

# DS3000: Entrepreneurship & Management functions

Session8

*<https://sites.google.com/a/iiitdm.ac.in/sudhirvs/courses/entrepreneurship-management>*



INDIAN INSTITUTE OF INFORMATION TECHNOLOGY,  
DESIGN AND MANUFACTURING,  
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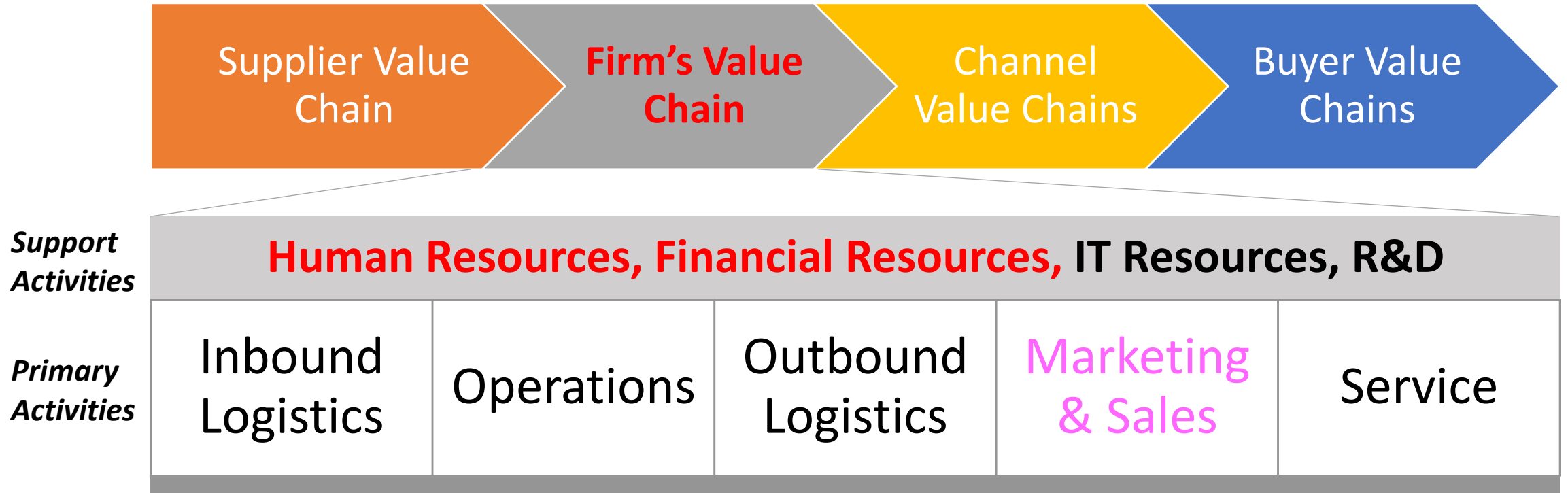
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# Contents

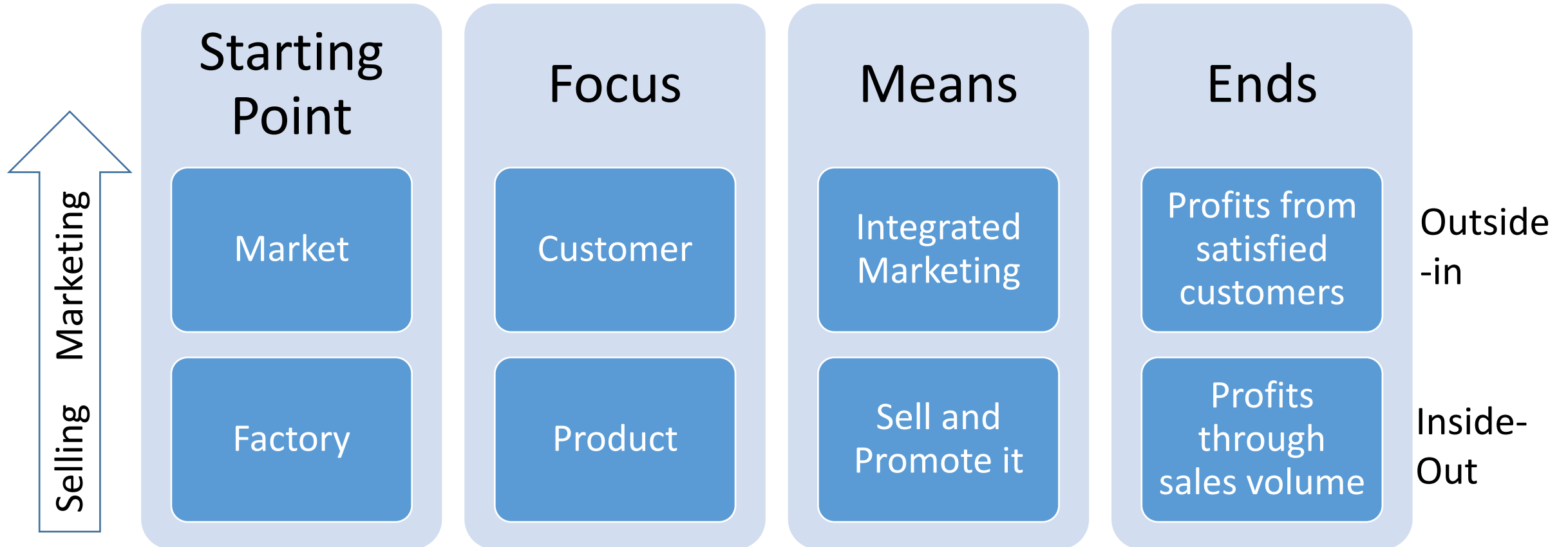
Introduction to Marketing and Sales

Customer Relationship Management

# Typical Value Chain & Recap of discussions so far



# Marketing versus Selling – Historical Trends



# Marketing – Definition & Key Functions

- Marketing management is the process of planning and executing the **conception, pricing, promotion** and **distribution** of **ideas, goods and services** to create exchanges that satisfy individual and organizational goals – Philip Kotler
- Key functions include
  - Market research – How can we identify and choose profitable market segments?
  - Marketing Strategy – How to differentiate our offering from competition?
  - Marketing Mix (4Ps) – How to satisfy our customers and build brand loyalty?
  - Monitoring – How do we measure and track customer satisfaction & customer value?

# Market Research – Understanding demand

## Types of Markets

- Consumer markets
- Business markets
- Government / Non-profit markets

## Market Share Analysis

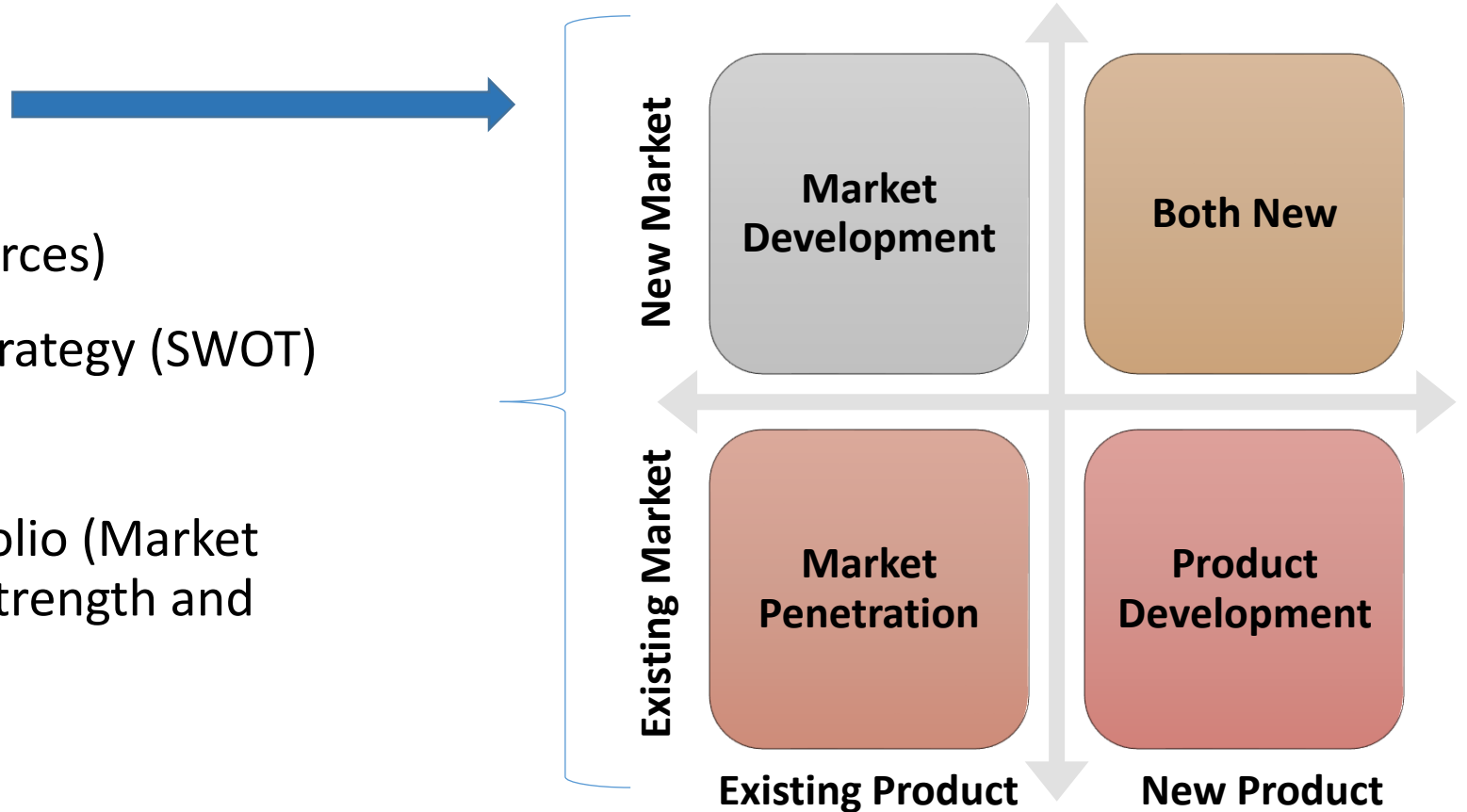
- Competition
- Segments
  - 16-25 Age group (Millennials)
  - Lifecycle stage & demand (25-34 or 55-64)
  - Social groups
- Market Penetration

## Market Trends

- Growth in self-employment
- Changes in the no. & structure of households
- Increasing home ownership
- Rich-poor divide
- Demographics
- Consumer debt

# Marketing Strategy

- Growth strategies
- Competitive strategies (5 forces)
- Matching environment & strategy (SWOT)
- Selecting the product portfolio (Market attractiveness vs business strength and Product lifecycle)
- Market segmentation



# Marketing mix (4Ps)

Product(s)

Pricing

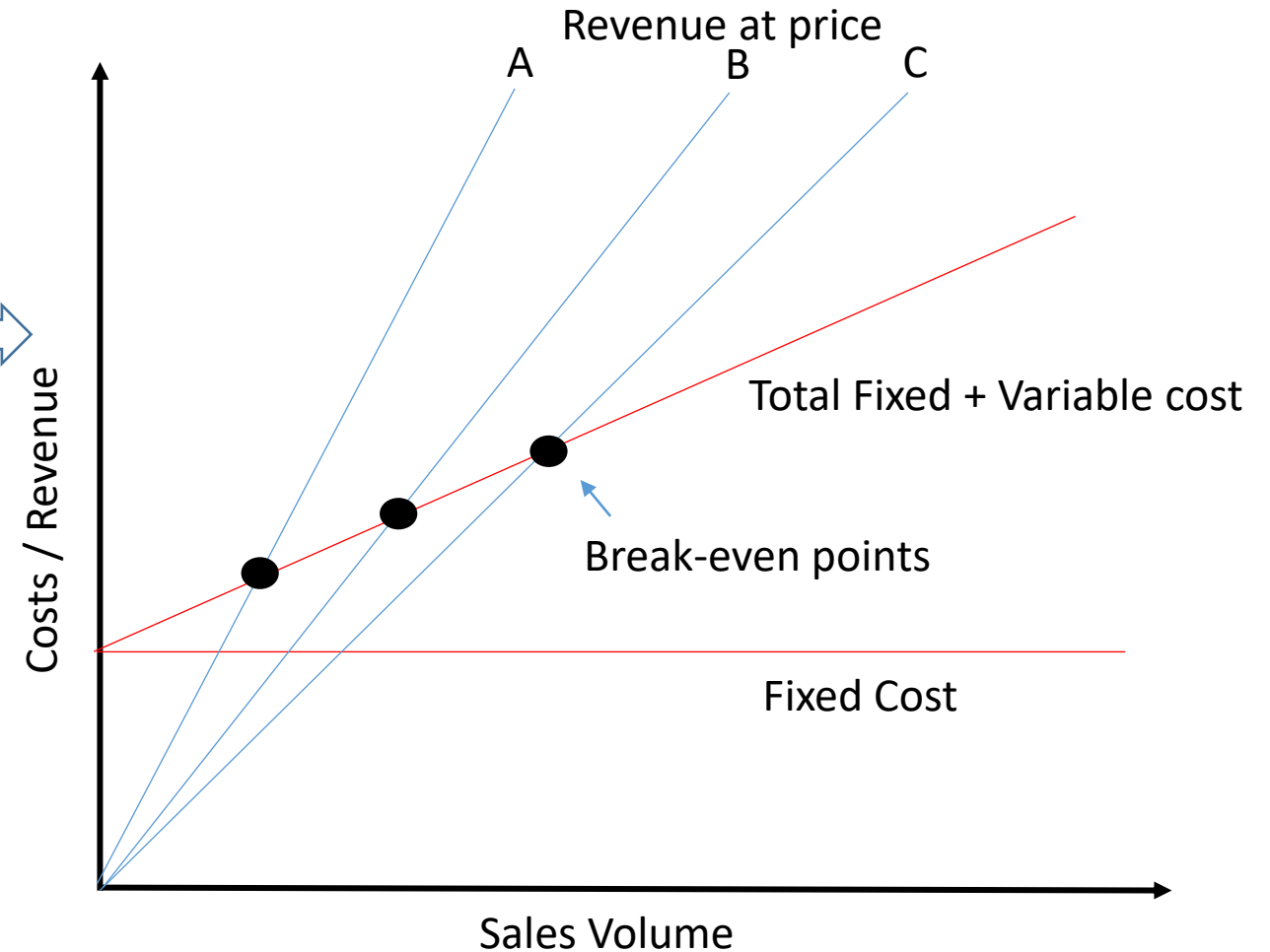
Place /  
Distribution

Promotion



# Considerations in Price Setting

- Pricing and regulations
- Pricing and competition
- Economics – Sales / Price relationships



# Willingness to Pay : WTP

It is important to have a conversation with customers about their willingness to pay for your product before beginning to build the product.

Benefits of early WTP include:

- Will tell immediately if there is an opportunity to monetize your product
- Will help in prioritizing features and design the product with the appropriate features.
- Will enable you to avoid early setbacks/failures

*Source: Monetizing Innovation: Ramanujam and Tacke*



# Information from early pricing talks

## Asking the WTP questions

- What do you think could be an acceptable price?
- What do you think would be an expensive price?
- What do you think would be a prohibitively expensive price?
- Would you buy this product at the price point Rs.YYY

**It is important to follow each question with a “Why ?” – Asking for a justification for the response**

*Source: Monetizing Innovation: Ramanujam and Tacke*

# Emerging Monetizing Models

- Subscription Model
- Dynamic Pricing (*Surge Pricing in cab aggregators*)
- Market Based Pricing (*Auctions*)
- Alternative Pricing (*Pay as you use*)
- Freemium Pricing (*Linkedin, dropbox*)

# New Product Pricing Strategies

## 1. Market skimming pricing

- strategy with high initial prices to “skim” revenues layer-by-layer from the market.

## 2. Market penetration pricing

- set a low initial price to penetrate the market quickly and deeply to attract many buyers quickly to gain market share.

# New-Product Pricing Strategies

## Market skimming pricing

Product quality and image must support the price.

- Buyers must want the product at the price.
- The costs of producing a smaller volume cannot be so high that they cancel the advantage of higher prices.
- Competitors should not be able to enter the market easily and undercut the high price.

Examples: *Playstation, jewellery, digital technology, 4K, 8K TV, iPhone/Apple Products and First to Market products / Innovations etc.*

## Market penetration pricing

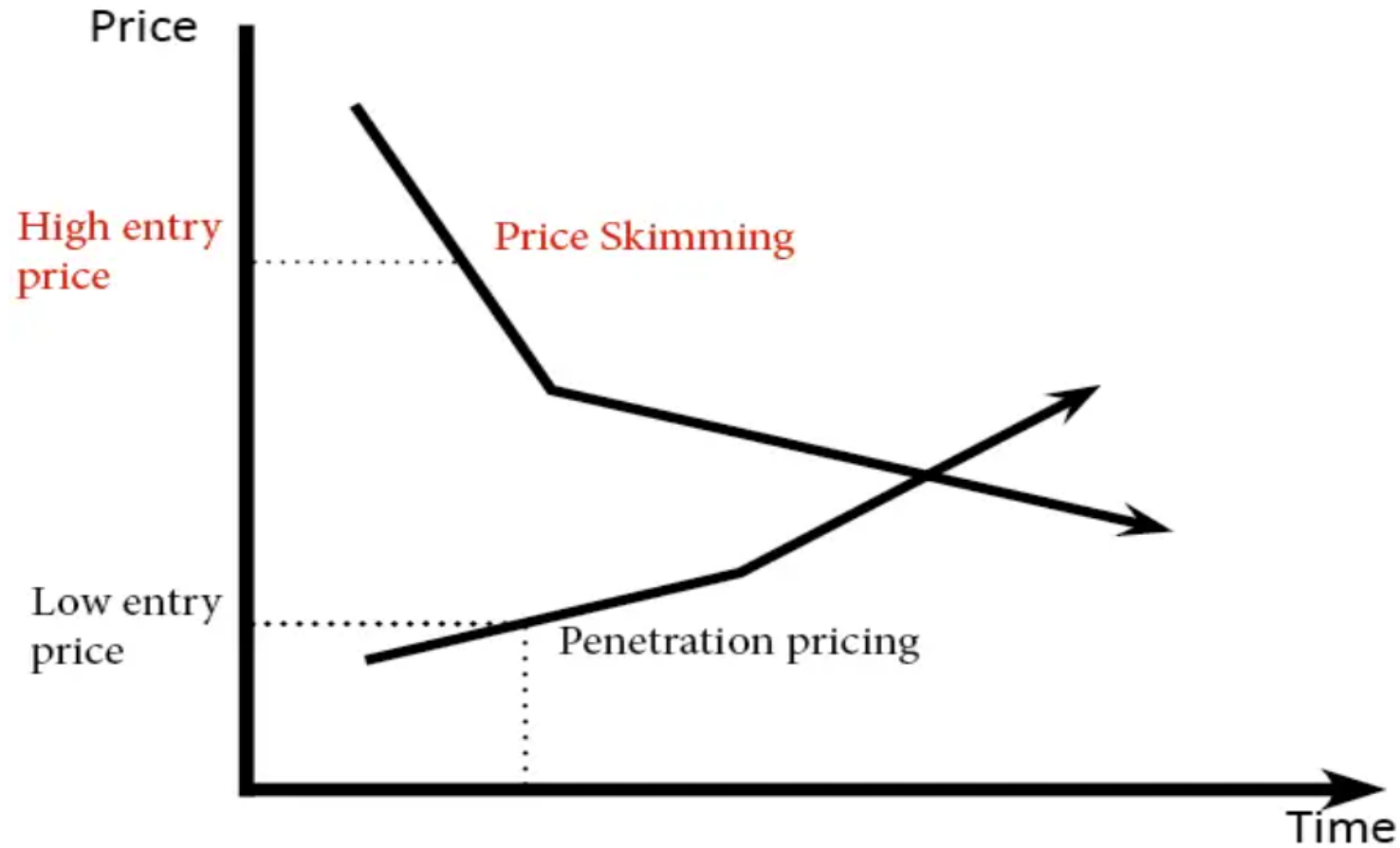
- *Production and distribution costs must fall as sales volume increases*
- *Low prices must keep competition out of the market.*

Examples: *Reliance JIO, Android smartphones (Xiaomi, etc), Netflix*

# Price Skimming : Pros and Cons

Pros	Cons
<ul style="list-style-type: none"><li>• Firms can increase margins and invest further in development of new products</li><li>• Customers who wait may benefit from lower prices</li><li>• High Price can help recoup investment costs of the new products</li></ul>	<ul style="list-style-type: none"><li>• Customers who pay high may feel ripped off as the price drops</li><li>• Firms could loose market share if the initial price is too high</li><li>• May require a degree of monopoly power</li></ul>

# Comparison between price skimming and penetration pricing

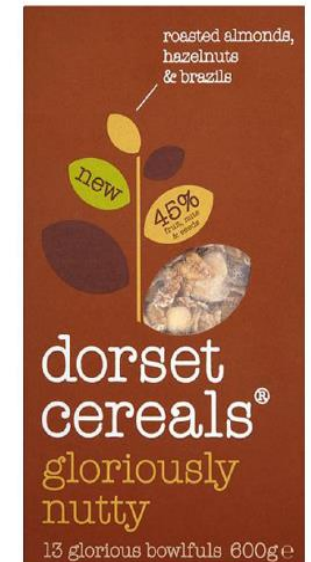
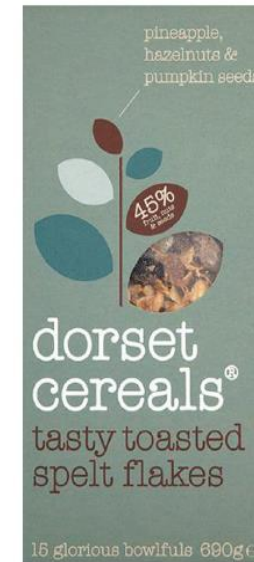
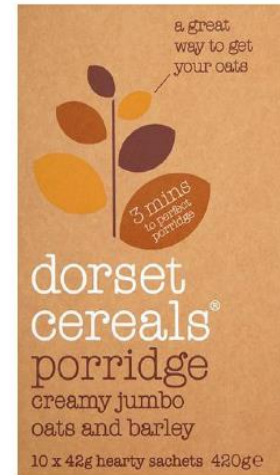




# Promotion & Advertising

- Who is the target audience
- What is the message content
- How much budget
- What is the right promotional mix
  - Advertising (media/packages)
  - Publicity (press coverage)
  - Promotion (coupons)
  - Personal selling

## Idea of Honesty



# Place / Distribution

## Direct Distribution

- Databases, Direct mail, Contact Centres, Retail outlets
- Direct sales force
- Multi-channel integration (online, mobile, contact centre, branch)

## Indirect Distribution

- Retail / Distribution Partners (Intensive, Selective)
- Ecommerce

# Challenges with Direct Sales Force

- Hiring & Training: Core skill - communicative interaction
- Rewarding
  - Commission only
  - Quota based systems
  - Basic salary (small) with commission potential (high)
- Retention of sales force

# Different ways to structure the marketing function

- Marketing as one of the functions (apart from Operations, Finance, HR)
- Marketing as a more important function compared to others
- Marketing as a major function with customer at the centre

# Great Products that Failed Because of Poor Marketing (Volkswagen Phaeton)



- Launched as a brand new model in the full-size luxury Premium class segment in 2002
- Aimed at customers in Luxury category, like BMW, Audi, Mercedes-Benz
- Sales in North America ended in 2006 and globally in 2010
- sales results so bad that the car had to be pulled from the market?

## Why did it fail?

Simply, bad marketing, lack of understanding of product positioning and demographic miscalculation.

Historically, Volkswagen has always been known for making affordable cars for the masses. The word Volkswagen means "People's car" in German.

So, trying to build and sell a luxury brand created a cognitive dissonance with the target demographic who could not understand why they have to spend \$70K for a VW badged car.

Other car companies have successfully created luxury products by changing the name of the original brand. Example- Toyota created Lexus, Honda created Acura, BMW created Mini, and Nissan created Infiniti.

Note, in each case, the parent brand still retained ownership and operations of the new brand/products.

- **Volkswagen should have created and marketed the Phaeton as a separate and distinct brand Volkswagen.**

# Google Glass Failure ?



## 1. No Real Product Launch

- Launched in a novel way. Given to Early adopters and celebrities and let them be the advertising for the product. No formal launch date about the product

## 2. No Mainstream Advertising Campaign

- Any new product in the consumer /Lifestyle category spends considerable resources in getting the product message and this did not happen except that google left it to the Public relations department to launch the teasers about a new product

## 3. lacked the clarity on why the product exists or why the product is great

- Core benefits of the product was not properly articulated. While the product arrived with much hype and fanfare, most of the users did not know how to use it leave alone the benefits.

## 4. Technology and performance issues

- Battery/heating issues

# Great Products that Failed Because of Poor Marketing

Launched in 2006 after the launch of Apple iPod in 2001

Even though Zune was launched with much fanfare and serious budget, it never got more than single digit market penetration.

Zune team spent huge sums of money and a lot of time chasing after Apple's iPod until 2015 when it gave up on Zune and the associated music streaming service.

- **Why it failed?**

While Apple had been running iPod & iTunes commercials for years, Microsoft Zune was wishy-washy on committing to aggressive advertising to compete with Apple.

- Zune Market place, equivalent of iTunes was poor
- By the time Microsoft figured it out, Apple had already moved on the cell phones that were fully integrated with iTunes and can offer music player.



# Contents

Introduction to Marketing & Sales

Customer Relationship Management



# Customer Relationship Management (CRM)

- A company-wide business strategy designed to optimize **profitability** and **customer satisfaction** by focusing on highly defined and precise (specific) customer groups.
- **Focus of CRM**
  - Customers rather than products
  - Changes in processes, systems, and Organization culture
  - All channels and media involved in the marketing effort. (from online to field sales)
  - Think beyond the transactional relationship

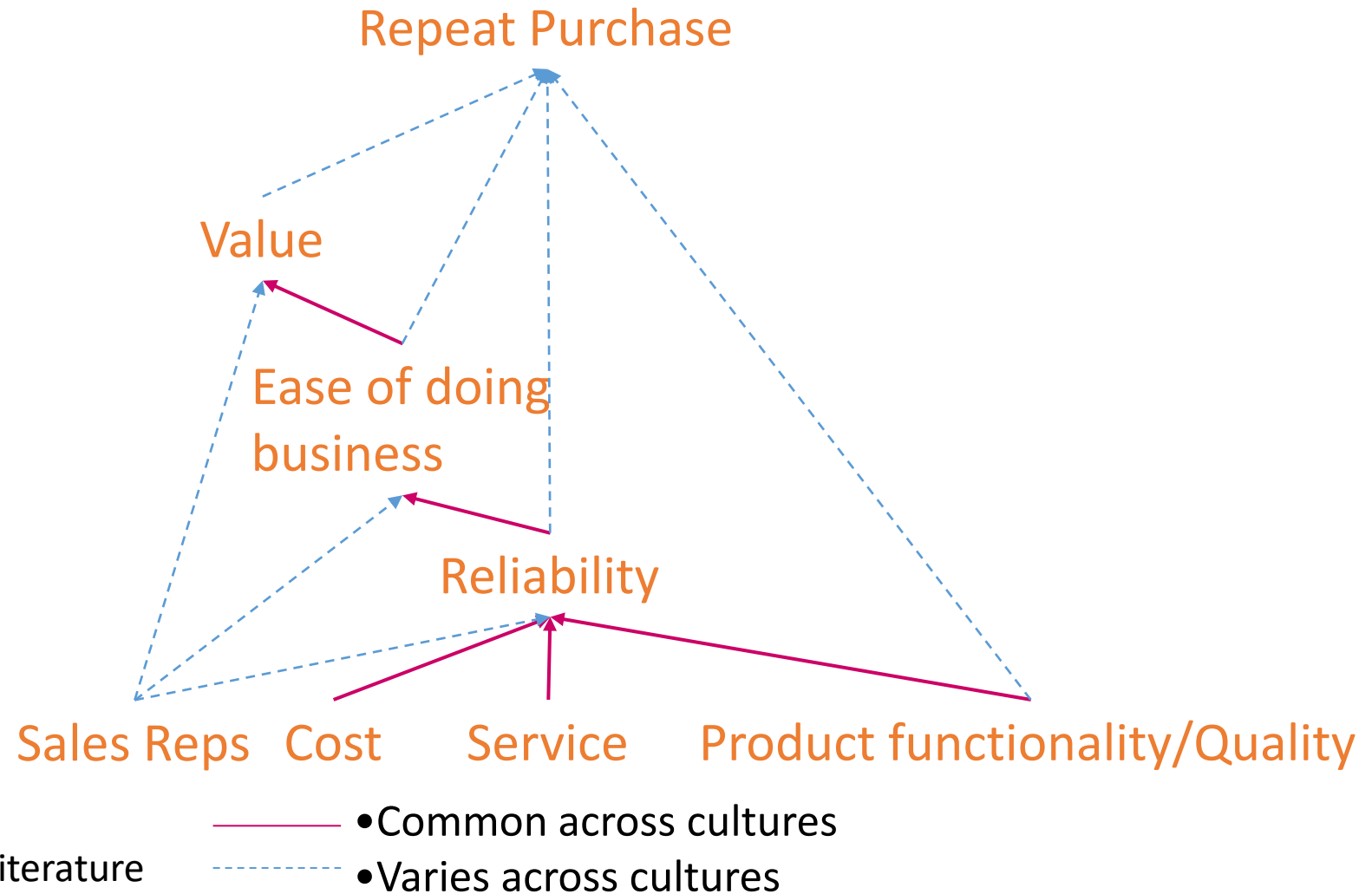
# Managing Customer Satisfaction

- **Key Elements of Customer Satisfaction:**
  - Offering general support services, such as customer assistance.
  - Setting up a system to counteract customers' bad experiences.
  - Delivering extraordinary services that excel in meeting customers' preferences and make the product and/or service seem customized.
- **Customer Experience Management (CEM)**
  - Having a positive experience with a business becomes part of the firm's value equation.
  - An approach that recognizes that with every interaction, customers learn something about a firm that will affect their desire to do business there in the future.

# Exercise: Construct your model of marketing – what leads to repeat purchase?



# Models of customer value



Source: Adapted from marketing literature

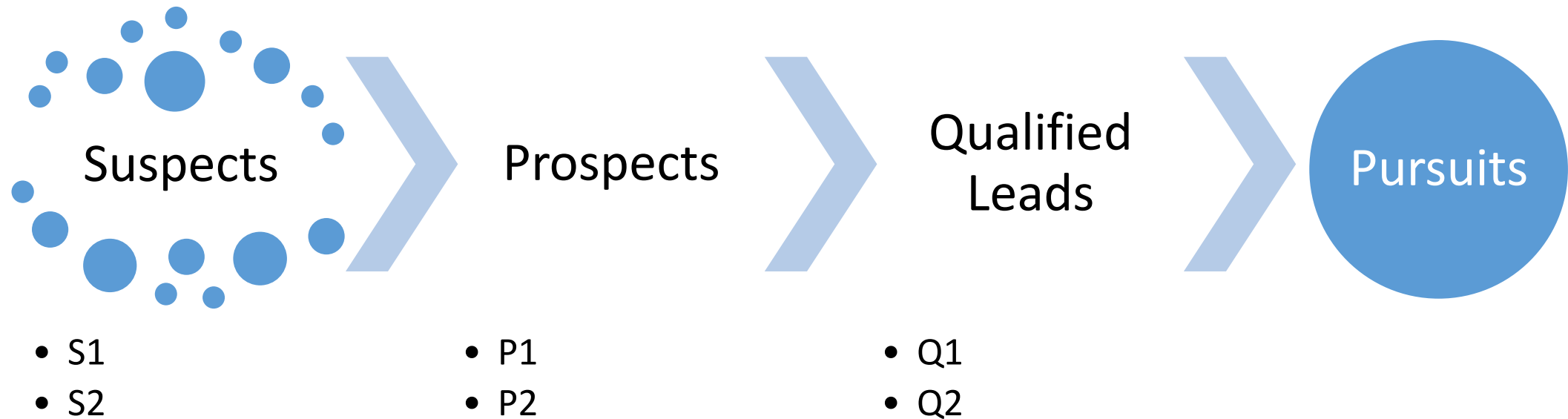
# Understanding the customer

- Who is the customer?
  - Consumers, Businesses or Government?
- What is the buying behavior?
  - How customers choose a particular product & brand? Buyer value chain



- In B2B - Who is the decision maker, who is the influencer, who is the detractor?

# Sales pipeline management

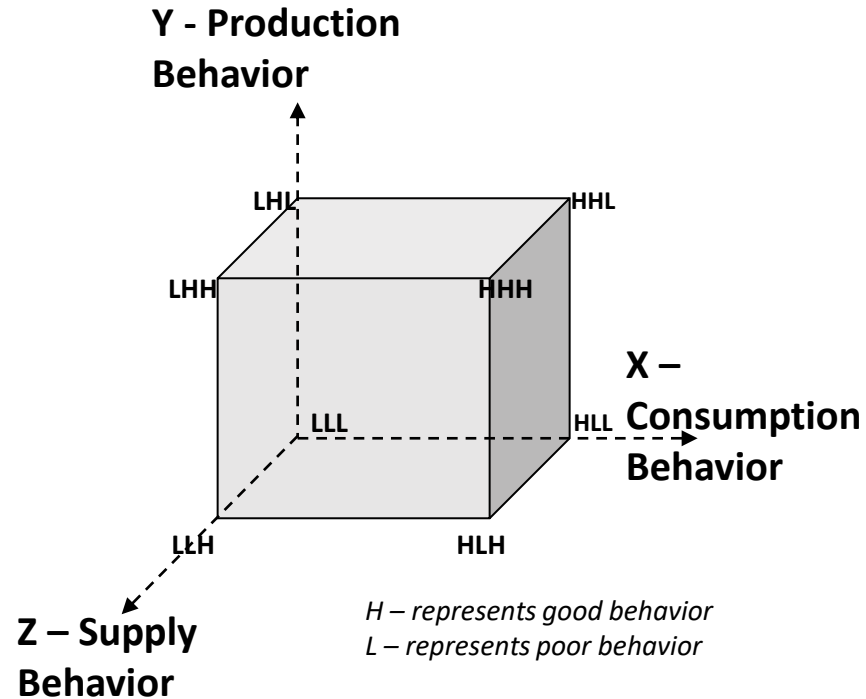


Each opportunity will have a probability of win, the deal size and estimated value

# Key Account Management & Demand Creation

- When supply exceeds demand & the nature of requirements become complex?
- Traditional sales skills will not apply – need for knowledge-intensive sales
- Sales force in an advisory role – consultative marketing & tighter integration between Operations, Technology / Practice (R&D) and Marketing

## A deeper understanding of customer behaviors



## Types of Customers

HHH - Very good ... **MUST HAVE ACCOUNTS**

*HLH - They give business & help penetrate the industry or market, but are difficult to work with*

*HHL - They consume and produce, but do not actively help penetration in the industry or market*

*LHH – They don't consume much, but are easy to work with & can help penetration in the industry or market*

*HLL - They consume, but are not easy to work with or helpful in expanding business*

*LHL – They are easy to work with, but do not consume or help grow business*

*LLH – They are willing to help you grow, but do not consume much, nor very easy to work with (highly unlikely except in cases where senior mgt link is strong)*

*LLL - Inactive customers (or very new)*



# Our Understanding of Client's Strategy

Client's Growth Strategy		Potential Implications for Two core solutions
<b>Grow Traditional Business</b>	<ul style="list-style-type: none"><li>• Strengthen traditional business lines like Credit, Debit, Prepaid</li><li>• Redefine product constructs</li></ul>	<ul style="list-style-type: none"><li>• <b>Optimize S1 &amp; S2 Product &amp; Customer Support</b></li></ul>
<b>Diversify Income Stream</b>	<ul style="list-style-type: none"><li>• Expand to new customer bases (issuers, merchants, telecom, govt)</li><li>• Innovative deal constructs</li></ul>	<ul style="list-style-type: none"><li>• <b>Scalable Customer on-boarding &amp; Support Model for New Segments &amp; New Markets (MEA)</b></li></ul>
<b>Build New Business Streams</b>	<ul style="list-style-type: none"><li>• Expand Information Services</li><li>• Intensify eCommerce, mCommerce</li></ul>	<ul style="list-style-type: none"><li>• <b>Value Added Services to Proliferate E-Commerce &amp; M-Commerce</b></li></ul>



# Potential Areas of Collaboration

- **Optimize S1 & S2 Product & Customer Support**

- **Scalable Customer on-boarding & Support Models for New Segments & New Markets**

- **Value Added Services to Proliferate E-Commerce & M-Commerce**

1. **Time to Market & Cost Advantages by extending S2 Testing CoE & Product Support to S1**
2. **Centralized Multi-lingual Customer Support for S2 in APMEA - from Malaysia & South Africa**
3. **CoE for Accelerated Customer On-boarding / Upgrading Premium Customers from S1 to S2**
4. **Scalable BPO Service for Extending Fraud Identification & Reconciliation Services, especially for new markets like Africa**
5. **Augment eCommerce offering with solutions like**
  - Cloud based LBS for CNP / MWallet
  - Virtual Cards



# End of Session



# Appendix



# Appendix -1

Demand Estimation through customer spend



# Illustrative: Potential Opportunities & IT Spend in BFSI

High Potential

Med Potential

Sub-Verticals	Solution Areas	IT Services* (\$ bn, 20XX)	North America (40%)	UKI & Europe (35%)	APAC (18%)	MEAI (5%)
Retail Banks, Corporate Banks & Interchanges	Core Banking	20			Product/Service	
	Lending & Leasing	18				
	Cards & Payments	21	Product/Service	Product/Service	Product/Service	Product/Service
	Supply Chain Finance	15				
Sell-Side, Buy-Side, Data Providers	Trading	12				
	Asset Mgt/Pensions	10				
	Wealth Mgt	16	Product/Service	Product/Service		
	Market Data	06	Product/Service			
Life and P&C Insurance	Distribution	08				
	U/W, Policy	17	Product/Service	Product/Service		
	Claims	13				
Cross Industry (BFSI – IT spend included in previous)	Risk & Compliance	15				
	Cust Centric (MFS)	20	Product/Service	Product/Service	Product/Service	Product/Service

\* Approximations based on different sources of information – Analysts, Forbes 2000, Recent RFx

# Appendix -2

## Top Methods for Willingness to Pay conversation



# Top Five Methods for having WTP Conversations...(1 / 3)

Method	Description	When to Use
Direct WTP Questions	<ul style="list-style-type: none"><li>• What do you think could be an acceptable price?</li><li>• What do you think would be an expensive price?</li><li>• What do you think would be a prohibitively expensive price?</li></ul>	<ul style="list-style-type: none"><li>• During early stages of the innovation.</li><li>• Provides for a good indicator as where you are heading</li></ul>
Purchase Probability Questions	<ul style="list-style-type: none"><li>• Present a new product concept, explain the value and benefits along with the price.</li><li>• Seek a response on a scale of 1 to 5 on the probability of buying from the customer.</li><li>• Run the survey by varying the price point and seek justification about the selection If price</li></ul>	

*Source: Monetizing Innovation: Ramanujam and Tacke*



# Top Five Methods for having WTP Conversations...(2/3)

Method	Description	When to Use
Most- Least Questions	<ul style="list-style-type: none"> <li>Start a survey with a finite set of features (10 for instance) and subsequently ask the customer to identify the most preferred and least preferred.</li> <li>Try and administer different combinations by showing different subsets from the same feature set. (MaxDiff method)</li> </ul>	<ul style="list-style-type: none"> <li>Quickest way to determine the relative priorities of features and identify the leader (most valued), fillers and killers (least valued)</li> </ul>
Build your Own questions	<ul style="list-style-type: none"> <li>It is important to have a rough idea about customers WTP prior to get started on the build your own questions.</li> <li>Put a set of features and price before the customer and let them build their ideal product by selecting the features they value most.</li> <li>It is important to observe where they stop. As the price increases with features increasing, the stop point gives an indication of the price point</li> </ul>	<ul style="list-style-type: none"> <li>Use this for identifying ideal packages for the different set of customers</li> </ul>

*Source: Monetizing Innovation: Ramanujam and Tacke*

# Top Five Methods for having WTP Conversations...(1 / 3)

Method	Description	When to Use
Purchase Simulation	<ul style="list-style-type: none"><li>• Most advanced method also called Conjoint analysis.</li><li>• Give a product with a set of features and price and ask the question “If they would buy the product and why?”</li><li>• Change the features and price and ask the same question</li><li>• Try and run through 5 to 8 combinations to see the reaction of the people</li><li>• Closest a real sales situation</li></ul>	<ul style="list-style-type: none"><li>• Use this method when the willingness to pay for a product needs to be more precise.</li><li>• A prerequisite is to identify the set of good features and a good understanding of willingness to pay.</li><li>• It is preferred to use the other methods prior to using this method</li></ul>

*Source: Monetizing Innovation: Ramanujam and Tacke*

# Willingness to Pay : Points to note.....(1/2)

1. Leverage the internal expertise by involving a cross functional team. Conduct an internal expert judgment workshop with the survey questions planned for customer WTP
2. Position focussed Customer discussions as “value talk”. Do not position the talk as “pricing” or “Willingness to pay”, rather talk how the innovation ideas will add value to the customer
3. Valuable insights come from simple questions
4. A good percentage of questions should have “Why” so that the customer responses could provide additional reference points for improvement

## Willingness to Pay : Points to note.....(1/2)

5. It is advisable to change the conversation script, may be unstructured especially for leading edge innovations. Do not always follow a standard script
6. Do not leave the WTP conversations to the product teams alone. Involve all the key people into the action
7. Avoid the average trap
8. Do not always rely on quantitative numbers
9. Be Precise in your language: communication