Changing the World: Entrepreneurship:

How Innovation and Entrepreneurship Changes the World

-Jack M. Wilson

Chapter 14 Marketing in an Innovative Environment

Mark Andreesen: "*I'll assert that market is the most important factor in a startup's success or failure*."

Marketing is an inexact science.

Entrepreneurship and Innovation is so interesting, at least in part, because it demands involvement of individuals with such diverse backgrounds. A person with a management background and experience brings very different training and experiences to the venture than does someone who comes by way of engineering. We have already seen that economic decision making is not rational and have considered some of the sources of those irrational biases like the confirmation bias, the availability bias, and others. Even before this Nobel Prize winning work was done, other economists realized that decision making in real life, especially in the marketplace, is not anything like the rational problem solving of the mathematician. Real human beings have limited time (and even limited brainpower) to devote to making a decision. Herbert Simon, Nobel Prize winning economist described this approach as "Bounded rationality."

Problems are often so complex that one cannot expect to find the optimal solution. It may take too much time and analysis and resources. In part, for that reason, human beings often develop "rules of thumb" to help. They often put boundaries on the problem to simplify it.

Starting a new venture or innovating within an existing venture will generally require you to define boundaries and use rules of thumb. Putting boundaries on your startup will help. What will you define as your target market? Is it unbounded, large but bounded, or very narrowly defined?

There is a tradeoff. Large markets are nice to have, but large markets may be difficult to address. Often the startup will pick a smaller target, address that market, and then see if others can be targeted. The creation of the Segway provided a cautionary tale[1]. Segway came to public attention as a mystery. It had a code name: Ginger, and a famous and successful inventor, Dean Kamen, as the founder. There was intense hype and mystery in media discussion – Was it an Anti-gravity machine? – A personal helicopter? On Dec. 3, 2001 the inventor Dean Kamen unveiled it on Good Morning America. John Doerr, one of the most famous venture capitalists in the US said it was: "*As important as the internet*" Steve Jobs claimed: "*Cities will be built around it*." They set up a factory that could produce

[1] http://www.jackmwilson.net/Entrepreneurship/Cases/Case-Segway%20Case.pdf

40,000 per month but sold less than 300 /mo. -or 6000 in 21 months. This was a venture led by the "A Team." The product was an "A+." And yet, it failed miserably. They did not take the time to discover their market. They were all over the map on targeting every market. If you try to target everyone, you will have actually targeted no one.

Amazon took a different path and started selling books, but now Amazon sells everything! Remember that disruptive innovation, as defined by Clayton Christensen, was a way in which firms targeted a small unimportant part of a larger market, but then grew to take the main market. Small steel mills made rebar while larger firms ignored that market in favor of higher end steel. After establishing themselves in the rebar market the new firms went after the big profitable part and nearly destroyed the larger firms. Similarly, Amazon focused on books and putting bookstores out of business. Once successful, they moved into more general retail and recently bought Whole Foods to target the food stores.

The Goliath paradox

Entering a large market with one dominant provider (Google, Amazon, Microsoft, Apple, etc.) is always interesting. Many refer to this as the Goliath Paradox: "How in the world did little David manage to destroy Goliath." It is indeed a paradox. Launching a frontal assault with conventional tactics is bound to fail, but there is a way.

Clearly there is a large market and that is very good news. Wild and Feld suggest that you need a 10x better solution to get traction in that kind of market. As David (and Goliath) will tell you, it can be done.

The Goliaths can often arrange significant barriers to entry. Among the barriers that they can use are:

- Market regulations
- Dominating distribution agreements (shelf space in grocery stores)
- In elastic demand (they already own the available market)
- Predatory pricing (they drop prices so that you cannot make money)
- Switching costs and sunk costs. (It costs too much for users to switch)
- Microsoft Windows and Office or Apple iPhone
- Locking up resources (Apple locked up suppliers of equipment that might be used by iPhone competitors.)

Any strategy for entering new markets must take into account strategies and tactics for surmounting some of these barriers. We need to examine how others have done this in the past, and how new products and technologies manage to get into the market place.

Strategies for crossing the chasm

Remember the stages of market adoption as defined by Geoffrey Moore in "Crossing the Chasm."

- The Innovators and inventors
- Early market – the early adopters and visionaries
- Chasm –getting from the early adopters to the early majority. Crossing the chasm is considered one of the key times in the adoption of any new product.
- Bowling Alley –once established in the early majority
- Tornado – as the innovation moves from early majority to late majority it becomes a tornado of adoption.
- Main Street –we made it!
- Total Assimilation -Now it is old news! Even the laggards are buying it!

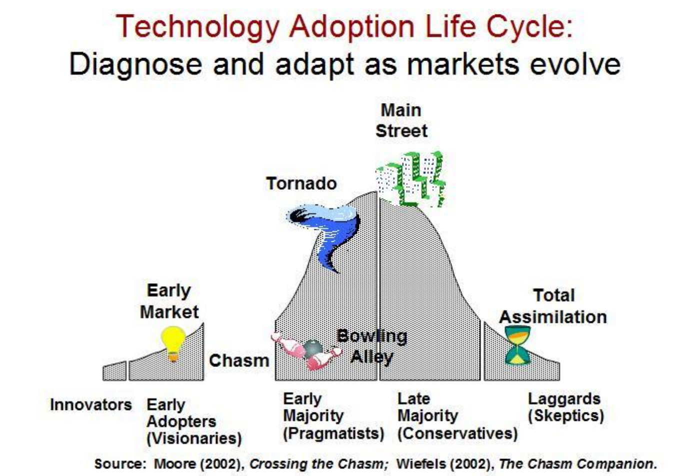

Figure 1 -Crossing the chasm

Geoffrey Moore suggests a few strategies for getting from the early adopters to the early majority –the bowling alley. Here are a few:

- Piggybacking –partner with a company that is selling a complementary product. Software companies often partner with computer companies to distribute trial versions of software that can be activated later.
- Industry Placement –position(ing) is one of the four "p's: of marketing. By changing where a product is positioned, one can address new markets. Viagra was repositioned from being a heart medicine to improving sexual function. Post-it notes was a repositioning of an adhesive from strong to weak!
- Publicity –do something dramatic to call attention to the new product.
- Virgin Mobile launched in Canada with Richard Branson arriving in a model filled convoy of Hummers labeled the "Mobile Revolutionaries."

The Blue Ocean Strategy

The Blue Ocean Strategy[2] is when a company finds a completely unexploited market and can move in uncontested (at least at first) to go after this new (Blue Ocean) market[3].

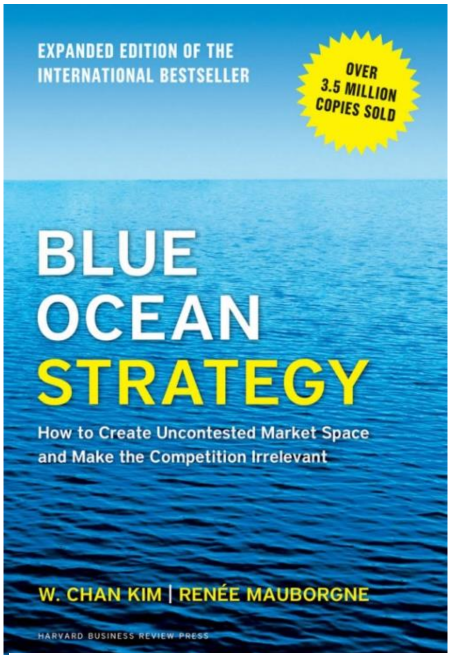

Figure 2 -The Blue Ocean Strategy

Some examples:

- Cirque du Soleil: Blending of opera and ballet with circus format while eliminating star performers and animals;
- Netjets: fractional jet ownership;
- Southwest Airlines: offering flexibility of bus travel at the speed of air travel using secondary airports;
- Curves: redefining market boundaries between health clubs and home exercise programs for women;
- Planet Fitness: Branding their centers as “no lunk” zones where customers could not be intimidated by hyper fit gym rats.
- Home Depot: offering the prices and range of lumberyard, while offering consumers classes to help them with DIY projects;
- Dyson: Cyclonic Vacuum Cleaners.
- China Mobile: China Mobile CEO, Wang Jianzhou, talked about China's hinterland as a classic "blue-ocean market," where the company is casting its net widely without worrying about getting tangled up with the nets of rivals.
- Wii: Rather than releasing a more technologically advanced video game console with more features as in previous generations, Nintendo released a console with innovative controls made to attract populations that are typically excluded from the target demographic for video games, such as the elderly.
- TATA Motors: The Nano car, low cost car for the “bottom of the pyramid”.
- Starbucks: This company entered a historically crowded market place, the coffee shop industry; however, it found its way to success through the blue ocean strategy. Starbucks separated itself from the competition by combining differentiation, low cost and a customer oriented approach from the beginning of its operation. In terms of differentiation, Starbucks offered a variety of products, such as smoothies, teas and a selection of coffees that no other establishment was offering. By training specialized staff, the company was operating on less staff than would usually be needed, whilst maintaining professionalism and excellent customer service, for example, personalized coffee cups.

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[2] https://en.wikipedia.org/wiki/Blue_Ocean_Strategy

[3] Blue Ocean Strategy; W.C Kim and R. Mauborgne; Harvard Business Review; 2004.

Product/Market fit

Getting to product/market fit is the goal of every new venture. Sean Ellis, founder and CEO of GrowthHackers.com and a former entrepreneur suggests that: "*If 40% of your early users say they would be very disappointed without your product, then you have reached product/market fit*[4]."

As we have seen, The Customer Discovery Process is meant to be a series of iterations with a lot of customer interviews leading to a minimum viable product. "*Customer Validation proves that you have found a set of customers and a market who react positively to the product*" –Blank (i.e.. they bought it!)

Mark Andreesen, creator of Netscape and a serial entrepreneur, asserts[5]:

> *"If you ask entrepreneurs or VCs which of team, product, or market is most important, many will say team. This is the obvious answer, in part because in the beginning of a startup, you know a lot more about the team than you do the product, which hasn't been built yet, or the market, which hasn't been explored yet.*
>
> *Plus, we've all been raised on slogans like "people are our most important asset" -- at least in the US, pro-people sentiments permeate our culture, ranging from high school self-esteem programs to the Declaration of Independence's inalienable rights to life, liberty, and the pursuit of happiness -- so the answer that team is the most important feels right.*
>
> *And who wants to take the position that people don't matter?*
>
> *On the other hand, if you ask engineers, many will say product. This is a product business, startups invent products, and customers buy and use the products. Apple and Google are the best companies in the industry today because they build the best products. Without the product there is no company. Just try having a great team and no product, or a great market and no product. What's wrong with you? Now let me get back to work on the product.*
>
> *Personally, I'll take the third position -- I'll assert that market is the most important factor in a startup's success or failure."*

Now that is interesting to ponder in the context of the Segway startup which we described as an "A" team with an "A+" product. Andreesen divides the world of startups into two phases:

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4 http://www.startup-marketing.com/the-startup-pyramid/

5 http://web.archive.org/web/20070701074943/http://blog.pmarca.com/2007/06/the-pmarca-gu-2.html

> *"I believe that the life of any startup can be divided into two parts: before product/market fit (call this "BPMF") and after product/market fit ("APMF"). When you are BPMF, focus obsessively on getting to product/market fit. Do whatever is required to get to product/market fit. Including changing out people, rewriting your product, moving into a different market, telling customers no when you don't want to, telling customers yes when you don't want to, raising that fourth round of highly dilutive venture capital -- whatever is required."*

Charles Darwin in "Origin of Species" observed that "*It is not the most intellectual of the species that survives; it is not the strongest that survives; but the species that survives is the one that is able to adapt to and to adjust best to the changing environment in which it finds itself*."

And so it is with new ventures.

Finding your product/market fit.

As you think about your new venture ask yourself: Who wants to pay for your product or service and why would they want to (or better yet: have to) pay for what you offer? As we saw in our discussion of the new Rabies Mono-clonal antibody, that question can be the determining question as to whether you have created a marketable product or service –or whether you had just another great idea.

When you begin to think about those questions, you must do so in a very specific and well targeted fashion. The fundamentals of marketing can give you a framework on how you identify that market in the most specific fashion possible and then identifies the many ways that you can connect with that market. Key points in this chapter include: Segmenting the market and finding the target market.

We will also introduce and explore the famous **4 "P's" of marketing**

- Product
- Price
- Promotion
- Place – how do you get to the market?

Segmenting the market and finding your target

When UMass Online was being created in 2001, we began to think about who might want to take our online courses. We knew that there were lots of students in higher education. According to the National Center for Higher Education Statistics there are 17,487,475 students enrolled in the 1440 institutions of higher education in the United States. Now THAT is a good-sized market.

Of course, we did not plan to limit ourselves to the United States, and we knew that there were many people employed who might like to be enrolled, but could not do so in a traditional institution. In our more realistic moments we also knew that this last group might be a more interested market and that most traditional students might not consider online education as an alternative.

In order to sort this out, we began to consider the market in segments (we began to segment the market). There were graduate and undergraduate segments. You could segment the market by age –traditional 18-22-year-olds and the older students. You could also consider various domains of expertise: business, engineering, nursing, hospitality management, humanities, criminal justice, and many more.

We eventually settled on a general target market with two pieces. Our target market was employed persons who were 25-45 years old and needed to finish a degree to reach their professional goals in life. The two pieces were:

1. Students who had some college but left to take a job before finishing a degree.
2. Students who already finished their bachelor’s degree but were in a job situation where they needed a graduate degree, perhaps in another field, to continue to advance in their career.

Once we had settled on this target market with two pieces, we then began to think about the kinds of degrees that might fit, and the kinds of programs and courses we would have to offer to meet this need. For those who were interested in completing a Bachelor’s degree we identified three initial possibilities:

1. a general BA degree,
2. a general BS in Business degree, and
3. an RN to BS degree program.

For those who were interested in the graduate programs we also found a few good initial targets:

- Professional MBA –this could serve needs of those already in businesses but could also help engineers or others who were working in areas in which they were expected to take more of a managerial and leadership role.
- MS in Information Technology –in an era when IT was transforming everybody's job!
- MS in Hospitality and Tourism.

We had many others coming long soon thereafter.

So how did we do at segmenting the market and finding a target market? The numbers tell the story:

	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Revenue ($ Millions)	$ 3.1	$ 5.8	$ 9.1	$ 12.7	$ 16.5	$ 21.2	$ 28.0	$ 37.0	$ 47.0	$ 56.2	$ 65.2	$ 72.1	$ 78.2	$ 85.1	$89.60	$ 96.0	$ 104.0
%frm prev		88.0%	58.0%	39.0%	30.0%	29.0%	32.0%	32.0%	27.0%	20.1%	16.0%	10.6%	8.5%	8.7%	5.3%	7.1%	8.3%
Enrollment	5,015	8,024	11,154	14,723	17,667	21,378	26,936	33,939	40,048	45,815	51,097	54,461	59,165	62,066	66,767	70,318	75,565
%frm prev		60.0%	39.0%	32.0%	20.0%	21.0%	26.0%	26.0%	18.0%	14.4%	12.0%	6.6%	8.6%	4.9%	7.6%	5.3%	7.5%

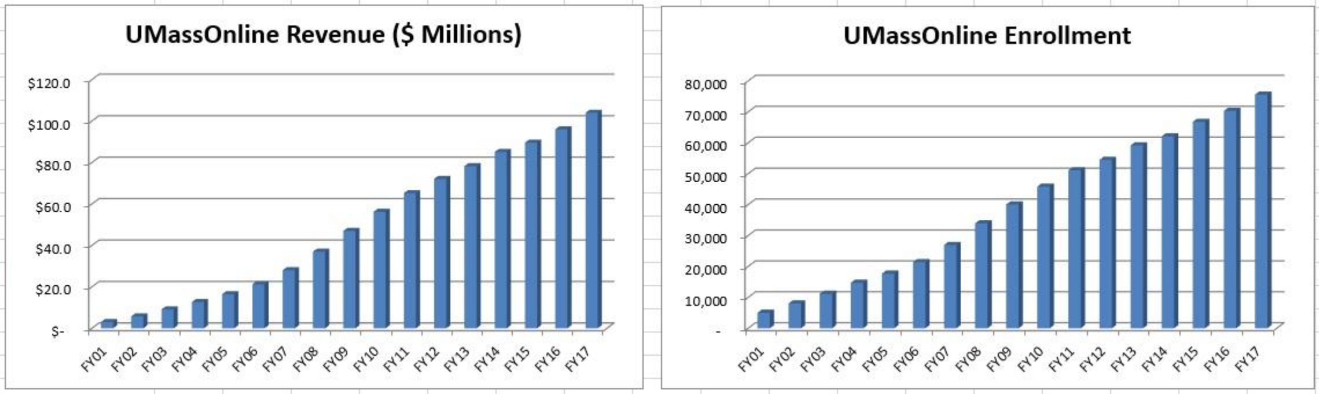


Figure 3 UMass Online Revenue and Enrollment Growth

UMass Online grew very rapidly from almost nothing to revenue of over $70 million in just over a decade. Enrollment grew to over 50,000. That revenue was generating nearly 60% net margins. During the dotcom bust of 2001-2003 it was growing at nearly 40% year on year. The sub-prime bust of 2008-2009 did not even bend the curve of the growth. It was one of the best business outcomes one could imagine. The good news is that this growth has continued to the present.

Selecting a market and establishing a position is a key first step. Let us consider this process in a systematic fashion –step by step:

- Segmenting the market: What subgroups do we find in our desired market and which of those subgroups might find our product most appealing?

- Selecting a target market: Which specific sub-groups do we want to target first?

- Segmenting the Market: Developing the positioning strategy. How do we position our product, company, or service in the minds of our target market that will differentiate ourselves from competitors and substitutes for what we offer?

You begin with a study of the industry in which the firm intends to compete and then determine the different potential target markets (market segments) in that industry. At this point it is important not to be too ambitious. Recall our discussion of the lack of market focus that doomed Segway to a very disappointing start. Segway did not identify a target market. Instead they addressed an overly broad range potential markets. It is often said that a person with ten priorities has no priorities. Similarly, a new company with ten target markets has no target markets. In general, a new organization does not have sufficient resources to target more than one target market in the beginning.

As we saw earlier in discussing the start-up of UMassOnline, markets can be segmented in terms of

- Characteristics of customers served
- Type of product or service developed
- Price range of product or service

Selecting a Target Market may begin with evaluating the attractiveness of each potential target market. Different markets may be at different stages and rates of growth as well as sizes. UMassOnline picked the age range of 25-45-year-old students since this was the fastest growing and least well served part of the market. We picked the particular group of employed 25-45-year-olds since they had an ability to pay for the experience and they could not easily attend more traditional graduate and undergraduate programs that were offered on campuses.

Establishing a unique position in the market is important. How can the venture be differentiated from its competitors? What are the two or three of a product’s attributes that define the essence of what the product is and what separates it from its competitors.

Establishing a brand is another key marketing issue. A brand is the set of attributes that people associated with a company. A brand can have positive attributes like: trustworthy, dependable, or easy to deal with. A brand can also have negative attributes such as: cheap, unreliable, or difficult to deal with.

How can you establish a brand? To start, choose a name that is easy to remember. Create a logo symbolizing your business. Create a brand personality. Communicate your brand to your target market.

And most importantly: ensure that the product and services that you deliver reinforce the positive aspects of your brand. One of the funnier stories in branding is the 1962 car model that General Motors named the “Nova.” Unfortunately, this is pronounced almost the same as the Spanish for “no go.” That is not a brand you want for any car you are trying to sell.

The point of a brand is to be able to quickly, reliably, and accurately convey to the public the key characteristics of your product and/or service - **Brand Identity**. Some confuse prestige with brand. Prestige is an aspect of brand but is not synonymous with brand. For example: If I am traveling on a long trip auto trip in unfamiliar territory with my children or grandchildren, I may seek out McDonalds (or some other national fast food brand) for dinner to ensure that I get reasonable quality food, served in clean surroundings, and with a menu of items that I know the children will like. If I am in Boston with other adults and planning to have dinner, I have never considered McDonald’s but often select Legal Seafood.

In both cases, the brand is an accurate indication to what the customer expects and both brands are very valuable. Most would say that Legal Seafood is the more prestigious brand, but which is the more valuable brand? It is McDonalds with an annual revenue of ~$28 Billion and 440,000 employees. Legal Seafood has annual revenue of ~$200 million with 4,000 employees.

The Four Ps of Marketing for New Ventures

Product, Price, Promotion, and Place make up the marketing mix for any new product or service. These are listed in that order for a reason: This is the path to market. It starts with a product or service that is designed to appeal to a market, and then needs to be priced in order to become a value to the market. Letting the market know about the product through promotion is necessary (but perhaps not sufficient) for early market acceptance. Finding a way to place the product or service into the market is the last piece of the puzzle needed to bring the product, service, or venture to the market.

Figure 4 -4P's

However, the actual path to market is iterative, and each step may provide important information to cause you to go back and re-evaluate aspects of the product, price, promotion, or place.

Product: What are you selling?

A firm's product, in the context of the marketing mix, is the good or service it offers to its target market. In marketing one needs to focus on the actual product more than the core product. If you were to design a video game, then the core product would be the software needed to play the game, but the actual product would include the core product plus the context around that product. This might include packaging (or alternatively how and from where it is digitally delivered), the perceived quality of the game, the brand, and the innovative features.

Making a good first impression on the market is imperative. The initial rollout is one of the most critical times in the marketing of a new product. A flawed product or service introduction can create a negative image in the mind of the market that can be difficult to overcome –even with a lot of later good news.

Marketing is a two-way street. It is a path to bring information about the product to the customers, but it is also a path to bring information back from the customers to the product developers. This point is key to Steve Blanks Lean Launchpad model.

Price: What it says about your products

Price is the amount of money consumers pay to buy a product. Key pricing factors include: Cost; Value; Competition; Market demand; Image. There are two main pricing strategies that one uses. Which are used often depends upon the type of product and the type of market. As price is being determined, you will generally use both strategies before you settle on the final strategy.

Cost based pricing. -In cost-based pricing, the list price is determined by adding a markup percentage to a product's cost. The advantage of this method is that it is straightforward, and it is relatively easy to justify the price of a good or service. The disadvantage is that it is not always easy to estimate what the costs of a product will be.

Value based pricing -In value-based pricing, the list price is determined by estimating what consumers are willing to pay for a product and then backing off a bit to provide a cushion. What a consumer is willing to pay is determined by his or her perceived value of the product and by the number of choices available in the marketplace. Most experts recommend value-based prices because it hinges on the consumer's perception of what a product or service is worth.

Caveat! Beware of **Price Signaling**. One last caveat on value-based pricing: consumers often base part of their decision on the value of something based upon the price being asked. This is particularly true of products for which a customer is lacking other information about the quality of a product. This is called "price signaling."

A customer that is buying wine and is not particularly knowledgeable about the range of wines available, is probably going to avoid the lower priced wines –assuming they are of lower quality. Another customer may have read about the higher ratings of certain modestly priced wines and then select one of the modestly priced wines in the confidence that they are actually getting a greater value at a lower price.

Price is one (but only one) indicator of the value of a product or service. Whether that is a positive or negative factor may depend upon the presence or absence of other information.

Universities provided another example of this effect. Students and families often find it difficult to assess independently the value of any particular college or university, and thus they turn to third party ratings and (not surprisingly) price. For a couple of decades during the 80’s and 90’s, colleges discovered that if they raised their price, the public would see them (paradoxically) as a greater value. Some who lowered their price learned the hard lesson that the public would lower their value judgment. This led to a price insensitivity that ran up the cost of private colleges to a point when significant price resistance has set in today -now that more information about quality is available.

The kinds of rankings of the salaries of graduates that payscale.com has provided has revealed that paying high tuition is certainly not a guarantee of a better result upon graduation! Thus, students and their families have become more value conscious and enrollments are surging at public research universities while expensive smaller private colleges are fighting to build enrollments. A few have gone out of business or been sold to proprietary universities.

Let us now consider some pricing tactics.
Skimming pricing—high-end products. Introduce a product with a high price and then lower after the initial market is established. This strategy provides early information on what the market will pay, and creates an aura of value and prestige around the product or service. The price can be lowered quickly if price resistance emerges. Later buyers feel good about “getting a deal.” It works best when there is a sustainable competitive advantage. There is also some disadvantage –high margins may attract competitors. For example: Apple products are often priced higher than competitors.

Penetration pricing—often (but not always) lower-end products. Introduce a product with a low enough price to lock up a significant share of the market. This strategy makes it difficult for others to enter the market. It is often costly to do the extensive marketing and manufacturing necessary. If the product has complementary products from other suppliers, they may design around your product. Android is an example of penetration pricing.

Sliding pricing—along the demand curve – or sliding scale pricing
This strategy is based upon differential pricing of products or services -which is often based on the consumer's ability to pay. It could be based on individual income or the mean income for a specific market. Example: Prescription drugs are priced much lower in regions with lower per-capita income. Sliding prices can lead to sales that otherwise would not occur and can thus turn out to increase overall revenue as long as there is a recovery of the marginal cost of the product or service.

Odd pricing—psychological pricing. Pricing just below a round number ($9.95 instead of $10.00). Some have taken it one step further: assuming that customers have become resistant to $9.99 style pricing, they may decide to price at $9.88. This kind of pricing is based upon the research on behavior economics –particularly on **prospect theory** which shows that people overvalue small differences.

Models for internet pricing

The Freemium Model: In the freemium model, the customer is allowed to use a basic version of the product for free. The free product is often limited in capabilities or may have an expiration date or time limit. Limits might include: fewer features, expiration dates, lower capacity, lower bandwidth, fewer simultaneous users, and no user support. Tiered pricing: The freemium model usually uses tiered product pricing which is similar to price lining as discussed later in this chapter. There are various versions of the product that offer enhanced services and more bells and whistles. The company offering the free product then tries to sell the user more advanced (and no longer free) models of the product. LinkedIn offers a free version of its product, but then tries to sell the user additional product and services around the basic service. Malwarebytes is another example of a freemium service.

Subscription pricing offers use (often unlimited use) of a product for a flat subscription fee. This is often used by new sites like the New York Times or Wall Street Journal. Microsoft Office once got most of its revenue from sales, but now is offering an internet based product, Office 365, that is subscription based. Office 365 revenues grew 70% on 18.2 million users in 2015[6].

Marketing professionals have their own set of mathematic metrics that they like to consider. I call this the Mathematics of Customers. Here are a few acronyms

- APRU –Average Revenue per User
- Gross margin –the percentage of revenue that is profit.
- R - Retention rate of customers
- ACL-Customer Lifetime = 1/(1-r)
- CPA- Cost per customer acquisition
- CLV – Customer Lifetime Value: CLV=ARPU X Gross margin X ACL

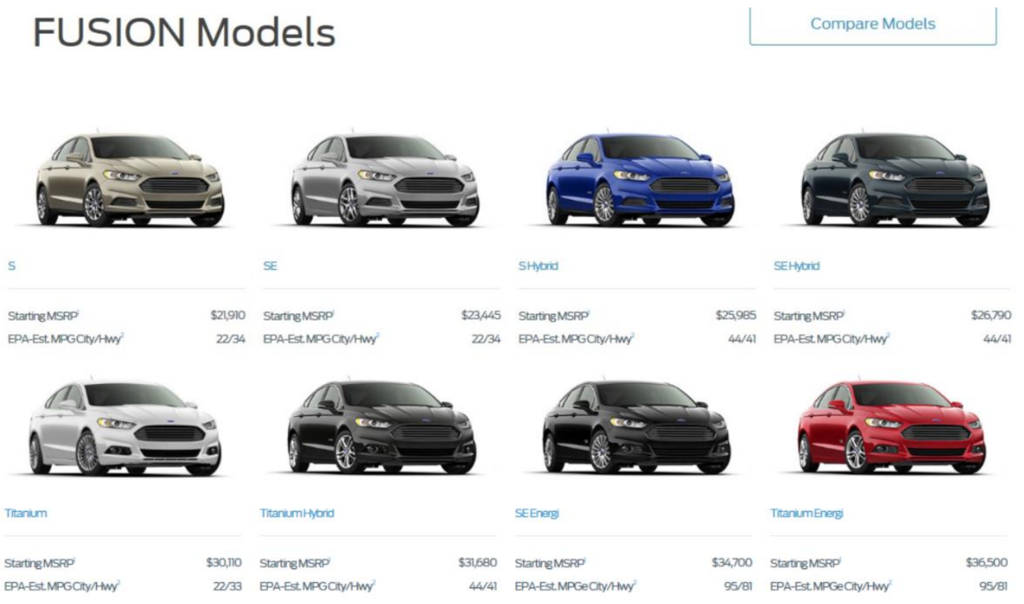
Obviously, you want the CLV to exceed the CPA! In the beginning you may not get this, but in the long term you must.

In the end you must convince the investor that your product/service can make money. Shark Tank's Mr. Wonderful (Kevin O'Leary) is always focused on this. They all are, but he is most outspoken! We will do more on this in the Chapter on financing the new venture.

[6] https://news.microsoft.com/2015/10/22/strong-execution-drives-microsoft-first-quarter-results/#sm.0000ii7cjn186ieddxbb4h9m5y547

There are five common product line pricing strategies – captive pricing, leader pricing, bait pricing, price lining, and price bundling
Price lining refers to offering an array of similar products with different options and prices. Automakers may offer a value, standard, and prestige or limited versions of various models. Apple introduced a line of iPhones in late 2014 that ranged from the 5s to the 6 Plus.

Price lining is offering a variety of different models at different prices for different markets. The graphic below displays how the Ford Fusion is offered at a range of prices and models.



Leader pricing –loss leaders are offered to try to get the customer into the store and then upsell them! Bait and switch is a variation which can be illegal in some circumstances.

Captive Pricing –give a product away for free or cheap and then sell necessary accessories at a profit. Gillette sells razors at a very low margin but sells the blades at a much higher margin. Hewlett Packard sells printers at low margins but sells the ink at higher margins. Cellular providers will give you the phone at a deep discount but require a pricey and long-term contract for the cellular services.

Price Bundling – require that the purchaser pay for a bundle of products or services in order to get the product they want. Television cable providers such as Verizon FIOS, ComCast, and others often bundle services such as TV cable, internet access, and phone service into one, often (but not always) discounted, price.
They then bundle the cable channels into bundles that they think will appeal to subscribers –such as sports bundles, movie bundles, and news bundles.

Geographic pricing FOB origin (Free on Board or Freight on Board) – The shipping cost from the factory or warehouse is paid by the purchaser. Ownership of the goods is transferred to the buyer as soon as it leaves the point of origin. It can be either the buyer or seller that arranges for the transportation. Uniform delivery pricing – (also called postage stamp pricing) – The same price is charged to all. Zone pricing – Prices increases as shipping distances increases

Promotion: Advertising + Publicity

Promotion -Refers to the activities the firm takes to communicate the merits of its product to its target market.

Advertising is a way to raise customer awareness of a product, explain a product's comparative benefits, and create associations between a product and a certain lifestyle. The advantage to the company from advertising is that they control the placement and content of the information. There are two disadvantages: 1. Advertising can be expensive. 2. Readers tend to discount advertising as self-serving.

Public Relations – Publicity is King! Public relations refers to efforts to establish and maintain a company's image with the public. This is one of the most cost-effective ways to increase the awareness of the company's products. Social media has tremendously enabled this conduit to the public –for good and evil. The advantage is that PR is not paid advertising, and that information that goes to the public is not usually discounted as advertising. With the proliferation of false social media, this is changing rapidly. PR often requires an expensive investment in either internal or external PR expertise.

Promotion Methods

Advertising	**Public Relations**
• Banner Ads • Billboards • Broadcast media • Brochures/flyers • Business cards • Catalogs • Coupons • Direct mail • Directories • Print media • Promotional clothing • Samples/demonstrations • Signs • Telemarketing	• Press releases • News conferences • Media coverage • Articles in industry press and periodicals • Monthly newsletter • Civic, social and community involvement • Blogging • Tweeting • LinkedIin • Other social media

Internet marketing through social media websites, search engines, and other sites with many visitors is now one of the most important ways to reach the customers. When working with social network websites and search engine marketing, one often bids on keywords that you want to lead customers to your product. The maximum keyword bid, which keywords to bid on, the keyword frequency, choosing specific terms, bidding on a sufficient number, and tracking results has become a new profession.

Place

What is your new venture's distribution channel –how do you get to market? Do you do direct sales, or do you go through wholesalers or distributors? Do you use exclusive distributors?

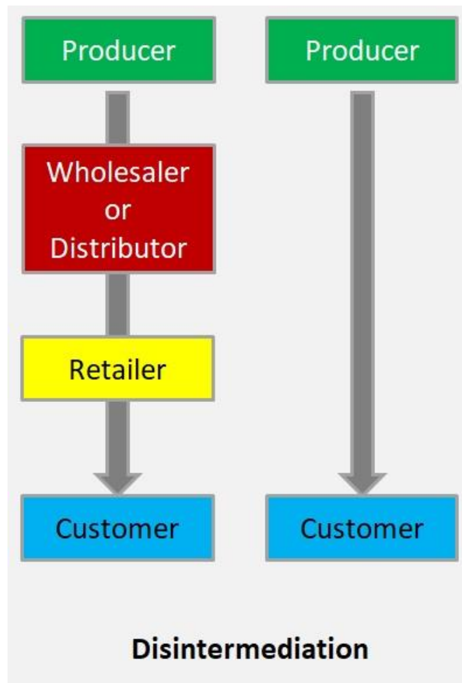


Figure 5

Earlier we have discussed disintermediation as an effective strategy and an important source of business model innovation. Place encompasses all the activities that move a firm's product from its place of origin to the consumer. One key decision is whether to sell the firm's products directly to consumers or through intermediaries. As we saw in our discussion of business models, Dell decided to sell directly to consumers rather than through intermediaries. This is referred to as "disintermediation," and is a key strategy found in many innovative business models.

Place – Internet

As with all relatively new technologies, there have been many bad choices made on the internet. There may be more ways to fail than to be successful. In particular there are some Myths of E-Commerce:

- Setting up a business on the web is easy and inexpensive.
- If I launch a site, customers will flock to it.
- Flash makes a web site better.
- It's what's up front that counts.
- The greatest opportunities lie in the retail sector.
- On the web, customer service is not important.

Wrong again!

Lastly, we should consider the role of sales. First, sell benefits not features. When a company tells you that their new smart phone has a 5.5-inch (diagonal) LED-backlit widescreen Multi-Touch display with IPS technology and 1920-by-1080-pixel resolution at 401 ppi with 1300:1 contrast ratio and 64 GB of memory, they are selling you features. If they tell you that this display does the very best job of displaying live video from the internet and high-resolution pictures and can store all of your pictures and music library, they are selling you the benefits. For very knowledgeable customer, selling them the features may work because they will be able to translate those features into the benefits of the use. For the mass market, the features do not mean much until you can translate those into the benefits that the customer will enjoy by using the new smartphone. Features are nice, but benefits are what sell the product.

Most sales training programs offer seven steps to selling

1. Prospect for leads –use your network and available databases
2. Make the initial (often cold) contact
3. Qualify the lead -Is this potential customer the right decision maker with the capability to complete the sale. Can he or she decide? Do they have access to the adequate resource to make the purchase.?
4. Make the sales presentation
5. Meet objections and concerns -(this is not a setback-only the next step)
6. Close the sale ---NEVER talk past the close. Shut up and stop selling. Just say: “Thank you!”
7. Follow-up

Personal Selling
The ability to sell yourself to others is perhaps the most important sales skill

- First: Make a good personal impression
- Prepare your sales presentation
- Know your product or service
- Know your field
- Know your customers
- Think positively, speak positively, and act positively.
- Treat everyone you sell to like they are the most important thing to you at that time.

You are now ready to take your product or service to market!