



NORTHWESTERN
UNIVERSITY

Marketing Workshop



InNUvation

NU Venture Challenge



Imagine. Innovate. Inspire.

InNUvation



Entrepreneurship and Innovation @
Northwestern



John M Greening

Learning Through Doing

- Staying Relevant - Consulting
 - A. G. Edwards – St. Louis
 - Google – Chicago
 - Owner Angel - Minneapolis
 - Henkel Consumer Products – Cleveland
 - Vibes Media - Chicago
- **Board Membership**
 - Medialink – NY
 - Visible World – NY
 - Consumer Innovation Partners – Cleveland
 - Music To Go – New York
 - Advanced Circulatory Systems - Minneapolis



Agenda

- Introductions
- Marketing Presentation (11:00-11:30)
- Q&A Interaction (11:30-12:00)
- Team Breakout and Working Lunch (12:00-1:00)
- Group Presentations and Feedback (1:00 – 2:00 PM)
- Q & A and Feedback (2:00)



Intuition Shorthand

- *“Knowing for sure without knowing for certain.”*
- *“An inner way of knowing.”*
- *“Subliminal self-communication.”*



INTUITION - a direct knowing without conscious reasoning.

- **It DOES NOT denote something contrary to reason, *but rather something outside the province of reason.***
- **Intuition provides the spark that ignites the creative process. People who are highly intuitive function best in complex, rapidly changing situations. They like to wrestle with the unknown and to choose among alternatives that are all backed by good arguments.**
- **They thrive when facing a high level of uncertainty, when time is limited, and when precedent is lacking.**



Inhibitors of Intuition

- **Fear**
- **Stress**
- **Pain**
- **Boredom**
- **Fear of Failure**



CREATIVITY

- A response will be judged as creative a) to the extent that it is both novel and appropriate, useful, correct or valuable response to the task at hand b) that the task is heuristic rather than algorithmic.
- Heuristic means a hit or miss process (learning by doing) while an algorithm is a mechanical rule for solving a problem or dealing with a situation.



CREATIVITY

- A Heuristic process provides no clear path for solutions which makes intuition rather than logic the preferred method of deciding which course to take.
- Therefore, *“Creativity isn’t a destination it’s a journey.”* It’s the process that is ignited by the spark of intuition. Remember, it is NOT a personality or individual trait as many believe.



Innovation

- Bringing creativity to Life / Making an idea real
- Value = Usefulness / Uniqueness / Sustainability
- The Essence of Corporate Creativity



Innovation: 2007

- Today, innovation is about much more than new products. It is about reinventing business processes and building entirely new markets that meet untapped customer needs. Most important, as the Internet and globalization widen the pool of new ideas, it's about selecting and executing the right ideas and bringing them to market in record time.



The Right idea + The Right
time + The Right Audience +
The Right Marketing
(Channel/Price/Promotion/
Message / Support)
+ The Right amount of luck =

SUCCESS



BW Innovation Survey

- The No. 1 obstacle, according to our survey takers, is slow development times. Fast-changing consumer demands, global outsourcing, and open-source software make speed to market paramount today.
- Indeed, a lack of coordination is the second-biggest barrier to innovation, according to the survey's findings. But collaboration requires much more than paying lip service to breaking down silos. The best innovators reroute reporting lines and create physical spaces for collaboration. They team up people from across the org chart and link rewards to innovation. Innovative companies build innovation cultures.



Is There a Gene for Entrepreneurs?

- **Mark Veeder, co-founder and creative director of Event Quest in New York City and co-owner and co-creator of the River Market in Barryville, N.Y.:**
- I think entrepreneurs are definitely born. Even though "the making of an entrepreneur" is a huge business in this country with Tony Robbins and the rest, I think those programs try to systematize the mind of the entrepreneur, which is impossible. My feeling is that entrepreneurs are a rare mix, the perfect storm of creativity, talent, confidence, personality, drive, intuition, and energy.
- They possess a high EQ [emotional quotient], and their IQ is not as important—it's a lifestyle, it's embedded like an instinct, not something you can turn on and off. At times it is a blessing and a curse. While many people are dreamers, a true entrepreneur's dreams are converted into realities because true entrepreneurs are always creating, always thinking of ideas, mentally evaluating endless possibilities and are excited by the new and the next.





Is There a Gene for Entrepreneurs?

- **Neal Thornberry, faculty director of the Babson Executive Education at Babson College and author of *Lead Like an Entrepreneur*:** The actual answer is yes and no. We know we can teach people elements of the entrepreneurial mindset and skill set, but one thing needs inducement and the other involves self perception. We can clearly teach people to identify new business opportunities, and we can teach them how to differentiate a good idea from a good opportunity.
- In fact much of what we do at Babson is to teach students how to think and act like entrepreneurs. So we teach students how to finance their ideas, how to assess market demand, how to scale the business, mitigate risk, etc. But the passion that entrepreneurs must have to take their ideas all the way through to creating a viable new business enterprise is not so teachable.



Is There a Gene for Entrepreneurs?

- And the passion we are talking about is for their idea.
- They need either to be in love with it or learn to love it if they are going to have the perseverance to see it through. I have had many people who had not shown any entrepreneurial orientation who got switched on by learning about entrepreneurship.
- The other, less teachable part of entrepreneurship is the belief that the person has the ability to turn their idea into a business. We often find people with a good opportunity, but they don't have enough confidence in themselves. Education can help here as well, but equally important is surrounding the would-be entrepreneur with others who share his/her excitement for the idea.

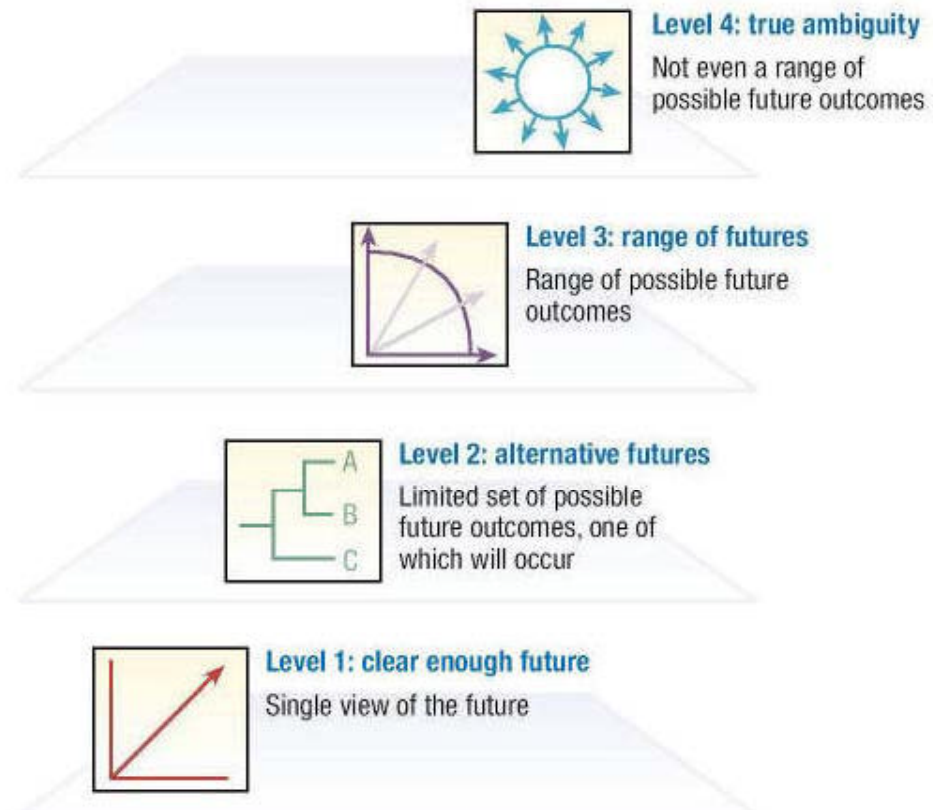


*“Dogs bark at what
they don’t
understand.”*

-Heraclitus



The Levels of Certainty





Types of Innovation

- **Incremental** – adding / improving existing services
- **Evolutionary** – continuing the evolution of existing services based on an existing insight
- **Revolutionary** – taking your business to a whole new level based on a fresh insight



Parkinson's Laws

- **1. *'Expenditure rises to meet income'...***
- **2. *'Work expands so as to fill the time available for its completion'...***
- **3. *'The matters most debated in a deliberative body tend to be the minor ones where everybody understands the issues.'***

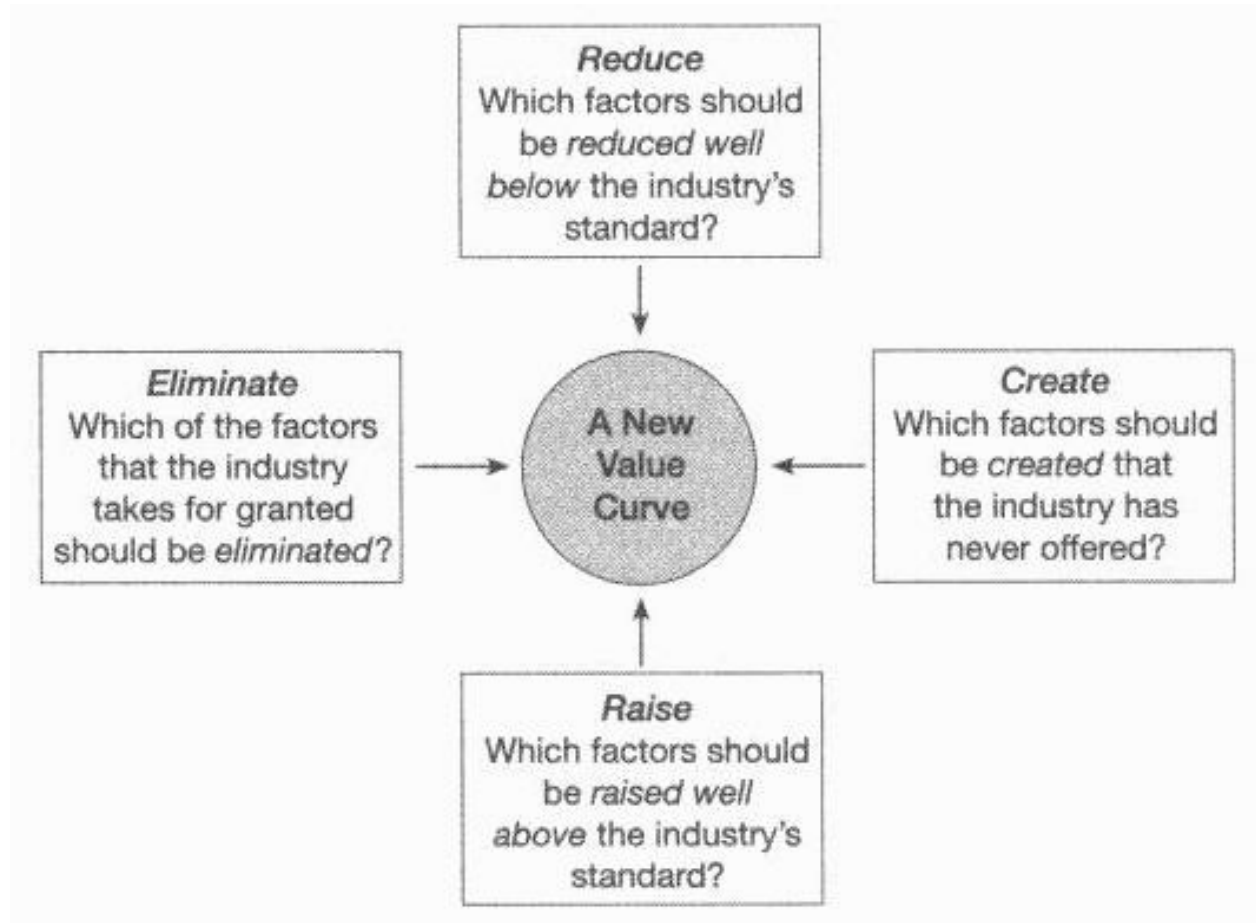


The Insight Platform

- **For** (Who is the behavioral target our communication program is to impact?)
- **Who** (What is the customer insight that has been identified, and what is the category motivation that drives that customer or prospect?)
- **Our product is a ...** (What is our product or service in the eyes of the customer or prospect, that is, what is our whole product or whole brand?)
- **That provides ...** (What is the key benefit or value the customer wants and our brand or product can deliver based on our insight or insights?)
- **Unlike ...** (Who is the relevant competitor or competitors?) **Our product ...** (What is our *key* point of differentiating relevance?)



Taking an Insight into Action





Examples

- **WalMart – Become a leader in retail by constantly lowering prices. (Reverse)**
- **Dell - (Eliminate) the middleman and deal direct with the customer.**
- **Starbucks – (Magnify) the coffee experience beyond what was available any place else**



The Steps to Real Differentiation

- 1. Make sense in the context** Your difference has to make sense within the competing arguments of the competition and your market. Your difference has to make sense within the environment of perceived weaknesses and strengths. Good timing in making your pitch certainly helps.
- 2. Find the differentiating idea** To be different is to be not the same. To be unique is to be one of a kind. Look for the single, unique quality that separates you from your competitors.



The Steps to Real Differentiation

- 3. Have the credentials** If your product difference is valid, then you should be able to show it. You can't show difference with smoke and mirrors. You might not be challenged if you make Use claims, but you shouldn't risk that result because it could damage public opinion.
- 4. Communicate your difference** You must show consumers every aspect of your marketing difference. Every aspect of your communications, from brochures to advertising to your Web presentations, should reflect and highlight the qualities that make you different.



Blue Ocean Thinking





The Ocean View

Red ocean strategy

- 'Compete in existing market space.
- Beat the competition.
- Exploit existing demand.
- Make the value/cost trade-off
- Align the whole system of a company's activities with its strategic choice of differentiation or low cost.

Blue ocean strategy

- Create uncontested market space.
- Make the competition irrelevant.
- Create and capture new demand.
- Break the value/cost tradeoff.
- Align the whole system of a company's activities in pursuit of differentiation and low cost.





Blue Ocean Defined

- In blue oceans, demand is created rather than fought over.
- There is ample opportunity for growth that is both profitable and rapid.
- Competition is irrelevant because the rules of the game are waiting to be set.
- Instead of viewing opportunities through a lens of existing assets and capabilities, value innovators ask: 'What if we start anew?' "



Destroy Paradigms: Seeing a New Way of Seeing

- Listen to the Radicals
- Look across disciplines
- Question the Routine
- Recognize the Barriers / Are they environmental or model based
- Destroy the Old Model / Clean sheet of Paper
- Envision Multiple Futures
- Make the opposite of Everything True



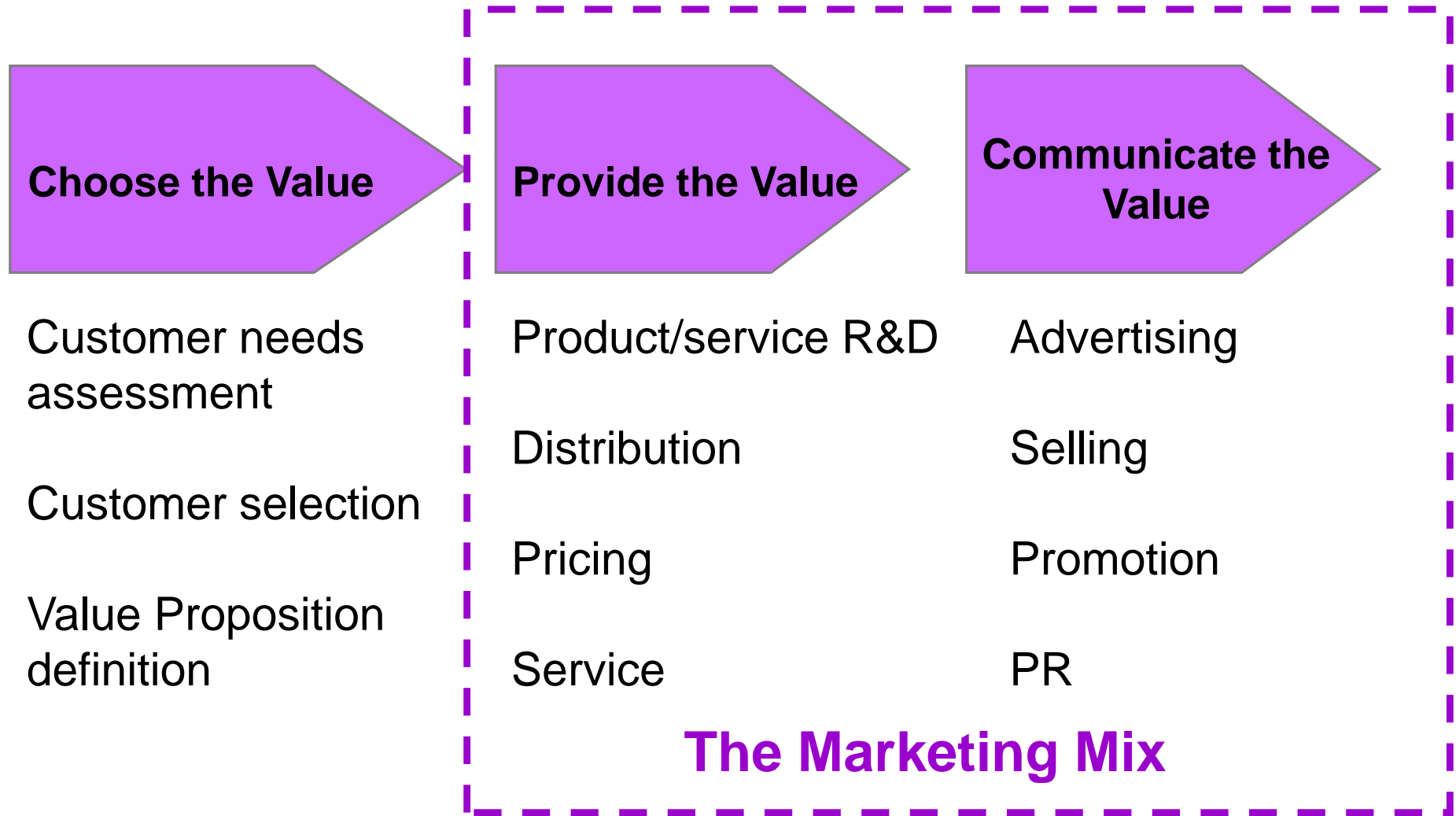
Marketing – The Basics

- Marketing – What is it?
 - Who are your “ideal” customers? Who should you target first?
 - How should the product or service be designed to best meet the needs of these customers?
 - How can you most effectively and profitably reach and convert these customers?
 - Ultimately, how can you best create customer value, better than the competition, at a profit
- Marketing is a conversation
 - With existing customers (these are the most profitable)
 - With potential new customers (what do they want)
 - Secondarily distribution partners who are taking your product or bringing your service to market
- Why does it matter?
 - Revenue, profitability
 - Maximize shareholder value – i.e. you and your financial backers



Marketing – Overview

Value Delivery Sequence*



*Adapted from Cathy Anterasian and Lynn W. Phillips, "Discontinuities, Value Delivery, and the Share>Returns Association: A Re-examination of the 'Share-Causes-Profits' Controversy," Marketing Science Institute, 1989.

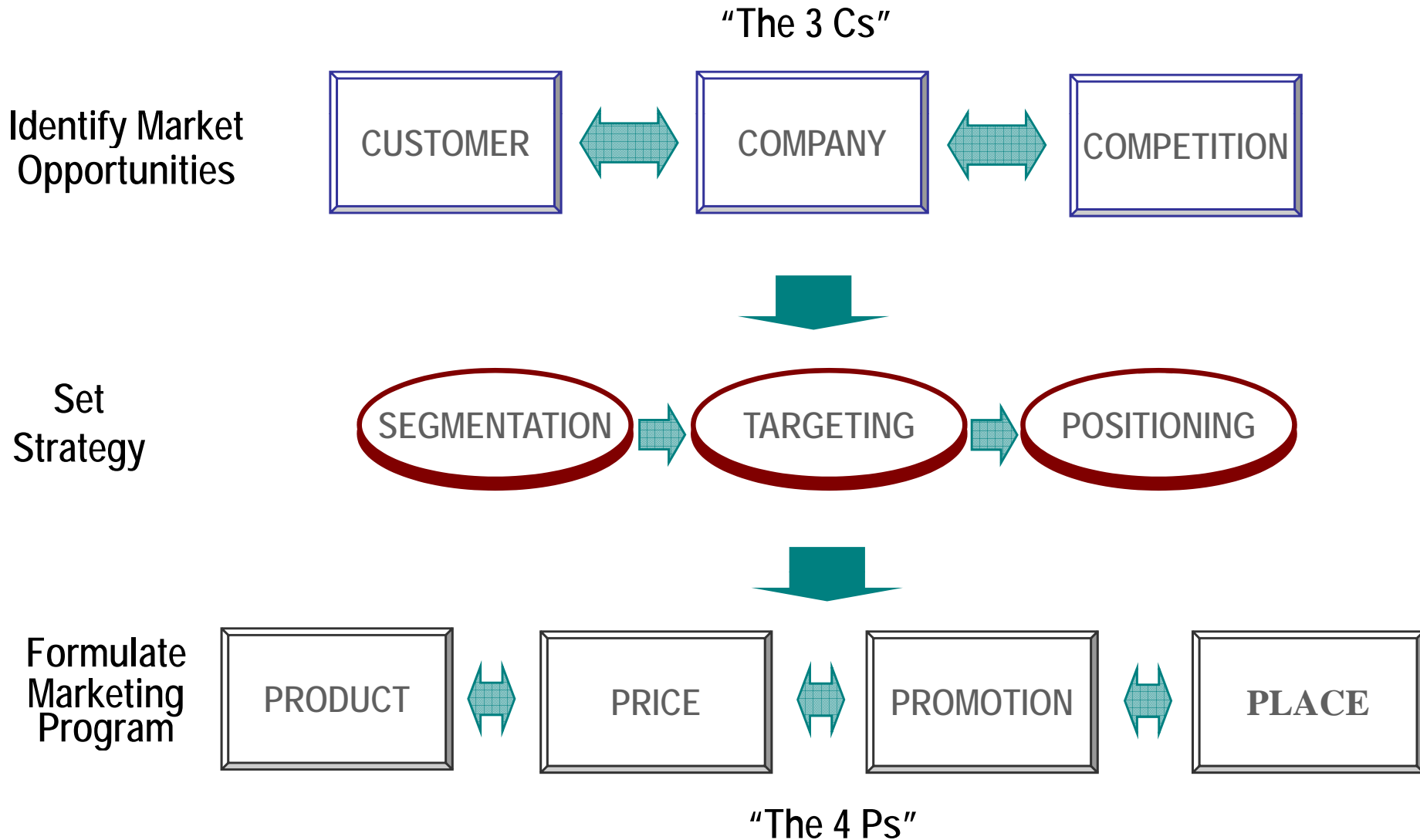


Marketing – The Basics

- Focus on creating superior value for the customer
 - Every aspect of your business should be based upon figuring out what it takes to satisfy customer's needs
- Basic Process
 - What are the market needs – what are the dimensions of product and service variability and how do they map to customer segments
 - What are your capabilities mapped to these dimensions
 - What are competitors capabilities mapped to these dimensions
 - Identify segments of customers who value your unique offering and where there are fewer competitors
 - Evaluate the relative attractiveness of each segment – size, growth and profitability potential
 - Design products and services and devise marketing plan to optimally create value for these segments



Marketing – The Framework



*Adapted from Cathy Anterasian and Lynn W. Phillips, “Discontinuities, Value Delivery, and the Share>Returns Association: A Re-examination of the ‘Share-Causes-Profits’ Controversy,” Marketing Science Institute, 1989.



Marketing – The Framework

- This is an iterative, integrated process
- At each step evaluate the pros and cons of alternatives
- First analyze the 3Cs - your customers, competitors and yourself (company)
- Rank all possible customer segments and targets by:
 - Segment size potential and growth
 - Competitive intensity - do you outperform the competition?
 - How underserved is this segment?
 - How strong are competitors and how well do their competitive advantages map to this segment?
 - Company fit
 - How well do your competitive advantages fit to deliver value in the segment?
- Select segments to target
- Choose a goal, identify impediments to that goal and devise a solution
- Identify best positioning strategy for targets
- Identify the 4Ps that best facilitate the positioning strategy



Marketing – The 3Cs Explained

- The 3 Cs – Company and Collaborators, Competition and Customers
 - Customers
 - Define and identify customers needs and wants
 - What are they looking for? What product attributes matter to them?
 - Needs are stronger than wants. Ideally, your firm satisfies needs.
 - Who are these customers?
 - How can the customers be segmented by common needs and wants?
 - » Demographics (age, class, socioeconomic, gender, geography)
 - » Psychographics (“attitudes”, interests, opinions and values)
 - » Behavior and usage patterns
 - Rank these customer segments by size, growth, profitability
 - » Profitability falls out from pricing sensitivity – is it a need or a want – and degree of substitutes
 - How do the customers make purchase decisions?
 - Alone? If not, who are the purchase decision influencers?
 - Rank segments by considering customer lifetime value
 - Generate an estimate of cash flows over the average lifetime of a customer by considering:
 - » Cost to acquire, likely frequency of purchases for different product usages, average size per purchase for each type of usage, annual customer loss due to switching to a competitor



Marketing – The 3Cs Explained

- The 3 Cs – Company and Collaborators, Competition and Customers
 - Company and Collaborators
 - Define and identify your company's competitive advantages
 - Competitive advantages are scarce resources or competencies that are a) unique and different and b) enable the company to create value for customers better and/or less expensively than the competition
 - » E.g. patented technology, more efficient manufacturing process, unique culture, ownership of ideal real estate, etc.
 - Ideally they are difficult to replicate, sustainable in the medium to long term and are suited for a broad set of market opportunities
 - How do these competitive advantages help to deliver value to customers by satisfying their needs?
 - Consider mapping company competitive advantages to ability to deliver better product attributes
 - Who are the collaborators you need to build your business?
 - Are they incentivized to drive toward the same goal as you?



Marketing – The 3Cs Explained

- The 3 Cs – Company and Collaborators, Competition and Customers
 - Competition
 - What is the industry structure like?
 - Lots of direct and indirect competitors or just a few? Ideally a few.
 - Lots of substitute products or services or just a few? Ideally a few.
 - What is the power of your suppliers – can you get the inputs required to make your product or service from only a few or many suppliers? Ideally many small suppliers.
 - What is the power of your customers – are you selling to a few big customers (B2B) or to many small customers? Ideally many small customers.
 - How intense is pricing rivalry? Ideally you are delivering a differentiated new product to customers that really need it so pricing rivalry and sensitivity would then be low.
 - All the above tells you what your industry looks like – is there room for profitability and how many competitors can the industry support in the long run?



Marketing – The 3Cs Explained

- The 3 Cs – Company and Collaborators, Competition and Customers
 - Competition
 - Competitive advantages and disadvantages
 - Strengths and weaknesses, opportunities and threats
 - Relative and absolute value proposition
 - What are the indirect alternatives – now and in future?
 - Pros and cons of each indirect alternative – assess level of risk
 - Competitive dynamics
 - Pure competition
 - Frequency of changes in competitive landscape
 - Coopetition – compete in one segment, cooperate/partner in others



Marketing – STP

- STP – Segmentation, Targeting and Positioning
 - Segmentation
 - Determine possible market segments
 - Customer segments must perceive, value and use the product the same
 - How can the customers be segmented by common needs and wants?
 - » Demographics (age, class, socioeconomic, gender, geography)
 - » Psychographics (“attitudes”, interests, opinions and values)
 - » Behavior and usage patterns (reason for, frequency of, timing of use)
 - Warning: Don’t segment too finely or not finely enough – balance is critical!
 - Profile these customer segments by size, growth, profitability
 - » Size related to number of potential
 - » Profitability falls out from pricing sensitivity – is it a need or a want – and degree of substitutes
 - Targeting
 - Evaluate relative attractiveness of each segment based on:
 - Segment size, growth and profitability
 - Company fit “divided by” competitor strength and presence
 - Select the most attractive segments to be your targets
 - Can be one segment or multiple segments depending on size of the opportunity and need to be focused
 - Positioning
 - Develop a positioning concept for each target segment
 - Make sure you can back it up
 - Make sure different positioning concepts are not inconsistent



Marketing – The 4Ps Explained

- 4Ps – executing the marketing strategy
 - Product
 - What set of product attributes are ideal for meeting the needs of each targeted segment of customers
 - Price
 - Think about the pricing strategy that optimizes profitability.
 - Cost-based pricing vs. value-based pricing
 - Consider:
 - the relative cost structures of your competitors
 - the value of the competitor's products to customers in the targeted segment relative to yours
 - How can and will your competitors likely respond to your pricing moves?
 - Price at parity to capture market share
 - Price at a premium to increase profit per customer and per transaction at share expense
 - Lower price can be affiliated with lower quality for some customers
 - Its easier to price high and move lower than the reverse





Marketing – The 4Ps Explained

- 4Ps – executing the marketing strategy
 - Promotion
 - How can you best reach each target segment?
 - Think Advertising Media
 - » Direct mailings
 - » Broadcast - TV, radio
 - » Internet
 - Think Sponsorships and Referrals
 - Special Event Advertising
 - Place
 - How can you most efficiently get the product to the desired target segment?
 - Think distribution channels
 - » Single or two tiered distribution model
 - » High and low value add distributors
 - » Retail intermediary
 - » Wholesaler + retail intermediary
 - Consider: Each intermediary takes a slice of the value created away from you

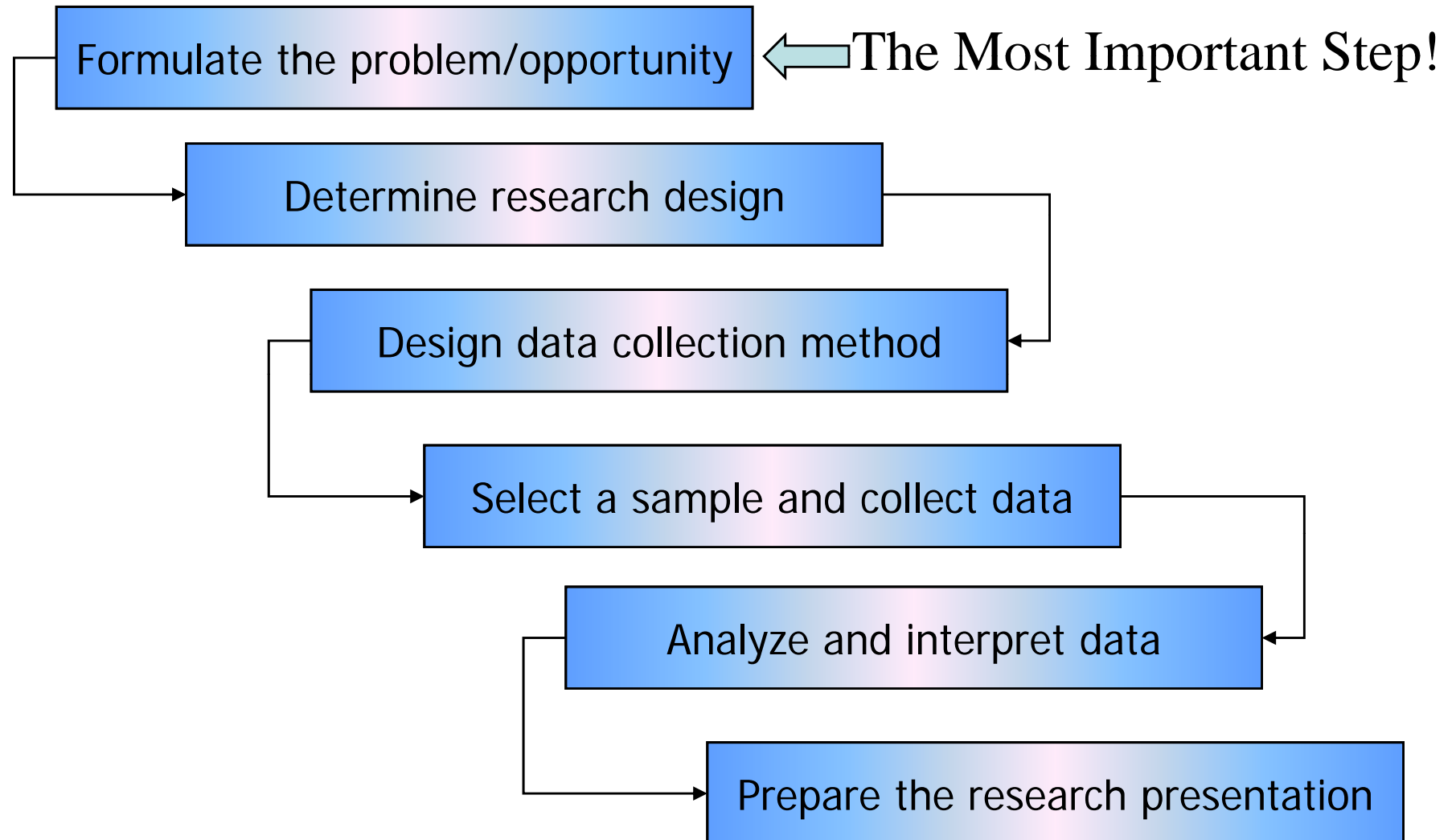


Marketing – Using Market Research

- Function that links the customer to the marketer through information
- Information used to:
 - Segment markets and position brands
 - Identify and define marketing opportunities and problems
 - Help focus on product's benefits and not features
 - Generate, refine and evaluate marketing actions
 - Monitor marketing performance



The Marketing Research Process



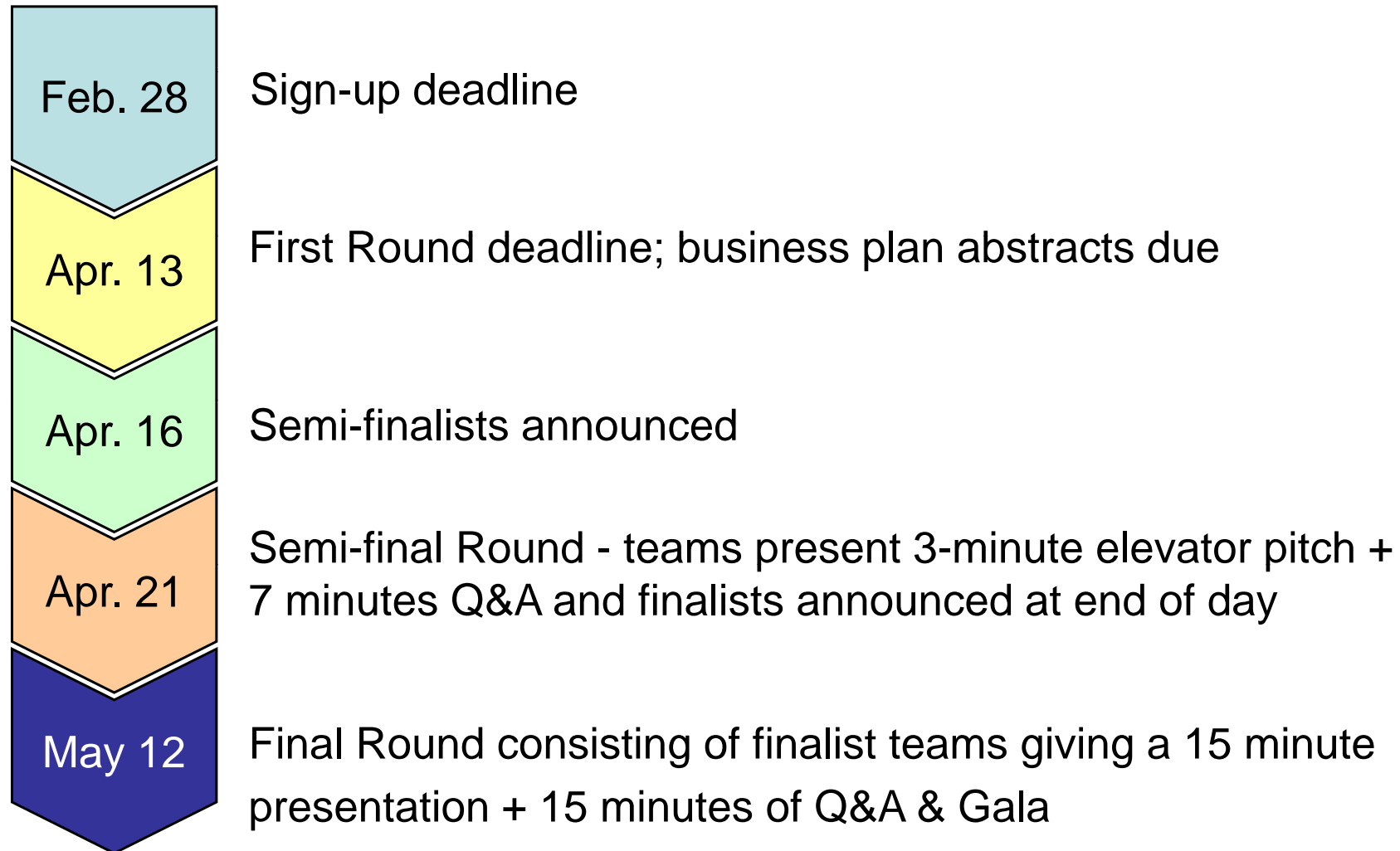


Marketing – Data Sources

- Census statistics: www.census.gov
- VALs survey: www.sri.com/vals/valsindex.html
- American Demographics Magazine:
 - www.americandemographics.com
- Gallup: www.gallup.com
- Harris: www.harris.com
- Media Metrix: www.mediametrix.com



NU Venture Challenge Timeline





NU Venture Challenge Timeline

- Disclaimer
 - Some of this material is pulled from “Marketing Management 12e”; authors are Philip Kotler and Kevin Lane Keller