the people; and the physical environment is the seventh piece. And you can formulate those elements in an orchestrated manner, once you have these strategic decisions in place about your segmentation and positioning. We mentioned that in a segment.

Notes

Summary



6m 44s

## 1 ModCloth Blogger Engagement

Meet Kate of Scathingly Brilliant  
by Turi on 05/16/2013 in Blogger of the Month



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.



## 2 Fuzz Wax Bar Walking « Wax-me » Man on the streets of Toronto



## 3 Copenhagen Zoo Bus Sticker



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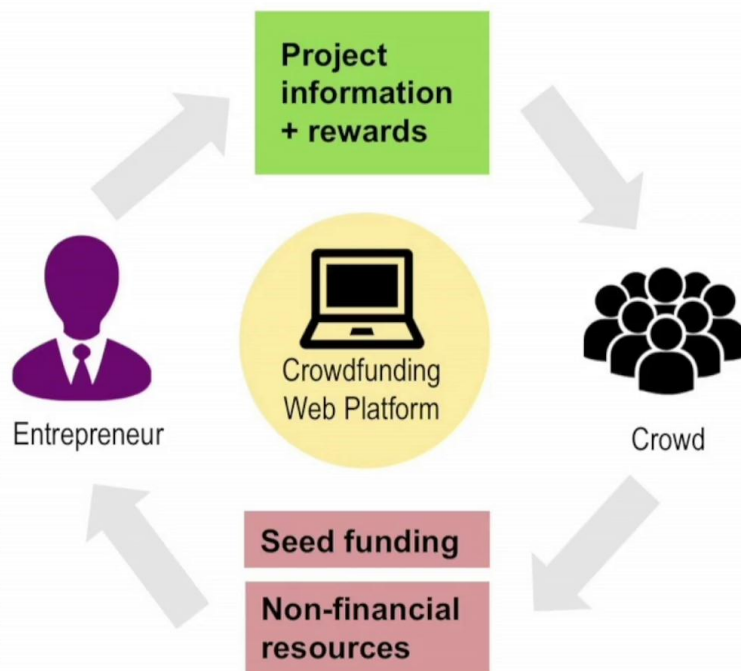
As you remember, there are a couple of interesting ways, unconventional ways on how start-ups can do the marketing. We talked about guerrilla marketing in that sense, which is oftentimes a type of marketing that is related to the promotional activities that you do in the the marketing mix. We discussed a couple of examples to inspire you, but in essence, what you can imagine in terms of novel ways of marketing your product, of getting the attention of customers, where the idea is really one where with a small budget you create a strong leverage in terms of the attention you get for your company and its products.

Notes

Summary



7m 07s



## Considerable non-financial gains

Crowdfunding platforms are a new **channel**.

- Test & Validate your market
  - Put your ideas out there
  - Observe investor behavior
- Build a list of “backers”
  - Build relationships
  - Discover & engage with new customers
- Build brand recognition
  - Exciting follow up after soft launch
- Boost growth
  - Offer discounts on new or current product

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So when we talked about guerrilla marketing, we also mentioned that your guerrilla marketing approach, your implementation there is oftentimes related to your promotional activities, but, of course, this should be in line with your positioning of your company and what your target segment actually likes to see about your company. Don't offend your target segment just with any crazy type of guerrilla campaign because that could be highly detrimental for you if it's to create a successful company. In addition, we talked about crowdfunding as a marketing tool. Remember that we will come back to this topic in another week when we'll talk about crowdfunding as a financing tool, but from a marketing perspective, crowdfunding has a couple of very interesting aspects. And as you may remember, it helps you to test and validate your market, put your ideas out there, observe investor behavior. It helps you to build a list of “backers” and build relationships to potential customers. It also helps you build brand recognition, and ultimately, to boost growth and offer discounts on new or current products that you are developing. Crowdfunding platforms are actually providing lots of non-financial gains and that's oftentimes overlooked, so I think it's important that you engage in these types of activities in order to launch your venture.

Notes

Summary

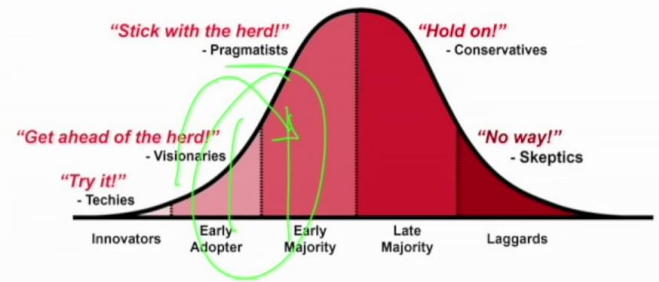






## Technology Adoption Life Cycle

Gaining traction in your target market



Source: Moore (2002)

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So we talked about two more elements: technology adoption and growth hacking. Technology adoption: remember the technology adoption life cycle, in particular, one element that was crucial which was the idea of crossing the chasm. Remember, that we had a chasm between the early adopters and the early majority of people in a target segment. Remember also that these people differ in terms of their responsiveness and their willingness to buy innovative products. And where the trap oftentimes is located: between early adopters and the early majority. And there is a trap in the following way: you as an entrepreneur achieve first sales, you are successful, so the natural inclination is to put even more money behind your product, your marketing campaign, etc. But you overlooked actually the next segment that you want to conquer: the early majority, where you start making a lot of money. That segment buys for different reasons. So keep in mind that in order to cross that chasm you need to change your marketing message, you need to change how you communicate with customers, what type of profile of related services you might want to offer to them, etc.

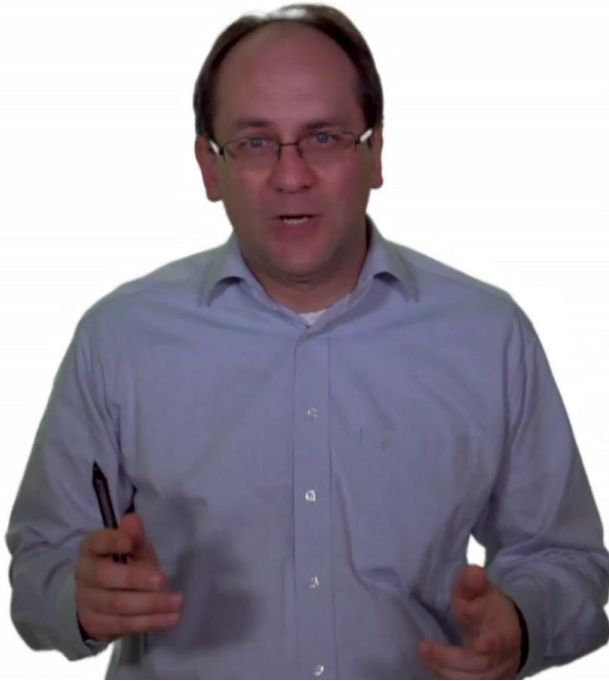
Notes

Summary



9m 00s





- **Scalability:**  
**Design** your venture in ways that enable you to grow
- **Growth Hacking:**  
**Accelerate** growth through a relentless focus on growth

Source: Quicksprout.com

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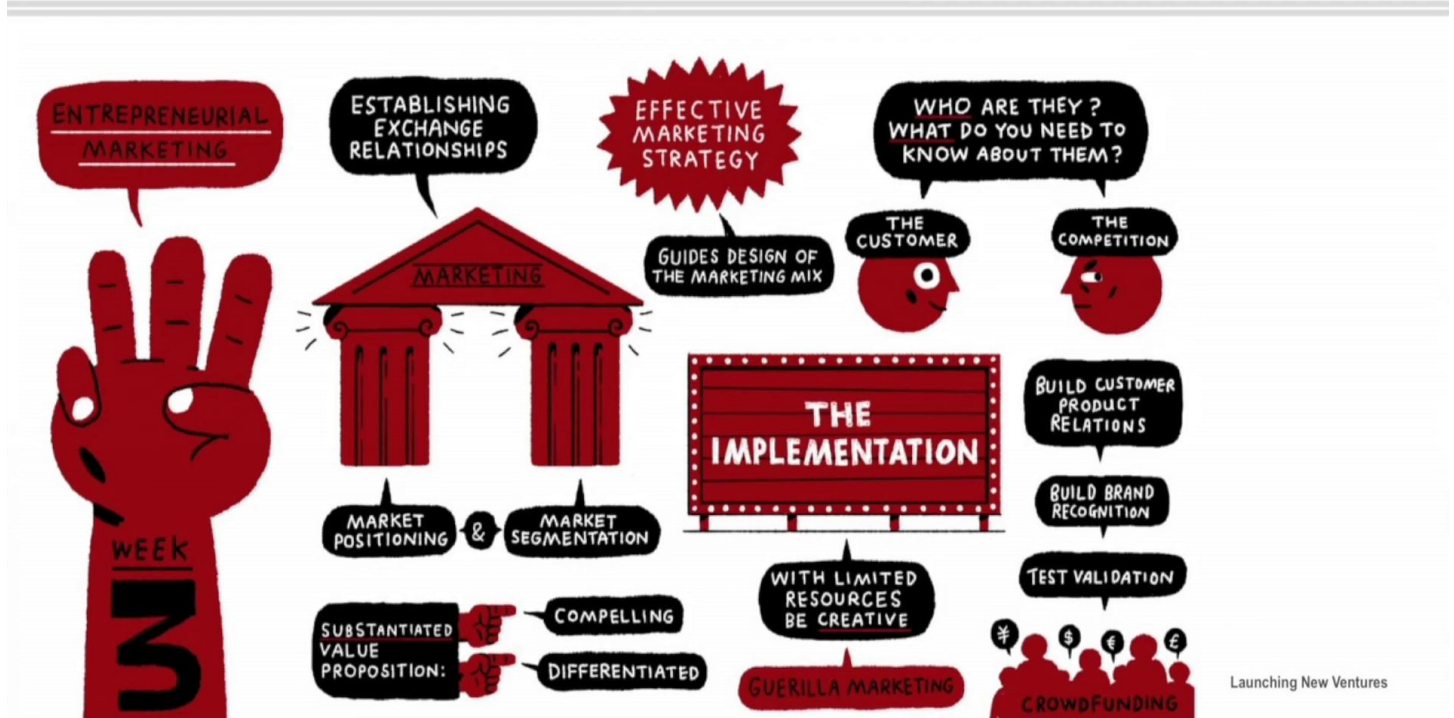
And finally, we talked about achieving significant growth. This is obviously one key goal that many entrepreneurs have, and that's ultimately one key element of entrepreneurial marketing. In order to understand how to achieve growth, you have to understand in terms of the venture design the scalability of your venture, and you have to understand how you can accelerate growth by relentlessly focusing on growth. So you can look at the marketing mix elements that we discussed through a lens that allows you to grow, and to try to design these elements in a way that it allows you to grow. Oftentimes this is referred to nowadays as growth hacking. So you can also think about creative ways of how to piggyback on the growth of other companies. We discussed some examples regarding this as well.

Notes

Summary



10m 16s



So this brings us already to the very end of Week 3 -- time flies. This was Week 3 with entrepreneurial marketing as its core topic, as I pointed out. This week we have learned a couple of very important frameworks, ways to understand entrepreneurial marketing. The marketing function is of vital importance for your company, so pay attention to it, pay attention to designing your marketing in the most favorable way, and pay attention to its execution as well. So good luck with your marketing efforts. I'll see you around.

Notes

Summary



11m 01s