

MARKETING THAT WORKS

HOW **ENTREPRENEURIAL MARKETING**
CAN ADD SUSTAINABLE VALUE
TO ANY SIZED COMPANY

SECOND
EDITION

LEONARD M. LODISH
HOWARD L. MORGAN
SHELLYE ARCHAMBEAU
JEFFREY A. BABIN



Marketing That Works

Second Edition

This page intentionally left blank

Marketing That Works

How Entrepreneurial Marketing
Can Add Sustainable Value to
Any Sized Company

Second Edition

Leonard M. Lodish
Howard L. Morgan
Shellye Archambeau
Jeffrey A. Babin

Publisher: Paul Boger
Editor-in-Chief: Amy Neidlinger
Executive Editor: Jeanne Levine
Operations Specialist: Jodi Kemper
Cover Designer: Alan Clements
Managing Editor: Kristy Hart
Senior Project Editor: Lori Lyons
Copy Editor: Karen Annett
Proofreader: Chrissy White
Indexer: Lisa Stumpf
Senior Compositor: Gloria Schurick
Manufacturing Buyer: Dan Uhrig

© 2016 by Pearson Education, Inc.
Old Tappan, New Jersey 07675

For information about buying this title in bulk quantities, or for special sales opportunities (which may include electronic versions; custom cover designs; and content particular to your business, training goals, marketing focus, or branding interests), please contact our corporate sales department at corpsales@pearsoned.com or (800) 382-3419.

For government sales inquiries, please contact governmentsales@pearsoned.com.

For questions about sales outside the U.S., please contact international@pearsoned.com.

Company and product names mentioned herein are the trademarks or registered trademarks of their respective owners.

All rights reserved. No part of this book may be reproduced, in any form or by any means, without permission in writing from the publisher.

Printed in the United States of America

First Printing July 2015

ISBN-10: 0-13-399333-7

ISBN-13: 978-0-13-399333-2

Pearson Education LTD.

Pearson Education Australia PTY, Limited.

Pearson Education Singapore, Pte. Ltd.

Pearson Education Asia, Ltd.

Pearson Education Canada, Ltd.

Pearson Educación de Mexico, S.A. de C.V.

Pearson Education—Japan

Pearson Education Malaysia, Pte. Ltd.

Library of Congress Control Number: 2015937237

*The authors dedicate this book
to our best venture partners:
our spouses who have supported us in so many
ways for over 150 years of happily married life—
Susan Lodish for 50 years,
Eleanor Morgan for 48 years,
Scotty Scott for 31 years,
and Kathy Babin for 22 years.
We love you.*

This page intentionally left blank

Contents

Introduction	1
The Book’s Mission.....	1
The Authors’ and the Book’s Heritage	3
The Importance of Marketing.....	4
One Positioning, Multiple Stakeholders	6
Challenges of the Next Decade	7
Section One Marketing Strategy—Refine Your Offering and Positioning	11
Chapter 1 Marketing-Driven Strategy to Make Extraordinary Money	13
Orvis Company—Excellent Entrepreneurial Positioning.....	13
Positioning to Enhance the Value Proposition	14
Getting Started: Segmentation and Targeting.....	16
Virtual Communities: The Ultimate Segment?.....	17
An Entrepreneurial Segmentation Example—Tandem’s East.....	18
An Entrepreneurial Segmentation Audit.....	20
Gaining the Competitive Advantage: Differentiation	22
Distinctive Competence and Sustainable Competitive Advantage	24
Tying Together the Value Proposition: Distinctive Competence, Sustainable Competitive Advantage, and Positioning	27
Victoria’s Secret and L Brands—Excellent Integration of Positioning, Segmentation, and Distinctive Competencies	29
Positioning, Names, and Slogans	31
Hindustan Unilever Limited: Positioning and Targeting to the Bottom of the Global Pyramid.....	33
The Unmet Need.....	34
Summary	39
Endnotes	39

Chapter 2 Generating, Screening, and Developing Ideas41

Idea Generation and Testing at Idealab	41
Evaluating Specific Venture Ideas.....	42
Finding More Receptive Battlefields.....	43
Dry Tests, Crowdfunding, and Concept Testing: What They Are and Where They Are Best Used.....	46
Getting Customers to Part with Money: The Real Tests of Value.....	46
Victoria’s Secret Uses Their Stores as Test Beds for New Products and Brands	48
Testing Purchase Intention: The Concept Test	49
How to Do Concept Testing— the “Nuts and Bolts”	50
Best Practices and Uses for Concept Testing.....	56
Caveats for Concept Testing	60
Trakus: The Value of Concept Testing	61
Summary	65
Endnotes	66

**Chapter 3 Entrepreneurial Pricing: An Often-Misused Way
to Garner Extraordinary Profits.....67**

Determining Price at Warby Parker	67
Pricing to Create and Capture Value.....	68
Price and Perceived Value.....	70
Getting Price Right Early—It’s Hard to Raise Prices Later!.....	71
Perceived Value in Use for Business-to-Business Products	72
The SAS Institute, Inc.—Very Effective Management of Perceived Customer Value.....	74
Pricing of Intellectual Property.....	77
What Else Can Impact Price Response?	79
Customer-Determined Pricing	80
Revisiting Costs in Determining Price.....	82
Methods for Determining Revenue at Alternative Price Levels.....	84
Premarket Methods—Pricing and Concept Testing.....	84
In-Market Methods	90

Victoria's Secret Can Use Its Many Stores for In-Market Experimentation	95
Summary	96
Endnotes	97

Section Two Demand-Generation and Sales—Lead Your Customers to Your Offering 99

Chapter 4 Leverage Public Relations for Maximum Value103

PayMyBills.com—Battling Competition with Public Relations.....	103
Aspire to Be a “Winner”	104
Gaining the Perception of Leadership.....	105
Spokespersons/Evangelists	109
Linkage to Fund-raising	111
PR Agencies	112
Timing Is Essential	113
Crisis Management.....	114
Summary	115
Endnote.....	115

Chapter 5 Promotion and Viral Marketing to Maximize Sustainable Profitability117

The Coolest Cooler—One of Kickstarter's Most Successful Campaigns	117
Methods for Promoting Products and Engaging Customers	118
Give It Away	119
Free Trials Versus Free Forever Versus Freemium	121
Key Metrics for Free Trials to Pay.....	122
Viral Marketing.....	123
Using Social Media for Viral Marketing	125
When Do Giveaways Work?.....	126
Event Marketing.....	128
Consumer Events	130
Product Placement	131
Winning the Tchotchke Wars	132
Summary	134
Endnotes	134

Chapter 6	Advertising to Build Awareness and Reinforce Messaging.....	135
	Synygy Generated Productive Ad Options for Low Cost	135
	Moving to More Effective Advertising	138
	Even Large Firms Waste a Lot of Their Advertising Expenditures	139
	How Entrepreneurs Can Improve the Productivity of Their Advertising	141
	Improving Campaigns	141
	The Hindustan Lever (HLL) Missed Experimentation Opportunity.....	145
	Victoria’s Secret’s Advertising and Testing Strategy.....	147
	Evaluating Campaigns—“Vaguely Right” Versus “Precisely Wrong”	148
	A National Retailer’s Campaign Evaluation	149
	“Vaguely Right” Entrepreneurial Marketing Experimentation	153
	Evaluation Before Is More Valuable than After....	154
	Media Planning.....	157
	Sample Template for Media Evaluation.....	158
	The Digital Marketing Revolution—Evaluating and Maximizing Its “Bang Per Buck”	163
	Display Ads	164
	Search Engine Optimization	166
	Evaluating the Return on Search Engine Marketing.....	170
	Methods for Improving Productivity of Search Engine Marketing.....	171
	SoLoMo, Personalization, and Other Emerging Digital Advertising Concepts	172
	Summary	174
	Endnotes	174
Chapter 7	Distribution/Channel Decisions to Solidify Sustainable Competitive Advantage	177
	Anki—Emerging from Stealth Mode with Help from Apple	177

Making Distribution Decisions	179
Required Functions of Any Distribution System	180
Evaluating Distribution Options, a Disintermediation Example.....	182
Revisiting Positioning in the Context of Distribution.....	183
Other Aspects of Distribution System Design— Direct Versus Indirect	184
Owning Your Own Distribution—The Highest Control	185
Victoria’s Secret and the L Brands’ “Own Store” Channel Strategy.....	186
Indirect Distribution and Exclusivity Alternatives.....	188
Exclusive Distribution	189
Anki DRIVE—Launched by Exclusivity	190
Evaluating Channel Exclusivity.....	191
Item Exclusivity	193
Intensive Distribution	194
Selective Distribution	195
Brooks Sports—Integrating Selective Distribution with Effective Positioning and Segmentation.....	196
Preservation Hall Jazz Bands—A Selective Distribution Example	198
Types of Intermediaries—Earn Your Partners in Distribution.....	199
Neat, Co.—Using Kiosks (Direct Sales) to Earn Distribution.....	200
Nice Systems—A VAR Example	201
Dynamic Distribution Management.....	202
Superscope, Inc.—Couldn’t Achieve Balance.....	203
Franklin Electronic Publishers	206
Franchising: Still Another Distribution Option	207
Different Types of Franchising.....	207
From the Franchisee’s Point of View.....	208
From the Franchisor’s Point of View.....	212
Rita’s Water Ice—A Successful Franchising Venture.....	215
Managing and Anticipating “Channel Conflict”	218

Concept Testing to Channel Members	222
Summary	223
Endnotes	223

Chapter 8 Sales Management to Add Value.....225

Plantronics	225
The Role of the Sales Management.....	226
Type of Sales Forces.....	229
Direct to End User	229
Resellers, Distributors, and Retailers	230
Value-Added Resellers	231
Agents, Brokers, and Representatives	231
The Control Issue: Choosing Your Sales Force	233
What Situations Favor Direct Versus Rep?.....	233
Choosing Reps	235
Effective Rep Management	236
Rep Management and the Perceived Value Proposition	237
Direct Sales: Personal Versus Telephone Versus the Web and Other Nonpersonal Sales	238
IndyMac: Using Both Direct and Indirect Sales Channels.....	241
Sales Force Size, Deployment, and Organization.....	242
Sales Force Size and Deployment	242
Deployment with Limited Sales Force Size.....	244
Sales Force Organization and Travel Costs.....	245
Compensation.....	245
Matching Incentives	245
Outback Steakhouse—Perfectly Matched Incentives	247
Incentives Versus Control Versus Time Horizons	247
Compensation for New Versus Existing Customers, a Possible Festering Problem.....	248
The Shadow Broadcast Services Example	249
Recruiting, Training, and Retention Strategies.....	252
Summary	254
Endnotes	255

Chapter 9	Marketing-Enabled Sales	257
	MetricStream, Inc., and the Marketing-Enabled Sales Strategy	257
	Marketing Tools to Support the Sales Process	258
	Help Prospects Find You	260
	Gain Prospect Interest and Trust.....	261
	Company Website.....	264
	Traditional Advertising	265
	Pay per Click (PPC) Advertising.....	265
	Social Media.....	267
	Webinars	268
	Trade Shows.....	269
	Blog Posts	270
	E-Mail Campaigns	270
	Qualify Prospects and Identify Prospective Buyers	271
	8x8 Reinvigorating Dormant Prospects	272
	Drive Toward the Close	274
	Submit the Proposal	274
	Check References	278
	Handle Objections.....	278
	Close the Deal	280
	Training Is Necessary	280
	The Relationship Between Marketing and Sales	281
	Summary	282
	Endnote.....	283
Section Three	Execution—Cultivate the People and Resources to Make Your Marketing Work	285
Chapter 10	Create an Ecosystem to Maximize Product/Service Lifetime Profitability	287
	Pebble: The Start-Up Taking on Multibillion-Dollar Global Companies	287
	Engaging Your Customers in Product Launch.....	289
	The Beta Process	292

Reference Accounts..... 296
 Reaching Target Reference Customers..... 298
 Establishing a Compelling Offer..... 298
 Building an Internal Resource Plan to Ensure
 a Successful Launch..... 300
Securing External Support for Your Product 302
Partnering for Launch 304
Channels of Distribution 305
Summary 306
Endnotes 306

Chapter 11 Entrepreneurial Marketing for Building Teams....307

Anki: From Classmates to a Company..... 307
Positioning for Talent 309
 Segmentation: Understanding the Needs of
 Company and Employees..... 309
 Differentiation: Setting Yourself Apart..... 312
Building a Team and Corporate Culture..... 313
Reaching the Prospects 315
Choosing the Prospect..... 317
Compensation: Pricing Your Talent..... 322
Summary 323
Endnotes 323

Chapter 12 Marketing for Financing Activities325

Pebble: Preserving Equity with Crowdfunding and
Venture Funding 325
Financing: A Different Product for a Different
Customer..... 327
Product Versus Financial Marketing 329
 A Financial Marketing Plan..... 329
 The Buying Center 331
Segmentation of Investors..... 332
 Crowdfunding 332
 Angels 333
 Venture Capital Firms 334
 Incubators and Accelerators..... 335
 Corporate Strategic Partners/Investors..... 336
 Institutional Investors 337

Naming.....	337
Pricing—The Value of Your Venture.....	338
Venture Marketing	339
Initial Public Offering (IPO).....	340
Investor Relations.....	341
Summary	343
Endnotes	343

Chapter 13 Building Strong Brands and Strong Companies.....345

Why Is It Hard to Build Brands?.....	347
Can Entrepreneurial Marketers Overcome These Eight Difficulties in Building Brands?.....	354
Ten Guidelines for Building Strong Brands.....	355
Summary	358
Endnotes	358

Index.....359

Acknowledgments

This book is an outgrowth of the Entrepreneurial Marketing Course that Len Lodish teaches in The Wharton School MBA program. Aside from the invaluable help and wise counsel of Howard Morgan and Shellye Archambeau, there are many people who have helped the course and this book. Amy Kallianpur administered the questionnaire and tabulated the results, as well as developed some of the content on franchising. Jill Beraud, the former chief marketing officer of Limited Brands, and Len's student, was very kind to be interviewed about the marketing strategies that made Victoria's Secret so successful. Yosi Heber provided some very interesting conceptual structure for our discussion of Web search advertising.

The Wharton MBA students who participated in the class for the past 18 years have been inspirational to us all. The entrepreneurs who have either spoken to the class or helped the book by sharing their real-world experience have been invaluable to this effort. A partial list of those entrepreneurs includes Mark Stiffler of Synygy, Inc.; Craig Tractenberg, the franchise law guru at Nixon Peabody; Gary Erlbaum of David's Bridal and other ventures; Eric Spitz of Trakus, Inc., and the Know Fat Lifestyle Grill; Mel Kornbluh of Tandem's East; Bob Tumulo of Rita's Water Ice; Steve Katz of SEI Corp and many ventures; Jim Everett of Country Junction; Bill Gross of Ide-alab; Alan Markowitz of many ventures; Ralph Guild of Interep; Ken Hakuda of Allherb.com; Dwight Risky of Frito Lay; Barry Feinberg of many ventures; Chuck Holroyd and Mike Perry of IndyMac Bank; Barry Lipsky and Mort David of Franklin Electronic Publishing; Bob Brisco of Internet Brands; Andrew Beebe of Energy Innovations; Jim Simons of Renaissance Technologies; Gerry Shreiber of J&J Snack Foods; Marc Lore of Quidsi, Inc., and diapers.com; Brett Hurt of Coremetrics and other ventures; Angelique Irvin of ClearAlign; Don McLagan and the management of Compete, Inc.; Max Lodish of Aerial-Media Services; Jake Lodish of Papa Jakes Subs; Steve Woda of Buy Safe; Lucinda Duncalfe of Monetate; Jon Sobel of Sight Machine; Andy Kohm of Vendop; Jack Abraham of Atomic Ventures; and Josh Kopelman of half.com and First Round Capital. Tovah Feldshuh, the

actress, demonstrated to Len how valuable excellent sales execution and dedication are to a successful venture.

The Wharton Global Consulting Practicum has also been a source of rich entrepreneurial and strategy experiences of foreign companies entering the United States. Over the years, this book has benefited from the insights of Therese Flaherty, Guri Meltzer, Shlomo Kalish, Yuval Dovev, Ron Waldman, and David Ben Ami of that program, as well as all of the MBA students and faculty in Israel, Africa, Australia, Chile, China, Colombia, France, India, Mexico, Peru, and Spain, who have added their insights.

Many colleagues at Wharton and other academic institutions, and other marketing scientists, have helped with concepts, methodologies, and paradigms. In particular, John Little, Pete Fader, Magid Abraham, Gerry Eskin, Abba Kreiger, Jerry Wind, David Reibstein, Russ Palmer, Terry Overton, Erin Anderson, C. B. Bhattacharya, David Aaker, Robert Nason, Irwin Gross, Raghu Iyengar, and David Bell have been very helpful over the years. The participants in the Wharton-Insead “Leading the Effective Sales Force” program, which was codirected by Erin Anderson and is now codirected by Paddy Padmanhaban and Len, have also contributed many valuable ideas and insights over the years.

Len has been coinvesting and advising many ventures and venture capital funds in San Francisco, Philadelphia, and Israel. He acknowledges the very valuable ideas of his Musketeer Capital partners, Alan Markowitz, Steve Katz, and Marty Lautman as well as his capital partners, Alan Feld, Martin Gedalin, Jon Soberg, Mitchell Green, and David Blumberg.

Thirty years of experience working with Information Resources, Inc., has helped Len Lodish with significant learning about how consumers react to advertising and other marketing mix elements. Working with the entrepreneurs of the more than 400 companies of Idealab and First Round Capital has given Howard Morgan many exciting experiences with all types of marketing, both consumer and industrial. Working with entrepreneurial founders such as Bill Gross and Josh Kopelman has shaped many of the insights in this book.

We want to also thank Charlene Niles and the staff of *Inc. Magazine* and Ian MacMillan, Greg Higgins, Mark Dane Fraga, Emily

Cieri, Clare Leinweber, and the staff of Wharton Entrepreneurship and the Wharton Small Business Center for developing and running programs that help us learn and explore from today's entrepreneurs. In particular, the entrepreneurs of Wharton's Venture Initiation Program continue to be an inspiration and source of innovation and experience.

Howard Morgan wishes to thank his mentors through the years: Jim Simons of the Simons Foundation, Bill Gross of Idealab, and his partners at First Round Capital—especially Josh Kopelman—who have helped him pursue the continuing passion of startup investing.

Shellye Archambeau would like to acknowledge the value of the experience gained working with the entire MetricStream team, especially Gunjan Sinha, chairman and Gaurav Kapur, COO. Her mentors and advisors over the years have helped shape her approach to marketing and sales. Special thanks go to Bill Campbell, Tim McChristian, Vinod Khosla, Ben Horowitz, Robin Sternbergh, and Ken Thornton.

In addition, Jeffrey Babin would like to thank the hundreds of employees, clients, and students with whom he has had the pleasure of working over the years and with whom he has learned (and lived) effective marketing and innovation. Jeffrey also would like to thank Rob Weber and Ellen Weber and offers special thanks to Tom Cassel, Joe Sun, Eduardo Glandt, Ian MacMillan, Wendell Dunn, and of course, Len Lodish for initiating and encouraging an unexpected third career in academia that has been nothing but joy.

About the Authors

Leonard M. Lodish, Ph.D., is Samuel R. Harrell Professor Emeritus of Marketing at The Wharton School. He is cofounder and Leader of Wharton's Global Consulting Practicum, and innovator of Wharton's MBA Entrepreneurial Marketing course. His research focuses on marketing decision support systems, marketing experimentation, and entrepreneurial marketing. As an active venture advisor and investor, Len was the first outside board member and helped raise the first investments for Quidsi.com (diapers.com) and Milo.com, and other very successful ventures. He is a cofounder of Musketeer Capital and advisor to a number of venture funds.

Howard L. Morgan is cofounder and Partner of First Round Capital, a venture capital investment firm, and founding investor and board member of Idealab. He has served as Professor of Decision Sciences at The Wharton School, as Professor of Computer and Information Sciences at the University of Pennsylvania, as Assistant Professor of Operations Research at Cornell University, and as Visiting Professor at the California Institute of Technology and Harvard Business School.

Shellye Archambeau is CEO of MetricStream, Inc., a recognized global leader in Governance, Risk, and Compliance. She also serves on the boards of directors for Verizon Communications and Nordstrom. She previously served as CMO and EVP of Sales for Loudcloud, Inc., responsible for all global sales and marketing activities. There, she led Loudcloud's transformation into an enterprise-focused company while growing sales by 50% year over year. As President of Blockbuster, Inc.'s e-commerce division, she was recognized by *Internet World* as one of the nation's Top 25 click-and-mortar executives.

Jeffrey A. Babin is Associate Professor of Practice & Associate Director of Engineering Entrepreneurship at the University of Pennsylvania, and founder and Managing Director of Antiphony

Partners, LLC, a strategy consulting firm that helps companies create sustainable value through innovation. He is Senior Project Advisor and Regional Manager of the Wharton Global Consulting Practicum, Advisor for the Wharton Venture Initiation Program, and founding member of the Mid-Atlantic Angel Group.

For more information about Marketing That Works, visit www.marketingthatworksbook.com.

Introduction

The Book's Mission

Truly successful businesses over the long term have achieved greater-than-market levels of profit return to their investors because they have been able to somehow insulate themselves from competitive pressures. If a company cannot insulate itself from competitors, it becomes doomed to market-level rates of return as competitive forces continually attack its profit margins and revenue sources. In this book, we show how entrepreneurial marketing can help firms both large and small to differentiate themselves and insulate themselves from some competitive pressures. The entrepreneurial marketing techniques, concepts, methods, and paradigms we provide will help your venture make more money—extraordinary money—on a sustainable basis. Not only will you be able to position your product/service offering to leverage your firm's distinctive competencies and potential sustainable competitive advantages, but the way you do marketing will make you more efficient than your competition as well.

Marketing, more than technology, is most often the reason for the success or failure of new ventures or new initiatives of mature corporations. Yet there are few detailed guides, and fewer serious studies, on what does and does not work when dealing with these situations. This book is designed to help marketers make the best use of their time, money, and effort in growing their businesses in a way that gives them some competitively sustainable differential advantage. The book is itself the product of cost-effective, entrepreneurial marketing thinking. There is a target market that has a need for help that we hope to provide. We have seen no books that combine conceptually

sound marketing concepts and paradigms with practical guidance on how to apply them in real situations in order to leverage the resources used for marketing and attain sustainable competitive advantage.

This book has a very pragmatic objective. We are not trying to deliver a complete compendium on marketing or on entrepreneurship or intrapreneurship (entrepreneurship within a larger corporation). We cover only marketing concepts, methods, tactics, and strategies that “work”—that is, can add value to real ventures regardless of the ongoing changes in technology and economy. We have been guided in our thinking, not only by our academic research and practical experience with dozens of companies, but also by studying what the most successful companies (as well as those that do not perform as well) are doing to create sustainable competitive advantage. These results provide new insights into what types of marketing programs and channels are most effective in diverse business settings.

You, our target reader, are someone who needs to get results quickly, and has limited financial resources and people resources—you are someone who often does not have any staff to help with speculative research or analysis. Although some bigger, older companies may have the luxury of waiting for longer-term impact of their marketing and sales strategies, the company we write for has to worry about the short term. Like it or not, for many managers today, and for all start-up firms, without a short-term cash flow, the longer term is impossible. Even if you work for a large, “deep pockets” organization or have significant funding reserves, acting as though resources are limited often produces the best results. No matter what size your entity, your responsibility is to get the biggest return from your resources that you can. One of the ways this book can help you to be better than your competition is that your competition will still be thinking in outmoded, less-productive ways about marketing. You will be much more able to get increased productivity from your marketing budget and will be able to develop offerings that are part of sustainable competitive advantage.

The Authors' and the Book's Heritage

Marketing That Works is possibly the best of both the academic and practical approaches to marketing issues—it comes from the intersection of both approaches.

This book's intellectual parent is *Entrepreneurial Marketing: Lessons from Wharton's Pioneering MBA Course*, by Len Lodish, Howard Morgan, and Amy Kallianpur. The book got started as a by-product of the entrepreneurial marketing course that Len Lodish developed at The Wharton School of the University of Pennsylvania. In the class, MBA students worked in groups to develop marketing plans for entrepreneurial ventures they were possibly starting. Along with the instructors' comments on how marketing could be used to help entrepreneurial ventures, the students were exposed to successful entrepreneurs who spoke and answered questions.

Since the course was begun and the first book was released, we have expanded the experience base from which we draw beyond the classroom. Len Lodish has over 40 years of applying marketing and strategic thinking to entrepreneurial ventures. One of Len's early entrepreneurial ventures has become Information Resources, Inc. (IRI). As a corporate director and consultant to IRI, Len has worked with many of the major packaged goods firms to improve their marketing productivity—including Procter & Gamble, PepsiCo, and Campbell's. Len was also the Founding Vice Dean and advisor to the Wharton Venture Initiation Program in San Francisco. He has been a director, advised, and/or invested in over 40 ventures, including some that have had exits in the hundreds of millions. Howard Morgan brings more than 35 years' experience with over 300 high-tech ventures as a consultant, director, sometimes executive, and financial resource. Shellye Archambeau was one of the first entrepreneurs to speak with the entrepreneurial marketing class when it was given at Wharton's San Francisco campus. Shellye was really elegant in showing how basic entrepreneurial marketing concepts, methods, and paradigms are useful at both large and small firms—from IBM to MetricStream, where she is currently the CEO. As an educator, practitioner, and investor in entrepreneurship and innovation, Jeffrey Babin has worked with Fortune 100 companies as well as technology start-ups to create value through new products and marketing

strategies. Our team of authors brings a unique combination of proven experience in the classroom, in the field, and in the board rooms of many companies. The results reflect both academic rigor and high returns on marketing investments.

This edition of *Marketing That Works*, like the best marketing programs, has been tested, adapted, and restructured in order to deliver the greatest value. We have added and updated many of the concepts, methods, and paradigms that deliver results and expanded them for application by any size firm that wants to make more money by acting like a successful entrepreneurial marketer.

The Importance of Marketing

Marketing, depending on how broadly you define it, is becoming the most important way many firms differentiate themselves. As you will see, marketing's biggest job is impacting how your product offerings are perceived by your target market(s). What's the difference between Jet Blue, Southwest Airlines, or American Airlines Group (American Airlines & US Airways)? Although they all fly customers from one location to another, which customers they fly and the perception of what it is like to use their services are very different. Other examples are Apple, Samsung, and Xiaomi. They all sell smartphones. Apple's positioning is elegant design and usability within the Apple ecosystem; Samsung develops innovative products for the high-end market; and Xiaomi offers high-quality technology at competitive prices to the largest markets. Mistargeted marketing would spend dollars attracting low-end buyers to Apple, when they are unlikely to buy. Proper targeting would focus on bringing Xiaomi phones to the fast-growing mainstream consumer of Asian markets, which has been extremely successful.

Because the purpose of business is to create a customer, the business enterprise has two—and only two—basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs. Marketing is the distinguishing, unique function of the business.

—Peter Drucker, *The Practice of Management*, 1954

These words, written more than a half-century ago, are just as true today. Marketing is of critical importance to the success of a company. In a recent survey, 14 venture capitalists that backed more than 200 ventures rated the importance of business functions to the success of the enterprise. The marketing function was rated 6.7 on a scale of 7.0, higher than any other business functions, in terms of importance to success of entrepreneurial ventures. In-depth interviews with the same venture capitalists concluded that venture failure rates can be reduced as much as 60% using pre-venture marketing analysis. Too many ventures are focused on the technical superiority or inventiveness of their product, but “build it and they will come” often fails because the customers need to be educated with new products.

Entrepreneurial marketing is the tool that every manager needs to help her product or service offering be perceived as more valuable than the competition by target segments. Marketing strategies and tactics help guide the development of offerings that the market wants, help target the firm’s offering to the right customers, get the product or service to the customer, and help ensure that the customers perceive the incremental value of the offering better than the competition and will pay for the added value.

Entrepreneurial marketing is also geared to make the resources supporting marketing go as far as possible, squeezing every penny used for marketing to make it as profitable as possible. We will show how to balance incremental lifetime revenue with incremental lifetime costs to be more efficient with marketing activities such as sales forces, advertising, promotion, and public relations. We will also show how in marketing, *adaptive experimentation* can be a very efficient way to estimate the incremental revenue and incremental costs of many marketing activities. Many executives feel that they have to decide “once and for all” how best to get to market. However, the reaction of the marketplace is often very difficult to forecast in advance. Many times, it is preferable to try two or three different ways to get to the market, measure the incremental impact of each method, and then roll out the one that works the best.

One Positioning, Multiple Stakeholders

Marketing is important, but not just in its traditional role of aiding in developing, producing, and selling products or services that customers want. We will demonstrate in the first chapter that *positioning*, the combination of *segmentation* and *differentiation*, are the real core of what makes ventures financially successful or not successful and provide the basis for sustainable competitive advantage.

Positioning is how the product or service is to be perceived by a target market compared to the competition. It answers the question: “Why will someone in the target market(s) buy my product or service instead of the competition?” An equivalent question is: “What should be the perceived value of my offering compared to the competition?” Positioning is intimately related to core distinctive competencies that the firm has or can develop.

The marketing plan—including appropriate pricing, public relations, promotion, advertising, distribution channels, and sales efforts—flows directly from the positioning decision. The positioning sets the vision for the offering in the marketplace and must be unified, consistent, and clear to gain market acceptance, increase perceived value, and gain purchase. However, the tactics and media of communicating the positioning may vary as they focus on other stakeholders who may be at least as important as the end customer:

- *Investors* and potential investors in the venture
- *Market intermediaries* between the company and the end customer
- *Employees* and potential employees
- *Strategic partners*
- *Users*, the nonpaying parties who may influence customers (for example, viewers of advertising-supported programs)

Each of these stakeholders is concerned about the end customer product positioning, but they are also concerned about other issues that are at least as important to them—the *equity* and *image* of the venture. The successful cost-effective marketer has a big job. He needs to manage how his venture is perceived on all three issues—its *product offering*, *corporate image*, and *equity*—by all of the different

constituencies. The positioning challenge is even more daunting because all the stakeholders have different values that they typically seek in the venture's product offering, image, and equity. Throughout this book, we consider all of these stakeholders in the concepts and methods described.

As Bo Peabody points out in his book *Lucky or Smart*, an entrepreneur is always selling her stock. In the early stages of almost every venture, there is no revenue coming in, and expenses are covered by loans or equity. Marketing to investors requires a different approach than marketing to customers, because to them, the product is those shares they're buying. How will they become more valuable? And hiring needs a different way of communicating because getting the best and brightest to work with your venture, a task on which companies such as Microsoft and Google have focused, requires them to believe in your mission, people, and image, as well as the value of stock options. Even in the product area, the customers (those who actually pay for the goods and services) are often not the same as the users (those who consume the goods or services). In many Internet companies—whether a new information site, product-focused company, or service provider—advertisers may be the paying customers, while these customers can only be drawn in by having lots of end users of the company's offering. The plan for marketing to the paying customers needs to be quite distinct from the one designed to draw users.

Challenges of the Next Decade

The Internet began as a network of connected computers that could share information. Today, the devices connected by internet-working technologies extend well beyond the desktop-bound boxes of the late twentieth century. The nodes of the Internet are devices of all types, which are sending and receiving data. The Internet of Things is only the latest term describing the type of connected devices. We are currently experiencing a proliferation of sensors that gather data about location/position, movement, environment, and any number of measurements about changes in state of ourselves as well as our devices. We have only begun to figure out how to capture value from this massive and dynamic source of information.

For years, we have been gathering information about online behaviors to better refine our marketing activities. Now, *Big Data* is the phrase used to describe the analysis of the stream of data we are now gathering from all sources. Making this information actionable is our latest challenge. We have yet to imagine the new products and services that will deliver value from these data streams. We do know that industry sectors will continue to be redefined by disruption of the traditional rules and structures in health care, education, retail, security, transportation, and others.

On March 10, 2000, the NASDAQ index hit a (then) lifetime intraday high of 5,132. Fifteen years later, the NASDAQ is back at (or near) those highs, yet the complex of the leading NASDAQ companies has changed (see Table I-1). Most notable (other than 6 of the 10 in the 2000 top ten are no longer in the top 10) is the shift of companies from hardware and infrastructure to services and more consumer orientation. This is a direct result of the increased value in consumer and information-based services. This trend will continue.

Table I-1 Top 10 NASDAQ Components by Market Cap (Carew, 2015)¹

March 10, 2015	March 10, 2000
Apple \$724.6 billion	Microsoft \$525.4 billion
Google \$382.3 billion	Cisco \$466.4 billion
Microsoft \$347.4 billion	Intel \$401.3 billion
Facebook \$218.7 billion	Oracle \$232.4 billion
Amazon \$171.9 billion	Sun Micro.\$164.5 billion
Intel \$151.3 billion	Dell \$131.5 billion
Gilead \$147.8 billion	Qualcomm \$96.4 billion
Cisco \$147.2 billion	Yahoo \$93.7 billion
Comcast \$125.8 billion	Applied Materials \$74.6 billion
Qualcomm \$119.3 billion	JDS Uniphase \$68.9 billion

Technology development and the Internet of Things will also cause changes in policy and regulatory environment. Once the stuff of science fiction, drones and driverless cars are not only a reality, but market-leading companies like Google and Amazon are pursuing

business strategies and models based on these technologies. The implications of this for logistics and transportation is only outweighed by regulatory, security, and societal impact these technologies will have. All of this change will occur in a world of changing governments, shifts in control and availability of natural resources, and never-ending advancement of technology and capital markets from many different countries around the world.

Whereas the previous two decades saw the Internet and internet-working technologies accelerate globalization, change how business relationships work, and drive business model evolution, today we no longer distinguish between Internet-based businesses and business. All businesses are and will be technology-enabled and technology-enhanced. The more things change, the more they stay the same, and Peter Drucker's adage that "Marketing is the distinguishing unique function of business" will be as true 50 years from now as it was 50 years ago. The key to any marketing that impacts sustainable competitive advantage is an understanding of "What am I selling to whom?" and "Why do they care?" These are the key questions we address in this book.

Section One, "Marketing Strategy—Refine Your Offering and Positioning," explores how to refine your offering and positioning. Section Two, "Demand-Generation and Sales—Lead Your Customers to Your Offering," focuses on generating demand for your offering. And Section Three, "Execution—Cultivate the People and Resources to Make Your Marketing Work," presents the key resources, including the most important resources of people, to drive your marketing efforts to successful outcomes.

Endnotes

1. S. Carew. *NASDAQ Looks Different 15 Years after Its Peak: Then and Now*. (2015, March 11). Retrieved from Reuters: <http://blogs.reuters.com/data-dive/2015/03/11/nasdaq-looks-different-15-years-after-its-peak-then-and-now/>

This page intentionally left blank

1

Marketing-Driven Strategy to Make Extraordinary Money

Orvis Company—Excellent Entrepreneurial Positioning

The Orvis Company has done an excellent job over the years of capitalizing on a unique positioning in a very competitive industry. They sell “country” clothing, gifts, and sporting gear in competition with much bigger brands like L.L. Bean and Eddie Bauer. Like their competitors, Orvis sells both retail and mail order. How is Orvis differentiated? They want to be perceived as the place to go for all areas of fly-fishing expertise. Their particular expertise is making a difficult sport “very accessible to a new generation of anglers.”¹ Since 1968, when their sales were less than \$1 million, Orvis has been running fly-fishing schools located near their retail outlets. Their annual sales are now over \$350 million. The fly-fishing products contribute only a small fraction of the company’s sales, but the fly-fishing heritage adds a cachet to all of Orvis’s products. According to Tom Rosenbauer, beginner fly fishermen who attend their schools become loyal customers and are crucial to continuing expansion of the more profitable clothing and gift lines. He says, “Without our fly-fishing heritage, we’d be just another rag vendor.”²

The Orvis positioning pervades their entire operation. Their catalog and their retail shops all reinforce their fly-fishing heritage. They also can use very targeted segmentation to find new recruits for their fly-fishing courses. There are a number of targeted media and public relations vehicles that reach consumers interested in fishing. Their

margins are higher than the typical “rag vendor” because of their unique positioning. The positioning is also defensible because of the consistent perception that all of their operations have reinforced since 1968. A competitor will have a very difficult time and large expense to reproduce the Orvis schools and retail outlets. It also will be difficult for a competitor to be a “me too” in an industry where heritage is so important. The positioning decisions Orvis made in 1968 probably added close to \$1 billion of incremental value to their venture since that time. That value is our estimate of the difference of Orvis’s actual profit since 1968 compared with what the venture’s profitability might have been had they just been “another rag vendor.” Victoria’s Secret is another company that has really leveraged excellent positioning, as discussed later in this chapter.

Positioning to Enhance the Value Proposition

“*What am I selling to whom, and why will they buy?*” Determining the answers to this seemingly simple question will have more impact on the success of your venture than anything else. The answers will drive the essence of your unique perceived value proposition to your customers.

What is a unique perceived value proposition, and why is it important?

First, a perceived *value proposition* is the promise of intrinsic worth that your product, service, or offering can provide to customers as perceived by those customers. It is the statement of benefits a customer can expect when buying from you. Simply stated, it’s what they perceive they get for their money. A *unique value proposition* is one that is distinguished from the value propositions offered by competitors.

Value is usually created along three dimensions:

- Performance value (superior functionality)
- Price value (low cost)
- Relational value (such as personalized treatment or how the customer will feel or perceive herself because of product/service purchase)

Value is also relatively *perceived*. For instance, one company will place more weight on low cost, whereas another will place it on reliability. For example, Cisco will charge over ten times the price as former competitor and now subsidiary Linksys will for wireless routers that have the same operating characteristics but higher perceived (and actual) reliability. For IT buyers to whom reliability and system uptime are crucial, the Cisco value is there. The home wireless networker is much more concerned about the price paid and will sacrifice some extreme reliability for a significant price reduction. Therefore, it is critical to know to whom you are selling to position your venture to provide a unique value proposition.

Positioning represents the foundation of the venture and its marketing. It is on this foundation that the unique value proposition is built and upon which the customer-oriented marketing plan is based. All of the venture's important decisions and tactics are critically dependent on these basic elements. However, determining positioning is not easy. If other marketing decisions are made before the positioning is defined, there is a danger that resources such as money and time will be poorly used and that expected results will not be realized. The customer-oriented marketing plan must be based on the positioning of the venture, which is to say the target market(s) and the unique and differentiated value proposition offered.

Segmentation answers the first half of the question: “*What am I selling to whom?*” It is through segmentation that the market is divided into categories of like-minded buyers. Once the categories are determined, the target market can be determined.

Differentiation answers the second half of the question: “*...and why will they buy?*”

Positioning is determining how the product-offering bundle should be perceived by the target market as compared with the competition.

Every word in this positioning definition has been chosen carefully. The words *determining* and *should* imply that positioning is an active management decision, not a passive taking of what is given. The words *product-offering bundle* are used instead of product or service because the consumer buys a bundle of perceived attributes when they make a purchase. Everything that a venture does that affects the

perception of attributes affects the positioning. Things like how the venture responds to inquiries, to the look of their stationery, to the feel of their website, can all impact the perception of the product-offering bundle. The word *perceived* reinforces that consumers as people only make decisions based on their perceptions as opposed to reality. The *target market* shows that the venture's positioning needs to impact those people who are most likely to value the positioning the highest. *Compared with the competition* reinforces that the target market's perceptions are all relative to competition.

Getting Started: Segmentation and Targeting

In reality, the segmentation and differentiation decisions are typically developed together. However, for ease of communication, we will take them one at a time and consider the interrelationships as we go. Conceptually, segmentation is a process in which a firm's market is partitioned into submarkets with the objective of having the response to the firm's marketing activities and product/service offerings vary a lot across segments, but have little variability within each segment. For the entrepreneur, the segments may, in many cases, only amount to two: the group being targeted with the offering and marketing activity and "everyone else." The targeted segment(s) will obviously be related to the product/service offering and the competitive strategy of the entrepreneur.

There are some important questions that need answers as part of the selection of target market segment(s):

1. The most important question is: *Does the target segment want the perceived value that my differentiation is trying to deliver more than other segments?*² Sometimes targeting may involve segments that differ on response to other elements of the marketing mix. However, many successful ventures differentiate target segments on the value they place on the differential benefits they perceive the firm to deliver. If a firm can target those people who value their offering the highest compared with competition, it has many benefits, including better pricing and

higher margins, more satisfied customers, and usually a better barrier to potential and actual competition.

2. Almost as important to profitable segmentation is: *How can the segment be reached? And how quickly?* Are there available distribution or media options, or can a self-selection strategy be used? Are the options for reaching the segment cost effective? Can enough of the segment be reached quickly enough so that you can be a leader before competitors can target the same segment?
3. *How big is the segment?* If the segment is not big enough in terms of potential revenue and gross margin to justify the cost of setting up a program to satisfy it, it will not be profitable.
4. Other questions to also keep in mind include: *What are likely impacts of changes in relevant environmental conditions (for example, economic conditions, lifestyle, legal regulations) on the potential response of the target segment? What are current and likely competitive activities directed at the target segment?*³

Virtual Communities: The Ultimate Segment?

The Internet has fostered thousands of virtual communities. These are made up of groups of people who are drawn together online by common interests. Just as enthusiasts for certain activities such as hobbies, sports, recreation, and so on have gotten together in metropolitan areas for years, the Internet lets enthusiasts from all over the world “get together” virtually. The same phenomenon holds for business users of certain software or specialized equipment. Users or potential users like to get together to help each other with mutual solutions to common problems, helpful hints, new ideas, or evaluations of new products, which might help the community members. It is much easier to post notices on a blog or a forum than to physically go to an enthusiast’s meeting. A virtual community member can interact with his counterparts any time of the day or night and reach people with very similar needs and experiences.

These virtual communities can be an entrepreneur’s penultimate segment. In terms of the preceding segmentation selection questions,

the answers to the first two questions are almost part of the definition of an online virtual community. If your product or service offering is tailored (or as importantly, *is perceived to be tailored*) to the members of a virtual community, then it will be positioned as very valuable to that segment compared with any other group. The size of the segment is easily determined as the size of the virtual community.

The incentives for entrepreneurial companies to get involved with virtual communities are great, but it is not a one-way street. All elements of the marketing program need to be cleverly adapted to the new segmentation environment. The challenges of marketing in virtual communities are summarized nicely by McKinsey consultants John Hagel III and Arthur G. Armstrong:

Virtual communities are likely to look very threatening to your average company. How many firms want to make it easier for their customers to talk to one another about their products and services? But vendors will soon have little choice but to participate. As more and more of their customers join virtual communities, they will find themselves in “reverse markets”—markets in which customers seek out vendors and play them off against one another, rather than the other way around. Far-sighted companies will recognize that virtual communities actually represent a tremendous opportunity to expand their geographical reach at minimal cost.⁴

An Entrepreneurial Segmentation Example— Tandem’s East

A clever entrepreneur can use target segmentation as a prime reason for beginning a venture. An example is Mel Kornbluh, who began a company called *Tandem’s East* in his garage in the late 1980s. Mel is a specialist in selling and servicing tandem bicycles—bicycles built for two (or three or four). Mel realized there was a segment of bicycling couples that would appreciate the unique benefits of tandeming. It is the only exercise two people can do together, communicate while they exercise, appreciate nature together, and do all this even though they may have very different physical abilities.

When he began his venture, intuitively Mel had very good answers to the previous questions. There were actually two target segments that Mel could target. The first was existing tandem enthusiast couples—those who already had a tandem and would need an upgrade or replacement. The other target segment was relatively affluent bicycling couples who had trouble riding together because of differences in physical abilities. The couples needed to be affluent because tandems are relatively expensive when compared with two regular bicycles. They are not mass-produced and do not take advantage of mass scale economies.

At the time Mel started in 1988, there was no one on the East Coast who had staked out a position as a specialist in tandems. As tandem inventory is expensive and selection is very important to potential buyers, he could establish barriers to potential competitors by being first to accumulate a substantial inventory. He was also able to establish some exclusive arrangements with some suppliers by being first in the area and offering them a new outlet.

Mel also had invented a better tandem crank extender to make it easier for the stoker (the rear rider and typically the female of a couple) to reach the handlebar comfortably. He has patented the design and still sells over 600 pairs per year almost 25 years later.

It was relatively easy for Mel to reach both of his segments. Existing tandem enthusiasts were members of the Tandem Club of America that has a newsletter they publish bimonthly. It is relatively inexpensive to advertise in the newsletter that reaches his first segment precisely. Not only does it reach the segment, but because the readers are already enthusiasts, they pay attention to every page of the newsletter. Over time, Internet user groups dedicated to tandeming were also formed. They are also natural vehicles for effectively reaching the segment.

His second segment was also relatively easy to reach cost effectively. Affluent bicycling couples read cycling magazines—the major one being *Bicycling Magazine*—and specialized websites and blogs. Again, because they are enthusiasts, the target segment pays a lot of attention to even small ads. This segment also attends bicycling rallies and organized rides. Mel still attends many rallies that his target customers will attend.

Both segments were much larger than Mel needed to make the business viable. With small response rates in either segment, he could afford to pay his overhead and to begin to accumulate a suitable inventory. In fact, his advertising costs are significantly under 10% of revenue, indicating that reaching the segments is extremely cost effective.

Thus, Tandem's East was begun and flourished by creatively seeing target segments that valued what Mel was selling. The segments were substantial and easily reached cost effectively, and competitive barriers could be erected. In 2014, Mel had more than 100 tandems displayed in stock for customers to try. Since 1988, no one has been able to effectively compete with Tandem's East in the Mid-Atlantic area. A few other entrepreneurs have started similar ventures in other geographic areas, but no one has been able to effectively challenge Mel in his area. If the average tandem sells for about \$4,000, having \$400,000 of inventory is a substantial barrier to entry.

An Entrepreneurial Segmentation Audit

Figure 1-1 shows a segmentation audit that the entrepreneurial marketer can use as a checklist to make sure that he has not forgotten an element of segmentation to consider. It may not be cost effective to address many of the audit issues with robust quantitative analysis. However, the issues could be addressed qualitatively—not addressing these issues at all can cause big problems.

The goal of the rest of this book is, in fact, to flush out the seventh group of issues in the segmentation audit. How does segmentation relate to all the other elements of the marketing mix for an entrepreneurial venture? Just as fundamental as the targeting decisions, however, are the interrelated decisions about differentiation, to which we turn next.

	Completely Describes Us (A)	Somewhat Describes Us (B)	Does Not Describe Us At All (C)	Don't Know (D)
1. Our business strategies recognize the need to prioritize target segments.	-----	-----	-----	-----
2. Our marketing plans include specific plans for each of the selected segments.	-----	-----	-----	-----
3. We have specific product and service offerings for each target segment.	-----	-----	-----	-----
4. We have detailed information about segments, including:				
• Current size of the segment	-----	-----	-----	-----
• Potential size of the segment	-----	-----	-----	-----
• Key business needs of the segments	-----	-----	-----	-----
• Information systems needs of the segment	-----	-----	-----	-----
• Their prioritized needs/benefits sought	-----	-----	-----	-----
• Their prioritized preference for product and service features	-----	-----	-----	-----
• Demographic characteristics of the segments	-----	-----	-----	-----
• Product ownership and usage	-----	-----	-----	-----
• Competitor's strength in each segment	-----	-----	-----	-----
• Perceived positioning of each competitor by the members of the segment	-----	-----	-----	-----
5. We have a process for updating the information on our segments on an ongoing basis.	-----	-----	-----	-----
6. Our segments are developed across countries, but recognize unique country requirements and subsegments.	-----	-----	-----	-----
7. Information about the target market segments is incorporated effectively into the following categories:				
• Positioning	-----	-----	-----	-----
• Product and service offering	-----	-----	-----	-----
• Pricing	-----	-----	-----	-----
• Promotion	-----	-----	-----	-----
• Public relations	-----	-----	-----	-----
• Advertising	-----	-----	-----	-----
• Distribution	-----	-----	-----	-----
• Sales force	-----	-----	-----	-----
8. We have an effective process for implementing segmentation research.	-----	-----	-----	-----
9. We have an effective process for implementing segmentation strategies.	-----	-----	-----	-----
10. We have P&L reports and accountability by segment.	-----	-----	-----	-----

Figure 1-1 A segmentation audit

Adapted from correspondence of Yoram J. Wind, 1997.

Gaining the Competitive Advantage: Differentiation

Differentiation answers the question: “Why should a member of the target segment buy my product or service rather than my *competitor’s*?” A related question is: “What are the unique *differentiating* characteristics of my product or service as *perceived* by members of the target segment(s)?” The italicized words in these questions are crucial for effective positioning. First, the word *perceived* must be analyzed. It is obvious people make decisions based only on what they perceive. Many entrepreneurial firms are happy when they have developed products or services that are *actually* better than the competition on characteristics that they know should be important to people in their target market(s). What they forget is that the job is not done until the targeted people actually *perceive* the differences between their product and the competitions. In fact, in the Internet space, many companies try to gain the perception that they’re better long before they can deliver on that in reality.

One of the hindrances to effective positioning is that most humans cannot perceive more than two or three differentiating attributes at a time. It is important that the differentiation be easy to remember. If there are too many differentiating attributes, the potential consumer can get confused. The marketer’s job is to isolate the most important differentiating attributes of her offering and use those in all the elements of the marketing mix. In many cases, it is cost effective to do concept testing or other research with potential consumers to isolate the best combination of attributes (see “Testing Purchase Intention: The Concept Test” in Chapter 2, “Generating, Screening, and Developing Ideas”). In other cases, the entrepreneur can instinctively isolate a good combination of attributes.

Entrepreneurs who have been successful may overstate how easy it was to get a good combination of attributes for differentiation. Companies such as Starbucks (just great-tasting, excellent-quality coffee) or Apple (fun and easy to use) were successful at least partly because of very effective positioning. What has not been documented is how many entrepreneurial ventures failed (or were not as successful as

they could have been) because their differentiation and associated target segments weren't very effective. The venture capitalists' estimate (cited in the Introduction)—that as many as 60% of failures can be prevented by better prelaunch marketing analysis—underscores the importance of getting your positioning right and testing with real consumers to confirm that it is right.

A big mistake many ventures make is to differentiate based on *features* of their product offering compared with their competitors. It's amazing how many entrepreneurs we have encountered who have great ideas based on technical features that are somehow better than their competitors'. The fundamental paradigm that "customers don't buy features; they buy *benefits*" has been lost on many entrepreneurs. Even more precisely, customers buy based on *perceived benefits*. Not only does the entrepreneur need to develop the best set of benefits versus the competition; he must also somehow get the customers to perceive these benefits.

In his article, *Look Before You Leap*, Robert McMath also says that communicating features instead of perceived benefits is "one of the most common mistakes marketers make."⁵ He describes a training film in which British comedian John Cleese illustrates how a surgeon might explain a new surgical procedure to a patient lying in a hospital bed:

"Have I got an operation for you...Only three incisions and an Anderson Slash, a Ridgeway stubble-side fillip, and a standard dormer slip! Only five minutes with a scalpel; only thirty stitches! We can take out up to five pounds of your insides, have you back in your hospital bed in 75 minutes flat, and we can do ten of them in a day."⁶

The surgeon is concerned only with technical features that he as producer (entrepreneur) is excited about. The customer has different concerns. All the customer probably wants to know is whether he'll get better, perhaps what his risks of complication are, and whether he'll be in pain.

Distinctive Competence and Sustainable Competitive Advantage

Differentiation, by itself, is not to ensure success in the marketplace. Successful companies are able to leverage their differentiating attributes into a sustainable competitive advantage, the Holy Grail that most ventures continually pursue. If a way can be found to continually be ahead of competition, then the venture will probably return higher-than-normal returns to its owners. Being ahead of competition means that the venture can easily sell more, and/or charge higher prices, and/or have lower costs than “normal” firms. Let’s look at competitive advantage from an entrepreneurial marketer’s point of view. As you will see, this point of view is the customer’s point of view. Your perceived competitive advantage, related to your competitive price, is why the customer or potential customer will more likely buy your product or service. If you can create competitive advantage that is sustainable from competitive encroachment, you are creating sustainable value.

Distinctive competence is how some people refer to the advantage that is the source of the sustainable competitive advantage. If the advantage is sustainable, then your venture has something that is difficult for your competition to emulate and must be somewhat distinctive to your venture. What are sources of distinctive competence for entrepreneurs that might be sources of sustainable competitive advantage? Creative entrepreneurs seem to be finding new distinctive ways to get customers to prefer them to the competition. Here are some of them:

- Many companies use technology to obtain competitive advantage. Patents and trade secrets are weapons that might keep competition from imitation. For software companies, source code for their products may be a key competitive advantage. Priceline.com has a patent on their method for having consumers try to name their own price for goods and services. This is a source of sustainable competitive advantage.
- Other companies may rely on excellent design, perceived high quality, or continual innovation as distinctive competencies. In its prime, Dell Computers, for example, was able to offer the unique value proposition that it would custom build a computer,

exactly as and when a customer ordered it, and deliver it at a competitive price. Dell was able to execute on this because its investment in supply chain and order management systems created a “just in time” system, eliminating the cost of overhead, inventory, and mistakes in calculating demand. However, as other competitors, such as Lenovo and Hewlett Packard, have found alternative low-cost manufacturing and distribution systems, Dell’s competitive advantage has been eroded.

- Other businesses use excellent customer service by loyal employees who have adopted corporate service values. Southwest Airlines is a great example of a venture that differentiates itself from competitors with both excellent customer service and technology for scheduling and turning flights around. Many customers fly Southwest, not only because it is economical, but also because it is fun. Other airlines have tried to imitate Southwest and have been unsuccessful.
- Reputations and other differences in customer perception of products, services, and companies can be extremely valuable sources of sustainable advantage. If consumers perceive you as being a preferable source, they will more likely choose your products or service. Industry-leading quality of service has always been a Lexus hallmark. Think about how Lexus focuses on providing a great customer experience. They collect lots of information from each customer and use it the next time the same customer interacts with the company to make her experience even better, from service scheduling, to loaner cars, to doing a good job explaining the work that was done on the vehicle, to completing a quality vehicle inspection process. This is a major reason why Lexus became the top luxury import in 1991 and the number-one luxury car overall in 2000, a title it kept until 2010 when the other two big luxury brands began significant programs to compete with Lexus on service, quality, and innovation. Once the European luxury brands (Mercedes, BMW, and Audi) had achieved parity with Lexus on service, quality, and innovation, they were able to differentiate on brand heritage, which was difficult for Lexus to compete with. Lexus did not continue to differentiate itself on service or quality by upgrading its perception versus the competition. The lesson

here is that positioning is not static but needs to be constantly strengthened compared with the competition.

- Diapers.com developed a reputation for amazing customer service by making it their highest priority from the venture's beginning in 2005. Everything they did was targeted toward strengthening their desired positioning—prices similar to Walmart; fast, reliable, free shipping; the broadest selection anywhere; and excellent customer service. In 70% of the United States, if a mom ordered diapers or any other baby stuff from diapers.com by 6:30 p.m., she would receive the shipment the next day. Diapers.com was an innovator in using Kiva robots to semiautomate their warehouse/fulfillment function in order to be able to get such fast fulfillment. Diapers.com and its successor websites were bought by Amazon in 2010 for over \$500 million. After Amazon saw how successful the Kiva robots were, Amazon also bought Kiva. Even as a division of Amazon, diapers.com was still getting over 30% of new customers via referrals from existing customers.

The “secret sauce” to diapers.com and its successor websites—yoyo.com (toys), soap.com (health and beauty aids), beautybar.com (upscale cosmetics), and casa.com (housewares)—was the way they handled customer problems. From the beginning of the company, the “complaint department” was in the corporate offices, right next to the CEO’s office. All of the firm’s managers had to spend time answering complaints from customers. All of the employees in the department were incented in only one way—to delight the customer at the end of the complaint interaction. They had no constraints—and could do anything they wanted to make sure that the customer’s complaint was not only solved, but that the customer was delighted after the interaction.

Marc Lore, the cofounder and CEO of the company, really understood the power of reputation with young mothers. Every time a customer’s complaint was turned to delight, they were very likely to want to share their delight with their friends.

All of these are ways that entrepreneurs search for sustainable competitive advantage. They relate to how customers choose one product or service versus another. Key segmentation and differentiation decisions are intertwined with why customers will choose you versus your competition. These decisions, which feed your unique value proposition, are best made to leverage the distinctive competence of the venture.

Tying Together the Value Proposition: Distinctive Competence, Sustainable Competitive Advantage, and Positioning

Now that we have explored segmentation and differentiation and established their relationship to the strategic concepts of distinctive competence and sustainable competitive advantage, we can return to the unique value proposition. The unique value proposition is the public face that is put on the target market and positioning decisions that were based on the venture's distinctive competence and sustainable competitive advantage. We can now determine the answer to "What am I selling to whom and why will they buy" based on the decisions discussed previously. Be careful, however—these decisions are not easily changed. It typically takes more effort to change a value proposition than to attempt to establish a new one in a vacuum. To change a value proposition is more than changing a slogan. It means undoing a market perception that has been established based on how a venture executes and replacing it with another.

For entrepreneurial companies, deciding on the value proposition—the intertwined positioning, distinctive competence, and sustained competitive advantage decisions—is the most important strategic decision made before beginning a new business or revitalizing an older business. Take the time to do it right. If the market doesn't value *what they perceive to be the distinctive competence of your firm versus the competition* (another way of defining *differentiation*), then the positioning will not be successful. If the positioning is not successful, the value proposition will fail to attract customers. Furthermore, because it is difficult to change perception, the perceived distinctive competence should be sustainable over time. Thus, it is crucial to get

the positioning reasonably close to right *before going public the first time*. Figure 1-2 shows the logic of our recommended decision-making process of getting the strategy right before the tactics.

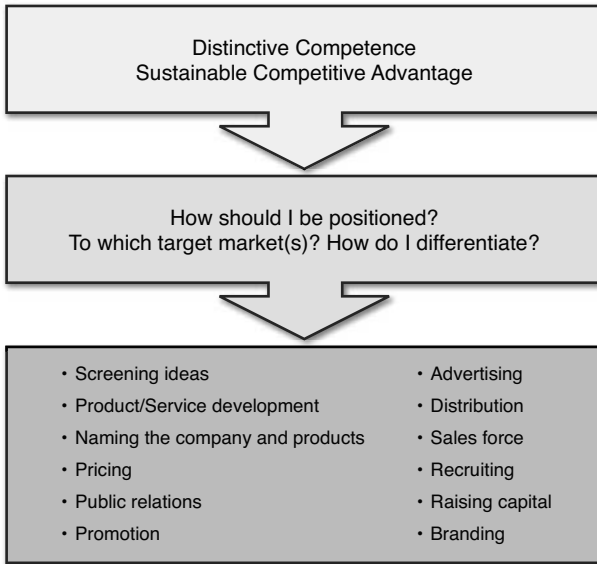


Figure 1-2 Market-driven strategy

By now, this logic should be clear to you. The venture must first assess and creatively identify potential and existing competencies that can be possible sources for sustainable competitive advantage. This assessment needs to be integrated with how the market might perceive the product offerings that may result from the competencies versus how the potential customers might perceive the competition. This assessment needs to be continually re-evaluated as competition and perceptions and consumer needs and wants will change over time. Only after the positioning and the value proposition have been determined, should the tactical marketing elements in the bottom of the figure be decided and executed. Pricing is the only marketing mix decision that should ideally be determined at the same time as the positioning and value proposition. We show in Chapter 3, “Entrepreneurial Pricing: An Often Misused Way to Garner Extraordinary Profits,” that pricing is intimately related to and leveraged by the

positioning decisions. Customers are willing to pay more for product/service offerings that are perceived as adding more value than the competition's.

In Chapters 2 and 3, we also explore cost-effective ways of getting market reaction to positioning options before spending a lot of resources.

Victoria's Secret and L Brands—Excellent Integration of Positioning, Segmentation, and Distinctive Competencies⁷

The original Victoria's Secret store and catalog was in Palo Alto, California. In 1982, when L Brands (formerly Limited Brands) founder, Les Wexner, first saw this store, it was very sleazy stuff. However, after seeing the store, Les got the idea to reinvent underwear as lingerie and make underwear emotional—have underwear make you feel good. Les was influenced by how he thought European women viewed underwear much differently than American women. A brilliant idea early on was to use supermodels as part of the public relations (PR) and advertising for Victoria's Secret (VS).

L Brands bought the first VS store for \$1 million in 1982. By 1995, they had a catalog, 300 retail stores, and an \$800 million business. The catalog was the greatest revenue contributor. In 1995, VS products were perceived by women and men as suited mainly for *Saturday night and special occasions*. In 1995, VS marketers identified an opportunity for a much-expanded positioning for VS—addressing “everyday” needs while maintaining the “special” image. They began the transformation of VS by segmenting by usage occasion. Their first products in the repositioned lines were everyday cotton, but positioned and designed as “sexy.” There was a lot of uncertainty in L Brands management about whether it was possible to have women perceive cotton as lingerie. The risk was that cotton underwear might be perceived as comparable to Hanes as opposed to being perceived as sexy lingerie. This was a big communication challenge.

All the elements of the marketing mix needed to be changed to support the new positioning. VS had never advertised before and had only used their catalog as an advertising vehicle. The catalog was low in reach and high in frequency—not suited for getting new people

into the brand on a large scale or for changing the perception of the product. Thus, large-scale TV advertising and PR were appropriate, using their successful supermodel icons as part of the repositioning. The supermodels were the embodiment of the emotion of the new VS positioning. The VS supermodel fashion shows on the Internet were extremely effective at reinforcing their positioning. So many people came to their website that they overwhelmed the Internet servers.

In 1995, before the repositioning, VS bras were priced two for \$15, and VS was a merchant-driven business. It needed to be made into a fashion business. By 2006, the average price for a VS item had more than doubled, and their revenue had risen by a factor of over four due to the repositioning. One key to the success of the repositioning was that the VS bras were not only sexy, but they were extremely comfortable. The consumer didn't have to compromise between feeling sexy and feeling comfortable. The loyalty levels for VS doubled with the new bras. Increasing loyalty makes the long-term value of a customer larger, thus justifying larger expenses for obtaining new customers—a nice virtuous circle for VS.

The VS stores were an integral element of the repositioning. The in-store experience is designed to be much different from other stores—it is designed to make customers feel special, intimate, and personal. There is much more pampering.

VS has evolved subbrands over time, segmented by lifestyle:

- Provocative—“Very Sexy”
- Romantic—“Angels”
- Girly—“Such a Flirt”
- Clean and simple—“Body by Victoria”
- Younger-flirty-modern—“Pink”

VS has succeeded in doing what Starbucks has also done—changing how people view a commodity—by changing VS into a relatively inexpensive way for women to feel good about themselves. Chapters 2, 3, 6, and 7 go into more depth as to how VS and L Brands were able to use entrepreneurial marketing strategy and tactics to accomplish making VS the crown jewel of L Brands.

Positioning, Names, and Slogans

Many entrepreneurs miss positioning opportunities when they name their products, services, and companies. As we discuss in-depth later, entrepreneurs have limited marketing funds to educate their target markets about the positioning of their products and services. If the names chosen do not themselves connote the appropriate positioning, then entrepreneurs have to spend more funds to educate the market in two ways instead of one. They not only have to get potential customers to recognize and remember their product name, but they must also educate them about the differentiating attributes and benefits of the product that goes with the name. The Please Touch Museum in Philadelphia is a perfect example. Its name tells parents and their children exactly what they can expect. Many new technology and Internet-based ventures have also been very intelligent and creative in their names to connote the appropriate positioning. Companies such as diapers.com (“the best deal on diapers”), Netflix (movie rentals and streaming via the Internet), Salesforce.com (the #1 customer relationship management [CRM] company), and SnapChat (visual conversations) made it easy for potential customers to remember what they do and at least part of their positioning. Although diapers.com may limit customer perception of offerings and allows for minimal expansion beyond diapers, the Netflix name allowed the company to expand from ordering DVDs online and receiving them via the U.S. Postal Service to streaming rental movies and even original content. All of these services clearly connect to the name of the company. On the other hand, all you know just from the Amazon.com name is that it is an Internet company. The fact that it sells a multitude of products via online retail, develops and sells its own consumer electronics, and even offers Internet infrastructure services is not evident from its name. The education of the market needs to be done with other marketing activities.

Some fortunate companies have gone even further by making their names not only support their positioning, but also simultaneously let their potential customers know how to get in touch with them. Examples would be 1-800-FLOWERS, 1-800-DIAPERS, and 1-800-MATTRESS as well as diapers.com and Amazon.com.

Other companies gain leverage by having their product names and company names be the same. Do you know which Fortune 1000 company was named Relational Software? Relational Software's product was named Oracle. To improve market awareness, the company changed their name to Oracle, the name of their popular product. Oracle has become one of the top database software companies in the world. However, the gain in awareness has been a hindrance in diversifying. Oracle is known for its database but, despite large investments and marketing activities, Oracle has been relatively unsuccessful in selling their own application software. Oracle is not perceived as a strong applications software company. Oracle = database.

If the name of the company or product is not enough to position it in the customer's mind, then the next need is for a slogan or byline that succinctly (and hopefully memorably) hammers home the positioning. If the positioning has been done well, then a slogan or byline can in many cases fairly completely communicate the appropriate attributes. One good example is FedEx: "When it absolutely, positively has to get there overnight." The positioning inherent in this byline is a good example of concentrating on only the few, most important attributes to stress in order to position the company. Visa has been using "It's everywhere you want to be" for many years to differentiate itself as a ubiquitous charge card, accepted around the world. On the other hand, Michelin uses "Because so much is riding on your tires" to try to differentiate itself as better on the safety attribute for tire buyers.

Just as brevity and simplicity are valuable in positioning, they are also as valuable in slogans and bylines. The slogan that goes with a company or product name should be one that can be retained for quite a long time, as long as the positioning will be in force. Robert Keidel proposed other ground rules for effective slogans:⁸ Avoid clichés, such as "genuine" Chevrolet, Miller, and so on; be consistent; use numbers, but have them backed up; be brief; take a stand; and make it distinctively your own. All of these rules are consistent with our effective positioning paradigm and make good sense.

Hindustan Unilever Limited (formerly Hindustan Lever Limited—HLL) represents an interesting example that illustrates many of the points discussed in this chapter.

Hindustan Unilever Limited: Positioning and Targeting to the Bottom of the Global Pyramid

The positioning should be made like any effective management decision. Develop criteria, generate many decision options (including creative, “out of the box” options), and then evaluate the options on those criteria. The implicit criteria for evaluating positioning decisions are typically related to the long-term and short-term impact on the entity’s shareholder value. However, there are also many constraints that may limit the options, such as ethical issues, environmental issues, legal issues, corporate values and culture, and so on. The Hindustan Unilever Limited (HUL) example also illustrates how the positioning decision is deeply intertwined with decisions on how to promote, distribute, and sell the products. C.K. Prahalad in his valuable book, *The Fortune at the Bottom of the Pyramid*, documents the need for the new positioning and how HUL responded to that need with innovative product positioning and marketing mix strategy.

HUL is the largest detergent manufacturer in India, with \$2.4 billion in sales in 2001, 40% from soaps and detergents.⁹ One constraint that exists on their positioning options is their corporate mission:

Our purpose at HUL is to meet the everyday needs of people everywhere—to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services, which raise the quality of life.

Our deep roots in local cultures and markets around the world are our unparalleled inheritance and the foundation for our future growth. We will bring our wealth of knowledge and international expertise to the service of local customers.

In their history from 1990 to 2000, HUL had targeted the mass market in India. They developed some distinct competencies that should provide sustainable competitive advantage versus their competition. Products are manufactured in about 100 locations around India and distributed via depots to almost 7,500 distribution centers. HUL reaches all villages with at least 2,000 people. It has a number of innovative programs to involve the rural women in selling and servicing their products.¹⁰ It is difficult for their competition to reach the rural population because of the costs of building the infrastructure and developing products that are appropriate for the rural market.

One of their competencies that they continue to leverage is their ability to introduce and profitably market products that the poorer parts of the society are willing to pay for. Instead of looking at costs first, they look at what the people are willing to pay. This willingness to pay is determined by the perceived value of the product by the potential customers. According to HUL Chairman Manvinder Singh Banga:

Lifebuoy is priced to be affordable to the masses... Very often in business you find that people do cost-plus pricing. They figure out what their cost is and then they add a margin and figure that's their selling price. What we have learned is that when you deal with mass markets, you can't work like that. You have to start by saying I'm going to offer this benefit, let's say it's germ kill. Let's say it's Lifebuoy. You have to work out what people are going to pay. That's my price. Now what's my target margin? And that gives you your target cost—or a challenge cost. Then you have to deliver a business model that delivers that challenge cost.¹¹

Why did HUL decide to use the “germ kill” positioning? They saw a way to fulfill an important unfulfilled need of many consumers. However, they had a number of interacting issues and stakeholders to deal with in order to make the positioning and associated targeting work.

The Unmet Need

Globally, in terms of infectious diseases, only acute respiratory infections and AIDS kill more people than diarrhea, which kills 2.2 million people annually. In India, 19.2% of the children suffer from diarrhea, and India accounts for 30% of all the diarrhea deaths in the world.¹² The solution for this problem is very simple and well known. Washing hands with soap reduced the incidence of diarrhea by 42% to 48% in a number of well-documented research studies.¹³ In 2000, the solution was not being used by the masses in India. Only 14% of the mass rural population was using soap and water after defecating and before and after every meal. Sixty-two percent used water plus ash or mud, and 14% used water alone.¹⁴

There have been a number of attempts to solve this problem globally, but without a lot of success. In India and other developing countries, the problem was seen as too large and costly for a big public health initiative. Additionally, the solution needed to be coordinated among three different government departments—Public Health, Water, and Environment—a daunting task. Because other diseases such as AIDS got most popular attention, there wasn't a champion for diarrhea. Lastly, behavioral change in the diarrhea area is difficult to design and implement. In 2000, HUL was a participant in a public-private partnership for encouraging hand washing. It was a consortium of communities, government, academia, and the private sector and was targeting a pilot in the Indian state of Kerala. However, controversy around the consortium's mission from various community groups hampered its implementation in 2002.

HUL had a long history of marketing 107-year-old Lifebuoy, with a bright red color and a crisp carbolic smell, as “healthy clean.” Since the 1960s, they marketed the product using a sports idiom to illustrate healthy clean. Their target market was the Indian male, 18 to 45 years old, with a median income of approximately \$47 per month, a semiliterate farmer or construction worker living in a town of 100,000 or less.¹⁵ However, by the late 1980s, competition had also copied the positioning so that health became perceived as the base level of cleaning, and Lifebuoy was not as differentiated. By 2000, in the developed, higher income areas of India (and the world, for that matter), the soap market was saturated and very competitive. Proctor & Gamble and Colgate were world-class competitors for the relatively affluent consumer all over the globe.

Because of this phenomenon, Unilever, the two-thirds majority owner of HUL, as a whole was expecting developing markets to account for approximately 50% of their sales over the next ten years.¹⁶

If HUL did not have the sales and distribution channels available to deliver the newly positioned Lifebuoy profitably at the price the market dictated, it would not be a good or even feasible strategy. The sales and distribution channel is a unique public/private mix of microcredit lending and rural entrepreneurship that began in 1999. HUL noticed that dozens of agencies were lending microcredit funds to poor women all over India. HUL approached the Andhra Pradesh state

government in 2000 and asked for clients of a state-run microlending program. The government agreed to a small pilot program that quickly grew. The initiative, now called Project Shakti (strength), has expanded to 12 states, and CARE India, which oversees one of the subcontinent's biggest microcredit programs, has joined with HUL.¹⁷

The *Wall Street Journal* illustrates the power of this channel by describing the activities and attitudes of one independent microcredit entrepreneur associated with HUL—Mrs. Nandyala:

When one of Mrs. Nandyala's neighbors, who used a knock-off soap called Lifebuoy that comes in the same red packaging as Unilever's Lifebuoy brand, balked at paying an extra rupee (about two U.S. cents) for the real thing, Mrs. Nandyala gave her a free bar to try. A skin rash caused by the fake soap cleared up after a few days, and the neighbor converted to Lifebuoy.

When another neighbor asked why she should pay more for Unilever's Wheel detergent than a locally made bar of laundry soap, Mrs. Nandyala asked her to bring a bucket and water and some dirty clothes. "I washed the clothes right in front of her to show her how it worked," she says.

Project Shakti women aren't Hindustan Lever employees. But the company helps train them and provides local marketing support. In Chervaunnaram, a Hindustan Unilever employee who visits every few months demonstrates before a gathering of 100 people how soap cleans hands better than water alone. Dressed in a hospital-style smock, she rubs two volunteers' hands with white powder, then asks one to wash it off with water alone and the other to use soap. She shines a purple ultraviolet light on their hands, highlighting the specks of white that remained on the woman who skipped the soap. As the crowd chatters, the Hindustan Unilever worker pulls Mrs. Nandyala to the front of the hall, and tells the crowd she has got plenty of soap to sell.

Mrs. Nandyala wasn't always comfortable with her new, public role. She first applied for a microloan from a government-run agency to buy fertilizer and new tools for her family's small lentil farm four years ago. In 2003, the agency introduced her

to a Hindustan Lever sales director from a nearby town. She took out another \$200 loan to buy sachets of soap, toothpaste, and shampoo—but was too shy to peddle them door to door. So a regional Hindustan Lever sales director accompanied Mrs. Nandyala and demonstrated how to pitch the products.

Mrs. Nandyala has repaid her start-up microloan and hasn't needed to take another one. Today, she sells regularly to about 50 homes, and even serves as a mini-wholesaler, stocking tiny shops in outlying villages a short bus ride from her own. She sells about \$230 of goods each month, earning about \$15 in profit. The rest is used to restock products.¹⁸

In 2005, 13,000 entrepreneurs like Mrs. Nandyala were selling Unilever's products in 50,000 villages in India's 12 states.¹⁹

An important reason for the success of this integrated marketing strategy for rural India is the consistency of goals between the private entity (HUL), the government entities, and the NGOs (for example, CARE). Because the Lifebuoy product is positioned and targeted for the socially desirable improved health goal, the other entities are happy to cooperate with HUL. This targeting and positioning is strategically very valuable for HUL. As C.K. Prahalad states:

Differentiating soap products on the platform of health takes advantage of an opening in the competitive landscape for soap. Providing affordable health soap to the poor achieves product differentiation for a mass-market soap and taps into an opportunity for growth through increased usage. In India, soap is perceived as a beauty product, rather than a preventative health measure. Also, many consumers believe a visual clean is a safe clean, and either don't use soap to wash their hands, use soap infrequently, or use cheaper substitution products that they believe deliver the same benefits. HUL, through its innovative communication campaigns, has been able to link the use of soap to a promise of health as a means of creating behavioral change, and thus has increased sales of its low-cost, mass-market soap. Health is a valuable commodity for the poor and to HUL. By associating Lifebuoy's increased usage with health, HUL can build new habits involving its brand and build loyalty from a group of customers new to

the category. A health benefit also creates a higher perceived value for money, increasing a customer's willingness to pay. By raising consumers' level of understanding about illness prevention, HUL is participating in a program that will have a meaningful impact on the Indian population's well-being and fulfill its corporate purpose to "raise the quality of life."²⁰

It is clear that this integrated positioning, targeting, and marketing sales and distribution strategy delivered sustainable competitive advantage for HUL. However, there is one area in which we feel that HUL could have improved the productivity of the whole process—with their newly developed communication channels.

HUL worked with Ogilvy and Mather to develop teams that would visit the villages—targeting the 10,000 villages in nine states where HUL stood to gain the most market share, as well as educate the most needy communities. They spent a lot of effort in designing low-cost ways of communicating with their rural target. HUL grew to 127 two-person teams in 2003 and estimates that the program is reaching 30% to 40% of the rural population in targeted states.²¹ Each team went through a four-stage communications plan. Stage 1 is a school and village presentation using an interactive flip chart. At the end of the day, they assign school teachers to work with the students to develop skits and presentations for their next visit in two to three months. Stage 2 is a Lifebuoy village health day, which includes the skits and a health camp in which the village doctor measures height and weight to give "healthy child" awards to those who fall within healthy norms. Stage 3 is a diarrhea management workshop geared toward pregnant women and young mothers who might not be reached by the first two stages. Stage 4 is the formation of the Lifebuoy health club that includes activities on hygiene and keeping the village clean. The two-person team will return four to six more times to run health club activities.

As discussed in more detail in Chapter 6, "Advertising to Build Awareness and Reinforce Messaging," there is a big opportunity for improving productivity of advertising and, in this case, other communications methods, by applying adaptive experimentation. In the HUL case, they assumed that the Ogilvy and Mather-generated communication plan was the best that could be generated, and they rolled it out. However, given that each village or state could be an

experimental unit, and given that some other way of efficiently communicating with the targeted rural villagers could have been more effective, there was an opportunity cost of not developing and trying and measuring the impact of other communications methods in different villages as they rolled out the program. Chapter 6 goes into more detail on how this might have been done.

Summary

Each venture must answer the “What am I selling to whom, and why will they buy?” question before it can create a successful marketing strategy and plan. Positioning combines the important elements of segmentation and differentiation. Segmentation selects the subgroup of all consumers to whom you think you can sell your products. Differentiation tries to inform members of the segment of the benefits of using your product or service, vis-à-vis any competitors. The unique value proposition is the public communication of the promise of intrinsic value that customers will receive from your products and services that they won’t receive from others. All of these are based on the venture’s distinctive competence and sustainable competitive advantage. These important concepts provide the strategic platform on which to build a marketing plan.

This chapter focused on the foundation for the customer-oriented marketing plan, which is the first priority. However, the marketing challenge today expands beyond customers. All of the venture’s other stakeholders—such as users, investors, supply chain/channel partners, and employees—care about the customer, but they are also concerned with equity and image of the venture. Each stakeholder needs a relevant value proposition on why to stay engaged with the firm. So the same concepts of segmentation and positioning apply to them.

Endnotes

1. Susan Greco, “Reeling Them In,” *Inc. Magazine* (January 1998): 52.
2. *Ibid.*

3. Some of these segmentation questions come from personal discussions and correspondence with Professor Yoram Wind of The Wharton School, University of Pennsylvania.
4. John Hagel and Arthur G. Armstrong, *Net Gain: Expanding Markets Through Virtual Communities* (Cambridge: Harvard Business School Press, 1997).
5. Robert McMath, "Look Before You Leap," *Entrepreneur*, (April 1998): pp. 135–139.
6. *Ibid.*, 135.
7. This section comes from two interviews done by Leonard Lodish with Jill Beraud, the EVP Marketing of Victoria's Secret from 1995 to 2005 and the EVP/COO Marketing and Chief Marketing Officer of L Brands (formerly Limited Brands) from 2005 to 2008, on July 8, 2004, and April 6, 2005.
8. R.W. Keidel, "Manager's Journal: Say It with a Slogan," *Wall Street Journal*, June 16, 1997, p. A12.
9. C.K. Prahalad, *The Fortune at the Bottom of the Pyramid* (Upper Saddle River: Wharton School Publishing, 2005), 211.
10. *Ibid.*, 213.
11. *Ibid.*, 222.
12. *Ibid.*, 207.
13. *Ibid.*, 209.
14. *Ibid.*, 209.
15. *Ibid.*, 220.
16. *Ibid.*, 214.
17. Cris Prystal, "With Loans, Poor South Asian Women Turn Entrepreneurial," *Wall Street Journal*, May 25, 2005, p. B1.
18. *Ibid.*
19. *Ibid.*
20. C.K. Prahalad, *The Fortune at the Bottom of the Pyramid* (Upper Saddle River: Wharton School Publishing, 2005), 229–230.
21. *Ibid.*, 226.

Index

Numbers

- 3D printers, 60
- 3DSystems, 60
- 8x8, Inc., reinvigorating dormant prospects, 272-273
- 15-minute demos, 110
- 30- to 45-minute road show pitch, 110

A

- Aaker, David, 345
- ABLE Faucets
 - price response, perceived customer value, 87-90
 - price-concept testing, 85-87
- About.com, 105
- accelerators, 335-336
- adaptive testing, 42, 46
- advantages of
 - of being a franchisee, 209
 - franchising, franchisor's point of view, 213-214
- advertising
 - CAC (customer acquisition cost), 139
 - digital advertising, 139, 163-164
 - display ads*, 164-166
 - Facebook*, 172
 - search engine optimization*, 166-169
 - SoLoMo*, 172
 - improving, Hindustan Unilever Limited, 145-147
 - improving productivity, 141-145
 - Victoria's Secret*, 147
 - large firms, 139-140
 - lead generation, 265
 - media planning, 155-158
 - sample templates for evaluation*, 158-163
 - PPC (pay per click) advertising, 265-267
 - rules, 138
 - Shadow Broadcast Services, 250
 - Synergy, Inc., 135-138
- advertising agencies, 144
- advertising campaigns
 - evaluating, 143, 148-149
 - evaluating before executing*, 154
 - Franklin Electronic Publications*, 154-157
 - national retailer's campaign evaluation*, 149-153
 - vaguely right entrepreneurial marketing experimentation*, 153
 - testing on Internet, 154
- advertising supported mediums, 120-121
- agents, 199, 231-232
- agreements, distribution exclusivity, 192-193
- AIM (AOL Instant Messenger), 124
- Airbnb, 336
- Alexander Ogilvy agency, 103
- alpha versions, 292
- ALS foundation, viral marketing, 126
- Alsop, Stewart, 106
- alternative price levels, determining
 - in-market methods, 90-95
 - premarket methods, 84-90
 - ABLE Faucets*, 85-87
- Amazon.com, 31, 228-229
- Diapers.com, 26
- sales management, 227

American Airlines Group, 4
 analysts, external support for
 products, 303
 Anderson, Chris, 106
 Anderson, Erin, 234
 Andreessen, Marc, 308
 Andreessen Horowitz, 308, 334
 Angel Capital Association, 334
 AngelList, 333
 angels, 333-334
 Angry Birds, 122
 Anki
 Apple, 308
 distribution channels, 177-178
 distribution exclusivity, 190-191
 teams, 307-309
 Anki DRIVE, 177, 190-191
 AOL, 122
 TechCrunch Disrupt, 106
 AOL Instant Messenger (AIM), 124
 App Store
 Apple, 119
 distribution, 190
 Apple4
 Anki DRIVE, 308
 App Store, 119
distribution, 190
 distribution, Anki, 190-191
 hiring talent, 313
 iPhones, 173
 MacWorld, 128
 product placement, 131
 public relations, 107
 World Wide Developers
 Conferences (WWDC), 128
 apps
 distribution, 190
 distribution exclusivity, 190
 naming, 337
 Arnesen, Erna, 225-226
 ARPU (average revenue per user),
 123
 ASPs (application service providers),
 77
 attributes, perceived customer value,
 73
 auctions, eBay, 80-81
 audiences, media planning, 161
 audits, segmentation audits, 20
 Autodesk, beta processes, 295

average revenue per user (ARPU),
 123
 avoiding nice bias, concept testing, 57

B

bang per buck analysis, 155, 162
 Banga, Manvinder Singh, 34
 Barnes and Noble, 242
 base salaries, 248
 be nice bias, 57
 beer companies, event marketing, 130
 Behaviorscan system, Information
 Resource, Inc., 140
 Belker, Harald, 308
 Benchmark Capital, 334
 Bendel, Henri, 187
 benefits, perceived benefits, 23
 benefits-oriented concept statement,
 87
 Bernard Arnaut, 114
 Best Buy, 230
 best practices, concept testing
 avoiding nice bias, 57
 concept screening, 57
 crowdfunding, 59-60
 follow-up questioning, 58-59
 forecasting trials, 57-58
 price testing, 59
 beta, 292
 beta processes, 292-296
 Autodesk, 295
 iExchange.com, 294
 InsiderPages.com, 295
 TaskRabbit, 293-294
 bias against innovation, 351-352
 bias toward changing strategies,
 351-352
 Big Data, 8
 Bing, 166
 bloggers, 107
 blogs, lead generation, 270
 Bloomberg Business Week, 108
 Bluetooth LE, 287
 Blumenthal, Neil, 67
 Bombardier, free trials, 127
 Bondi, Kris, 263
 Boo.com, 114
 bottom of the pyramid
 healthy clean, 34-39
 positioning and targeting, Hindustan
 Unilever Limited, 33-34

brainstorming, 41
 brand building, 347
 bias against innovation, 351-352
 bias toward changing strategies, 351-352
 competition, 348-350
 complex brand strategies and relationships, 350-351
 fragmenting markets, 350-351
 guidelines for building strong brands, 355-357
 overcoming difficulties, 354-355
 pressure to compete on price, 347-348
 short-term pressures, 353-354
 brand identity, 355
 brand leverage, 356
 brand position, 355
 brand responsibility, 356
 brand systems, 356
 brand value, 337
 brands
 naming stadiums and postseason games, 129
 social media, 126
 brokers, 199, 231-232
 Brooks Sports, 218
 positioning, 197
 selective distribution, 196-198
 building brands. *See* brand building
 Bushur, B.J., 252
 business format franchises, 208, 209
 business-to-business markets,
 perceived customer value, 72-74
 bylines, 32

C

CAC (customer acquisition cost), 122
 advertising, 139
 Calacanis, Jason, 106
 Calvert, Luane, 290
 candidate comparison charts, 320
 Candy Crush, 122
 CarsDirect.com, 338
 chances of success, entrepreneurial
 start-ups, 44
 channel conflict, distribution, 218-222
 channel members, concept testing, 53,
 222-223

charity campaigns, viral marketing,
 126
 charityfolks.com, 129
 Charles River Ventures, 325
 checking, references, 278
 checklists
 product launch checklists, 291
 Sarbanes-Oxley checklist, 275
 choosing
 prospects, 317-321
 reps, 235-236
 Chrome browser, 105, 120
 CircleUp, 333
 Cisco, 339
 Cleese, John, 23
 cleverness, tchotchkes, 132
 closing the deal, 280
 clothing, tchotchkes, 132-133
 CLV (customer lifetime value), 122
 CNN Science Today, 109
 C.O. Bigelow, 187
 Code Jam, Google, 312
 Colgate, 35
 collateral, 272
 Collins, Jim, 314
 Comdex, 130
 commission, new versus existing
 customers, 248-249
 commitment, culture, 315
 companies, naming, 337-338
 company websites, lead generation,
 264-265
 comparing, direct sales options,
 238-241
 compensation
 equity compensation, 322-323
 pricing talent, 322-323
 sales forces, 245
 base salaries, 248
 incentives versus control versus
 time horizons, 247-248
 matching incentives, 245-246
 new versus existing customers,
 248-249
 Shadow Broadcast Services,
 249-251
 competencies, Hindustan Unilever
 Limited, 34
 competition, brand building, 348-350
 competitive advantage, 24-27
 Dell, 25

complex brand strategies and relationships, 350-351

Computerworld, 107

concept screening, 57

concept statements, 51-52

concept testing, 42, 49-50

best practices

avoiding nice bias, 57

concept screening, 57

crowdfunding, 59-60

follow-up questioning, 58-59

forecasting trials, 57-58

price testing, 59

channel members, 53, 222-223

considerations for, 50-51

concept statements, 51-52

information to be collected, 54-55

modes of data collection, 55

questions to be asked, 56

target segments, 52-54

limitations, 60-61

Trakus, Inc, 61-65

conference calls, investor relations, 341

consistency over time, 356

consultants, financial marketing, 331

consumer events, event marketing, 130

consumer segmentation studies,

Victoria's Secret, 48

control

versus incentives and time horizons, 247-248

sales forces, 233

Cook, Tim, 177

Coolest Cooler, 117-118

corporate culture, 313-315

strong culture, 313

weak culture, 314

W.L. Gore & Associates, 314-315

corporate intrapreneurs, 45

corporate service values, Southwest Airlines, 25

corporate strategic partners/investors, 336

corporate subsidiaries, 46

corporate ventures, 45

costs

determining prices, 82-84

fixed costs, 84

PR agencies, 113

"Cow Bell" accounts, 297

CPM, display ads, 165

Crain's New York Business, 339

creative, 174

credible exposure, 119

crisis management, public relations, 114-115

crowdfunding, 47, 328, 332-333

concept testing, 59-60

equity crowdfunding, 333

Kickstarter, fund-raising, 111

Pebble Technology Corporation, 325-327

crowdfunding sites, 107

CTR (click-through rate), display ads, 165

culture

differentiation, 312-313

teams, 313-315

W.L. Gore & Associates, 314-315

customer acquisition, 45

customer acquisition cost (CAC), 122

advertising, 139

customer experiences, Lexus, 25-26

customer lifetime value (CLV),

99, 122

customer perceived value, 72

customer references, sharing, 263

customer service

competitive advantage, 25

Diapers.com, 26

telephonic interfaces, 79-80

customer value, 72

customer-determined pricing, 80-82

customer-oriented marketing plans, 15

customers

engaging in product launch, 289-290

new versus existing customers,

commission, 248-249

reaching target reference customers, 298

CyberBills, 104

Cygnus Solutions, 119

D

data collection, concept testing, 55

decision influencers, 53

decision makers, 106

reaching through public relations, 105-109

Dell

- competitive advantage, 25
- direct to end user, 229
- sales management, 228

Delta, Priceline, 81**Demo Day, 336****demonstrations, 262****deploying, sales forces, 242-244****Desktop Factory, Idealab, 60****Diapers.com, 31**

- customer service, 26
- viral marketing, 125

diarrhea, 34**differentiation, 15, 22-23**

- distinctive competence, 24-27
- hiring talent, 312-313
- sustainable competitive advantage, 24-27

digital advertising, 139, 163-164

- display ads, 164-166
- Facebook, 172
- search engine optimization, 166-169
 - evaluating return on, 170-171*
- SoLoMo, 172

Digital Media Players Party, 130**direct distribution, 184-186****direct relationships, distribution, 182****direct sales**

- comparing options, 238-241
- distribution, 200-201
- IndyMac Bank, 241-242
- versus reps, 233-235
- telemarketing, 239

direct to end user, sales channels, 229-230**disadvantages of**

- franchisees, 210
- franchising, franchisor's point of view, 213-214
- reps, 232

DiSC (dominance, influence, steadiness, and conscientiousness), 321**disintermediation, 182-183****Disney, 313****display ads, 164-166****distinctive competence, 24-27**

- integrating with positioning and segmentation, 29-30

distribution

- App Store, 190
- channel conflict, 218-222
- direct distribution, 185-186
- direct relationships, 182
- direct versus indirect, 184-185
- dynamic distribution management, 202-203

Franklin Electronic

Publications, 206

Superscope, Inc., 203-205

evaluating, 182-183

franchising. *See* franchising

Google Play, 190

indirect distribution, 186, 188

intensive distribution, 194-195

intermediaries, 181, 199-200

Neat Company, 200-201

Nice Systems, 201-202

“own store” strategy, 186-188

positioning, 183-184

pushing products, 192

selective distribution, 195-196

Brooks Sports, 196-198

Preservation Hall Jazz Bands, 198

distribution channels

Anki, 177-178

product launch, 305

distribution decisions, 179-180**distribution exclusivity, 188**

agreements, 192-193

Anki DRIVE, 190-191

apps, 190

evaluating, 191-193

distributors, 230-231**diverse teams, 310****Doerr, John, 172****DOK (Disk on Key), 91****dormant leads, 8x8, Inc., 272-273****Draper Fisher Jurvetson, 123****DreamIt, 336****DreamIt Health, 336****driving toward close, prospects, 274****Dropbox, 336**

viral marketing, 125

Drucker, Peter, 4**Drudge, Matt, 108****dry tests, 47**

crowdfunding, 47

Duarte, Nancy, 341

dynamic distribution management,
202-203
Franklin Electronic Publications,
206
Superscope, Inc., 203-205
Dyson, Esther, 106

E

eBay, 80-81
ecosystems, 306
reference accounts. *See* reference
accounts
EIM (Enterprise Incentive
Management), 350
eInk, 287
elasticity of demand, 83
Electric Objects, 107
elevator pitch, 110
email campaigns, lead generation,
270-271
eMarketer, 163
e-MITS, IndyMac Bank, 241
employee loyalty, SAS Institute, Inc.,
77
end user reactions, 54
Energy Innovations, 109
Engadget, 107
engaging customers in product
launch, 289-290
enhancing value proposition through
positioning, 14-16
Enterprise Incentive Management
(EIM), 350
Entrepreneurial
marketing, 5
positioning, Orvis Company, 13-14
start-ups, chances of success, 44
ePinions, 105
equity compensation, 322-323
equity crowdfunding, 333
Ethan Allen, 221
evaluating
advertising campaigns, 143, 148-149
evaluating before executing, 154
Franklin Electronic
Publications, 154-157
national retailer's campaign
evaluation, 149-153
vaguely right entrepreneurial
marketing experimentation,
153

distribution, 182-183
distribution exclusivity, 191-193
media options, 158-163
return on, search engine marketing,
170-171
venture ideas, 42-43-46
evangelists, public relations, 109-111
event marketing, 119, 128-130
consumer events, 130
midnight launch, 130
Oscar Mayer Weinermobile, 130
sponsorships, 130
Everson, Carolyn, 174
Evolution Robotics, LaneHawk
system, 82
exclusive distribution, 188
agreements, 192-193
Anki, 190-191
apps, 190
evaluating, 191-193
item exclusivity, 193-194
execution, 355
Expedia, 230
experience, hiring talent, 312
experimental offerings, testing, 94
experts, 106
external support for products, 302-304

F

Fab.com, 125
Facebook, 124
advertising, 172
lead generation, 267-268
public relations, 113
facilitating search, intermediaries, 181
fairness, culture, 315
FAQ (Frequently Asked Question),
231
FDD (Franchise Disclosure
Documents), 211
Federal Trade Commission Franchise
Disclosure Documents, 211-212
Franchise Rule, 211
FedEx, 32
feedback, beta processes, 292-296
filtering, 41
financial marketing
investor relations, 341-343
investors, 332
accelerators, 335-336
angels, 333-334

- corporate strategic partners/ investors*, 336
- crowdfunding*, 332-333
- incubators*, 335-336
- institutional investors*, 337
- venture capital firms*, 334-335
- IPO (initial public offering), 340-341
- pricing, 338-339
- versus product marketing, 329
- selling the image of the company, 331
- financial marketing plans, 329-331
- financing, 327-329
 - Pebble Technology Corporation, 325-327
- Firefox, 120
- fixed costs, 84
- follow-up questioning, concept testing, 58-59
- Forbes, 108
- forecasting trials, 57-58
- foreign markets, distribution exclusivity, 192-193
- Fortune, 108
- fragmenting markets, 350-351
- Franchise Disclosure Documents (FDD), 211
- franchisees
 - advantages of, 209
 - disadvantages of, 210
- franchisee's point of view, 208-211
- franchising, 207
 - advantages of, franchisor's point of view, 213-214
 - business format franchises, 208-209
 - disadvantages of, franchisor's point of view, 213-214
 - franchisee's point of view, 208-211
 - franchisor's point of view, 212-215
 - manufacturer-retailer franchise, 207
 - manufacturing franchises, 207-208
 - McDonald's, 209
 - Rita's Water Ice, 215-218
 - types of, 207-208
 - wholesaler-retailer franchise, 208
- franchisor's point of view, 212-215
- Franklin Electronic Publications, 108
 - advertising campaigns, evaluating, 154-157
 - dynamic distribution management, 206

- product placement, 131
- rep management, 237
- free intellectual property, 78
- free trials, 121-122, 127
 - to pay, key metrics, 122-123
- freebies, techotchkies, 132-133
- freedom, culture, 314
- Freemium, 121-122
- Funders Club, 333
- fund-raising, public relations, 111
- furniture retailers, item exclusivity, 193-194
- Futurewear, 52

G

- gaining prospect interest and trust, 261-264
- Gallo, Carmine, 262
- Gates, Bill, 130
- geographical segmentation, hiring talent, 311
- giveaways, 119-121
 - free trials to pay, key metrics, 122-123
 - free trials versus free forever versus Freemium, 121-122
 - when do they work, 126-128
- Gizmodo, 107
- Goldman Sachs, 313
- Google, 172, 339, 355
 - Chrome, 105, 120
 - Code Jam, 312
 - search engine optimization, 166
- Google Play, distribution, 190
- Gore (W.L. Gore & Associates), culture, 314-315
- Gore, Bill, 314
- Gran Centenario tequila, product placement, 131
- Grepper, Ryan, 117-118
- Gross, Bill, 41
- Gross, Irwin, 72
- guidelines for building strong brands, 355-357
- gurus, 106
 - press tours, 109
- Gust, financial marketing plans, 329-331

H

Hakuta, Ken, 194-195
 half.com, 81
 Hamburger University, McDonald's, 209
 hand washing, bottom of the pyramid, 34-39
 handling objections, 278-279
 HardTech Labs, 336
 Harmsel, Gary Ten, 221
 healthy clean, Hindustan Unilever Limited, 34-39
 Heber, Yosi, 167
 helping prospects find you, 260-261
 Herbert, Gabriel, 308
Herbie: Fully Loaded, product placement, 131
 Herman Miller, Inc., channel conflict, 220-221
 heterogeneous teams, 310
 high employee skills, 45
 high-end channel members, 203
 Hiles, Heather, 260
 Hindustan Unilever Limited, 33-34
 hand washing, 34-39
 marketing productivity, 145-147
 microlending, 36-37
 hiring
 prospects
 candidate comparison charts, 320
 interview rating templates, 318-319
 salespeople, 234
 talent
 differentiation, 312-313
 experience, 312
 segmentation, 309-312
 hiring teams, 318
 hit gauge, 64
 horse racing, Trakus, Inc, 65
 Hotmail, 123
 HUL (Hindustan Unilever Limited), 33

I

IAC (InterActive Corp.), 338
 IBM, 229
 incentives for new customers, 296

Ice Bucket Challenge, 126
 ICQ, 124
 Idealab, 41-42, 60
 finding talent, 317
 PayMyBills.com, 103
 ideas, evaluating, 42-43-46
 IDG *InfoWorld*, 107
 iExchange.com, beta processes, 294
 impact on, pricing, 79-80
 importance of, marketing, 4-5
 improving
 advertising productivity
 Hindustan Unilever Limited, 145-147
 Victoria's Secret, 147
 productivity, search engine marketing, 171-172
 productivity in advertising, 141-145
 in-app purchases, 122
 incentives
 versus control and time horizons, 247-248
 matching incentives, 245-246
 Outback Steakhouse, 247
 incubators, 335-336
 India, healthy clean, 34
 Indiegogo, 60, 107
 indirect distribution, 184-185, 186
 indirect sales, IndyMac Bank, 241-242
 industry conferences, event marketing, 129
 industry experts, external support for products, 304
 IndyMac Bank, sales channels, 241-242
 influencers, 106, 107
 Information Resource, Inc., Behaviorscan system, 140
 information to be collected, concept testing, 54-55
 infrequent purchases, 45
 initial public offering (IPO), 340-341
 in-market experimentation, Victoria's Secret, 95-96
 in-market methods, alternative price levels, determining, 90-95
 InsiderPages.com, 295
 InsideView, 268
 Instagram, 124, 125
 institutional investors, 337

integrating, positioning, segmentation,
and distinctive competencies, 29-30

Intel, 304

Pentium chip, 114

intellectual property, pricing, 77-78

intensive distribution, 194-195

interest, gaining prospect interest and
trust, 261-264

intermediaries, distribution, 181,
199-200

Neat Company, 200-201

Nice Systems, 201-202

Internet

channel conflict, 220

distribution, 182

distribution exclusivity, 189

dry tests, 47

free trials, 121-122

price testing, 91-95

testing advertising campaigns, 154

Internet Brands, 338

Internet Explorer, 120

Internet of Things, 7

interns, finding talent, 317

interview rating templates, 319

introductions, reaching target

reference customers, 298

investing in brands, 356

investor presentations, 328

investor relations, 341-343

conference calls, 341

investors, 332

accelerators, 335-336

angels, 333-334

corporate strategic partners/
investors, 336

crowdfunding, 332-333

incubators, 335-336

institutional investors, 337

pricing your venture, 338-339

venture capital firms, 334-335

iPhones, 173

IPO (initial public offering), 340-341

Israeli companies

distribution exclusivity, 192-193

Nice Systems, 201-202

The Italian Job, 131

item exclusivity, 193-194

J

Jaffee, Alan, 198

Jerry Lewis Muscular Dystrophy
Telethon, 126

Jet Blue, 4

job fairs, finding talent, 317

JOBS (Jumpstart Our Business
Startups), 328

Jobs, Steve, 313

Johnson, Ross, 131

Jumpstart Our Business Startups
(JOBS), 328

K

Kathwari, M. Farooq, 221-222

Keiretsu Forum, 334

key metrics, free trials to pay, 122-123

Kickstarter, 60, 107

Cooltest Cooler, 117-118

fund-raising, 111

Pebble Technology Corporation,
287-289, 325-327

kiosks, distribution, 200-201

Kirkpatrick, David, 106

Kiva, 26

K-Mart, Marantz, 204

Kornbluh, Mel, 18

sales management, 227

L

L Brands, 29-30

“own store” strategy, 186-188

LaneHawk system, 82

large firms, advertising, 139-140

Launch series, 106

launching, products, engaging
customers in, 289-290

lead generation, 261

blogs, 270

company websites, 264-265

email campaigns, 270-271

PPC (pay per click) advertising,
265-267

social media, 267-268

trade shows, 269-270

traditional advertising, 265

webinars, 268-269

lead-tracking systems, 113
 League of Retired Executives (LORE), 334
 Lexus, 25-26
 Lifebuoy, 34, 35
 limitations, concept testing, 60-61
 LinkedIn, 78, 124, 260
 lead generation, 267-268
 L.L. Bean, 229
 local market research firms, concept testing, 55
 localization, smartphones, digital advertising, 173
 longevity, tchotchkes, 132
 Lore, Marc, 26
 Loudcloud, 282
 lower-end channel members, 203
 Luxxotica, 67

M

MacWorld, 128
 mailing lists, 113
 maintenance fees, software, 76
 MakerBot, 60
 managing reps, 236-237
 perceived value propositions, 237-238
 manufacturer representatives, 199
 manufacturer-retailer franchise, 207
 manufacturing franchises, 207, 208
 Marantz, 204
 margin percentage, pricing, 68
 market analysis, 42
 market-driven strategies, 28
 marketing
 beta processes, 292-296
 closing the deal, 280
 driving toward close, 274
 entrepreneurial marketing, 5
 financial marketing, IPO (initial public offering), 340-341
 financial marketing plans, 329-331
 helping prospects find you, 260-261
 importance of, 4-5
 lead generation, 261
 blogs, 270
 company websites, 264-265
 email campaigns, 270-271

PPC (pay per click) advertising, 265-267
 social media, 267-268
 trade shows, 269-270
 traditional advertising, 265
 webinars, 268-269
 MetricStream, Inc., 257-258
 objections, handling, 278-279
 product marketing versus financial marketing, 329
 prospects. *See* prospects
 references, checking, 278
 relationships with sales, 281-282
 submitting, proposals, 274-277
 venture marketing, 339
 marketing tools, 262
 sales processes, 258-260
 markup rules, pricing, 68
 mass buyers, 106
 mass exposure, 119
 mass markets, Hindustan Unilever Limited, 33-34
 matching incentives, 245-246
 Outback Steakhouse, 247
 McDonald's
 Hamburger University, 209
 hiring talent, 313
 McKinsey & Company, 313
 McKnight Capital Partners, 218
 McMath, Robert, 23
 measuring, effectiveness of PR, 113
 media planning, 155-158
 sample templates for evaluation, 158-163
 member get a member type promotions, 125
 messaging apps, 123
 MetaCreations Corp., 130
 Power Goo, 108
 radio advertising, 145
 methods
 of product promotion, product placement, 131-132
 for promoting products, 118-119
 event marketing, 128-130
 giveaways, 119-121
 viral marketing, 123-125
 MetricStream, Inc., 231, 257-258
 reference accounts, 296
 Sarbanes-Oxley checklist, 275

talent, reaching prospects, 316
 webinars, 268
 microlending, 36-37
 Microsoft, 304
 Internet Explorer, 120
 midnight launch, 130
 Migicovsky, Eric, 326
 Mini Cooper, product placement, 131
 MINIVAC, pricing, 70
 Mirabilis, 124
 MIT Entrepreneur's Forums, 334
 modes of data collection, concept
 testing, 55
 Moka5, 263-264
 monadic testing, 56
 Moore, Geoffrey, 298, 301
 Mosaic browser, 120
 Mossberg, Walt, 106
 reviews, 108
 Motorola, product placement, 131
 Mozilla, 120
 Firefox, 120
 mugs, tchotchkes, 133
 music industry, disintermediation,
 182-183
 Mustafah, Isaiah, 126
 Myers-Briggs Type Indicator (MBTI),
 321

N

naming companies/products, 31-32,
 337-338
 Hindustan Unilever Limited, 33-34
 slogans and bylines, 32
 Nandyala, Mrs., Project Shakti, 36-37
 NASCAR, product placement, 131
 NASDAQ, 8
 national retailer's campaign
 evaluation, 149-153
 National Venture Capital Association,
 334
 Navigator browser software, 120
 naysayers, 106
 Neat Company, 200-201
 Netflix, 31
 Netscape, 120
 Navigator browser software, 120
 networking, finding talent, 317
 New Matter Mod-t, 60

New York Angels, 333, 339
The New York Times, subscription
 pricing, 78
 Newmatter.com, 112
 nice bias, avoiding, 57
 Nice Systems, distribution, 201-202
 Nokia, 173
 Nokie, product placement, 131
 NorthPoint, 282, 304

O

objections, handling, 278-279
 objective value, 69, 72
 Oculus Rift, 332
 OEMs (Original Equipment
 Manufacturers), 200
 offers, establishing for reference
 accounts, 298-300
 Ogilvy and Mather, 38, 145
 Old Spice, Twitter, 126
 OOBE (Out of Box Experience), 128
 Open Source software, 119
 operating expense (OPEX), 225-226
 Operational Risk Management
 module, MetricStream, Inc., 296
 OPEX (operating expense), 225-226
 Oracle, 32
 Original Equipment Manufacturers
 (OEMs), 200
 Orvis Company, entrepreneurial
 positioning, 13-14
 Oscar Mayer Weiermobile, 130
 Out of Box Experience (OOBE), 128
 Outback Steakhouse, matching
 incentives, 247
 outside in, 261
 Ouya game console, 111
 overcoming difficulties, in brand
 building, 354-355
 "own store" strategy, L Brands,
 186-188

P

paid search, 167
 paired comparison testing, 56
 Palatucci, Mark, 307
 Palo Alto PC Company, 53

- partnering for, product launch, 304-305
- Pathbrite, 260
- pay for performance, 167
- PayMyBills.com, 103-104
- PayTrust, 104
- Peabody, Bo, 7
- Pebble Technology Corporation, 287-289
 - crowdfunding/venture funding, 325-327
- Pebble Time Steel, 326-327
- Pebble Watch, 111, 287, 325
- Pentium chip, Intel, 114
- per inquiry (P.I.), 167
- perceived benefits, 23
- perceived customer value, 74
 - attributes, 73
 - price response, ABLE Faucets, 87-90
 - SAS Institute, Inc. 74-77
 - telephonic interfaces, 79-80
- perceived value
 - business-to-business markets, 72-74
- pricing, 70
- perceived value propositions, 14
 - rep management, 237-238
- perceptions, 22
- performance value, 14
- Philadelphia Business Journal*, 339
- P.I. (per inquiry), 167
- Pink, Victoria's Secret, 48, 187
- Pinterest, 124
- pitches, public relations, 110
- Pitt, Berthon, and Berthon, 181
- plans for successful launches,
 - reference accounts, 300-302
- Plantronics, 225-226
- Please Touch Museum, 31
- positioning, 6, 15
 - bottom of the pyramid, Hindustan Unilever Limited, 33-34
 - Brooks Sports, 197
 - distribution, 183-184
 - to enhance value proposition, 14-16
 - integrating with segmentation and distinctive competencies, 29-30
 - Orvis Company, 13-14
 - for talent, 309
 - differentiation*, 312-313
 - segmentation*, 309-312
- Power Goo, 108
- Power Presentations of San Jose, 109
- PowerPoint slideshows, 262
- PPC (pay per click) advertising, 265-267
- PR agencies, 112-113
 - cost, 113
- Prahalad, C.K., 33
- premarket methods, alternative price levels, determining, 84-90
 - ABLE Faucets, 85-87
- Preservation Hall Jazz Bands, 198
- press releases, scheduling, 342
- press tours, 109
- pressure to compete on price, 347-348
- price response, perceived customer value, ABLE Faucets, 87-90
- price testing, 59
 - Internet, 91-95
- price value, 14
- price-concept testing, ABLE Faucets, 85-87
- Priceline, 81
- pricing
 - alternative price levels, determining
 - in-market methods*, 90-95
 - premarket methods*, 84-90
 - costs in determining price, 82-84
 - customer-determined pricing, 80-82
 - experimental offerings, Internet, 94
 - getting price right early, 71
 - impact on, 79-80
 - intellectual property, 77-78
 - margin percentage, 68
 - in-market experimentation,
 - Victoria's Secret, 95-96
 - markup rules, 68
 - MINIVAC, 70
 - perceived customer value
 - business-to-business markets*, 72-74
 - SAS Institute, Inc.*, 74-77
 - perceived value, 70
 - pressure to compete on price, 347-348
 - raising prices, 71
 - special pricing, 71
 - subscription pricing, 78
 - talent, 322-323
 - value-based pricing, 77
 - Value-Pricing Thermometer, 69

ventures, 338-339
 Victoria's Secret, 348
 Warby Parker, 67-68
 printing collateral, 272
 Procter & Gamble, 35, 313
 product concepts, Futurewear, 52
 Product hunt, 107
 product launch
 checklists, 291
 building internal resource plans, 300-302
 distribution channels, 305
 engaging customers in, 289-290
 partnering for, 304-305
 product placement, 119, 131-132
 product value, 73
 Producthunt.com, 339
 productivity
 advertising, 141-145
 HLL, 145-147
 Victoria's Secret, 147
 search engine marketing, 171-172
 product-offering bundles, 79
 distribution, 183-184
 products
 beta processes, 292-296
 naming, 337-338
 product marketing versus financial marketing, 329
 promoting, 118-119
 promotions, giveaways, 119-121
 pushing, 192
 Project Shakti, 36-37
 promotions, 118-119
 Coolest Cooler, Kickstarter, 117-118
 event marketing, 128-130
 giveaways, 119-121
 product placement, 131-132
 tchotchkes, 132-133
 viral marketing, 123-125
 proofreading contracts/proposals, 280
 proposals, submitting, 274-277
 prospects
 choosing, 317-321
 driving toward close, 274
 gaining interest and trust, 261-264
 hiring
 candidate comparison charts, 320
 interview rating templates, 318-319

 qualifying, 271-272
 reaching, 315-317
 reinvigorating dormant prospects, 272-273
 pseudoexperimentation, 149
 public relations, 104-105
 Apple, 107
 crisis management, 114-115
 crowdfunding sites, 107
 experts, 106
 Facebook, 113
 finding talent, 316
 fund-raising, 111
 influencers, 107
 measuring effectiveness of, 113
 PayMyBills.com, 103-104
 pitches, 110
 PR agencies, 112-113
 reaching decision makers, 105-109
 reviews, 108
 slideshows, 111
 social media, 107
 spokespersons/evangelists, 109-111
 timing, 113-114
 video news releases, 108
 public speaking, 109
 publicity. *See* public relations
 pull marketing, 46
 purchase intention, 54-55
 concept testing, 49-50
 pushing products, 192

Q

qualifying prospects, 271-272
 questions to be asked, concept testing, 56

R

radio advertising, MetaCreations Corp., 145
 raising prices, 71
 Raju, Professor, 67
 reaching
 prospects, 315-317
 target reference customers, 298
 reaching decision makers, public relations, 105-109

reassortment/sorting, intermediaries, 181
 Re/Code daily e-mails, 111
 recruiting, 321. *See also* hiring
 sales forces, 252-254
 reference accounts, 296-298
 building internal resource plans, for
 successful launch, 300-302
 compelling offers, 298-300
 reaching target reference customers,
 298
 references, 278
 Regalix, PPC (pay per click)
 advertising, 266-267
 regression models, evaluating,
 advertising campaigns, 151
 reinvigorating dormant prospects,
 272-273
 Relational Software, 32
 relational value, 14
 relationships
 direct relationships, distribution, 182
 between marketing and sales,
 281-282
 release candidates, 292
 released product, 292
 remote workers, 311
 representatives, 231-232
 reps, 199, 231-232
 choosing, 235-236
 versus direct sales, 233-235
 disadvantages of, 232
 managing, 236-237
 perceived value propositions,
 237-238
 training, 280-281
 reputations, Lexus, 25-26
 resellers, 200, 230-231
 retailers, 199, 230-231
 retaining, sales forces, 252-254
 Return on Marketing (ROM), 170-171
 reviews, 108
 REX, 108
 Rita's Water Ice, 215-218
 Robin Hood Ventures, 334
 Rockey, Helen, 196-198
 Roeper, Richard, 131
 role of, sales management, 226-229
 ROM (Return on Marketing), 170-171
 Rosen, Ben, 106

routinizing transactions,
 intermediaries, 181
 rules for advertising, 138
 rules for pricing, 68

S

salaries, base salaries, 248
 sales, relationship with marketing,
 281-282
 sales channels, 228
 agents, 231-232
 brokers, 231-232
 direct to end user, 229-230
 distributors, 230-231
 IndyMac Bank, 241-242
 representatives, 231-232
 resellers, 230-231
 retailers, 230-231
 store-within-a-store, 230
 VARs (value-added resellers), 231
 sales forces
 compensation, 245
 *incentives versus control versus
 time horizons*, 247-248
 matching incentives, 245-246
 new versus existing customers,
 248-249
 Shadow Broadcast Services,
 249-251
 control, 233
 direct sales, comparing options,
 238-241
 direct versus reps, 233-235
 recruiting, training, retaining,
 252-254
 reps, choosing, 235-236
 size and deployment, 242-244
 telemarketing, 239-240
 travel costs, 245
 types of, 229
 sales funnels, 240
 sales management, role of, 226-229
 sales processes, marketing tools,
 258-260
 sales tools, for handling objections,
 278-279
 Salesforce.com, 31, 77
 salespeople
 closing the deal, 280
 handling objections, 278-279

- hiring, 234
- marketing tools, 258-260
- proposals, submitting, 274-277
- training, 280-281
- sample templates for evaluation, media planning, 158-163
- Samsung, 4
- Samsung Gear, 288
- Sarbanes-Oxley checklist, 275
- SAS Institute, Inc., perceived customer value, 74-77
- scheduling, press releases, 342
- Schwab, 78
- Science Today* (CNN), 109
- Sculley, John, 313
- search engine marketing, 167-169
 - evaluating return on, 170-171
 - productivity, 171-172
- search engine optimization, digital advertising, 166-169
- seed rounds, pricing, 339
- segmentation, 15-17, 159
 - examples, Tandem's East, 18-20
 - geographical segmentation, 311
 - integrating with positioning and distinctive competencies, 29-30
 - talent, hiring, 309-312
 - virtual communities, 17-18
- segmentation audits, 20-21
- SEI Corp., 299
- selective distribution, 195-196
 - Brooks Sports, 196-198
 - Preservation Hall Jazz Bands, 198
- self-serve purchasing, 229
- selling the image of the company, 331
- Sequoia Capital, 111, 334
- Shadow Broadcast Services, compensation, 249-251
- Shaffter, Richard, 106
- sharing, customer references, 263
- Sherwin Jr., Elton, 53
- short-term pressures, 353-354
- Simon, Neil, product placement, 131
- size, sales forces, 242-244
- SkillSurvey, 321
- slideshows, public relations, 111
- slideware demos, 262
- slogans, 32
- smartphones, 173
- Smartstraps, 326
- sniping software, 80
- social media, 107
 - bloggers, 107
 - external support for products, 303
 - lead generation, 267-268
 - viral marketing, 124, 125-126
- Sofman, Boris, 177, 307
- SoLoMo, 172
- Southwest Airlines, 4
 - competitive advantage, 25
- special pricing, 71
- special treatment programs, 263
- Spelling Ace, 237
- Spitz, Eric, 61
- Splunk, 132
- spokespersons, public relations, 109-111
- sponsorships, 129
 - event marketing, 130
- Sproutling, 108
- stakeholders, positioning, 6-7
- Starfish Software, 108
- startups
 - chances of success, 44
 - hiring talent, 310
 - job fairs, 317
- Stern, Howard, radio program, advertising, 145
- Stiffler, Mark, 136, 346, 349
- store-within-a-store, 230
- strong culture, 313
- submitting, proposals, 274-277
- subscription pricing, 78
- Superscope, Inc., distribution, 203-205
- support, external support for products, 302-304
- sustainable competitive advantage, 24-27
- Swisher, Kara, 106
- Synogy, Inc., 346
 - advertising, 135-138
 - bias against innovation, 352
 - bias toward changing strategies, 352
 - competition, 348-350
 - fragmenting markets, 350-351
 - pressure to compete on price, 348
 - short-term pressures, 354

T

- talent, 323
 compensation, 322-323
 hiring
differentiation, 312-313
experience, 312
geographical segmentation, 311
segmentation, 309-312
 positioning for, 309
differentiation, 312-313
 remote workers, 311
 startups, 310
- Tandem's East, 158
 segmentation, 18-20
- Tappeniner, 307
- target market descriptors, 272
- target segments, concept testing, 52-54
- targeted reference accounts,
 compelling offers for, 298-300
- targeted segments, 158
- targeting, 16-17
 bottom of the pyramid, Hindustan
 Unilever Limited, 33-34
 with digital advertising, 163-164
- TaskRabbit, beta processes, 293-294
- techtchkes, 132-133
- teams
 Anki, 307-309
 compensation, pricing talent,
 322-323
 culture, 313-315
differentiation, 312-313
 diverse teams, 310
 heterogeneous teams, 310
 hiring teams, 318
 prospects
choosing, 317-321
reaching, 315-317
 remote workers, 311
 talent, 309
 unit cohesion, 318
- Tech Coast Angels, 334
- TechCrunch Disrupt, 106, 107
- technology, 9
 competitive advantage, 24
- Techonomy conference, 106
- Techstars, 336
- TED Conference, 106
- telemarketing, 239
- telephonic interfaces, perceived
 customer value, 79-80
- templates, interview rating templates,
 318-319
- test marketing, Victoria's Secret, 48
- testing
 adaptive testing, 46
 advertising campaigns, Internet, 154
 concept testing, 49-50
channel members, 222-223
considerations for. *See concept
 testing, considerations for
 Trakus, Inc*, 61-65
 dry tests, 47
 experimental offerings, 94
 monadic testing, 56
 paired comparison testing, 56
 price testing, Internet, 91-95
 price-concept testing, ABLE
 Faucets, 85-87
- TEV (true economic value), 69
- time horizons, versus incentive and
 control, 247-248
- timing
 product marketing versus financial
 marketing, 329
 public relations, 113-114
- tools, marketing tools, 262
- tracking brand equity, 356
- trade shows, lead generation, 269-270
- traditional advertising, lead
 generation, 265
- training, 280-281
 sales forces, 252-254
- Trakus, Inc, 61-65
- travel costs, sales forces, 245
- true economic value (TEV), 69
- trust, gaining prospect interest and
 trust, 261-264
- Trust-Aid, 297, 299
- try to buy, 119
- Tumolo, Robert, 215-218
- TV advertising, 140
- Twitter, 113, 128
 lead generation, 267-268
- types of
 franchising, 207-208
 sales forces, 229

U

- Uber, 229
- UFOC (Uniform Franchise Offering Circular), 211
- unit cohesion, 318
- Unlimited Results, 252

V

- vaguely right, 127
 - advertising, 142
 - entrepreneurial marketing experimentation, 153
- value, 14-15
- value of your venture, pricing, 338-339
- value proposition, 27-29, 355
 - positioning to enhance, 14-16
- value-added resellers (VARs), 200
- value-based pricing, 77
- Value-Pricing Thermometer, 69
- variability, advertising campaigns, 143
- VARs (value-added resellers), 200, 231
 - Nice Systems, 201-202
- venture capital firms, 334-335
- venture funding, Pebble Technology Corporation, 325-327
- venture ideas, evaluating, 42-43-46
- venture marketing, 339
- ventures, pricing, 338-339
- vesting schedules, equity compensation, 323
- Victoria's Secret
 - advertising, improving productivity, 147
 - bias against innovation, 352
 - bias toward changing strategies, 352
 - competition, 350
 - complex brand strategies and relationships, 351
 - integrating positioning, segmentation, and distinctive competencies, 29-30
 - in-market experimentation, 95-96
 - "own store" strategy, 186-188
 - Pink, 187
 - pricing, 348
 - short-term pressures, 354
 - test marketing, 48

- video games, product placement, 131
- video news releases, 108
- Videocart, 61-63
- Viewpoint, 130, 304
- Viewpoint 3D format, 304
- Vines, 125
- viral coefficient, 124
- viral marketing, 123-125
 - charity campaigns, 126
 - giveaways, when do they work, 126-128
 - member get a member type promotions, 125
 - social media, 124-125-126
- virally marketed services, 78
- Virgin America, product launch, 290
- virtual communities, segmentation, 17-18
- Virtual Vineyards, 219
- visibility, tchotchkes, 132

W

- Wacky Wallwalkers, 194-195
- The Wall Street Journal* online, subscription pricing, 78
- Warby Parker, pricing, 67-68
- The Washington Post*, 121
- waterline, culture, 315
- weak culture, 314
- web-based application service providers (ASPs), 77
- webinars, lead generation, 268-269
- websites, lead generation, 264-265
- Weissman, Jerry, 341
- Wendy's, public relations, crisis management, 114
- Wexner, Les, 187
- WhatsApp, 123
- wholesaler-retailer franchise, 208
- wholesalers, 199
- Wilczak, John, 130
- Wine.com, 219
- W.L. Gore & Associates, culture, 314-315
- word of mouth, 50, 90
 - viral marketing, social media, 126
- World Wide Developers Conferences (WWDC), 128
- Wurman, Richard Saul, 106

X

Xbox 360 launch, 130

Xiaomi, 4

Y

Y Combinator accelerator program,
Pebble Technology Corporation, 325

Yahoo!, 166, 339

investor relations, 343

Z

Ziff Davis publications, 107