

## 15.814 Marketing Innovation, Fall 2018

### Action Learning Exercise, Due Monday, November 28, 2018

Marketing innovation is based on understanding the customer to find the right segment, targeting that customer through product design, communication, and price, and positioning your product to compete effectively (STP). STP provides a structure to select the traditional 4 P's of marketing—product, place, promotion, and price. At MIT Management we seek to help you learn basic frameworks so that you can market your product or service successfully and so that you can take advantage of the various innovations in marketing.

The best way to internalize these lessons is to apply them—action learning. You will have many questions as you develop your skills. We are here to help you find the answers.

**Step 1. Select your killer idea.** It is often said that innovation is not “know how,” but “know what.” That is only partly true. While it is better to know your killer idea from day 1, we recognize that you will pivot as you talk to customers and learn their needs. Nonetheless, we need you to select a topic early. Topics are best if they are real applications. Perhaps someone on your team is working on an innovation, perhaps you know someone who is working on a innovation, or perhaps you want to explore a new innovation. You are welcome to build on projects from either the E&I or EM tracks, as long as your work for this course is new and does not repeat earlier work. We will announce any firms that have contacted us with interest in sponsoring a project. As a last resort, choose a firm that you would like to study.

We encourage you to go outside your comfort zone. Consider a product or service that targets a different market from your own demographic. It is by studying these markets that you learn how customer insights help you design innovative marketing strategies.

We meet with each team in class on **Wednesday, September 19, 2018**. You should be prepared to defend your choice and why it is a good learning experience. We will help you scope the project so that it can be completed during the semester.

**Step 2. Listen to customers and potential customers.** Most likely you will pick a few representative customers from two or more categories (for example, end user and channel, or two potential market segments). If each of you talks to (or ethnographically observes) two customers that is enough for the purposes of the course – naturally more interviews would be necessary for a real business decision. You should talk about customer needs, what the firm does well and poorly relative to competition, how the customers gather information, acquire the product or service, etc. These interviews are open-ended experiential interviews, not web-based surveys. We want you to meet with customers face to face, or, if necessary, by telephone.

In some cases, user-generated content (UGC) can be used to identify customer needs. Within the last two years, firms have realized that the analysis of UGC, when available, is a viable

source of customer needs. Sometimes UGC is more effective and efficient. The state of the art is to use machine learning to screen UGC to identify informative content and to sample broadly, but those programs are custom-written and usually beyond the scope of 15.814. (Nonetheless, we can provide access to those who are interested.) Rather, select a reasonable set of UGC and code the sentences for customer needs. Images posted on services such as Instagram are also valuable for customer insights.

Please note, you are asked to use either interviews, ethnographic observations, or UGC. You are welcome, but not required to use all three. (UGC is not available in many categories, particularly B2B products.)

We cover “listening” methods in class. For those groups who wish to get a head start, we provide a note on the voice of the customer. This note is available on Study.net and Canvas.

**Very important – begin interviews, observations, or UGC-search early. Step 2 must be completed by Wednesday, October 31, 2018 when we review progress in class and talk about Step 3. Do not leave this task until the last minute. We left time in the schedule (Wednesday, October 10, 2018) to help you plan for and complete these interviews in a timely fashion. Your TA will work with you to help you complete Step 2.**

**Step 3. Apply quantitative or qualitative methods from 15.814.** We want you to gain experience with one or more of the methods that we teach in 15.814. We offer two paths through Step 3. Please choose one or the other. We also encourage you to use other methods for Step 3. It’s best to check with us before you apply any method not explicitly listed. We can help you and make sure that the method enhances your project.

Unless you have experience with web-based questionnaires (other than conjoint analysis), please seek guidance from the teaching team before attempting such a questionnaire. If you do use a questionnaire, we strongly encourage you to get experience with Discover.

We posted a detailed description of the quantitative and qualitative paths for Step 3 on Canvas. We summarize those paths here.

### *Quantitative Path*

We heard from recruiters and alumni that marketing analytics are important and becoming more important. We encourage you to get experience with marketing analytics in 15.814. There are at least three methods you can apply:

1. *Design, implement, and analyze a conjoint analysis questionnaire.* We provide easy-to-use software and examples in class. Be sure to use all aspects, including attribute importances, calculations of consumers’ willingness to pay, and the market simulator.

2. *Create a positioning map (aka perceptual map).* We cover the concepts in class and the Part 3 guidelines provides further guidance. Please note that the positioning map must be based on data from potential consumers. It is not sufficient to draw the map based on your judgment or product specifications found on a website. The map should indicate consumer preferences and the size of segments.
3. *Apply marketing analytics as covered in 15.814.* Calculate customer lifetime value (CLV), expected value in use (EVIU), expected value to the channel (EVCh), or breakeven volumes (B/E) as appropriate to your product or service category. If you choose Option 3, you should apply at least CLV and B/E. You should attempt to apply EVIU and/or EVCh if they are appropriate to your category.

### *Qualitative Path*

Not every student wants to try their hand at marketing analytics. We heard from some previous students that they want to gain more experience with the more qualitative aspects of marketing. We provide that opportunity with the qualitative path through Step 3. Please note that the qualitative path is rigorous and should be based on the lessons of 15.814. We suggest at least two paths:

1. *Marketing communications plan.* Begin with a budget. It should be feasible given your costs and anticipated revenue. For example, if you cannot afford television advertising, it should not be in your plan. If you wish to use web-based communications, social media, or “earned media,” those communications are not free. What can you afford. Next, use the communications funnel to establish your goals. The goals should be motivated by your customer interviews. You need not try your hand at “copy,” but be sure to indicate what customer needs you want to communicate and what you want to say about those customer needs. Finally, estimate costs and determine if you can achieve your goals within your budget.
2. *Develop and test example marketing communications.* You should create example marketing communications. Previous teams have created story boards, animated advertising (Powtoon), radio advertising, banner advertising, and sales brochures. These materials must be based on the communications funnel and on identified memory schema. In term, the funnel and schema should come from customer interviews, ethnographic observations, or UGC. We strongly encourage you to create alternative executions, for example, two or more banner advertisements, and indicate how you would test these.

**Step 4. Answer the following questions based on the information in Steps 2 and 3.** The questions you emphasize will depend, in part, on what you learn in Step 3. We encourage you to quote from the customer interviews, your ethnographic notes, or from UGC. Any analytics that you use should be integrated into your analysis. Please note that these questions are interrelated. Try to avoid redundancy in your answers. If you have already answered a sub-

question earlier, don't feel that you have to answer it again. You will be judged based on how you use what you learned in Steps 2 and 3 to address these issues.

1. Segment. What is the right segment? Why are you targeting that segment? How large is the segment? What are the key customer needs? Why is the segment compatible with your core competency, brand image, and goals? What are your strengths relative to competition for this segment?
2. Targeting. How are you fulfilling the customer needs in this segment? What are you offering to the segment? How will you communicate to this segment?
3. Revenue model. What is your short-term and/or long-term revenue model? The more specific the better. (You can summarize the revenue goals in the main body of the report and provide a more-detailed exhibit.)
4. Positioning. What is your competitive positioning? What are your competitors' positions? Will your positioning reduce price competition? Are you using a niche strategy? A penetration strategy? A central-market strategy?
5. 4 Ps. Describe briefly your planned product, price, promotion (communications), and place (channel). How do these tactics reinforce your position in the market place and lead to greater profitability?
6. General Marketing Strategy. What else did you learn that may not have been covered in the other questions?

You should submit a report that is approximately five-to-six pages long. Your report may be in bullet point form, but do not provide unstructured lists. The organization should be clear and tied carefully to your data and analyses. You may include additional exhibits to substantiate your recommendations. You should summarize the voice-of-the-customer interviews, observations, or UGC-analyses in at least one exhibit and you should summarize your analyses in Step 3 in at least one other exhibit.

The first page should be a summary of your recommendations and should substantiate those recommendations. The remaining pages provide the details. You are free to organize the report for maximum effectiveness. You do not need separate sections for each of the five questions, but it should be obvious to the reader that you have provided answers to all of the questions that are relevant to your project and that these answers are based on your analyses in Parts 2 and 3.

Your format should start with the most critical points and then work from there. Make sure that you give both the pros and the cons (if any) of each recommendation. You are making recommendations with only initial research. There remains much uncertainty about your

assumptions and data. You should structure your answers using sub-headings, if necessary, to make it clear that you have used an analytical approach to reach your answers.

**Step 5. Oral presentation.** We reserved Wednesday November 28 and Monday, December 3, 2018 for oral presentations. We will give you the target time limit well ahead of those dates—it depends upon the number of teams. You are welcome to rely on a single presenter or to share the task among a few team members. Do not use too many presenters, but the entire group is invited to the front to answer questions. You should cover the key aspect of your report and try to persuade your audience that your recommendations are the most likely to succeed. Your audience should understand how your recommendations flow from the VOC and either the quantitative or qualitative analysis.

It is critical that you tie your answers to the information that you gathered in Steps 2 and 3.

Good luck. We are here to help you.

## Evaluation of the Project Reports and Presentation

We will evaluate the project reports and presentations on the following criteria. Each has approximately the same weight.

- **Voice of the customer.** Is there strong evidence that the experiential interviews, ethnographic observations, and/or UGC analysis provided insight for marketing innovation?
- **Step 3.** If the quantitative was chosen, were the methods used appropriately and where they interpreted correctly. If the qualitative path was chosen, is the communications plan or example communications based on the funnel and memory schema? Were the funnel and memory schema based on insights from the customer interviews, ethnographic observations, or UGC analyses?
- **4P's/5 C's/Segmentation.** Are they appropriate to your chosen product or service and to your chosen target segment? Have you considered strategic positioning versus competition?
- **Course concepts.** In general, did you use lessons from 15.814 in your recommendations?
- **Overall strategy.** Is your strategy creative, feasible, and well-tuned to your chosen product or service and target segment?