

Begbroke Transfer- Building a Business

Moving Your Product to Market: Market and Business Planning

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Our work today

- **Strategy primer & ferment**
- **Marketing business planning**
- **From ‘competitive advantage’ to value creation’ : *Adobe Systems, Inc.***
- **Your USP**
- **When & how is a market?**
 - ***Silicon Valley tech startups***
 - ***Ecosystems services markets in Amazon Peru***

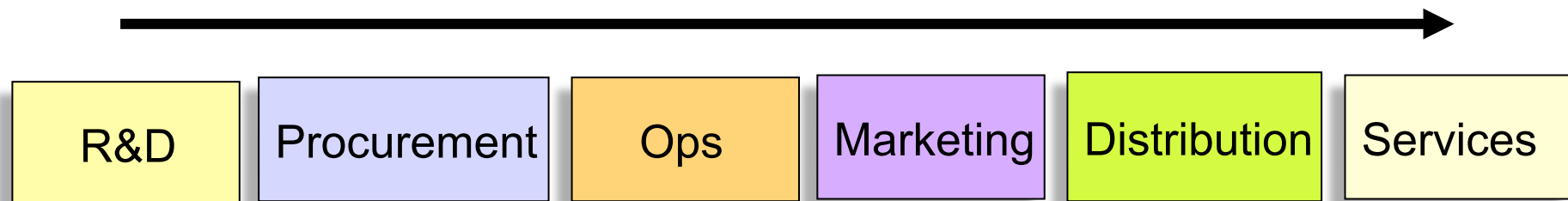


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• **Q&A**

Strategy primer

- **Fundamentals in strategy analysis**
 - How to outperform rivals? (What industry?)
 - What source(s) of competitive advantage?
 - How to sustain advantage over time?



For each link in the value chain:

How do we add value?

For the value chain as a whole:

What are our distinctive competencies?

Current ferment in strategy

- **‘Competitive advantage’ -> ‘value creation’**
 - **Why? PESTEL trends reconfigure boundaries**
 - **What? Manage exploit/explore ratio**
 - **How? Architect roles & relationships in institutionally complex strategic contexts**

Reconfigure roles & relationships: Strategy as systematic value innovation

- ... [Today] strategy is no longer a matter of positioning a fixed set of activities along a value chain...the right business, the right products and market segments, the right value adding activities
- [S]uccessful companies..*reinvent value*.
 - Their focus of strategic analysis is not the company or even industry but the *value-creating system* itself, in which [heterogeneous] actors--suppliers, business partners, allies, customers--work together to *co-produce* value.
 - Their key strategic task is the *reconfiguration* of roles and relationships...in order to mobilise value creation in new forms and by new players...

Case #1: Building product markets

- **Adobe Systems Inc.**
 - Founded 1982 by Warnock and Geschke
 - By mid-1980s, major force in desktop publishing
 - ‘Provider of technology and standards’
 - Late-1990s led on Web authoring tools & Internet publishing technology.
 - In 2009, Adobe 3rd among PC software companies with annual sales over \$1b
- **Warnock on innovation strategy:**
 - Strategic context and conditions?
 - How does Adobe build markets for .ps, PhotoShop, Acrobat?

What is a market?

- **“How can an entrepreneur starting a new venture, or a manager in a firm, act on the problem of market creation?”**
 - ...Markets have been assumed....
 - **"Although we are not usually explicit about it, we really postulate that when a market could be created, it would be."** Arrow's (1974a)
- **Like fundamental terms..., for example, ‘mass’ in physics, or ‘life’ in biology, markets are easier to argue about than to define** (Coase 1988).

Henry Ford: How to imagine a market?

- If I asked my customers [what they wanted], they would have said:

‘A faster horse’



**‘The future is already here, it’s
just unevenly distributed.’**

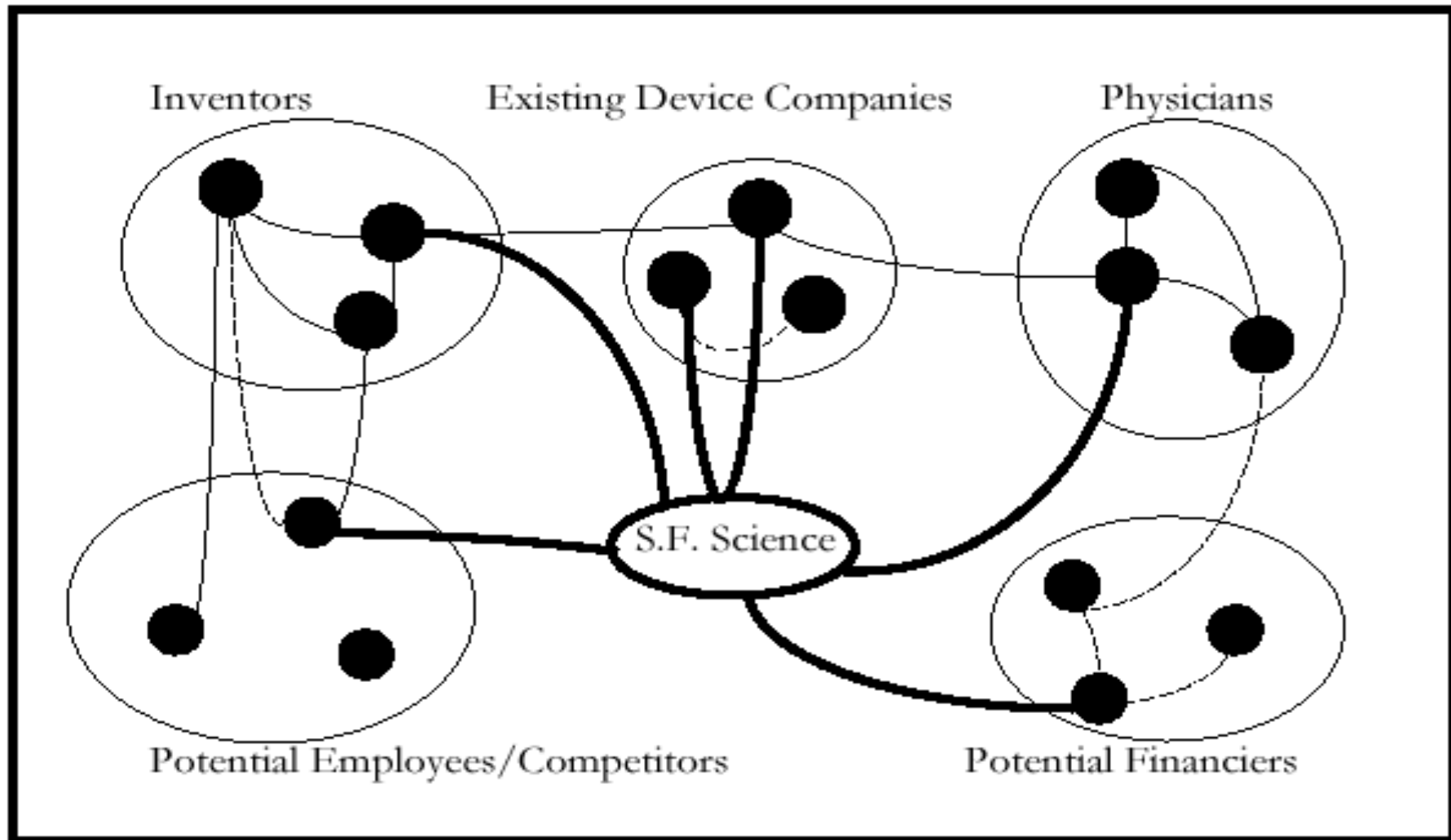
– William Gibson

Case #2: San Francisco Science:

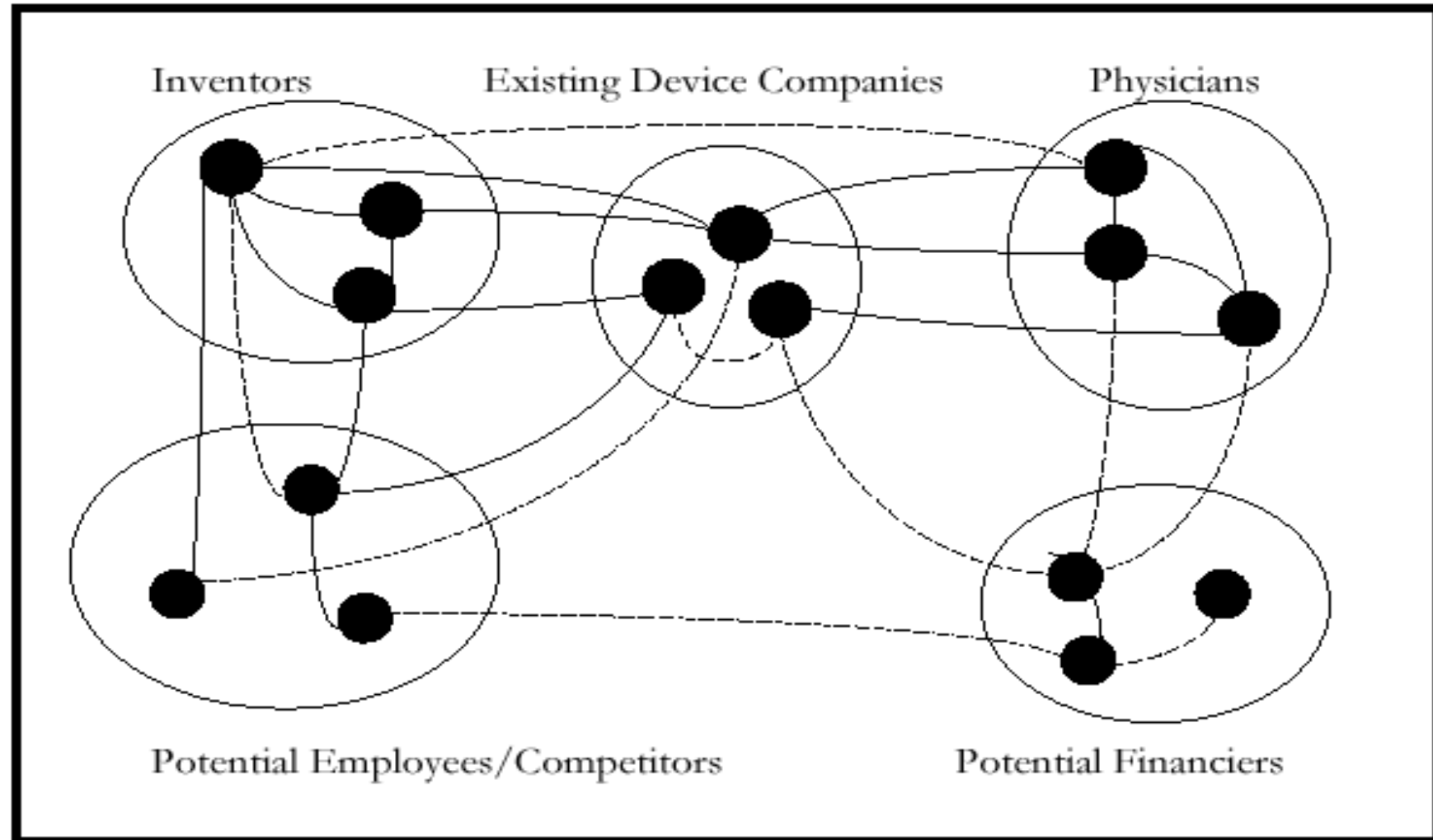
‘When we say “Science”, we mean “Business”’

- **San Francisco Science™**
develops unique medical devices
technologies
- ***... Before any outside (third party) funds are raised or committed, SFS finds the technology, identifies the market for that technology, protects that technology, assembles the right team for that technology and then, and only then, raises funds for that technology.***
 - The SFS team has extensive experience in product design and engineering, regulatory compliance, licensing, mergers and acquisitions and private and public financings.

How SF Science ‘reconnects the dots’



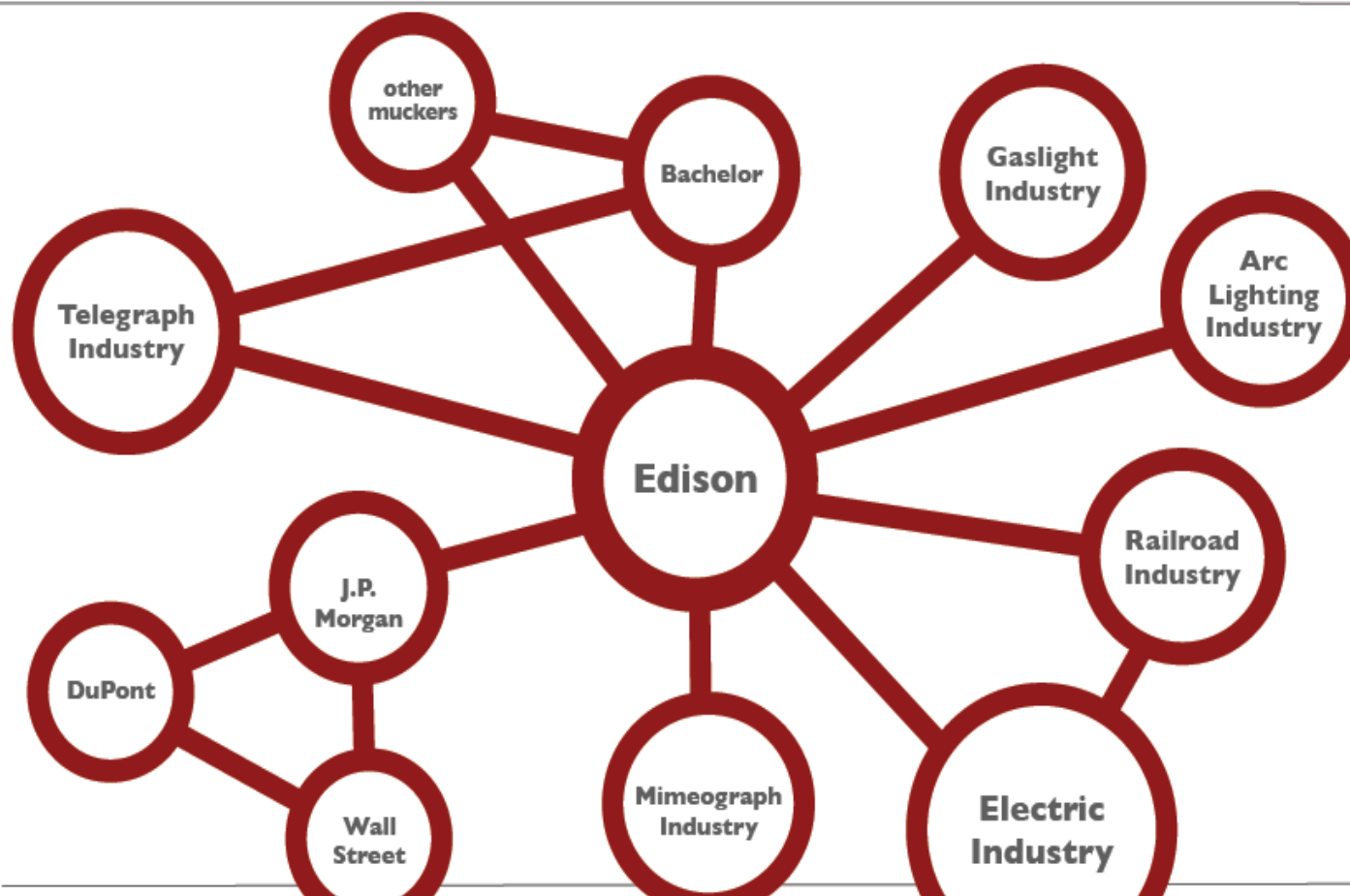
Medical devices industry – network map



Building large-scale technology markets: Lessons from Edison

- **System builders** “...forge purpose from diversity and order from heterogeneous elements,often involves destruction of alternative [existing] systems.”
 - Create talent pools
 - Forge action channels
 - Build circuits to focus energy
- **Key focus for work of SB**
 - Make sense of current conditions
 - Build strategic linkages
 - Envision possible (eco)system
 - Invent solutions for action to implement on this ‘new order’

Edison's laboratory?



Markets as institutions: Rules, value & conventions

- **Market as “a specific institutional arrangement consisting of rules and conventions that make possible a large number of voluntary transfers of property rights on a regular basis.”** (Menard 1995:170)
 - **Macro-level scholars** (Arrow 1962, Kahkonen & Olson 2000, North 1990) **see** role for “market- augmenting” governments in creating and enforcing the “rules of the game” in capitalist systems, in particular the system of property rights that are essential for markets to come into existence, as well as regulations that enable markets. See Global Strategy on institutional voids.
- **Markets as politics** (Fligstein 1996; 2002; 2008)
 - **Institutions (rules, belief systems, authority)**
 - **Historically-located concepts of control**
 - **Struggles between incumbents and challengers – social movement processes**

Intermediaries & market microstructure

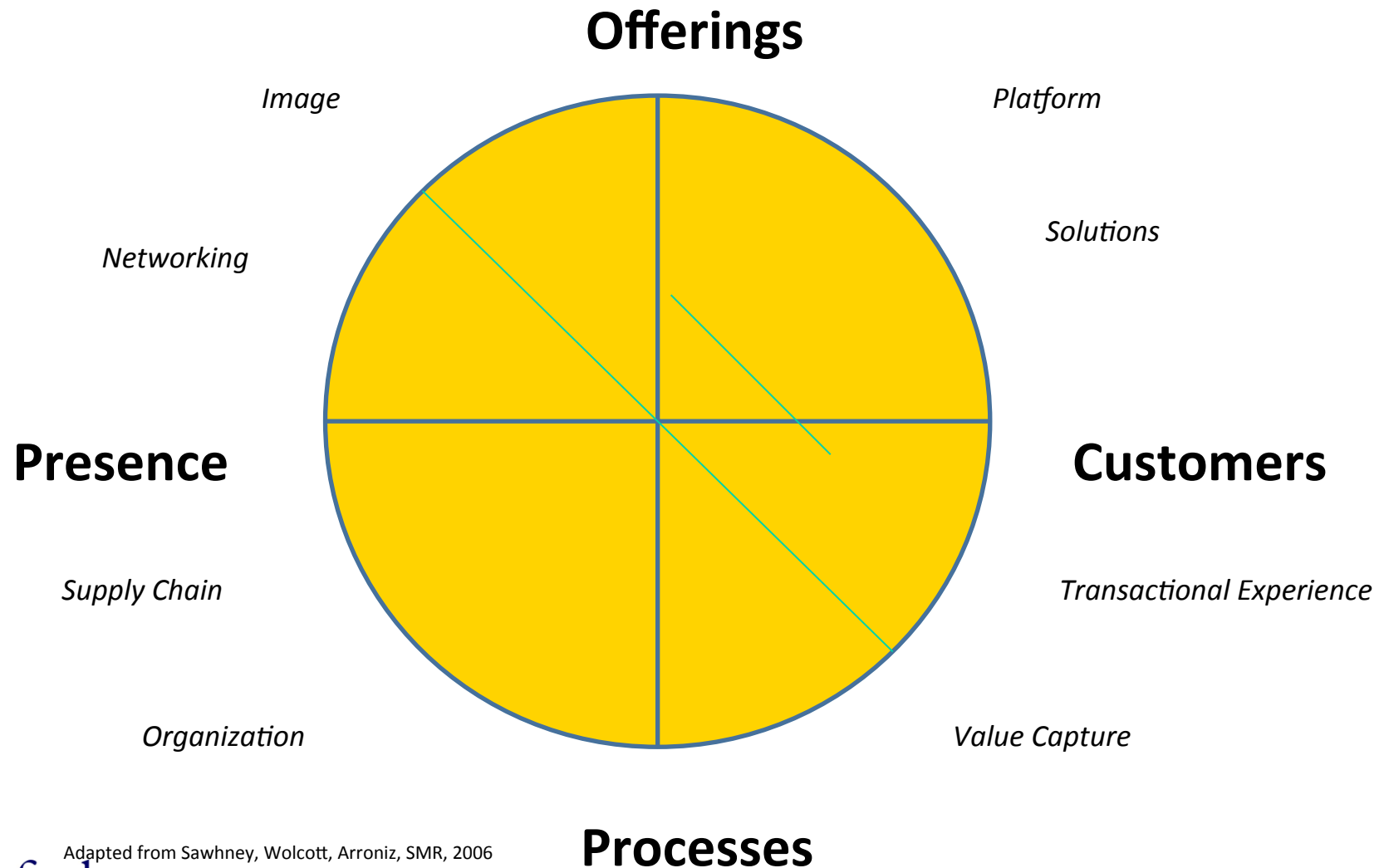
(Spulber 1996)

- **Firms create and manage markets by acting as intermediaries between buyers and sellers.**
 - Intermediaries seek out suppliers, find and encourage buyers, select buy and sell prices, define the terms of the transactions, manage the payments and record keeping for transactions, and hold inventories to provide liquidity or availability of goods and services.
- **The working of markets implies decisions based on incomplete and costly information**
 - Most prominent among such mechanisms [that produce and make available such information] is the role of intermediary actors that do not make production or consumption choices, but influence these choices by sorting products into categories.

Recognize a Unique Selling Proposition (USP)

- **A USP dramatically improves positioning and marketability of your company and products by accomplishing 3 things:**
 - **Unique - It clearly sets you apart from your competition, positioning your offering.**
 - **Selling - It persuades another to exchange money for a product or service.**
 - **Proposition - It is a proposal or offer suggested for acceptance**

Firms create value/define USP in varied ways



Adapted from Sawhney, Wolcott, Arroniz, SMR, 2006

Dimension	Definition	Examples
Offerings	New products/services	Gillette Mach3Turbo, iPod, iTunes
Platform	Leverage core capabilities	GM OnStar telematics, Disney animation
Solutions	Integrated & Customized end to end solutions	UPS logistics services SCS; DuPont building innovations
Customers	Unmet needs, underserved, unknown customers	Enterprise replacement car renters; Green Mt. Energy 'green' power
Customer Experience	Expand, leverage key customer touch points	WaMu retail banking; Cabela's store-as-entertainment
Value Capture	Change payment structure/develop new revenue streams	Google paid search; Blockbuster rev sharing with distributors
Processes	Redesign processes for effectiveness, efficiency	Toyota prod system, GE 6 sigma
Organization	Change design, form, function, scope	P&G front-back org; Cisco partner-centric org
Supply Chain	Innovate around procurement, fulfillment; value constellation	Toyota, Serengeti
Presence	New distribution channels or points of presence	Starbucks CD sales in store; Diebold Remote Teller
Networking	Create network-centric intelligent / integrated offerings	Otis Remote Elevator monitoring; DoD net-centric warfare
Brand	Leverage a brand into new domains	Virgin 'branded VC' ; Yahoo as lifestyle

Step 1: Use Your Biggest Benefits

- **Clearly describe the 3 biggest benefits of owning your product or service.**
 - **You have to explain exactly WHY that is important to them.**
 - **Think in terms of what your business does for your customer and the end-result they desire from a product or service.**
 - **What are the 3 biggest benefits you offer?**
 - 1.
 - 2.
 - 3.

Step 2: Be Distinctive:

- Your USP separates you from competitors, sets up a "buying criteria" to make your company the obvious choice, and makes your product or service a "gotta have" item.
 - **PRODUCT:** *"A unique baseball swing that will instantly force you to hit like a pro."*
 - **OFFER:** *"You can learn this simple technique that makes you hit like a pro in just 10 minutes of batting practice."*
 - **GUARANTEE:** *"If you don't hit like a pro baseball player the first time you use this new swing, we'll refund your money."*

Step 3: Solve An Industry "Pain Point" Or "Performance Gap":

- Identify which needs are going unfulfilled within either your industry or your local market – the 'performance gap'.
- For example, *"Pizza delivered in 30 minutes or it's free"* USP to become wildly successful.
 - After a long day at work Mom and Dad are too tired to cook. But the kids are starving and don't want to wait an hour! They want pizza NOW. Call Domino's.
- So, what are the most frustrating things your customer experiences when working with you or your industry in general? Alleviate that "PAIN" with your USP and make sure you deliver on your promises.

Step 4: Be Specific And Offer Proof:

- **Consumers are skeptical of advertising claims companies make. So alleviate their skepticism by being specific and offering proof when possible.**

Step 5: Condense In A Clear Sentence:

- **Powerful USPs are concise, so each word does substantial duty - each word earns you money by selling your product or service.**
- **Now take all the details about your product/service/offer from the steps above and sculpt them into one clear and concise sentence with compelling salesmanship fused into every single word. Write your ideas on paper now...**

Step 6: Integrate Your USP Into ALL Marketing Materials:

- **Include USP variations in all marketing...**
 - Advertising and sales copy headlines;
 - Business cards, flyers, & signs;
 - Your "elevator pitch", phone, and sales scripts;
 - Letterhead, letters, & postcards;
 - Website & Internet marketing.

Step 7: Deliver On Your USP's Promise

- **Be bold when developing your USP but be careful to ensure that you can deliver. Your USP should promise what capture your audience's attention and compels them to respond.**

Federal Express Example:

- Federal Express (FedEx) dominated the package shipping market with the following USP: *"Federal Express: When it absolutely, positively has to be there overnight."*
- In the beginning, it was a challenge for FedEx to absolutely, positively deliver overnight, but they developed the system that allowed them to deliver the promise consistently.
- Building your USP takes effort, but worth it because of the added advantage you'll have in the market. Using a powerful USP will make your job of marketing and selling much easier, enabling you to more easily increase your sales and profits for the same budget.

Ten things you need to know about your customers

- Who they are
- What they do
- Why they buy
- When they buy
- How they buy
- How much money they have
- What makes them feel good about buying
- What they expect of you
- What they think about you
- What they think about your competitors

Case #3: Silicon Valley startup strategies - Claim, Demarcate, Control (Santos and Eisenhardt 2009)

- Nascent markets typically have unclear product definitions, undefined or fluid industry structure, and no clear dominant logic for market actions
- May lack clear views about which organizations are suppliers or competitors, which competencies are strategically valuable, and what industry 'logics' should guide action

Processes	Claiming a Market	Demarcating the Market	Controlling the Market
Domain of Actions	cognitions	relations	resources
Objective	Become cognitive referent in a distinct market	Determine market perimeter and define industry structure and roles for powerful players	Cover market space and eliminate or delay rivalry
Dominant Logic	Sensegiving	Co-optation	Ownership
Organizational Capability	Shaping identity	Developing alliances	Making acquisitions
Mechanisms	Templates Dominance signals Stories	Equity investments Revenue sharing agreements Anti-leader positioning	Eliminate competing models Increased market coverage Block entry of established firms

How entrepreneurs work firm & market boundaries

(Santos & Eisenhardt 2008)

- **Develop identity claims that simultaneously bound firm activities as co-terminus with new markets.**
 - Use analogy and identity to overlap key referent product with a nascent market. Instead of copying established practices and models, entrepreneurs seek to win through tactics that make the startup both legitimate and unique.
- **Define the perimeter of the firm through co-optation alliances with established firms and so demarcate the nascent market.**
 - Alliances may provide resources and they extend the firm's sphere of influence, structure the market roles of established firms, and limit competition. These alliances actually create dependence and require costly expenditures.
- **Gain ownership of critical resources through acquisition of rivals, IP, distinctive services to control market terms.**
 - Entrepreneurs may use these resources to bolster the competences of the firm, but also to block entry of powerful competitors and reduce competition.

Entrepreneurs shape nascent markets through a pattern of boundary decisions that convert strategic ambiguity into structurally favorable market terms.

Current REDD+ Credit Value Chain in south-eastern Peru



Generalised Actor Network for local REDD+ Schemes

