



# Marketing and Idea Generation

Session 4

Course ICT Entrepreneurship

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# Examples of Disruptive Innovation



VS



# Examples of Disruptive Innovation



VS



# Examples of Disruptive Innovation



VS



# Examples of Disruptive Innovation



VS



*Let's Go Digital*

# Examples of Disruptive Innovation



VS





# Examples of Disruptive Innovation

VS



What do they have in common?





# Henry Ford

*If I would have listened to my customers,  
I would have made faster horses.*





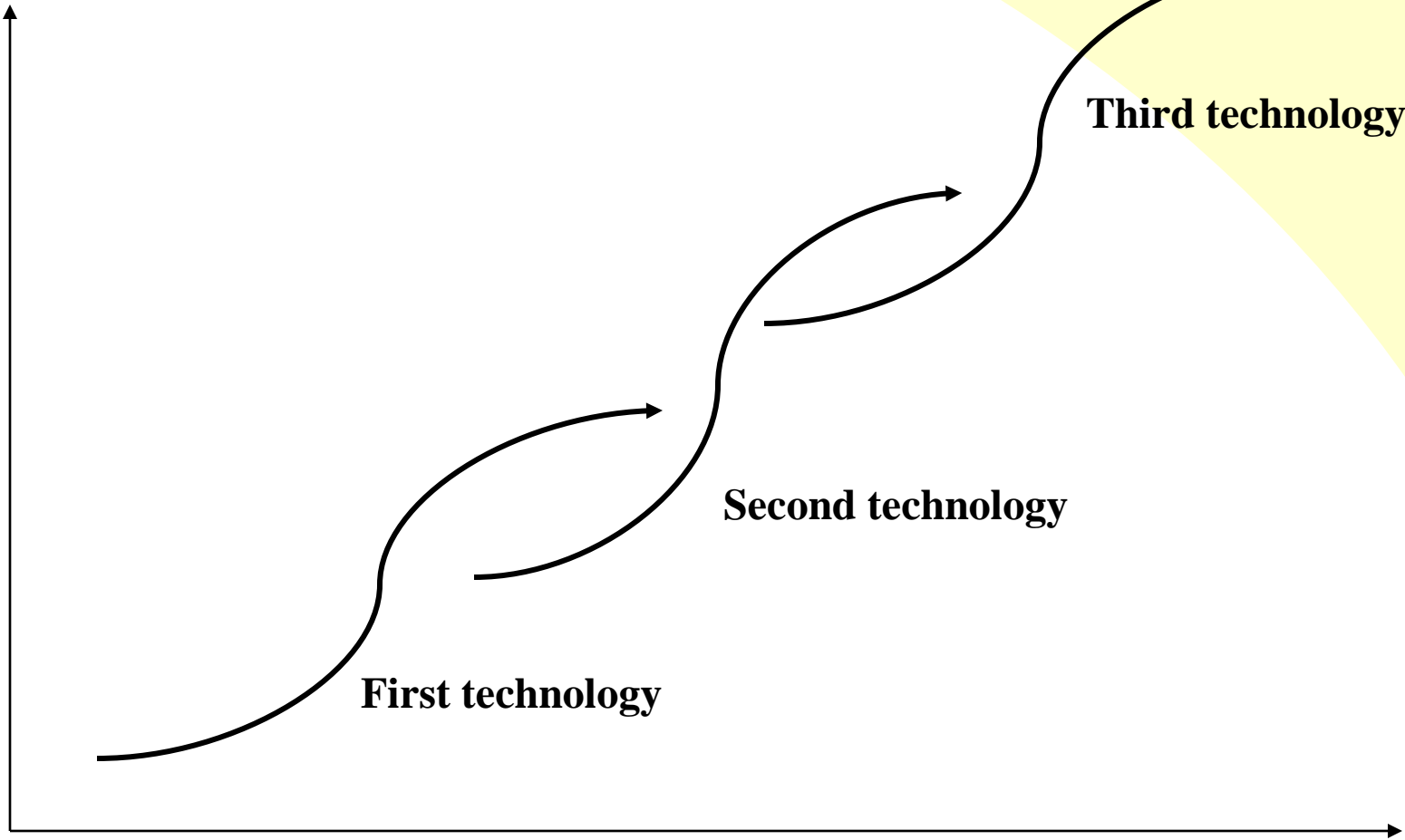
# What is a disruptive technology?

- A **disruptive technology** or **disruptive innovation** is a technological innovation, product, or service that eventually overturns the existing dominant technology or status quo product in the market.
- Good news for young dogs 1: old companies cannot overcome new competitors with disruptive technology
- Good news for young dogs 2: old companies generally cannot come up with new disruptive innovations
- Bad news for young dogs: Old companies are best at developing sustaining innovations.



# What is a disruptive technology?

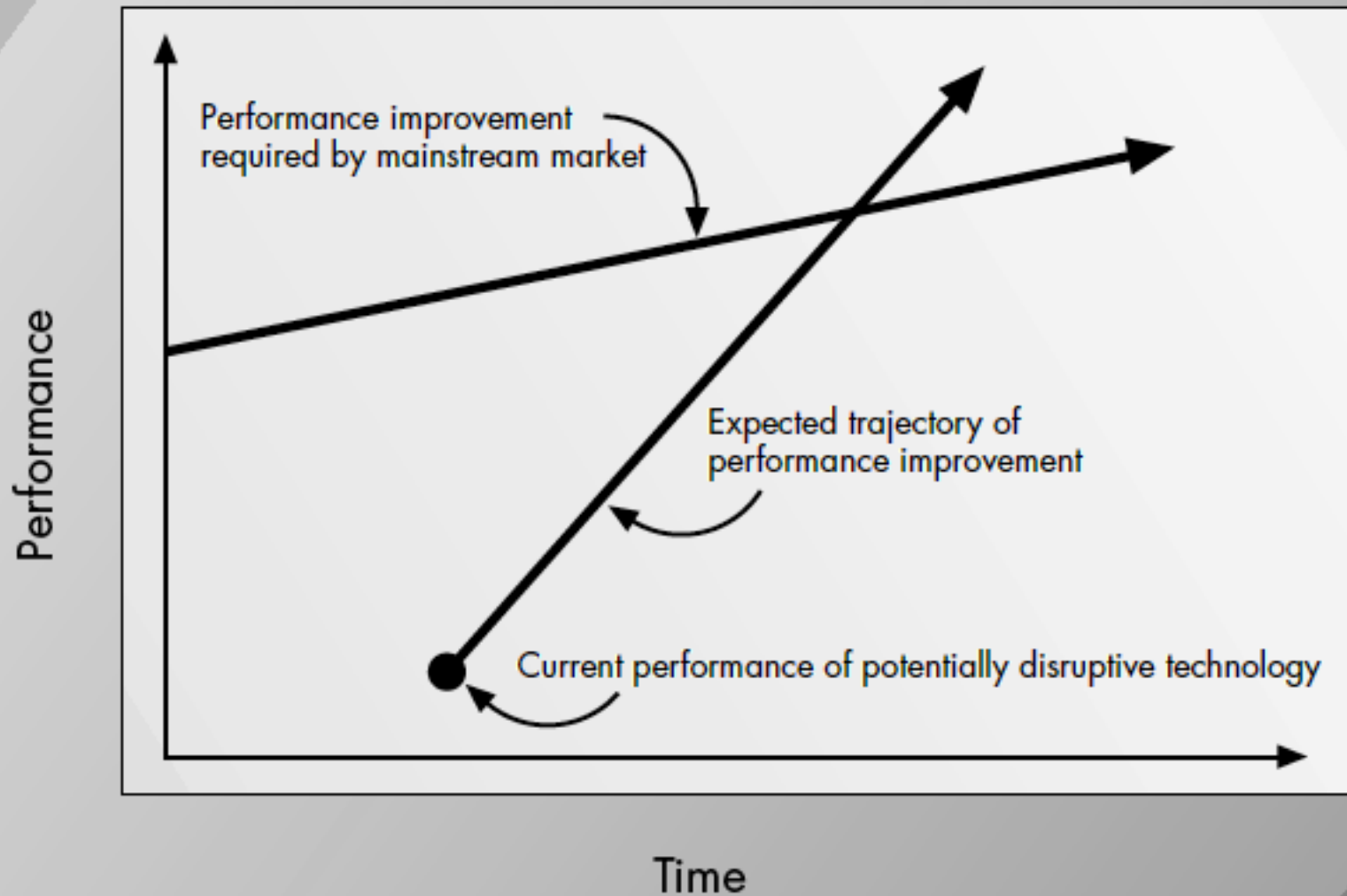
**Performance**



Source: Adapted from Foster (1986) and from Christensen (1992)

**Time / Resources devoted**

# How to Assess Disruptive Technologies



# Why are incumbents (often) sitting ducks?



## ■ **Economic interest**

- . Better-off funding incremental supportive innovation
- . Risk of accelerating substitution and destroying value
- . Increasing returns to competence/installed base, trajectory lock-in

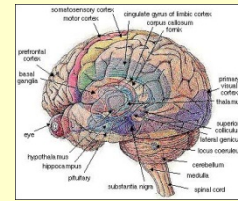
## ■ **Organizational logic**

- . Structural “fit”, interaction routines, collective tacit skills
- . Successful strategies grow into mindless recipes
- . Orthodoxies, rigidities, cultural homogeneity
- . Internal resource allocation processes
- . Lack of relevant, and well-located absorptive capacity

## ■ **Social heritage**

- . Network embeddedness (customers, suppliers, partners)
- . “Ties that Bind”, unwillingness to challenge past commitments
- . “Value networks” require collective agreement on change across firms

# Idea Generation



- Two out of three start-ups are gone within a year
- Main reason: **Bad idea**
- Students in ICT-Entrepreneurship must constantly review their own product idea
- The Netherlands needs innovative ideas
  - More jobs
  - Knowledge economy
  - Stop being a “shave, cut, and get out” country
- Fear of being Leapfrogged



# Idea Generation Methods

- **Visioning** – What does the future look like?
- **Exploring** – What could we do with new assumptions?
- **Experimenting** – Can we combine different ideas?
- **Modifying** – How can we modify current ideas?
- Example: Traffic jams

# Traffic jams example



- How will the traffic jam problem be solved?
- Visioning: Soon there will be no more oil left. We will all drive solar powered cars.
- Exploring: People do not want to take public transport because it is too slow, let's reduce the maximum speed on highways to 80km/h
- Experimenting: Let us tweak gastax and public transport prices and see what happens to the traffic jams.
- Modifying: Let us add a helicopter to all cars and see if we still have traffic jams.



# Excercise

- Solve traffic jams using software and ICT
  - Do it with your own product team
  - Use a random idea generation technique
  - Take notes of which technique you used and your final idea



# Visioning

- Follow trendwatchers closely
- Read SF novels
- Look at new technology and gadgets
- Delphi meetings: bunch of clever guys
- Ask yourself:
  - Where do I wish to be in five years?
  - What will the market for product X look like in 10 years?
  - What will people spend their salaries on in five years? (think of your own mobile bill)
  - Etc.



# Exploring

- Do market research
- Talk to customers
- Talk to potential customers
- Ask them for their “faster horses”
- Ask yourself:
  - What can be improved in my life right now?
  - What do I enjoy doing that’s (too) expensive? (bungeejumping, lasergaming, surfing, etc)
  - What would change your life completely?



# Modifying

- Modify things around you
  - Surf the web on your iPod
  - Call your mom on your laptop
  - Use your wireless router to forward your phone calls
- Ask yourself:
  - What object I use daily can I modify so that it works better?
  - What objects were recently modified that made these objects much more popular?
  - Etc.

# Experimenting



- Experimentally combine things
- Wonder what it would be like if your kitchen was fully integrated
- Wonder what it would be like if your car could automatically drive to an address in your phone without your intervention. What would you do?
- Ask yourself:
  - Can I think of useful combinations of existing technologies?
  - Can I think of combinations of stuff we carry with us? (smartphones, watches, laptops, psps, etc)
  - Can I think of combinational sales (car and home insurance)?
  - Etc.



# Unstructured Idea Generation

- Bananas – Think of a ludicrous idea and modify it until it becomes a good product
- Yellow Pages - Do the same with the Yellow pages
- Change your setting – get out of the box
- Take a world problem... And solve it!
- Take a time during your day (in the bathroom, under the shower, before you fall asleep, etc) and develop a product
- Think up random problems/solutions and combine them to create a bigger problem/solution



## Yunon wint publieksprijs The Next Web 2009 Open Coffee Utrecht

Marl

Regelmatig bezoeken we met Qash Open Coffee. Onder het genot van een goede bak koffie praten we woensdagmorgen met een aantal man informeel over alles wat te maken heeft met web, ondernemerschap, technologie en al het andere wat ons

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Vanmiddag w  
Nieuwsradio.  
Qash en Acc



Klik [hier](#) om t



# Marketing by Google



- Business model: the more internet usage, the more revenue from AdWords
- Chrome



# Marketing Basics

- A market-focused, or customer-focused, organization first determines what its potential customers desire, and then builds the product or service





# Marketing Definition

- Activities necessary for:
  - Planning and executing the
  - conception (**p**roduct), **p**ricing, **p**romotion and distribution (**p**lace)
  - of ideas, goods and services to
  - create exchanges
  - that satisfy individual and organizational objectives

# Marketing Mgmt. Philosophies



1. Production
2. Sales
3. Marketing
4. Societal marketing orientations



# 1. Production Orientation

- Focuses on internal capabilities of firm.
- “Field of Dreams” strategy
  - “If we build it, they will come”
- Best used when
  - competition is weak
  - demand exceeds supply
  - generic products competing solely on price
- Not close enough to customer needs



## 2. Sales Orientation

- People will buy more goods/services if aggressive sales techniques are used.
- High sales will result in high profits.
- Used with unsought products
  - life insurance
  - encyclopedias
- Not close enough to customer needs



### 3. Marketing Orientation

*Marketing concept:*

*The social and economic justification for an organization's existence is the satisfaction of customer wants and needs, while meeting organizational objectives.*



### 3. Marketing Orientation . . .

- Focusing on customer wants so the organization can distinguish its products from competitors' .
- Integrating all the organization's activities, including promotion, to satisfy these wants.
- Achieving long term goals for the organization by satisfying customer wants and needs legally and responsibly.



### 3. Marketing Orientation . . .

- Requires:
  - Top management leadership
  - A customer focus
  - Competitor intelligence
    - strengths
    - weaknesses
  - Interfunctional coordination to meet customer wants/needs and deliver superior values.



## 4. Societal Marketing Orientation

- Organization exists not only to satisfy customer wants/needs and to meet organizational objectives, but also to preserve and enhance individuals' and society's long-term best interests.
- Extends marketing concept to serve one more customer - society as a whole.

# Differences between Sales & Marketing Orientations



## Sales Focus

- Organization's needs
- Selling goods/services
- Everybody
- Profit through max. sales volume
- Intensive promotion

## Marketing Focus

- Customer's needs
- Satisfying customer wants/needs
- Specific groups of people
- Profit through customer satisfaction
- Coordinated mktg. activities (4 p's)



# Relationship Marketing

- Forging long-term partnerships with customers and contributing to their success.
- Companies benefit from
  - repeat sales/referrals that lead to increases in sales, market share and profits, and
  - decreased costs - it's less expensive to serve existing customers than attract new ones.



### 3. Relationship Marketing. . .

- Keeping a customer costs  $1/4$  of what it costs to attract new customer.
- Probability of keeping current customer = 60%.
- Probability of gaining new customer < 30%.



### 3. Relationship Marketing. . .

- Customers benefit from:
  - stable relationships with suppliers (especially in business-to-business)
  - greater value and satisfaction
  - discounts, perks (frequent flyer programs, shopper clubs, etc.)
  - sense of well-being/bonding (doctor, hair stylist, etc.)



### 3. Relationship Marketing . . .

- Successful relationship marketers have:
  - customer-oriented personnel
  - effective training programs
  - employees with authority to make decisions and solve problems
  - teamwork



# The Marketing Process

1. Understand the org.'s mission & the role mktg. plays in fulfilling that mission.
  
2. Set the marketing objectives.
  
3. Gather, analyze and interpret the org.'s situation - "SWOT" analysis.
  - Strengths
  - Weaknesses
  - Opportunities
  - Threats

# The Marketing Process . . .



4. Develop marketing strategy
  - target market
  - marketing mix
5. Implement marketing strategy.
6. Design performance measures.
7. Periodically evaluate marketing efforts and make changes, if needed.



# The Four Ps

- Four Ps
  - Pricing
  - Product
  - Placement
  - Promotion
  - (People, Process)



# Product

- How many?
- How many features per product?



# Exercise

- Pair up with another product team
- Get a good idea of their product
- Split up for 7 minutes
- Improve their idea with multiple options
  - Use one of the idea generating techniques
- Get back together
- Discuss



# Pricing

- How to determine your product's price?
  - You want to maximize profits
  - You want to be cheaper than the competition (maybe?)
- Objectives:
  - Definite sales volume
  - Achieve profit
  - Larger market share
  - Maintain market share
  - Eliminate competition
  - Advantages of mass production
  - Satisfactory return on capital



# Examples

- <http://www.ledensite.com/contents/prijzen>
- <https://www.dropbox.com/pricing>
- <http://basecamphq.com/signup>
- <http://lighthouseapp.com/plans>



# Determining the Price

- Production and distribution costs
- Substitute goods available
- Normal trade practices
- Fixed prices
- Reaction of distributors
- Reaction of consumers
- Nature of demand:
  - Elastic
  - Inelastic
- Form of market:
  - Perfect competition
  - Monopolistic competition
  - Monopoly
  - Oligopoly

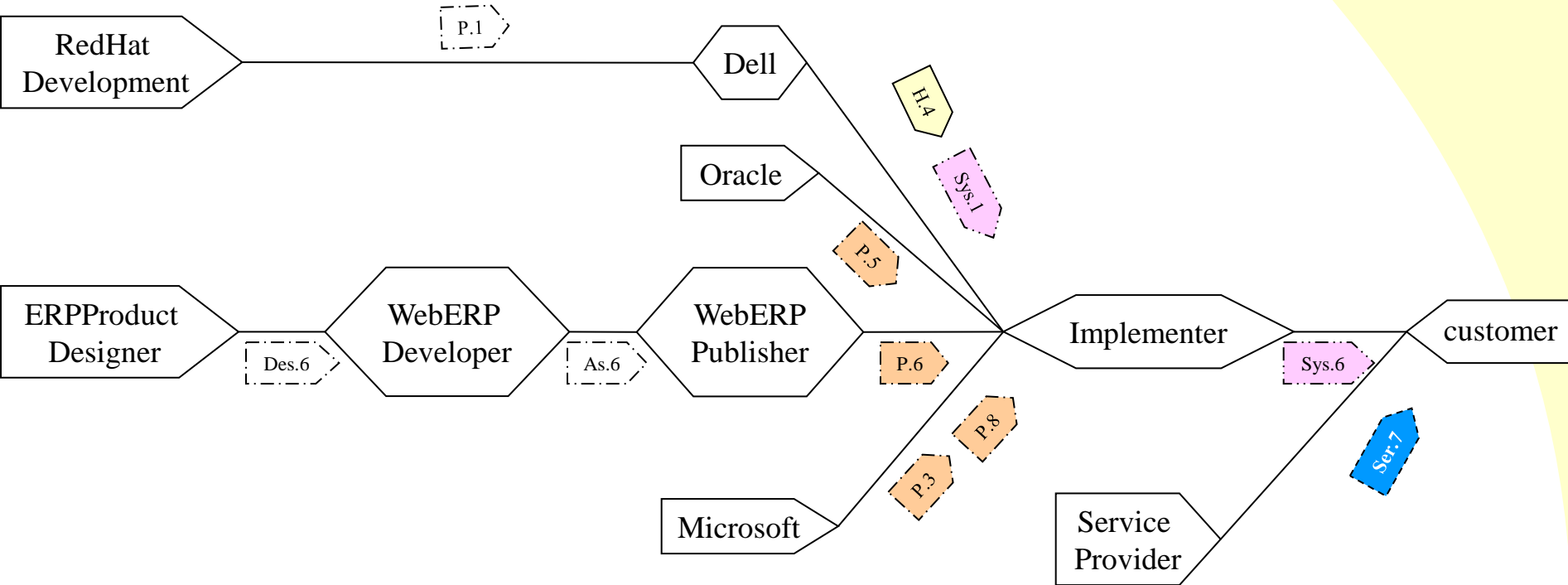


# Placement

- Manufacturer to consumer (most direct)
- Manufacturer to wholesaler to retailer to consumer (traditional)
- Manufacturer to agent to retailer to consumer (current)
- Manufacturer to agent to wholesaler to retailer to consumer
- Manufacturer to agent to customer



# Placement: Software Supply Network





# Promotion

- Eight steps in an advertising campaign
  - Market research
  - Setting out aims
  - Budgeting
  - Choice of media
  - Choice of actors (New Trend)
  - Design and wording
  - Coordination
  - Test results



# Example: Software Comp X

- Three models
  - Uurtje factuurtje
  - Subscription based
  - One time sales price



# Uurtje Factuurtje

- Direct return and profitable (+)
- Customers do not know how expensive the total is going to be (-)
- tip: <http://freelanceswitch.com/rates/>



## Subscription Based

- Great for long term
- Cumulative income (+)
- Easy to calculate each year (+)
- Short term liquidity problems, takes at least two years before breaking even per customer (-)
- For vendor X it costs an average of 600 euro to obtain a new customer (visit + marketing costs + etc)



# One Time Sales Price

- One time sales price plus maintenance
- Great for liquidity
- Every year you need more customers, unable to predict revenue

# Software Company X



- Recently switched to subscription based price
- Used to offer its product for 800 plus 150 maintenance per year
- Competition sold product for 480 per year (a hard sell!)
- Now switched to subscription based, cannot convince the old customers, uses version II of its product



# Take-Home

- Ideas are best when they are disruptive
- Think big, start small
- Marketing costs are HUGE (usually 25-30% of total budget)
- Be creative
- Think of the four Ps
- Pricing is a complex matter and can be detrimental