



Entrepreneurship Development

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Unique Marketing Issues

Chapter Objectives

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1. Explain the purpose of market segmentation.
2. Describe the importance of selecting a target market.
3. Explain why its important for a start-up to establish a unique position in its target market.
4. Describe the importance of the ability to position a company's products on benefits rather than features.
5. Illustrate the two major ways in which a company builds a brand.

Chapter Objectives

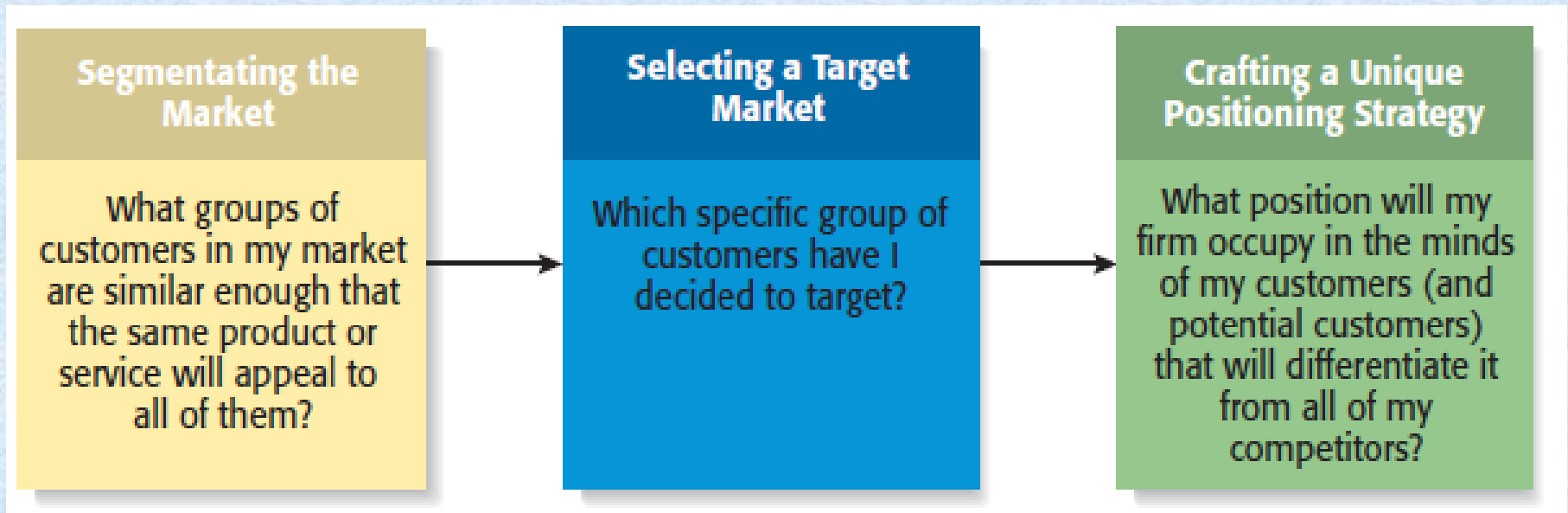
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6. Identify the four components of the marketing mix.
7. Explain the difference between a core product and an actual product.
8. Contrast cost-based pricing and value-based pricing.
9. Explain the differences between advertising and public relations.
10. Weigh the advantages and disadvantages of selling direct versus selling through intermediaries.

Selecting a Market and Establishing a Position in the Market

- Important Questions That All Startups Must Ask
 - In order to succeed, a new firm must address this important issue: Who are our customers are how will we appeal to them?
 - A well-managed start-up approaches this query by following a three-step process:
 - Segmenting the market.
 - Selecting a target market.
 - Establishing a unique position in the target market

The Process of Selecting a Target Market and Positioning Strategy



Market Segmentation

Segmenting the Market

- Involves studying a firm's industry and determining the different target markets in that industry.
- Markets can be segmented in a number of different ways, including
 - Product type
 - Price point
 - Customers served

Example: Segmenting the Computer Industry by Product Type

Handheld Computers

Netbooks
(new category)

PCs

Minicomputers

Mainframes

Selecting a Target Market

Target Market

- Once a firm has segmented the market, a target market must be chosen.
- The market must be sufficiently attractive and the firm must have the capability to serve it.
- The Netbook segment of the computer industry - and is being targeted by startups like Eee PC.

Establishing a Unique Position

1 of 2

Positioning

- After selecting a target market, the firm's next step is to establish a "position" within the market that differentiates it from its rivals.
- A "position" is the part of a market that the firm is claiming as its own.
- A firm establishing a unique position in its customers' minds by drawing attention to two or three of the product's attributes.

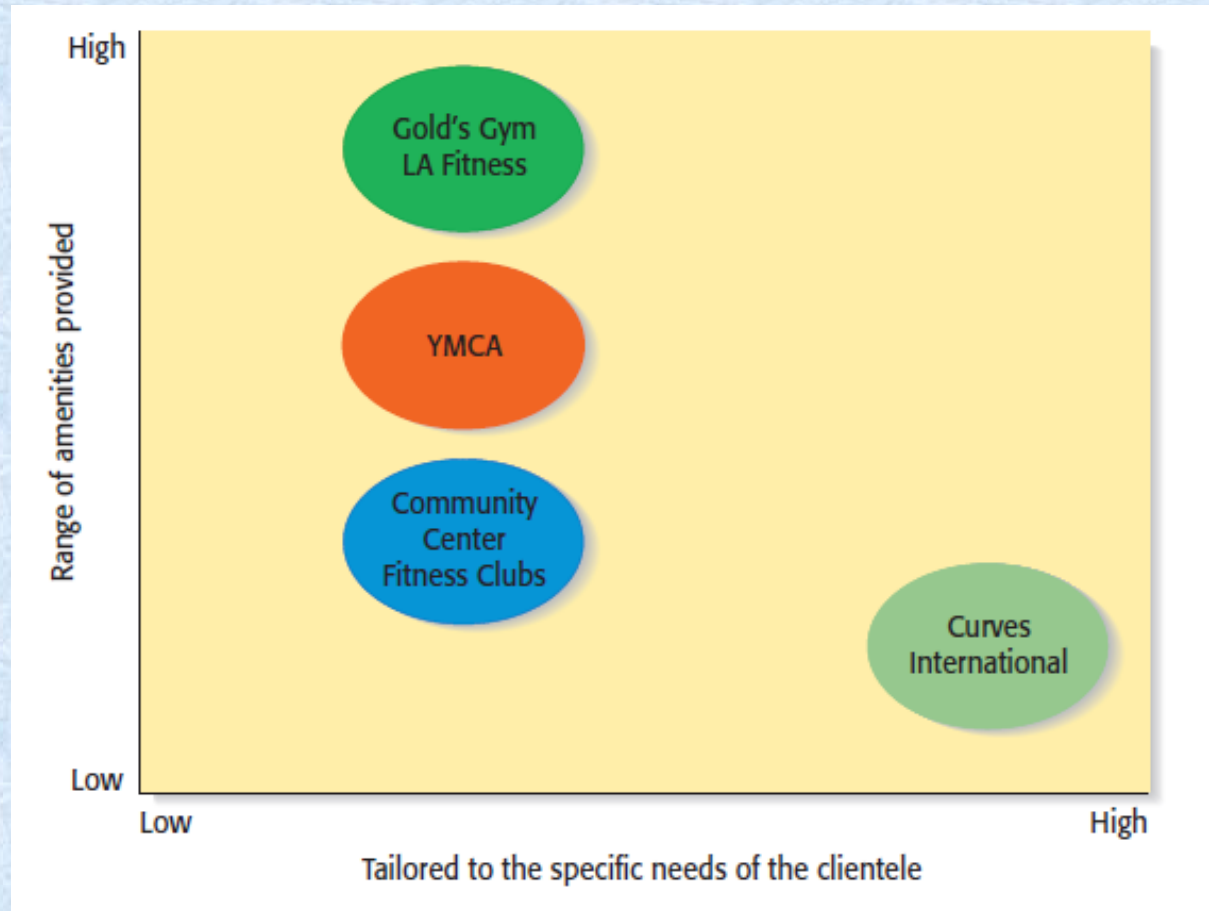
Establishing a Unique Position

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- Positioning (continued)
 - Firms often develop a “tagline” to reinforce the position they have staked out in their market, or a phrase that is used consistently in a company’s literature and thus becomes associated with the company.
 - An example is Nike’s familiar tagline, “Just do it.”
 - The beauty of this simple three-word expression is that it applies equally to a 21-year-old triathlete and a 65-year-old mall walker.

Product Attribute Map—Illustrates a Firm's Positioning Strategy Relative to Rivals

Curves International



Selling Benefits Rather Than Features

1 of 2

- Selling Benefits Rather Than Features
 - Many entrepreneur make the mistake of positioning their company's products or services on features rather than benefits.
 - A positioning or marketing strategy that focuses on the features of a product, such as its technical merits, is usually much less effective than a campaign focusing on what the merits of the product can do.
 - Consider the example of the following slide.

Selling Benefits Rather Than Features

2 of 2

Two difference approaches to promoting a cell phone

Approach	Illustration
Selling Features	“Our cell phones are equipped with sufficient memory to store 1,000 phone numbers.”
Selling Benefits	“Our cell phones let you store up to 1,000 phone numbers, providing you access to the phone numbers of your family, friends, and business acquaintances instantly.
Conclusion	The first statement tells a prospect how many phone numbers the cell phone will hold but doesn’t say why that’s important. The second statement tells a prospect how buying the product will enhance his or her life or business.

Establishing a Brand

1 of 5

- Establishing a Brand
 - A brand is the set of attributes—positive or negative—that people associated with a company.
 - These attributes can be positive, such as trustworthy, dependable, or easy to deal with.
 - Or they can be negative, such as cheap, unreliable, or difficult to deal with.
 - The customer loyalty a company creates through its brand is one of its most valuable assets.
- Brand Management
 - Some companies monitor the integrity of their brands through a program called “brand management.”

Establishing a Brand

2 of 5

Different Ways of Thinking About the Meaning of a Brand

- A brand is a promise.
- A brand is a guarantee.
- A brand is a pledge.
- A brand is a reputation.
- A brand is an unwritten warrantee.
- A brand is an expectation of performance.
- A brand is a presentation of credentials.
- A brand is a mark of trust and reduced risk.
- A brand is a collection of memories.
- A brand is a handshake between a company and its customers.

Establishing a Brand

3 of 5

- Establishing a Brand
 - So how does a firm establish a brand?
 - On a philosophical level, a firm must have meaning in its customer's lives. It must create value—something for which customers are willing to pay.
 - On a more practical level, brands are built through a number of techniques, including advertising, public relations, sponsorships, support of social causes, and good performance.
 - A firm's name, logo, Web site design, and even its letterhead are part of its brand.

Establishing a Brand

4 of 5

- Power of a Strong Brand
 - Ultimately, a strong brand can be a very powerful asset for a firm.
- Cobranding
 - A technique that companies use to strengthen their brands is to enter into a cobranding arrangements with other firms.
 - Cobranding refers to a relationship between two or more firms where the firm's brands promote each another.

Establishing a Brand

5 of 5



- Zappos is a hot brand.
- From the outset, Zappos's CEO Tony Hsieh has worked hard to ensure that Zappos's brand stands for competitive pricing, strong customer service, and a pleasant shopping experience.

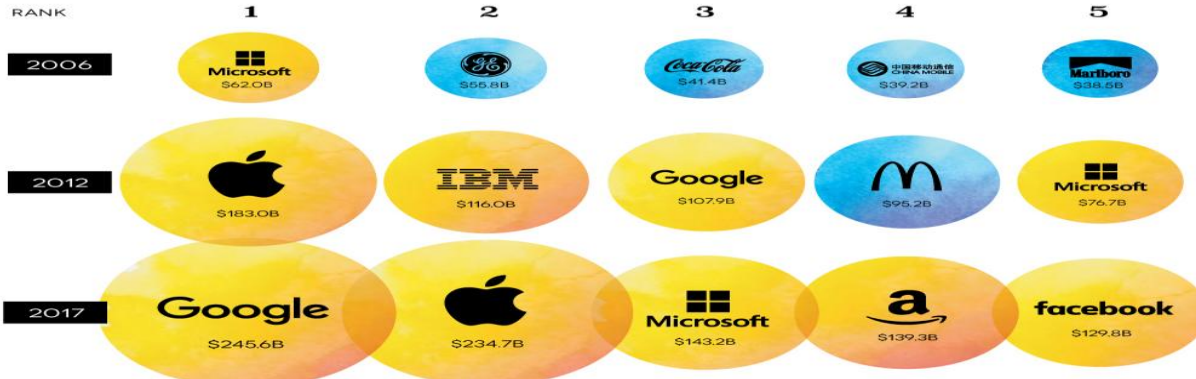
RANKING THE WORLD'S MOST VALUABLE BRANDS

In just the last 10 years or so, tech brands have taken over the list

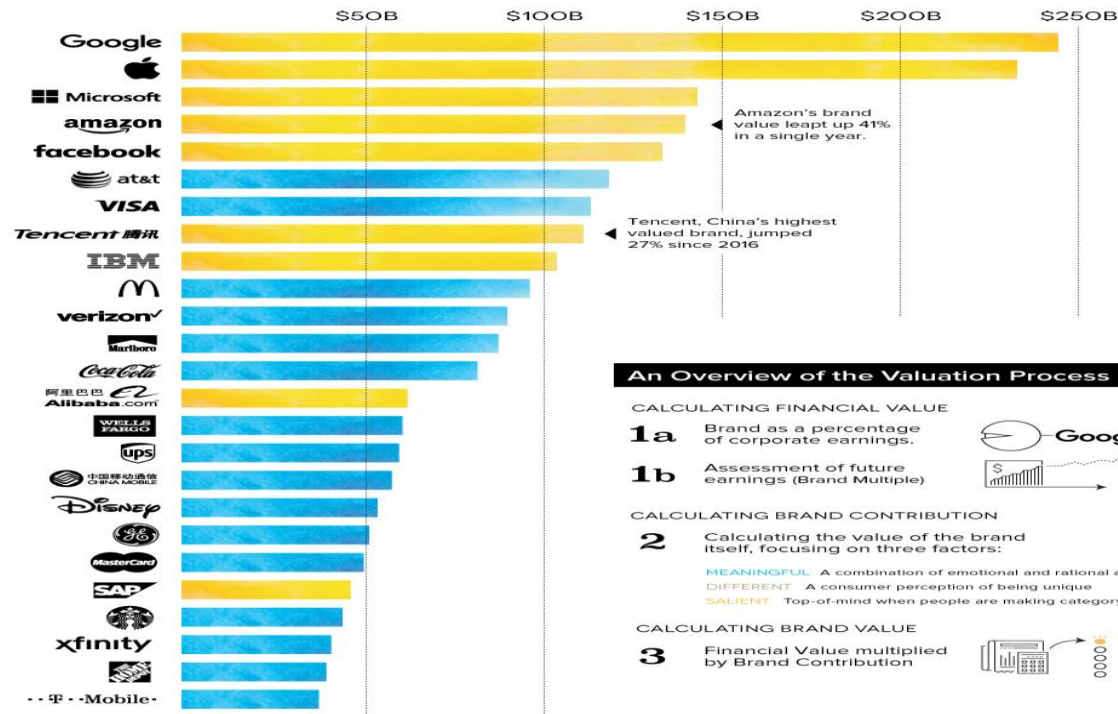
A decade ago, the list of the world's top brands was dominated by old guard names like Coca-Cola and Marlboro. However, the global scale of technology has taken over fast - and today, the top 5 brands by value are all tech-related.



GLOBAL TOP 5 BRANDS | TECH ASCENDANCY



2017 GLOBAL TOP 25 BRANDS | BY BRAND VALUE



An Overview of the Valuation Process

CALCULATING FINANCIAL VALUE

- 1a Brand as a percentage of corporate earnings.
- 1b Assessment of future earnings (Brand Multiple)

CALCULATING BRAND CONTRIBUTION

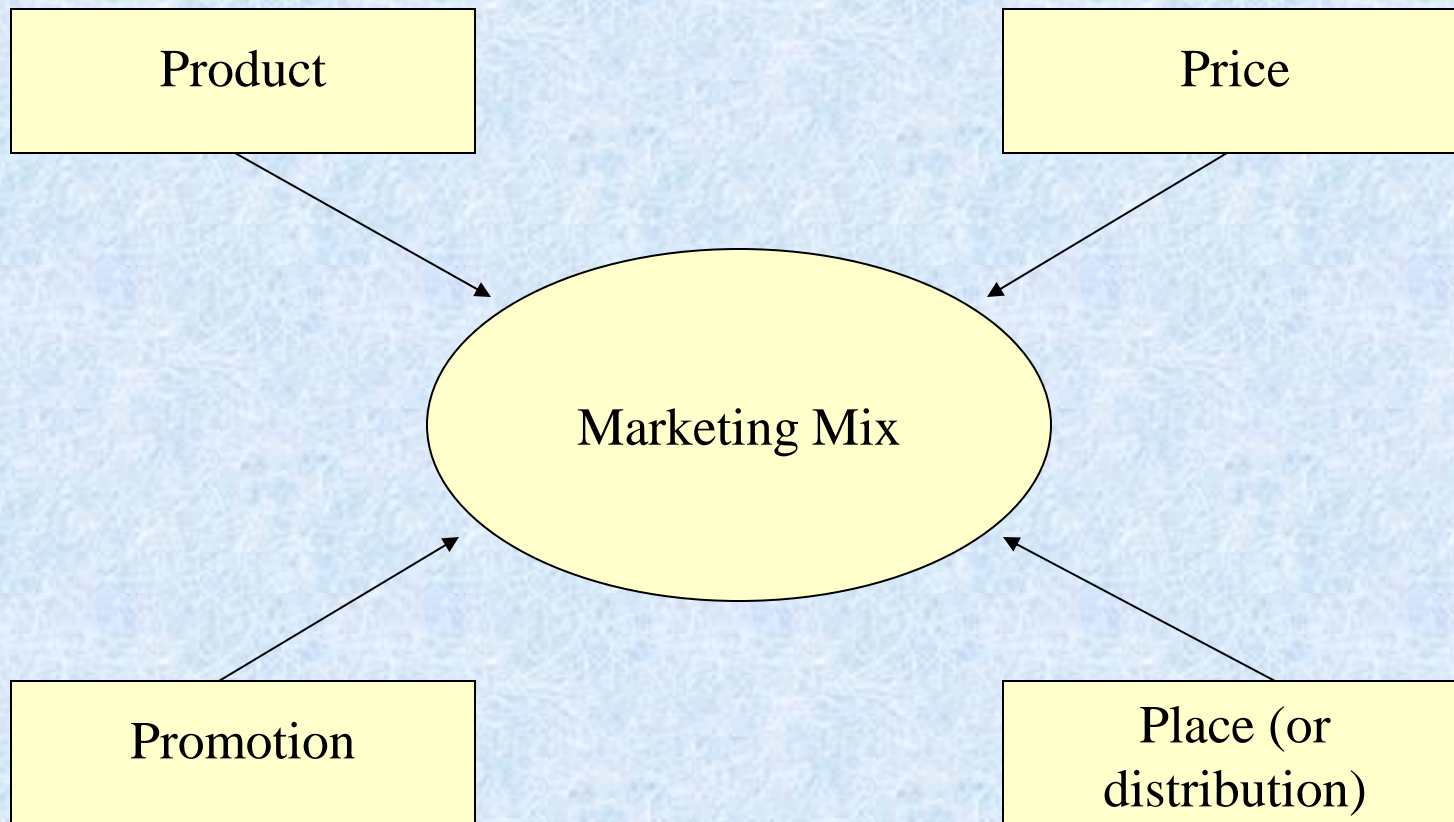
- 2 Calculating the value of the brand itself, focusing on three factors:

MEANINGFUL: A combination of emotional and rational affinity
DIFFERENT: A consumer perception of being unique
SALIENT: Top-of-mind when people are making category purchases

CALCULATING BRAND VALUE

- 3 Financial Value multiplied by Brand Contribution

The Four Ps of Marketing for New Ventures



Product

- Product
 - Is the good or service a firm offers to its target market.
 - The initial rollout is one of the most critical times in the marketing of a new product.
 - All firms face the challenge that they are unknown and that it takes a leap of faith for the first customers to buy their products.
 - Some startups meet this challenge by using reference accounts.

Core Product vs. Actual Product

Core Product

The product itself, such as an antivirus software program.

Actual Product

The product plus all the attributes that come with it such as quality level, features, design, packaging, and warranty.

Price

- Price
 - Price is the amount of money consumers pay to buy a product.
 - The price a company charges for its products sends an important message to its target market.
 - For example, Oakley positions its sunglasses as innovative, state-of-the-art products that are both high quality and visually appealing.
 - This position in the market suggests a premium price that Oakley charges.
 - Most entrepreneurs use one of two methods to set the price for their products, as shown on the next slide.

Core Product vs. Actual Product

Cost-Based Pricing

The list price is determined by adding a markup percentage to a product's cost.

$$200 + (200 * 10\%) = 220$$

Value-Based Pricing

The list price is determined by estimating what consumers are will to pay for a product.

Promotion

- Promotion
 - Refers to the activities the firm takes to communicate the merits of its product to its target market.
 - There are several common activities that entrepreneurs use to promote their products and services.
- Advertising
 - Advertising is making people aware of a product or service in hopes of persuading them to buy it.

Promotional mix

- Advertising
- Public Relation
- Sales Promotion
- Personal Selling
- Direct Marketing
- Sponsorship

Pluses and Minuses of Advertising

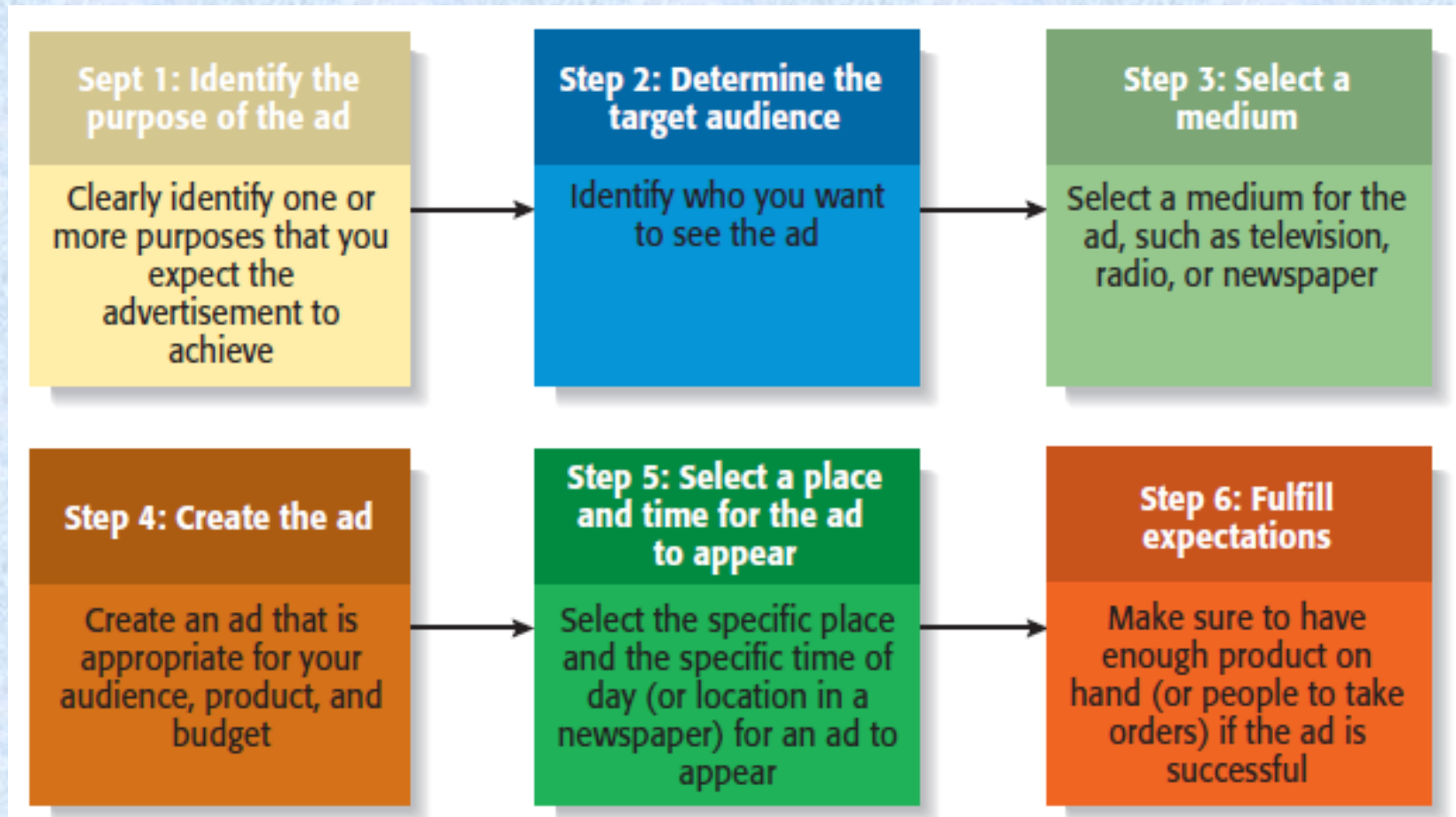
Pluses

- Raise customer awareness of a product.
- Explain a product's comparative features and benefits.
- Create associations between a product and a certain lifestyle.

Minuses

- Low credibility.
- The possibility that a high percentage of people who see the add will not be interested .
- Message clutter.
- Relative costliness compared to other forms of promotion.
- Intrusiveness.

Steps Involved in Putting Together an Advertisement



Google AdWords and AdSense Program

1 of 2

- AdWords
 - Allows advertisers to buy keywords on the Google home page.
 - Triggers text-based ads to the side (and sometimes above) search results when the keyword is used.
 - The program includes local, national, and international distribution.
 - Advertisers pay a certain amount per click.
 - Advertisers benefit because they are able to place their ads in front of people who are already searching for information about their product.

Google AdWords and AdSense Program

2 of 2

- AdSense
 - Allows advertisers to buy ads that will be shown on other Web sites instead of Google's home page.
 - Google selects sites of interest to the advertiser's customers.
 - Advertisers are charged on a pay-per-click or a per-thousand impression basis.
 - Advertisers benefit because the content of the ad is often relevant to the Web site.
 - Web site owners benefit by using the service to monetize their Web site.

Public Relations

- Public Relations
 - One of the most cost-effective ways to increase the awareness of the products of a company is through public relations.
 - Public relations refer to efforts to establish and maintain a company's image with the public.
 - The major difference between public relations and advertising is that public relations is not paid for—directly.

Public Relations Techniques

Press release

Media coverage

Articles in industry
press and periodicals

Blogging

Monthly newsletter

News conference

Civic, social, and community
involvement

Other Promotions Techniques

Viral Marketing

Facilitates and encourages people to pass along a marketing message about a particular product or service.

Guerrilla Marketing

A low-budget approach to marketing that relies on ingenuity, cleverness, and surprise rather than traditional techniques.

Place (or Distribution)

- Place
 - Encompasses all the activities that move a firm's product from its place of origin to the consumer.
 - The first choice a firm has to make regarding distribution is whether to sell its products directly to consumers or through intermediaries (such as wholesalers and retailers).
 - Within most industries, both choices are available, so the decision typically depends on how a firm believes its target market wants to buy its product.

Selling Direct Vs. Selling Through an Intermediary

1 of 2

Approach to Distribution	Description
Selling Direct	Many firms sell direct to customer, maintaining control of the distribution and sales process.
Selling Through Intermediaries	Other firms sell through intermediaries and pass off their products to wholesalers who place them in retail outlets to be sold.

Selling Direct Versus Selling Through a Intermediary

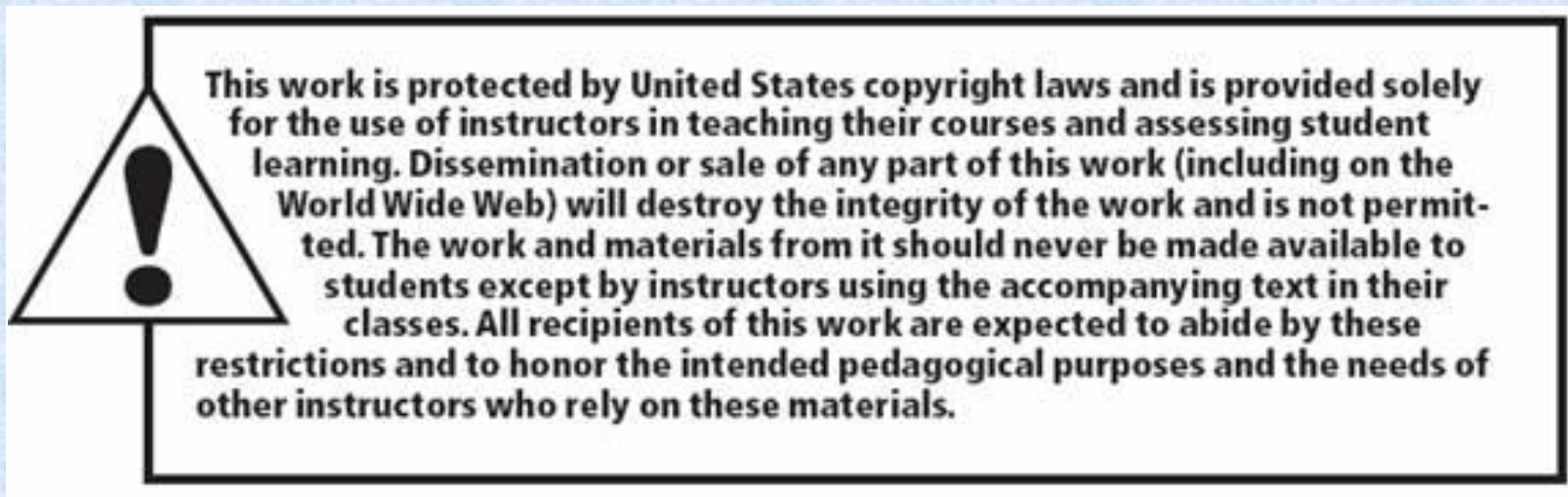
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Selling Direct



Selling Through Intermediaries





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