

Developing An Entrepreneurial Mindset

The Knock on Opportunity

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Branding Components

- Name
 - Short, suggestive, memorable, unique, pronounceable
- Slogan
- Logo and typeface
- Colors
- Music
- Themelines (Got Milk!)
- Stationery and business cards
- Offices
- Trucks
- Dress code

Brand Slogans

- *BA*, “The World’s Favorite Airline”
- *American Express*, “The Natural Choice”
- *AT&T*, “The Right Choice”
- *Budweiser*, “King of Beers”
- *Ford*, “Quality is #1 Job”
- *Holiday Inn*, “No Surprises”
- *Lloyds Bank*, “The Bank that Likes to Say Yes”
- *Philips*,
 - “From Sand to Chips”
 - “Philips Invents for You”
 - “Let’s Make Things Better”

There is No Such Thing as a Commodity: Differentiate by Segments

- Mobil conducted a study of 2,000 gasoline buyers and identified five segments:
 - Road Warriors (always driving)
 - True Blues (brand or dealer loyal)
 - Generation F3 (liked convenience store aspect)
 - Homebodies (fills up at nearest station)
 - Price Shoppers (20% of all the buyers)
- Mobil rolled out *Friendly Serve*: cleaner property, bathrooms, better lighting, well-stocked stores, and friendlier personnel.
- Mobil charged \$.02 more and sales increased by 20-25 percent.

3. How Do You Promote a Brand?

- “How do I justify spending millions on creating an image. That’s millions my customers have to spend when they buy from us.” Tom Parker, CEO of Clark’s shoes.
- Brands are built by performance, not advertising.

Don't Overuse Advertising to Build a Brand

- People don't pay that much attention to ads anymore (wallpaper).
- Some exceptional TV ads grab attention but do not provide motivation.
- Advertising doesn't have much credibility or believability.
- The existence of so much advertising makes advertising less effective. Yet the cost of advertising keeps rising.

Tools for Building Brands

- Advertising (e.g., Absolut Vodka)
- Sponsorships (e.g., Kodak and Olympics)
- Clubs (e.g. Nestle's Casa Buitoni Club)
- Company visits (e.g., Cadbury's theme park, Hallmark's Museum)
- Trade shows
- Traveling exhibits
- Worldwide web casts of presentations, roundtables, entertainment
- Distribution outlets (e.g., Haagen-Dazs)
- Public facilities (e.g., Nestle Nestops)
- Social causes (e.g., American Express)
- High value for the money (e.g. buzz created by Ikea, etc.)
- User community building (e.g., Harley-Davidson)
- Founder's personality (e.g., Colonel Saunders)
- Celebrity spokespersons

4. What Makes a Strong Brand?

- Strong brand = Product Benefits x Distinct Identity x Emotional Values

- Peter Doyle, *Marketing Management & Strategy*, 1997

THE Y&R MODEL OF BRAND STRENGTH

A successful brand has brand vitality and brand stature.

Brand vitality consists of:

1. Differentiation, the brand is distinct
2. Relevance, the brand is meaningful and personally appropriate.

Brand stature consists of:

1. Esteem, the brand is seen to have quality and momentum.
2. Familiarity, the brand is known and understood by many people.

Some conclusions:

1. A brand that has high familiarity but low likeability is a troubled brand.
2. A brand that has high likeability but low familiarity has high advertising potential.
3. A brand with high vitality but low stature has excellent potential.
4. When a brand's differentiation and relevance start slipping, esteem will slip next, and then familiarity will decline.

Characteristics of Strong Brands

- Provides superior delivery of desired benefits.
 - (Starbucks, FedEx, Amazon)
- Maintain innovation and relevance for the brand.
 - (Gillette, Charles Schwab)
- Establish credibility and create appropriate brand personality and imagery.
 - (Apple, Virgin)
- Communicate with a consistent voice.
 - (Coca-Cola, Accenture)
- Strategically design and implement a brand hierarchy and portfolio.
 - (BMW, The Gap)

Strong Brands Supply Use Value as Well as Purchase Value

Nestle:

- Sells baby food
- Provides free dietitian phone line
- Nestops along the highway

Home Depot:

- Sells home improvement products, such as paint, electrical supplies, plumbing
- Offers free kitchen remodeling design service
- Offers free workshops on how to paint, fix faucets, etc.

Volvo

- Teaches safe driving,
- Supports lower insurance rates for safe drivers

When Do You Stretch a Brand Name?

- Mercedes is putting its name on large, medium and small cars.
- Gap decided to invent Old Navy in going down and buying Banana Republic in going up.

How Do You Revitalize a Brand?

- A dowager brand pioneered the market but now is declining. It will be hard to reverse the decline and give it new life but the decline can be slowed down.
- Two general approaches:
 - *Marketing mix modification*
 - Improve the product, distribution, price, or promotion
 - *Market modification*
 - Find new segments, new usage benefits or occasions, more frequent usage, etc.
- Find out to whom the dowager brand is losing share:
 - Old peer brands
 - New peer brands
 - Retail store brands
 - Generic brands
 - Elite brands
- Find out to whom the dowager brand is losing sales.
- Interview people who defected to each competitive class and their dissenting rationales.
- Determine a counterlogic for each group and direct them to the groups that can most easily be won back.
- Source: Dennis W. Rook and Sidney J. Levy, "Defending the Dowager: Communication Strategies for Declining Main Brands."

How Do You Rationalize Your Product Line?

- Unilever found that the largest 50 brands accounted for 63% of its revenues.
- Unilever decided to emphasize 400 core brands and dispose, delete or consolidate 1,200 of its marginal brands.
- Unilever selected its 400 core brands based on brand scale, brand power (#1 or 2), and brand growth potential.
- 40 brands were designated as core global brands (e.g., Dove, Knorr, Lipton), and 360 as regional core brands.
- The core brands would get disproportionate investments in advertising and promotion, innovation, marketing competence and management time. The core brands would be extended.
- Weak brands had small market shares; poor profitability; negative cash flow; weak channel support; disproportionate consumption of management time.
- The weak brands would be milked, sold, delisted, or their attribute would be migrated to another brand.

What Are the Most Frequent Causes of Brand Failure?

- Failure to live up to the brand promise.
- Failure to adequately support the brand.
- Failure to adequately control the brand.
- Failure to properly balance consistency and change with the brand.
- Failure to do brand equity measurement and management.

Building Customer Equity

- How customer-centered is your company? How do you measure this?
- Does your company need to be more customer-centered? To all customers or only the more important customers?
- How can you go about becoming more customer-centered?
- How much would this cost you in new technology and training?
- How much would you gain as a result of becoming more customer-centered?

Achieving Outcomes in Market Space

- Achieving a deep customer focus is not done simply by building a customer database or customizing your product offerings.
- A company must define its market space not in terms of products but in terms of customer outcomes.
 - Baxter Healthcare supplies “home-recovery enhancement,” not just nursing care or wheelchairs.
 - IHI, a health insurance company, operates in the “lifetime health and personal safety” market space.
- A company then examines the customer activity cycle and the value gaps.
- The company then invests in filling the major value gaps.
- The company ends up being favored and grows through doing more things better for their customers.
- Source: Sandra Vandermerwe, “Achieving Deep Customer Focus,” MIT Sloan Management Review, Spring 2004, pp. 26-34

Achieving Deep Customer Focus

1. Create strategic excitement.
 2. Enlist “points of light.”
 3. Articulate the new market space focused on customer *outcomes*.
 4. Identify the *value* opportunities through using the *customer activity cycle*.
 5. Build a compelling case (not through a plan but a story).
 6. Size the prize.
 7. Modeling the concept with a few chosen customers.
 8. Get people working together.
 9. Get critical mass.
 10. Gather momentum.
- Source: Sandra Vandermerwe, “Achieving Deep Customer Focus,” MIT Sloan Management Review, Spring 2004, pp. 26-34.

Building Customer Equity

- Reduce the rate of defection.
- Increase the longevity of the relationship.
- Enhance the growth potential of each customer through cross-selling and up-selling.
- Make low-profit customers more profitable or terminate them.
- Focus disproportionate effort on high value customers.

Components of Customer Equity

- Customer equity is driven by:
 - Value equity
 - Brand equity
 - Relationship equity.
 - Companies must decide which driver(s) underlie each equity.
- Source: Roland T. Rust, Valerie A. Zeithaml, and Katherine A. Lemon, *Driving Customer Equity* (New York Free Press 2000).

Transaction Marketing vs. Customer Relationship Marketing

- Customer Relationship Marketing (CRM) represents a paradigm shift from Transaction Marketing (TM).
- TM companies focus on products and making a sale. CRM companies focus on building a long-term relationship that produces satisfaction for the customer and profitability for the company.
- TM companies promote everywhere in search of customers. CRM companies promote to a defined customer group and aim to make the *right offer* at the *right time* using the *right channel* to the *right customer*.
- All companies must practice a mix of TM and RM. TM will be stronger in companies facing a large number of customers; RM will be stronger in companies facing a small number of customers.

Treat Different Customers Differently

- Most profitable customers
- Most unprofitable customers
- Most growable customers
- Most vulnerable customers

Needed:

Technology-Enabled Marketing

- Technology-enabled marketing (TEM) combines *information technology, analytical capacities, marketing data, and marketing knowledge*, made available to one or more marketing decision makers to improve the quality of marketing management.

A 5 Step Model for Database Marketing

1. Gather useful data on customers.
2. Classify customers by their needs and by their value to the firm.
3. Prepare business rules that select the best prospects.
4. Customize marketing treatments for each prospect in terms of product offers, service mix, media, and channel.
5. Set up accountability procedures.

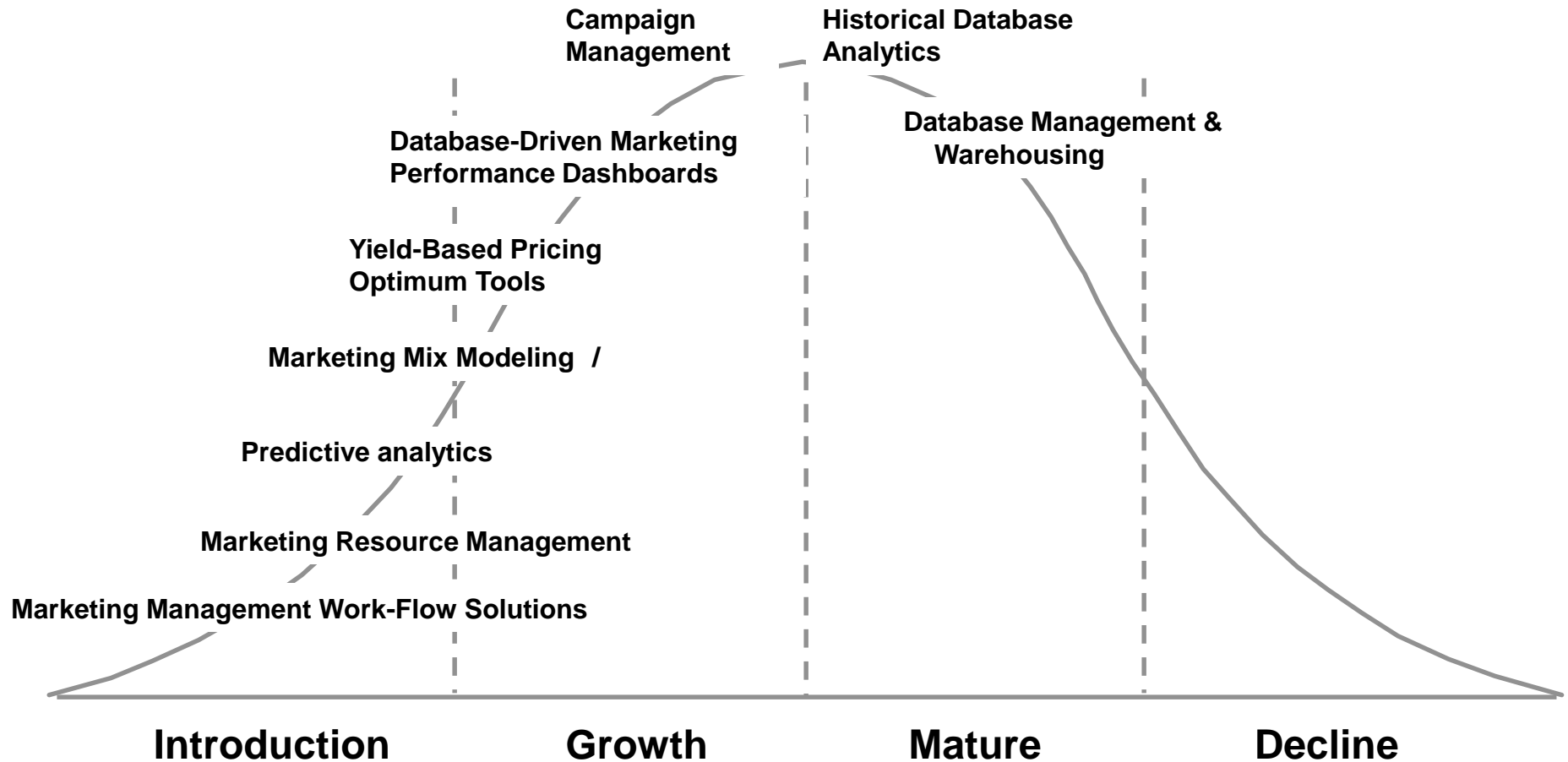
Database Marketing is Expensive!

- Requires a tremendous investment in information gathering about individual customers and prospects.
- Requires constant updating of information.
- Some critical information may not be available.
- Requires a high investment in hardware and software.
- Requires integrating individual customer information from a variety of sources.
- Requires people skilled at data mining.
- Requires managing and training employees, dealers, and suppliers.

Does Every Business Need CRM?

- No. The following businesses may not benefit from CRM:
 - Businesses where the CLV is low.
 - Businesses with high churn.
 - Businesses where there is no direct contact between the seller and ultimate buyer.
- Companies that are in the best position to invest in CRM.
 - Companies that collect a lot of data (banks, insurance companies, credit card companies, telephone companies).
 - Companies that can do a lot of cross-selling and up-selling (GE, Amazon, etc.).
 - Companies whose customers have highly differentiated needs and are of highly differentiated value to the company.

Marketing Technology Platforms on the Market Development Curve



Source: Gary Morris, Adapted from Marketing Advocate, Inc.

Precision Marketing

- Precision marketing is achieved through looking at large quantities of historic data with the help of data mining tools that search for meaningful patterns, and then creating mathematical equations that represent the underlying relationships within the data.
- Predictive analytics are used to identify the right offers and right messages to beam through different channels to narrow customer segments, based on the propensity to respond. The expected profit of a campaign can be estimated.
- Many tactical marketer tasks will be automated and free up marketers to focus on more strategic decision making.

SALES AUTOMATION

- The objective is to empower the salesperson to be an *informed salesperson* who virtually has the whole company's knowledge at his or her command and can provide *total sales quality*.

Marketing Automation

- Areas Ripe for Marketing Automation:
 - Selecting names for a direct mail campaign
 - Deciding who should receive loans or credit extensions
 - Allocating product lines to shelf space
 - Selecting media
 - Customizing letters to individual customers
 - Targeting coupons and samples
 - Pricing airline seats and hotel reservations

Marketing Decision Models and Marketing Mix Response Models

- BRANDAID
- CALLPLAN
- DETAILER
- MEDIAC
- PROMOTER
- ADCAD

- See Kotler, Marketing Models

Marketing Dashboards

- Tools dashboard
- Processes dashboard
- Performance dashboard

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