

Underground Study Guide

learning assessment ii | totally not illegal

Other Useful Resources

- [Imaad's Quizlets](#)
- [Sushi's e-Text notes](#)
- If you're not already in it, the [Lazaridis First-Year Discord](#)

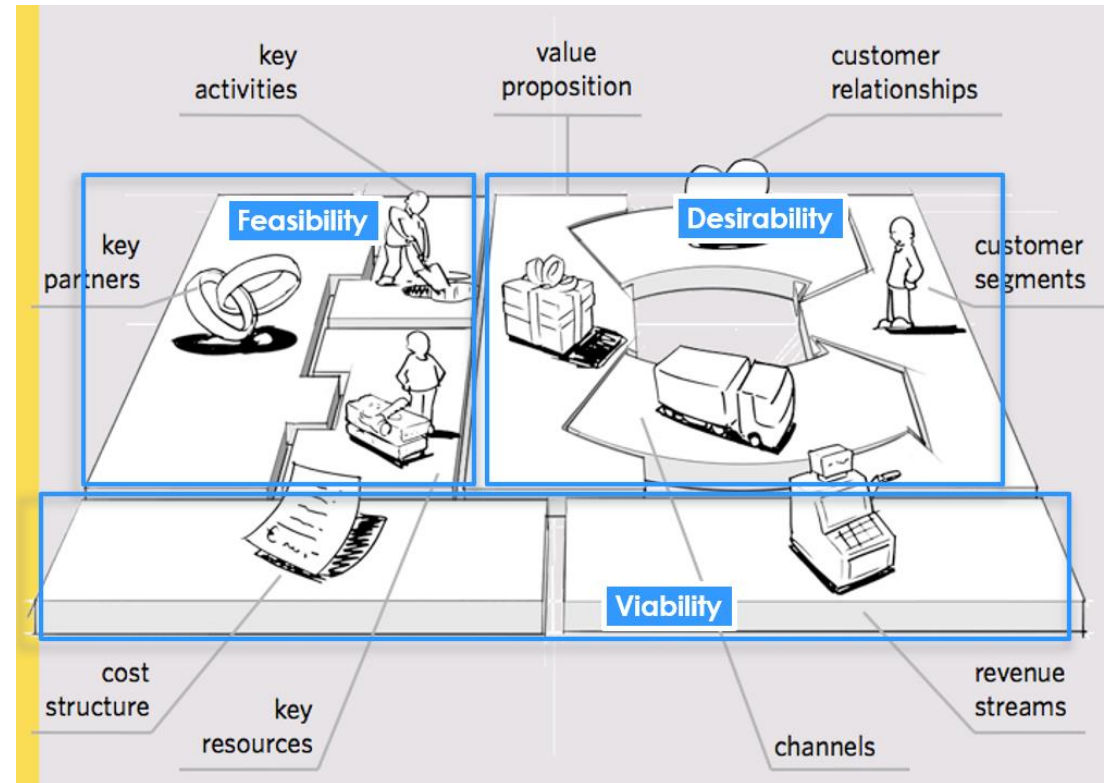
Business Model Canvas

Business Models / “Stories”

- Business models are **stories** of how you **create, capture, and deliver** value: how you intend to make money and turn idea into reality
- Good stories have
 - precisely delineated **characters** (customer **segments**)
 - **plausible motivations** (realistic **wants** being addressed)
 - a **plot twist** (unique **differentiation** versus alternatives)
- They don't work if there are problems with your
 - narrative: customers not well understood or with unrealistic motivations
 - numbers: insufficient revenue streams or costs too high
- Note that business models are **not** the product but revolve around it
 - Companies with similar product offerings can have entirely different models

Business Model Canvas Parts

- There are three main parts
 - Desirability: **Creating value** by differentiating and meeting unserved market (right side, your Value Proposition Canvas stuff)
 - Viability: **Capture value** by monetizing your work and ensuring stability (bottom side, cost and revenue structure)
 - Feasibility: **Deliver value** through a network of suppliers, partners, etc. (left side, key resources, activities, partners)



Steps to Create Business Model

- Four steps to the process which align with New Venture
- Understand **context and implications**
 - Adaptability (IDEATE)
- Gain **customer insights** and improve the model
 - VPD with Primary Research
- Prototype **different models** – think and create visually
 - Business Model Canvas, Justification, and Execution Plan
- Tell the **story**
 - Investor Presentation

Types of Business Models / Categories

- B2C: Business → Consumer
 - You sell to consumers (e.g. groceries, tech, clothes)
- B2B: Business → Business
 - You provide stuff to other businesses (e.g. consulting)
- C2B: Consumer → Business
 - Consumers provide the business' value (e.g. Indeed, pawn shops, Upwork)
- C2C: Consumer → Consumer
 - Business links consumers together (e.g. Amazon marketplace)

Types of Business Models / Patterns

- All these patterns have at least one customer segment getting value for free, financed by another part of the model
 - **Multi-Sided Platform**, anything that creates value with **interaction** between two different kinds of customers
 - e.g. Google, any social media, news
 - **Freemium**, it's free but it really isn't
 - e.g. Roblox, Club Penguin, Spotify
 - **Bait and Hook**, initial cheap purchase + expensive required ones later
 - e.g. Gillette cheap razor + expensive blade, cheap printer + expensive ink
- Newer models
 - **Membership**, e.g. subscription boxes
 - **Crowdsourcing**, e.g. Kickstarter, Uber, Skip the Dishes

Social Business Model Canvas

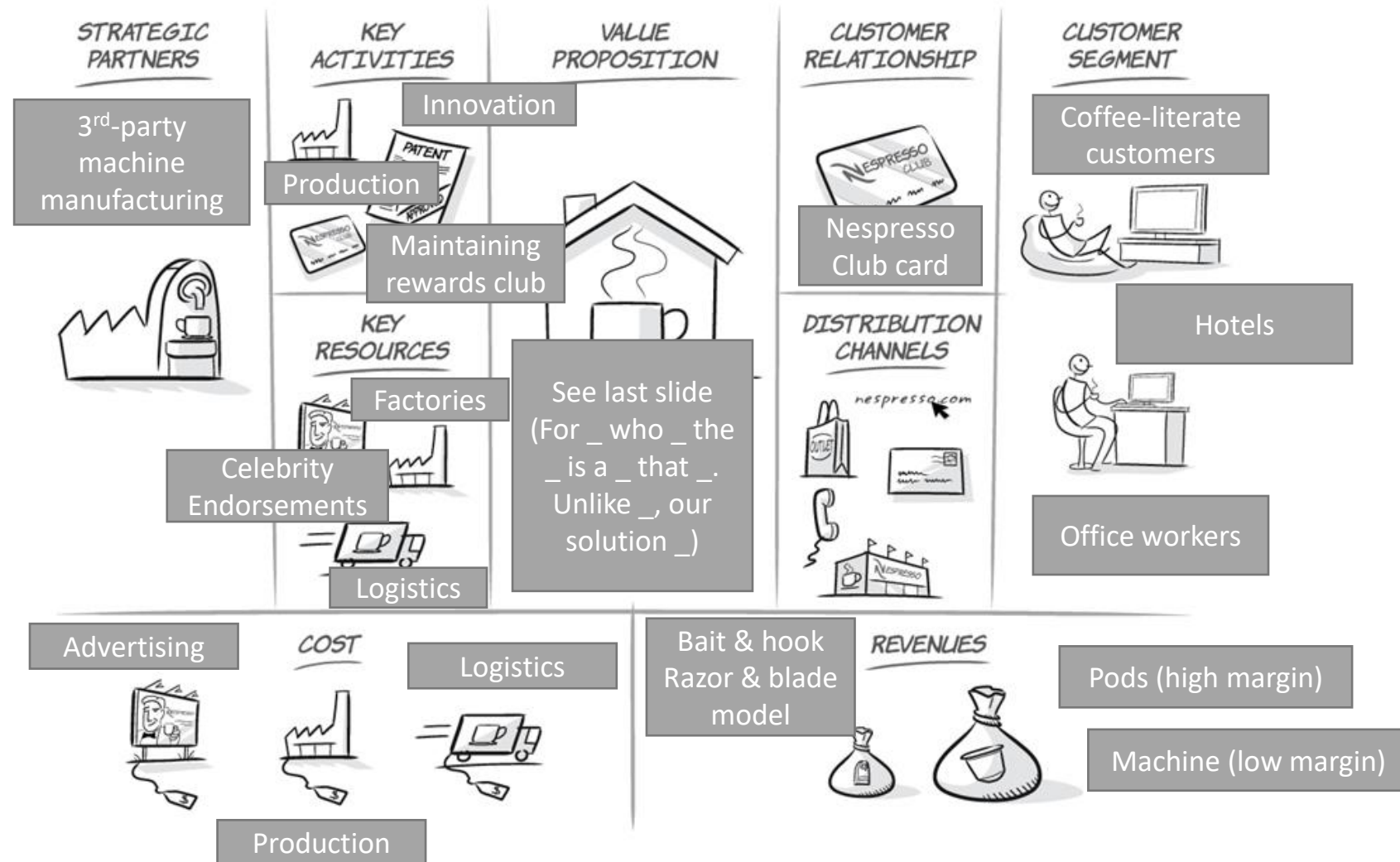
Key Resources <i>What resources will you need to run your activities? People, finance, access?</i>	Key Activities <i>What programme and non-programme activities will your organisation be carrying out?</i>	Type of Intervention Specify how you're going to be doing social good <i>What is the format of your intervention? Is it a workshop? A service? A product?</i>	Segments <i>Who are the people or organisations who will pay to address this issue?</i>	Value Proposition <i>What do your customers want to get out of this initiative?</i>
Partners + Key Stakeholders <i>Who are the essential groups you will need to involve to deliver your programme? Do you need special access or permissions?</i>	Key Activities <i>What programme and non-programme activities will your organisation be carrying out?</i>	Channels <i>How are you reaching your beneficiaries and customers?</i>	Beneficiary Customer <i>Who are the people or organisations who will pay to address this issue?</i>	Social Value Proposition <hr/> Impact Measures Add your impact to your value proposition <i>How will you show that you are creating social impact?</i> <hr/> Customer Value Proposition
Cost Structure <i>What are your biggest expenditure areas? How do they change as you scale up?</i>	Surplus Specify where your profits are being reinvested as surplus <i>Where do you plan to invest your profits?</i>	Revenue <i>Break down your revenue sources by %</i>		

LECTURE EXAMPLE: Nespresso (Value Prop)

For **(customer)** who **(pain)**, the **(product)** is a **(category)** that **(gain)**.
Unlike **(alternative)**, our solution **(differentiation)**.

e.g. For the **coffee-literate consumer** who is looking for an **individualized coffee experience**, Nespresso is a **premium portioned coffee system** that **offers the ultimate coffee experience as an everyday luxury**. Unlike having to go to a coffeehouse the Nespresso experience is **enjoyed in the privacy and comfort of your own home**.

LECTURE EXAMPLE: Nespresso



Marketing I: Understanding Customers

The Keys of Marketing

- Marketing is an **integrated system of activities** to plan, price, promote, and deliver **want-satisfying products**
 1. Find a **position** in customers' heads where your **unique benefit** lives
 2. Make your customers **perceive** that you provide that benefit

Consumer Buying Decisions

- Consumers care about four kinds of **utility**
 - **Form**, size and shape (e.g. compact bookshelf)
 - **Place**, product's availability (e.g. pharmacies)
 - **Time**, convenience (e.g. coffee shops having long hours)
 - **Possession**, value over renting (e.g. resale value from cars, houses)
- Generally, consumers follow the **process** of
 - **Recognizing** a problem → **searching** for info → **evaluating** alternatives → make **purchase** → **evaluate** purchase (which might give a new problem)
- Influenced by **situational**, **psychological**, and **social** factors
- Also affected by your PEST **forces**

Defining Target Markets

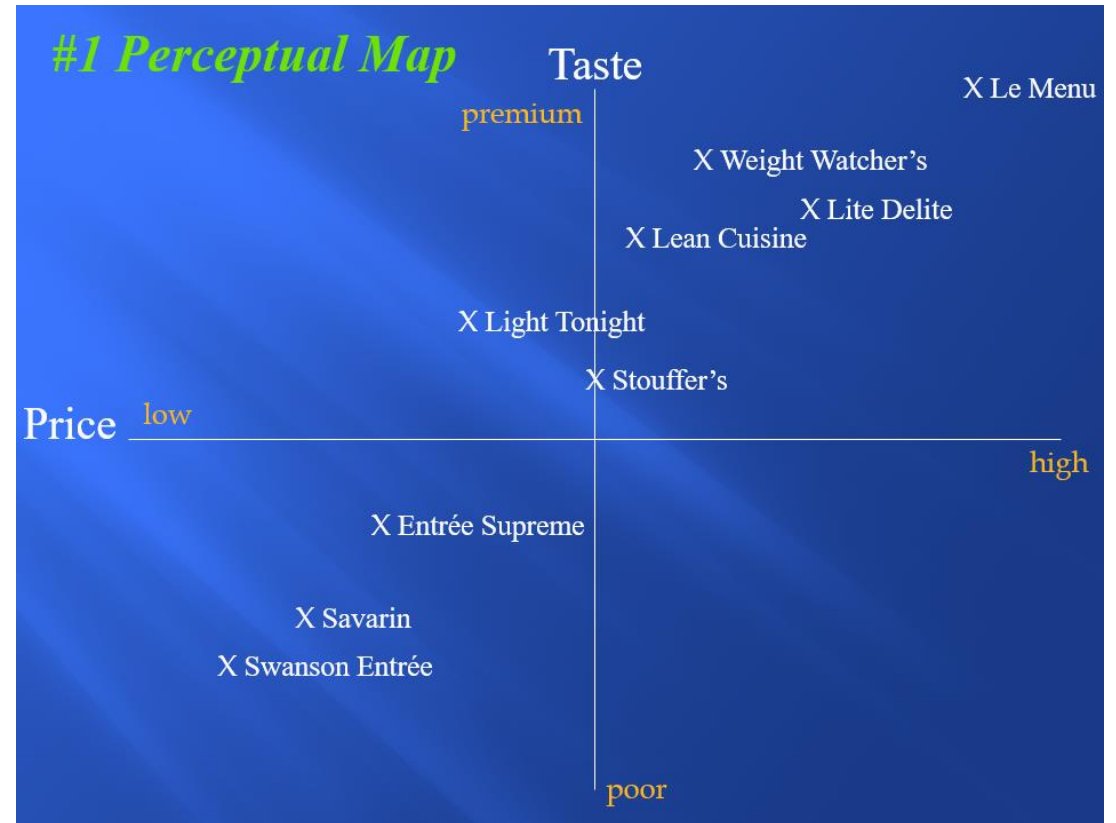
- Must identify **who** you're targeting and their characteristics to address their **unique and specific problems** not yet addressed by competitors
- Steps to define a target market
 - **Market segmentation**, benefits sought for each demo/geo/psychographics
 - **Perceptual mapping**, plotting competitors and yourself against two key purchase criteria to define submarkets
 - **Preference analysis**, plotting ideal products of each segment on those axes
 - **Combine**, determining fit with the plotted submarkets

Market Segmentation

- Misconception: starting with only demographics
- Segment against **benefits sought**, and then drill down
 - **State of being** (demographics)
 - **State of mind**/product usage (psychographics/behavioural)
 - **Location** (geographics)
- Steps:
 1. Understand **benefits sought**
 2. Segment based on **benefits**
 3. Find **typical differentiators** (demo/geo/psychographics)
 4. Give your segments funny **names**

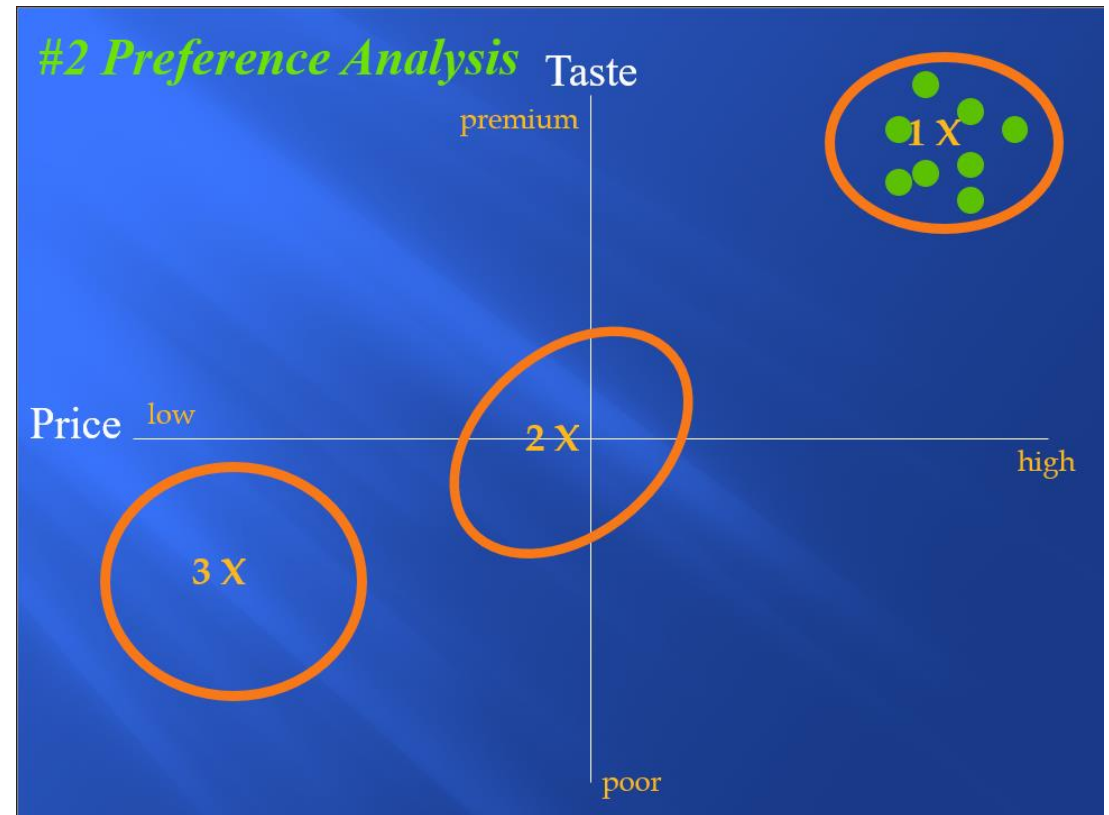
Perceptual Mapping

- Pick **two criteria** that best represent what consumers want
- Plot **competitors** on the chart based on how they fit in criteria



Preference Analysis

- This is **different from perceptual mapping**.
- For each of the segments you came up with, show where **their ideal product** would sit.



Combine

- Overlap the two graphs
- Find the segment with the furthest distance from competitors
- This is the one where competitors are **not addressing consumer wants**, which means it is **unsaturated**
- Target this market.



Marketing II: Reaching Customers

Positioning

- How will you **occupy** your customer's minds?
- **Positioning statement:** Our (**product**) is (**most important claim**) among all (**competitive context**) because (**most important support**)
 - e.g. *"Our cheap yummy line of dinners is the best tasting among all economic, frozen dinners because it uses higher quality ingredients."* from lecture
- **Strategies:**
 - **Be first** – just be the best/top of the mind (e.g. Coke in soda)
 - **Be different** – use a different competitive context (e.g. Red Bull changing from "soda" to "energy drink")
 - **Anti-position** – use the top of mind position of the leader to differentiate (e.g. Jaguar, it's basically "I'm not like the other girls")

4 P's / 4 A's depending on who you believe

- There are **four main things** that affect your marketing mix
 - Each P/A has two dimensions
 - You need **all four P/As** (they're "multiplicative") but only one dimension ("additive")
- Your **product** and how **acceptable** it is
 - Functional / Psychological
- The **place** presented and how **accessible** it is
 - Availability / Convenience
- The **price** and how **affordable** it is
 - Economic / Psychological
- How you **promote** and whether consumers are **aware**
 - Product knowledge / Brand awareness

Benefits of the 4A's Framework

- Why use 4A over 4P?
 - Enable **customer-centric** thinking instead of product-focused P's
 - Improve marketing **productivity** and **accountability**
 - Effective **resource allocation**, make marketers do marketing
 - Get a **holistic** view of business success
 - Clear **managerial prescriptions**, basically it gives more understandable goals
- Why not 4Ps?
 - Misguided **resource allocation**, like responding to low sales with more ads
 - **Faulty metrics** and **weak proxies**, wrong measures of success (e.g. all finance and no customer retention or satisfaction)

Acceptability / Product

- The **product mix** is all your products and how they interact
 - Product *lines* are groupings of similar products (good for creating clarity, management, and leveraging brand recognition)
- Dimensions: **functional** (“does it do what I want it to do”) and **psychological** (“does it do it in a way that’s good”)
 - e.g. Sketchers gets the job done as “shoes” but it doesn’t feel good.
- Always keep in mind a **total product concept**: how your product **packages together value and benefits**
 - Packaging, brand, service, warranty, delivery, credit, atmosphere, ...
- Implication: Customer behaviour ⇒ What jobs can we satisfy?

Acceptability / Product: Kinds of Product

- How do customers **behave** when they want/get your product?
- **Convenience**, customers don't go out of their way to get them
 - staples (rice), impulse (chocolate), emergency (tampons)
- **Shopping**, people go specifically to get them, more competition
 - homogenous: everything is similar, so compare prices e.g. cutlery, plates
 - heterogeneous: not similar, so compare features + prices, e.g. iPhone versions
- **Specialty**, compare a *lot*, not bought often
 - e.g. washing machine, wedding ring, cars, houses, university programs
- **Unsought**, they're not trying to get it unless a special event or situation
 - e.g. smoke alarms, caskets, life insurance
 - mild overlap with shopping and specialty products (wedding rings are special event)

Acceptability / Product: Kinds of B2B Product

- How do *businesses* **behave** when they want/get your product?
- **Raw materials**, become a part of a physical product
- **Major equipment**, machinery for production
- **Accessory equipment**, standardized office supplies and non-production stuff
 - e.g. fax machines, calculators
- **Component parts**, need little processing before assembly
- **Process material**, not identifiable in final products
 - e.g. you don't want to taste eggs when you eat cake
- **Supplies**, aid production and operations
 - e.g. pencils, paper, oil
- **Business service**, intangible helpful products
 - e.g. legal advice, janitors

Acceptability / Product: Brand

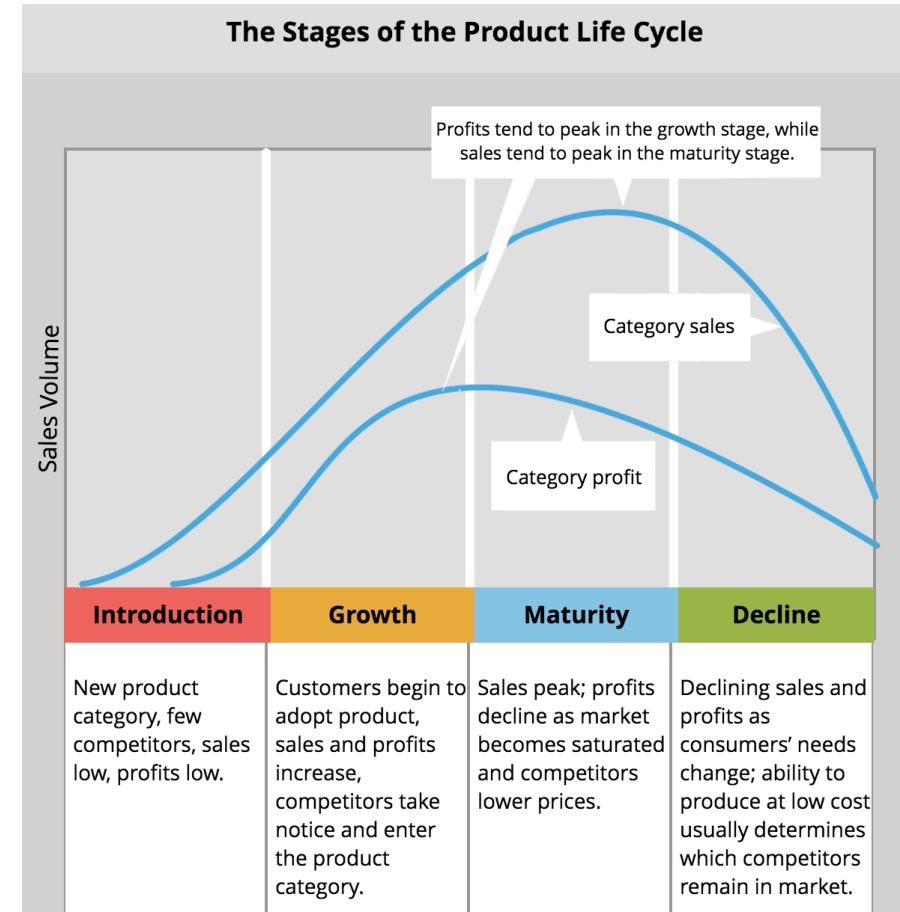
- Your **brand** is the **collection of perceptions** that form a **total experience** for the consumer
- Drivers of brand insistence:
 - **Awareness**: Do people know you exist?
 - **Relevant differentiation**: Do people know why you're better?
 - **Value**: Do you deliver good value for price?
 - **Accessibility**: Are you convenient?
 - **Emotional connection**: Do you connect with people emotionally?

Acceptability / Product: Packaging

- Packaging is developing and making container for the product
- Packaging shape, appearance, and message influence decisions
- Five functions of packaging
 - **Protect** the product, e.g. solid boxes
 - Attract buyer **attention**, e.g. big flashy colours
 - Provide product **information**, e.g. ingredients or instructions
 - Improve **design** or **function**, e.g. re-sealable cartons
 - Better **serve customer needs**, e.g. travel-size version of product

Acceptability / Product: Product Life Cycle

- All products go through the cycle from start to finish
- **Newly introduced** product categories have few competitors, low sales/profits
- **Growing** products have rapid adoption, growing sales/profits, competitors start entering
- **Mature** products have peak sales and declining profits since the market is becoming saturated
- **Declining** products have everything going down since the market has changed to make them less relevant



Affordability / Price

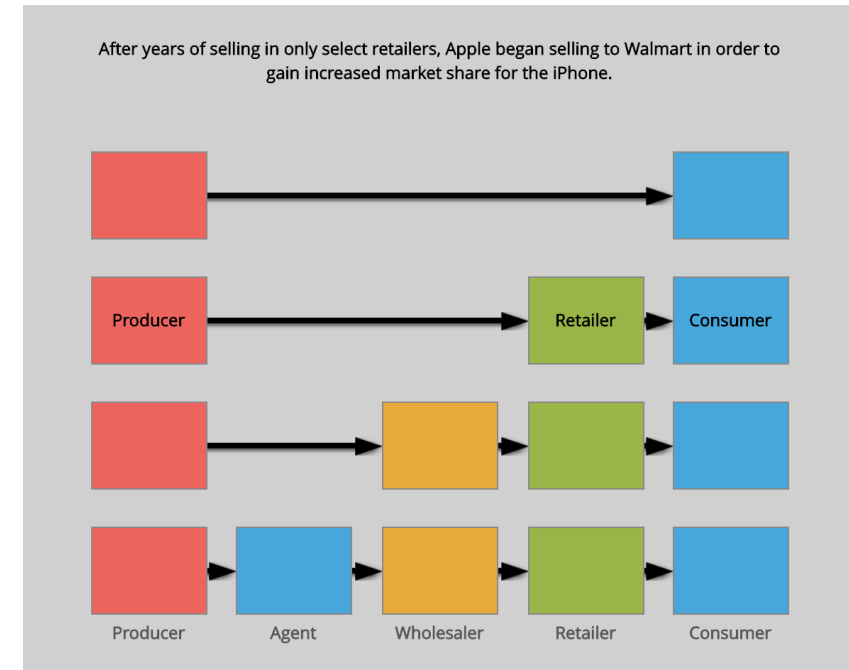
- Dimensions: **economic** (dollar value) and **psychological** (“is it worth it?”)
- Consider the **value** of the product and how price could be **perceived** to set pricing, along with
 - Economic conditions
 - Market structure
 - Product lifecycle
 - Costs
 - Maximum price customers would pay
 - Competitors’ pricing
- Implications
 - Pricing ⇒ Brand perception, consumer behaviour
 - Extreme pricing ⇒ Accessibility

Affordability / Price

- There are a lot of strategies but they fall into 4 categories
 - **New product** pricing, e.g. penetration pricing (low cost to gain market share)
 - **Psychological/Emotional/Economic** pricing, e.g. \$9.99 to feel cheaper
 - **Product line** pricing, e.g. captive pricing (bait and hook models)
 - **Promotional** pricing, e.g. special event discounts (sales promotion)
- Objectives
 - Building a **loyal user base**/Increase **market share**/**Brand value**
 - **Status quo**, if you are a price taker
 - **Survival** or **liquidation**, to increase short-term cash availability

Accessibility / Place

- Depending on how you **distribute**, you might have **intermediaries** that increase accessibility in exchange for screwing with your pricing models
- Selling to intermediaries means you now have **two sides of marketing** (push/pull tactics)
- Common intermediaries are **retailers** (direct to consumer selling), **wholesalers** (large volume movers), and **agents** (networks of wholesalers)
- Key Implication: using intermediary \Rightarrow complex process with **less control** and **less profits**, have to help them make money and use indirect pricing



Accessibility / Place: ¿Intermediaries?

- Using intermediaries is better for four reasons
 1. **Efficiency** and assortment, getting all groceries in one place vs buying from baker + butcher + grocer
 2. **Break bulk** for producers, sell bulk volume for scale but can still sell in smaller batches to consumers
 3. **Market information**, intermediaries closer to the consumer know them better
 4. Provide instant sales **infrastructure** (logistics, employees, reach), so you aren't doing it yourself

Accessibility / Place: ¿Physical Retailers?

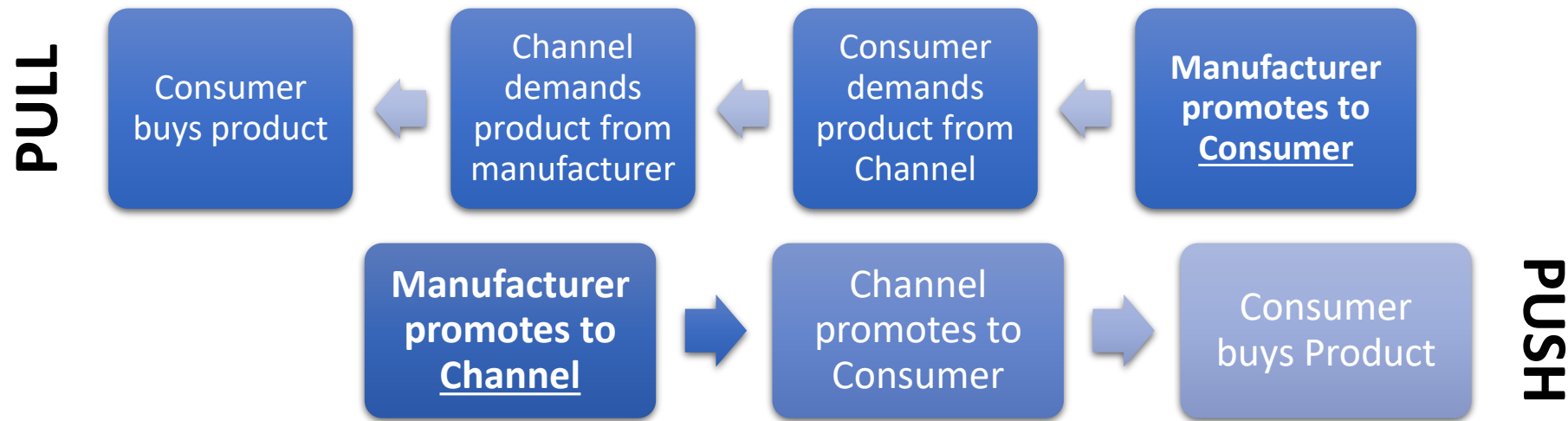
- Physical retailers differ from other channels in four ways
 1. Number of **product categories**, Roots vs Hudson's Bay
 2. **Pricing**, can affect expectations and brand perception, Gucci not in Walmart
 3. **Distribution intensity**, how many locations exist, Shoppers (more) vs Rolex (less)
 4. **Size and selection**, huge warehouses (Costco) vs smaller stores (OVO)

Accessibility / Place: Pricing

- Since each intermediary takes a slice, your selling price **is not what the consumer will pay**.
- We “know” the best price to optimise demand is because we took ECON
- We can start with an **MSRP** (suggested retail price) and **subtract off each intermediary’s profit** to find the price we sell at.
- This is **demand-backwards pricing**.



Accessibility / Place: Push and Pull



- You can **pull** your product through the channels by creating demand at the **consumer end**
- Or **push** through channels by creating demand at the **channel end**

Accessibility / Place: Strategies

- Pull strategies / “promotional mix”
 - **Advertising**, content targeted at the mass market
 - **Personal selling**, one-to-one correspondence between salespeople and individuals
 - **Sales promotion**, incentives to buy more product, e.g. Roll-up-the-Rim
 - **Public relations**, any kind of free publicity (could be good or bad)
 - This leads into Awareness/Promotion
- Push strategies
 - **Detailing**, sending stalkers to the distributor to see if they’re doing it right
 - **Training salespeople**, allowing you to dictate the message
 - **Cooperative marketing**, splitting the cost and benefit across the channel while keeping some control
 - **Quantity discounts**, use demand-backwards pricing on the intermediaries to optimize volume and profit
 - **Selective distribution**, picking locations to create scarcity and exclusivity

Awareness / Promotion

- Dimensions: **product knowledge** (“what does it do?”) and **brand awareness** (“why is it better?”)
- Must have an **integrated marketing communication** (IMC) combining advertising, public selling, sales promotion, and public relations
- The **objective** of any advertising is to:
 - create **AIDA** (awareness/attention, interest, desire, action)
 - communicate the **value proposition**
 - **position** the product in the consumer’s mind
- Common mistakes:
 - Forgetting promotion isn’t just advertising (must use IMC!)
 - Misunderstanding how to make effective ads (must have all 3 objectives!)

Awareness / Promotion: Creating the Mix

- Four steps/things to consider to create the promotion mix
 - **Objective**, if you want to increase market share vs brand awareness, strategies will be very different
 - **Target market**, consider the size of market and lifestyle of customers
 - **Product specification**, the properties of the product
 - Complex product \Rightarrow more personal selling
 - Lower price \Rightarrow more ads and sales promotion
 - **Resources**, ask what you are actually able to do

Awareness / Promotion: Objectives

Promotional Objectives	Recommended Sales Approach
Attract new customers	All of them
Encourage trial	Samples and free things
Customer loyalty	Frequent user incentives (rewards and stuff)
Cross-selling	All of them
Retail attention	Point of purchase displays in stores
Identifying prospects/building customer relations	Sweepstakes and contests