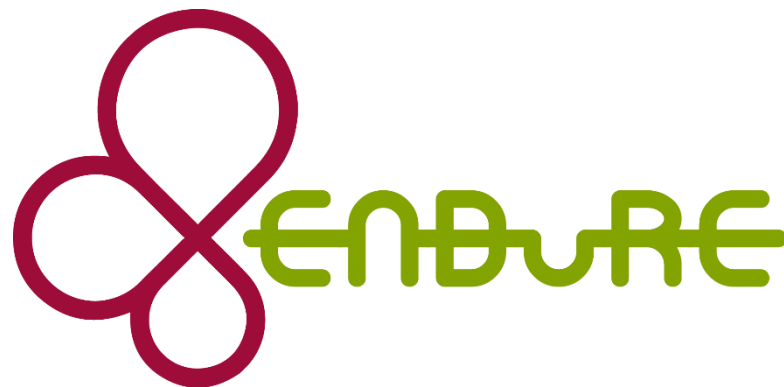




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IVERIDIS
INTELLIGENT INNOVATION



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ESTIMATING MARKET POTENTIAL FOR INTERNATIONAL MARKETING

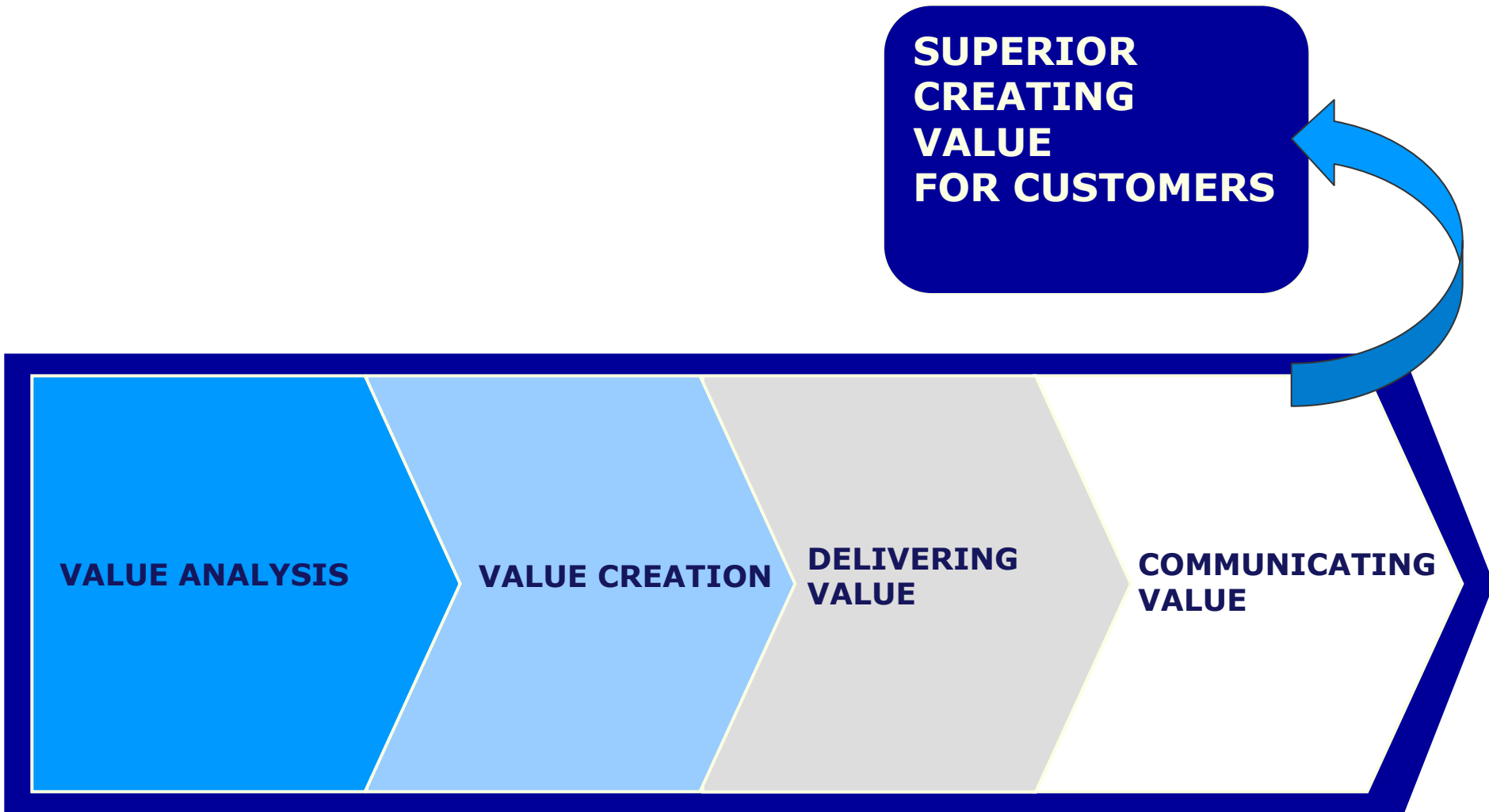
Overview of the Content

- The Marketing Management Process
- The Concept of Customer Value
- The Customer Value Chain
- Research tools for understanding customer value chain: Research Storm
- Qualitative research storm: diary, observation, netnography
- The purchase process
- Measurement of potential demand and definition of potential gaps

MARKETING ISN'T
SOMEBODY'S
RESPONSIBILITY;
MARKETING IS
EVERYBODY'S
RESPONSIBILITY!

(JACK WELCH)

The Marketing Management Process



Remember...

Commodities do not exist. It is possible to differentiate every product and service. Contrary to common wisdom, this is easier in Btb markets than in Btc markets.

T. Levitt, Harvard Business School, "Marketing success through differentiation of anything"

THE CONCEPT OF CUSTOMER VALUE

IF YOU ARE IN THE MEETING, FOR
15 MINUTES, AND WE ARE NOT
TALKING ABOUT CUSTOMERS OR
COMPETITORS, RAISE YOUR HAND
AND ASK WHY? IF IT GOES FOR
HALF AN HOUR, LEAVE! LEAVE THE
MEETING

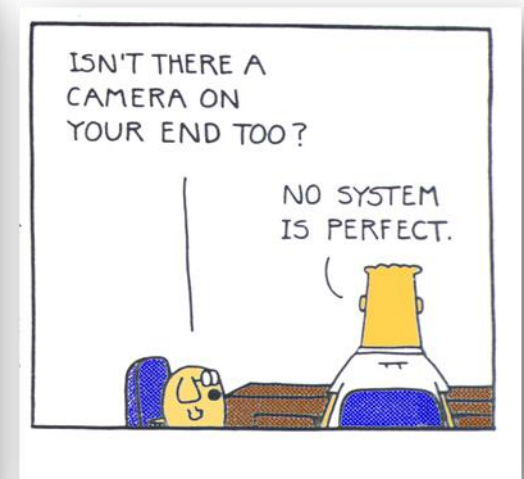
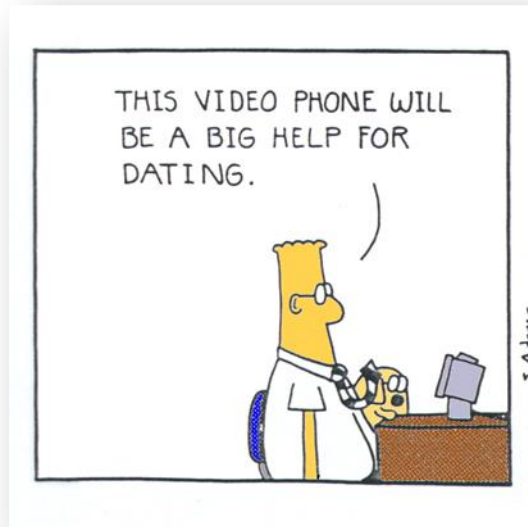
(JERRY STEAD, AT&T)

Theoretical Foundations of Customer Value (CV) Analysis

$$CV = \frac{\text{Benefits}}{\text{Costs}}$$

Subjective	→	Focus on Customer Perceptions
Comparative	→	Focus on Competitive Positioning
Multidimensional	→	Focus on Qualitative Analysis
Measurable	→	Focus on Quantitative Analysis

Dilbert on listening to the customer...



The “Seed” example

Some years ago a company producing and selling corn seeds was seeking new ways to increase value for their customers (the farmers) and escape the price trap.

After a long process of customer value analysis, they understood that their customers were interested in reducing the risk of their activity or increasing their revenues.

As a consequence they started offering them a new bunch of information services (weather conditions, farm tests, etc..) and they gained growth and profitability

In which business was competing this company?

The great lesson of the seeds case

From Seeds To Needs

Are you working in a Seeds perspective or in a Needs one?

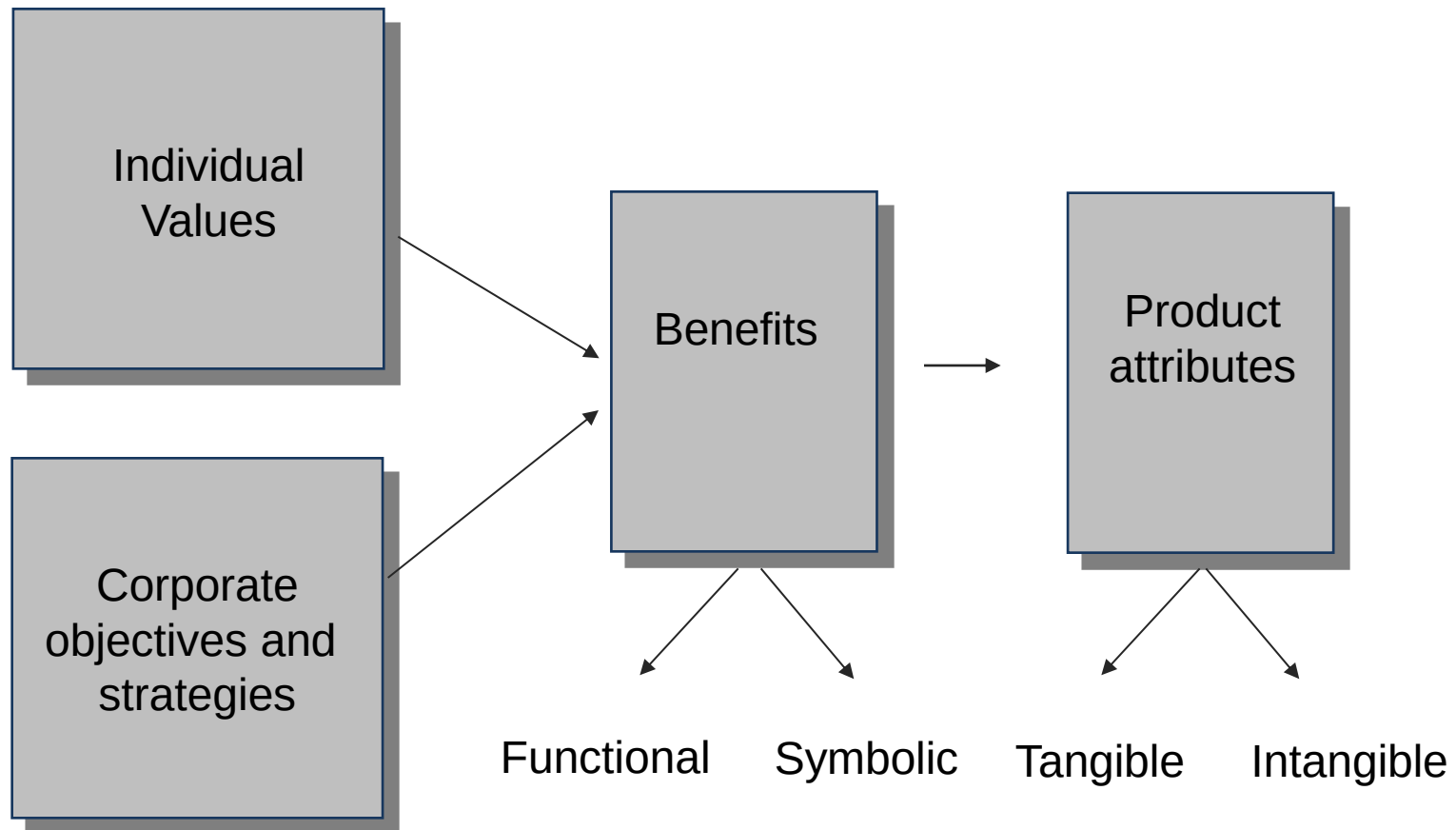
Please Do adopt the Needs perspective

THE CUSTOMER VALUE CHAIN

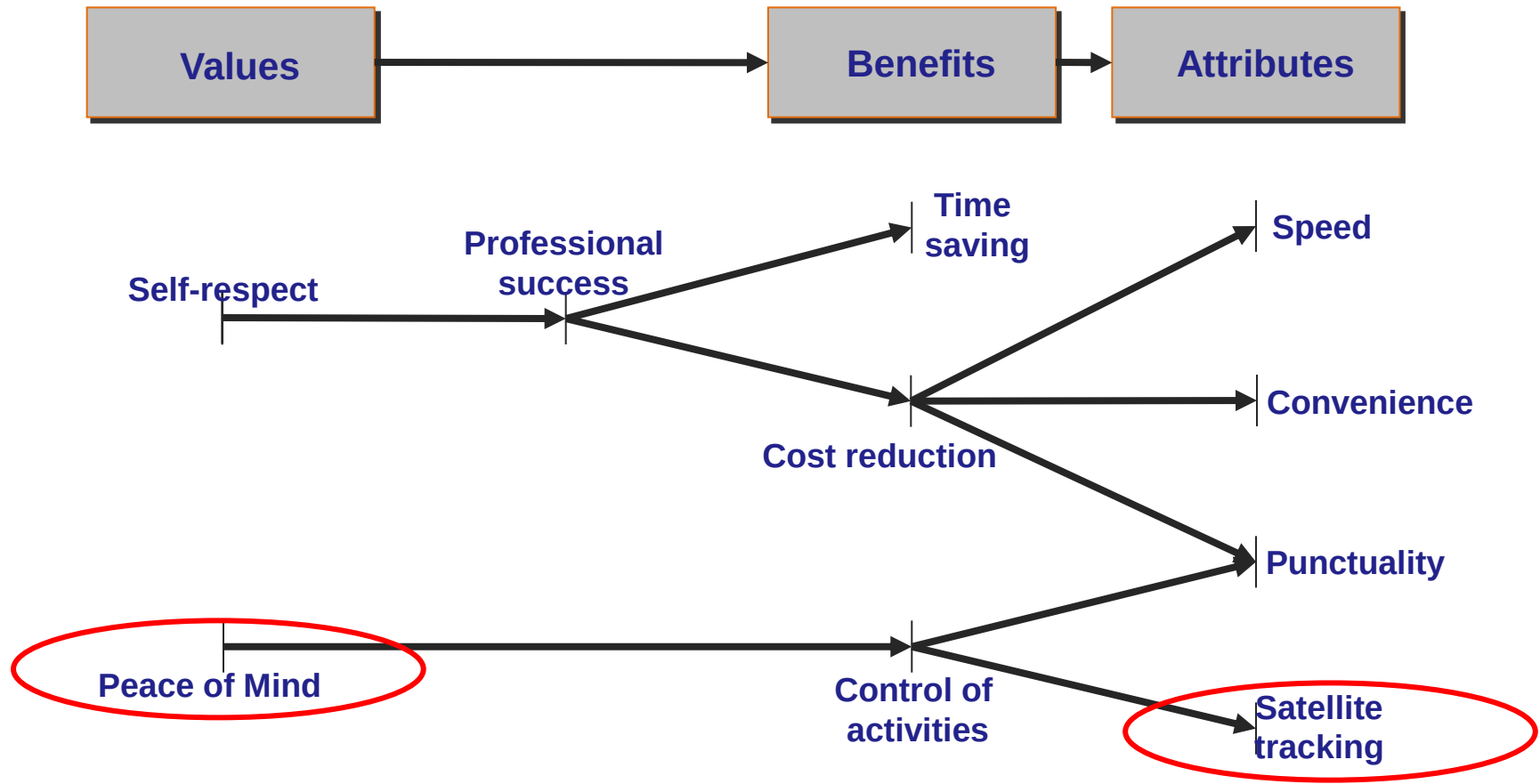
ALL YOU NEED IN LIFE IS
IGNORANCE & CONFIDENCE, AND
THEN SUCCESS IS SURE

(MARK TWAIN)

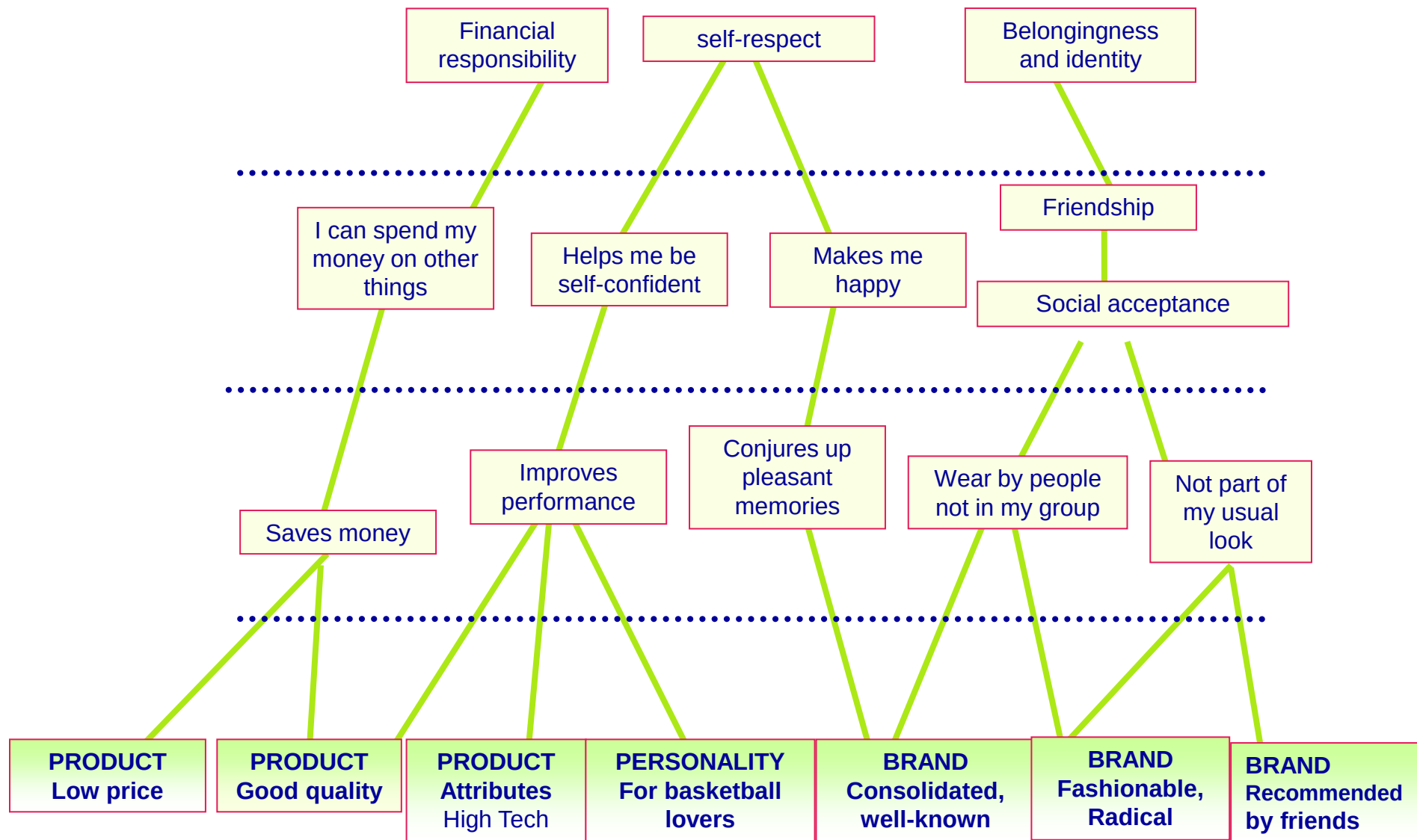
At the roots of customer value for customers: the customer value chain



The customer value chain: an example in the B2B industry (overnight express courier service)



The Customer Value Chain: an example in in B2C industry (footwear)



Harley Davidson: the freedom experience

"We don't sell motorbikes.

We sell 43 year old accountants the ability to dress in leather, ride in small towns and have people be scared of them"

John Russell, VP Harley Europe



**"Branded" by
Harley Davidson**



Aprilia: The Adventure experience



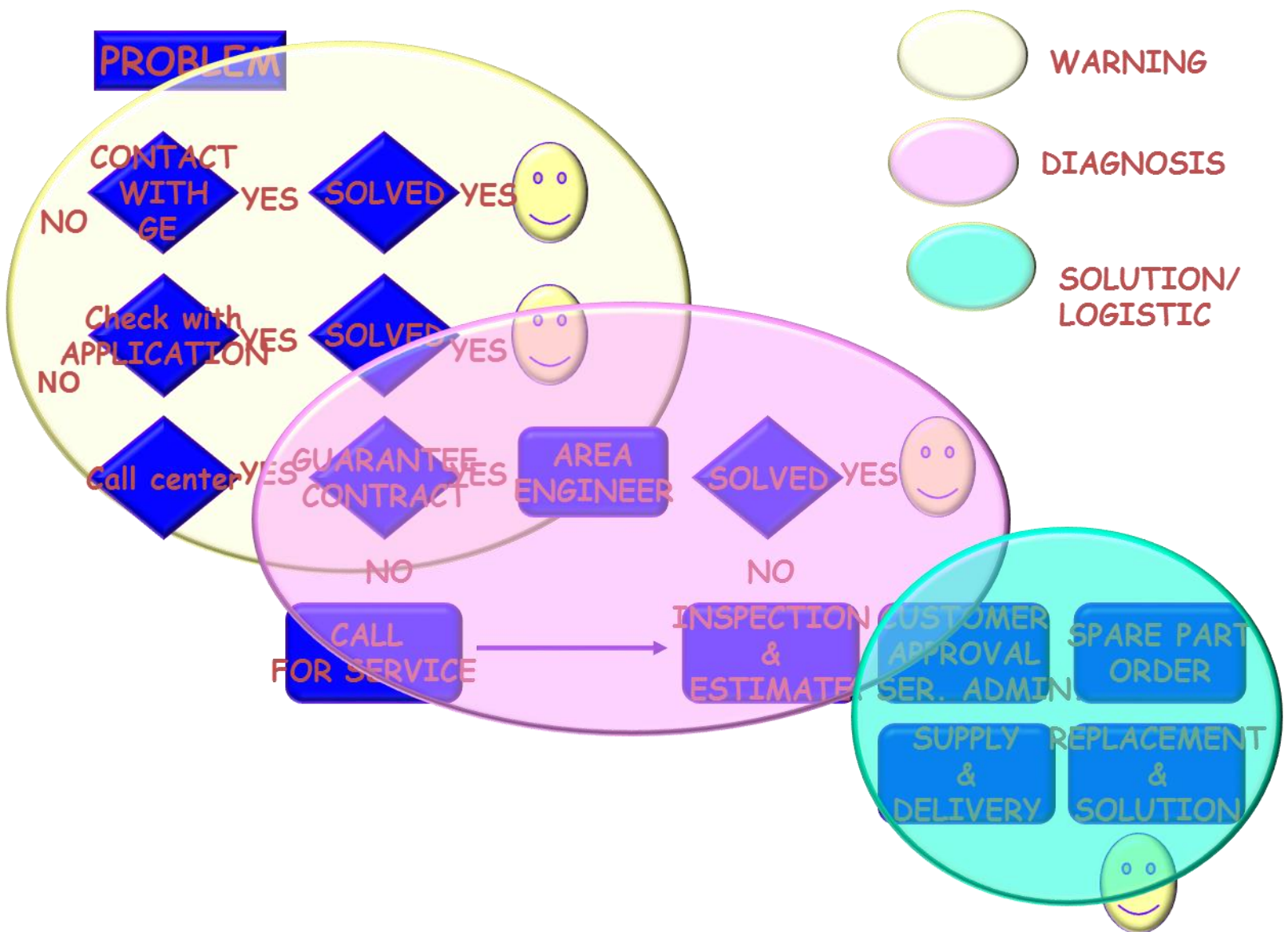
CAPONORD RALLY RAID

<http://www.aprilia.com/models03/adventure/ita>

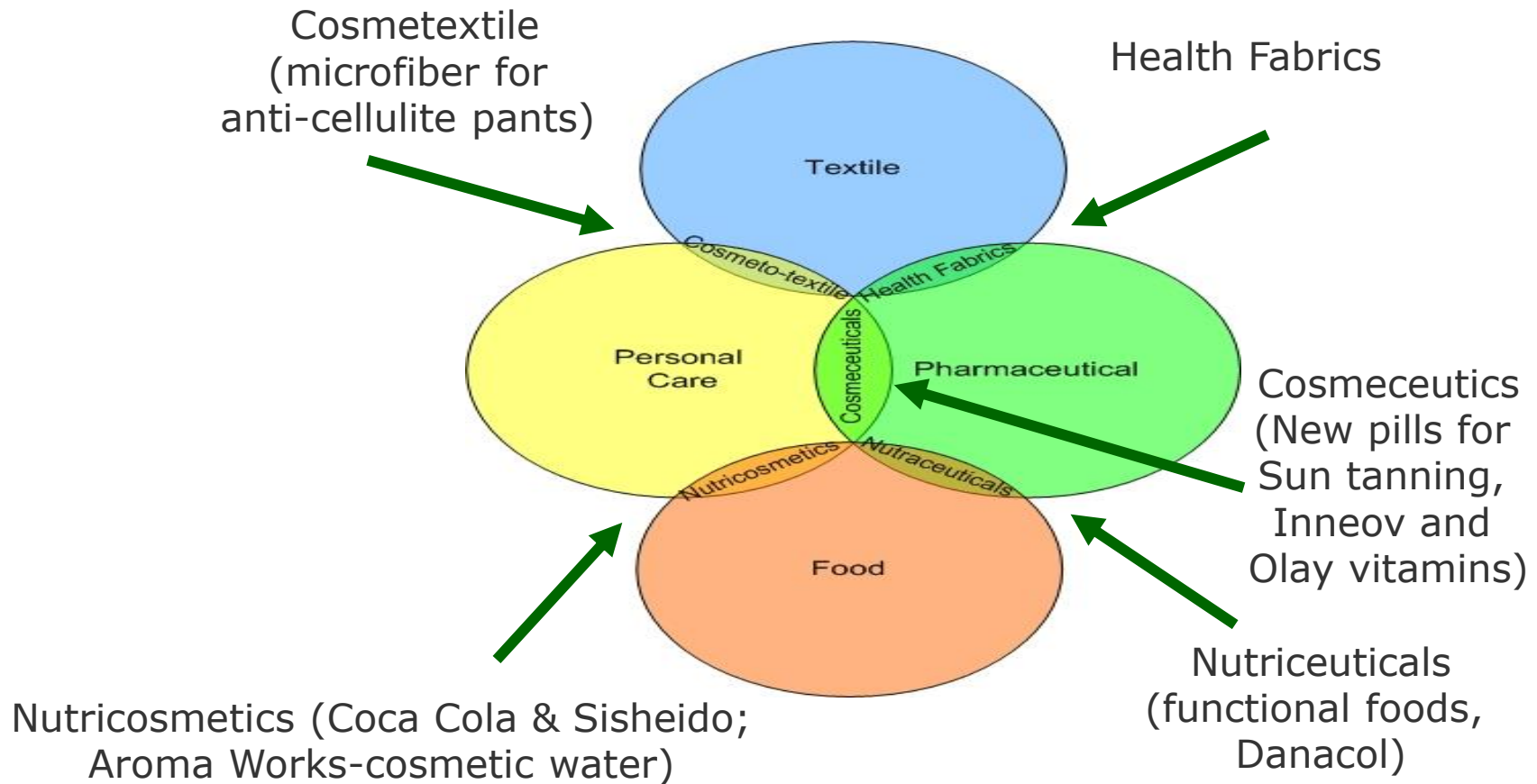


**ADVENTURE RAIDS
ALL THE 2005 DESTINATIONS!**

General Electric: the solution experience

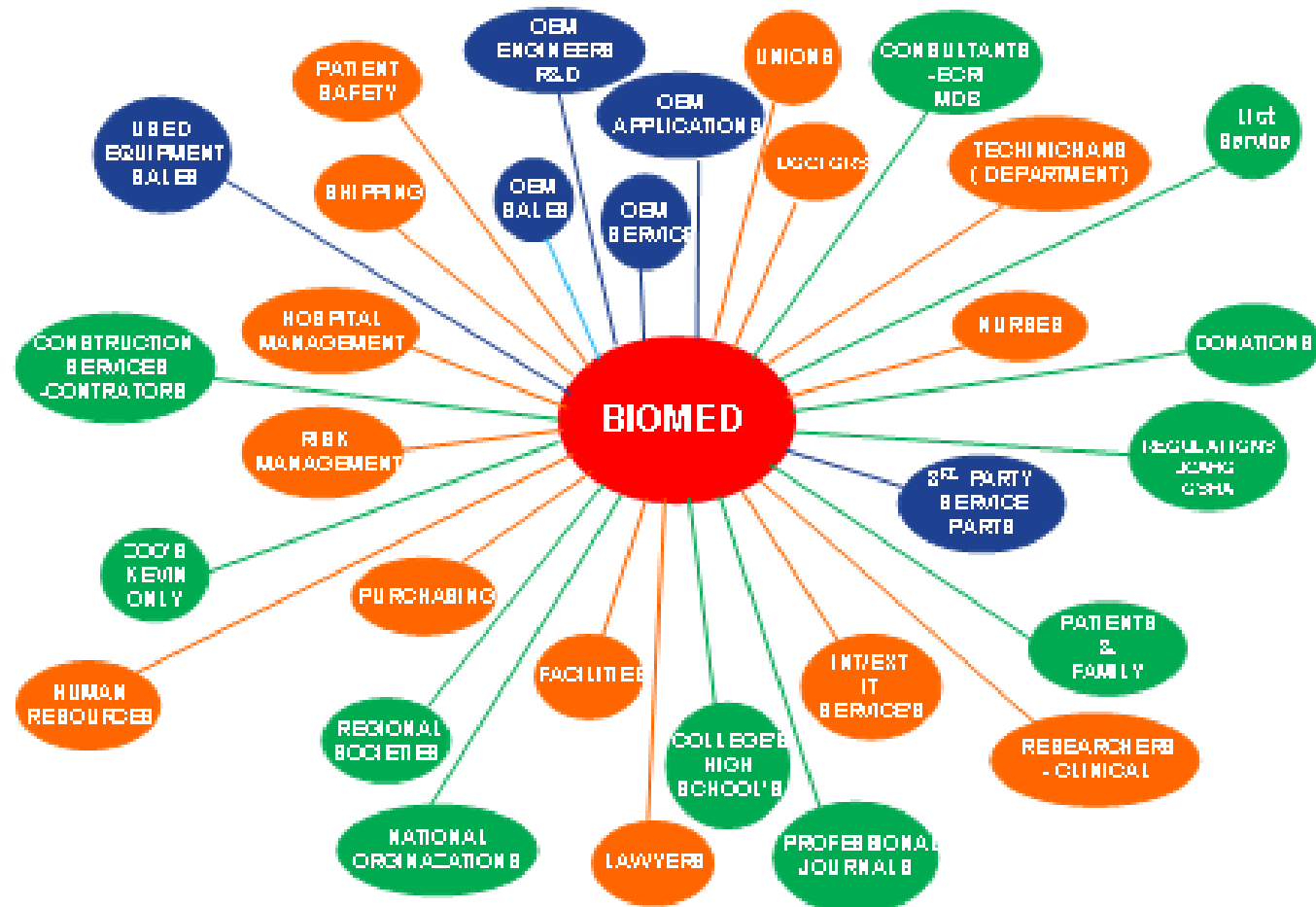


Enlarging the Search for Customer Needs and Benefits. Acting on Convergence. The Rise of the New Aesthetic and Wellness Megaindustry



Enlarging the search for customer needs and benefits. Acting on Sphere of Influences

Biomed sphere of influence



Enlarging the search for customer needs and benefits: Danacol



**Tutto su
Danacol**

Il tuo alleato
naturale contro
il colesterolo.

Vai al sito 

The image shows a box and a tube of Danacol. The box is blue and green with a heart shape and the Danacol logo. The tube is blue and white with the Danacol logo. The background is a light blue and green gradient.

Your natural alliance against Cholesterol

Enlarging the search for customer needs and benefits: Colgate

Colgate's traditional products



Colgate's
Hybrid Product
Chewing gum
And toothpaste

Enlarging the search for customer needs and benefits: Nokia and B&O



Vertu from Nokia



**Serene from Bang
and Olufsen**



The Customer Value Chain

The Benefits refer to the consumer's motivational system, while the attributes are an integral part of the company's offer. These attributes should satisfy the customer's motivational system and, therefore, his/her objectives.

The capacity of exploiting the connection between attributes and benefits is a critical marketing and sales skill (e.g.: saving time downloading a song from the Internet in relation to its size (MB))

The Customer Value Chain: implications for day to day activity

- The ability to leverage on the link between attributes and benefits is a critical marketing and sales skill (e.g. Communicating 10 MB of speed of Internet Connection or how many minutes do I save in downloading a song from the Internet for every incremental MB?)
- Do you, as customers, understand the info-telco jargon? Bytes, megabytes, RAM, SDRAM, Motherboard, CDMA, UMTS, chip, pixel, USB...what????
- Improve your understanding of the customer value chain and the relationship will become easier.

The benefits matrix

	EXPLICIT	IMPLICIT
FUNCTIONAL		
SOCIO- PSYCHOLOGICAL		

The Benefit Matrix – Cell Phone example

	EXPLICIT	IMPLICIT
FUNCTIONAL	Sound quality Customer service	Obsolescence Physical Resistance
SYMBOLIC	Brand associations	Self-esteem Social networking

RESEARCH TOOLS FOR UNDERSTANDING CUSTOMER VALUE CHAIN: RESEARCH STORM

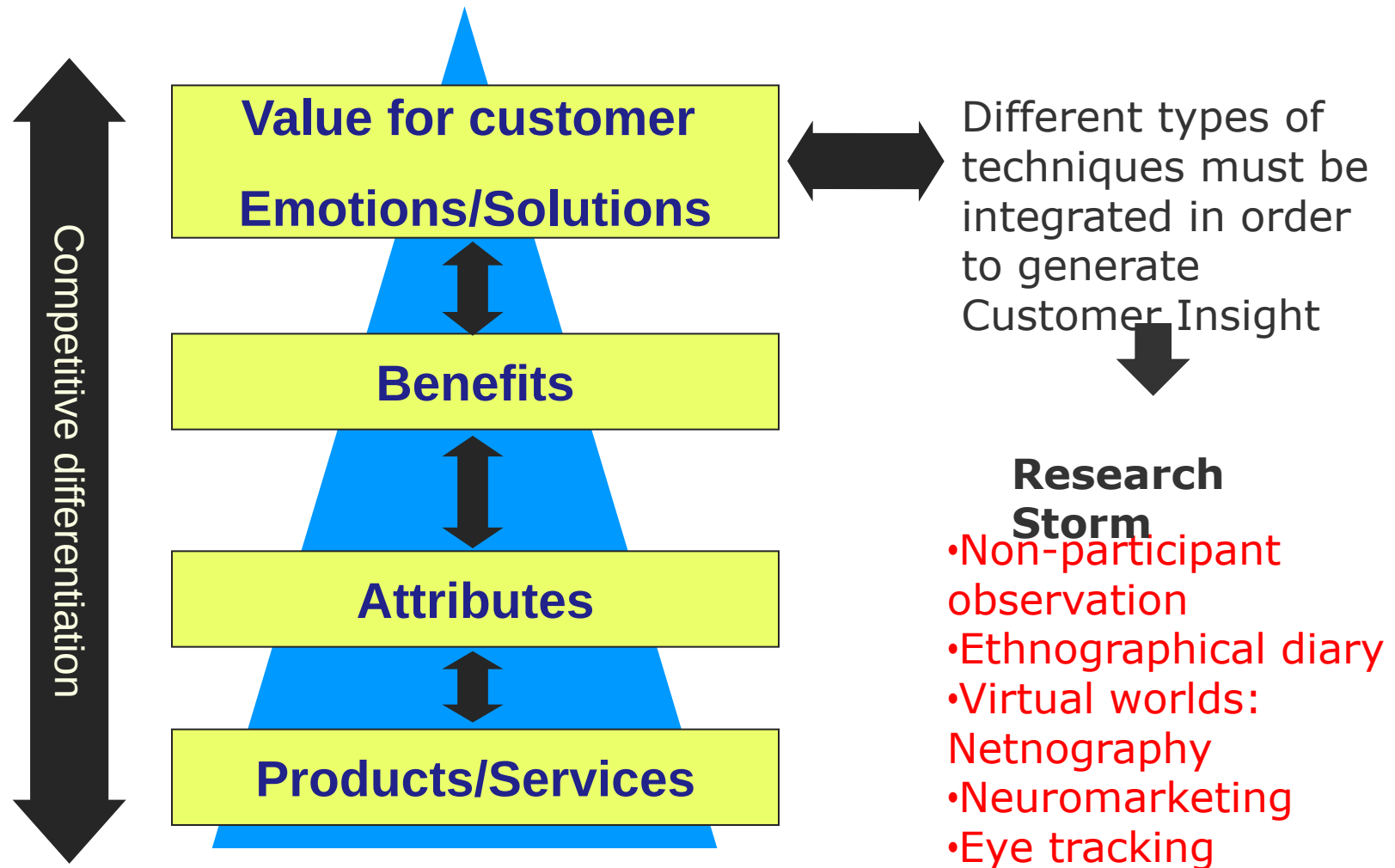
IMAGINATION IS MORE IMPORTANT
THAN KNOWLEDGE

(ALBERT EINSTEIN)

Customer Value Chain qualitative analysis techniques

- ✓ Focus Group or individual interviews
- ✓ Laddering techniques (direct, comparative, projective, contextual and negative)
- ✓ Critical Incident Technique - CIT

Extension of value and analytical techniques



QUALITATIVE RESEARCH STORM: DIARY, OBSERVATION, NETNOGRAPHY

IF YOU WANT TO DO A
BREAKTHROUGH DON'T LOOK
AROUND... LOOK AHEAD!

(D. LAMARRE, CIRQUE DU SOLEIL)

Research storm of different qualitative techniques



- ✓ Research storm **is key for discovering** customer unmet needs, because:
- ✓ Allows understanding customer unmet needs **which are impossible to identify deeply with traditional techniques** (from focus groups and in-depth interviews to diary, observation, netnography)

Qualitative research storm: why?

- ✓ **Customer unmet needs**– either to launch new products or to expand existing ones to new customers and channels- can be discovered only through a **storm of qualitative research**.
- ✓ In depth interviews and focus groups should be integrated (NOT substituted) by other research techniques (ethnographic diary, non intrusive observation, netnography)

Translating an ethnographic diary in effective innovation (1)

✓ **Asking a customer** to file a **diary**, describing **one day** (week-month) of **his professional/personal life**, it is possible to understand possible **use-misuse-alternative use-non use** of existing products and room for **launching new ones** (or expanding market for existing ones)



← **CUSTOMER
HIDDEN
NEEDS**

Translating an ethnographic diary in effective innovation (2)

The positive circle of a diary.

↓ • DIARY



↓ • ONE DAY-WEEK-MONTH OF CUSTOMER EXPERIENCE

↓ • KEY SELLING POINTS FOR EXISTING PRODUCTS

↓ • INPUT FOR THE LAUNCH OF NEW PRODUCTS

↓ • TRANSFORM CUSTOMER EXPERIENCE IN A BUSINESS CASE
(THROUGH EVC_TCO TECHNIQUES) TO FACILITATE
DIFFUSION/ADOPTION ON EXISTING/NEW PRODUCTS



Translating non intrusive observation in effective innovation

- It is possible also to observe- without interacting- a customer and understanding his hidden needs (he would never state in an interview) as well as the possible use-misuse-alternative use-non use of existing products and room for launching new ones (or expanding market for existing ones)



**CUSTOMER
← HIDDEN
NEEDS**

Translating netnography in effective innovation (1)

- When customers interact in a blog, forum, it is a sort of multiple-interactive diary, in which they share sometimes unmet needs related to their professional/personal life.
- Again it is possible to understand possible use-misuse-alternative use-non use of existing products and room for launching new ones (or expanding market for existing ones)



**CUSTOMER
HIDDEN
NEEDS**

Translating netnography in effective innovation (2)

The positive circle of netnography:

- NETNOGRAPHY



- ONE DAY-WEEK-MONTH OF CUSTOMER EXPERIENCE OF MULTIPLE CUSTOMERS INTERACTING



- SOFTWARE/BOOTS SCANNING INTERACTIONS AND MAKING QUANTITATIVE ANALYSIS ON QUALITATIVE DATA (SOCIAL NETWORK ANALYSIS)



- INPUT FOR THE LAUNCH OF NEW PRODUCTS



- TRANSFORM CUSTOMER EXPERIENCE IN A BUSINESS CASE (THROUGH EVC_TCO TECHNIQUES) TO FACILITATE DIFFUSION/ADOPTION ON EXISTING/NEW PRODUCTS



Translating netnography in effective innovation (3)



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Knowledge ManagementCustomer CareIntelligenceMobile



Cogito, the semantic software that understands the meaning of words
COGITO

Markets

- » Automotive & Manufacturing
- » Telco & Mobile
- » Energy & Utilities
- » Finance
- » Media & Advertising
- » Government & Transportation
- » **Life Science & Pharma**

Awards



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Life Science & Pharma

:: Research & Development, testing and marketing with "linguistic intelligence"

The processing of unstructured information represents one of the major challenges for pharmaceutical companies. How to protect the knowledge wealth of the company and quickly retrieve the information produced during years of scientific reports, studies, clinical analyses, commercial data, etc.? And how to surf the web to capitalize useful, clear and precise information, starting from uncategorized data?

To face an always-evolving market, not only is it necessary to reduce time and costs of R&D processes, but information also need to be protected and exploited, while knowledge coming from different sources needs to be integrated, and experience shared in a quick and effective way, retrieving from well structured contents.

An advanced technology, able to interpret natural language, therefore becomes a successful ally. To support the pharmaceutical industries in reaching these goals, Expert System offers a series of services to:

- ▮ monitor scientific sources
- ▮ explore and relate documents
- ▮ analyze, categorize and compare scientific data
- ▮ manage the reports of the pharmaceutical representatives
- ▮ detect the sentiment
- ▮ monitor the competitors
- ▮ integrate with other platforms

Latest news

- [Expert System to Present at Semantic Web Summit East 11-9-2010](#)
- [Vote for COGITO Answers for the 2010 Mobile Star Awards™ MobileVillage.com, 11-2-2010](#)
- [Code Camp: Building Advanced Semantic Algorithms with Cogito Studio](#) Free Webinar: Wednesday, November 17, 2010 12:00 PM - 1:00 PM EST

[more »](#)

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Qualitative Research Storm: Golden Rules

For customer unmet needs required a storm of qualitative techniques....

Golden Rules:

- Always integrate, never substitute
- Use old technique (diary) in an innovative way
- Use new techniques (netnography) to solve old problems....customer insight

AFTERWARDS...ALWAYS MEASURE

- The Quality of the Qualitative Research is critical: research design, tools, grid, techniques....



**CUSTOMER
UNMET/HIDDEN
NEEDS**





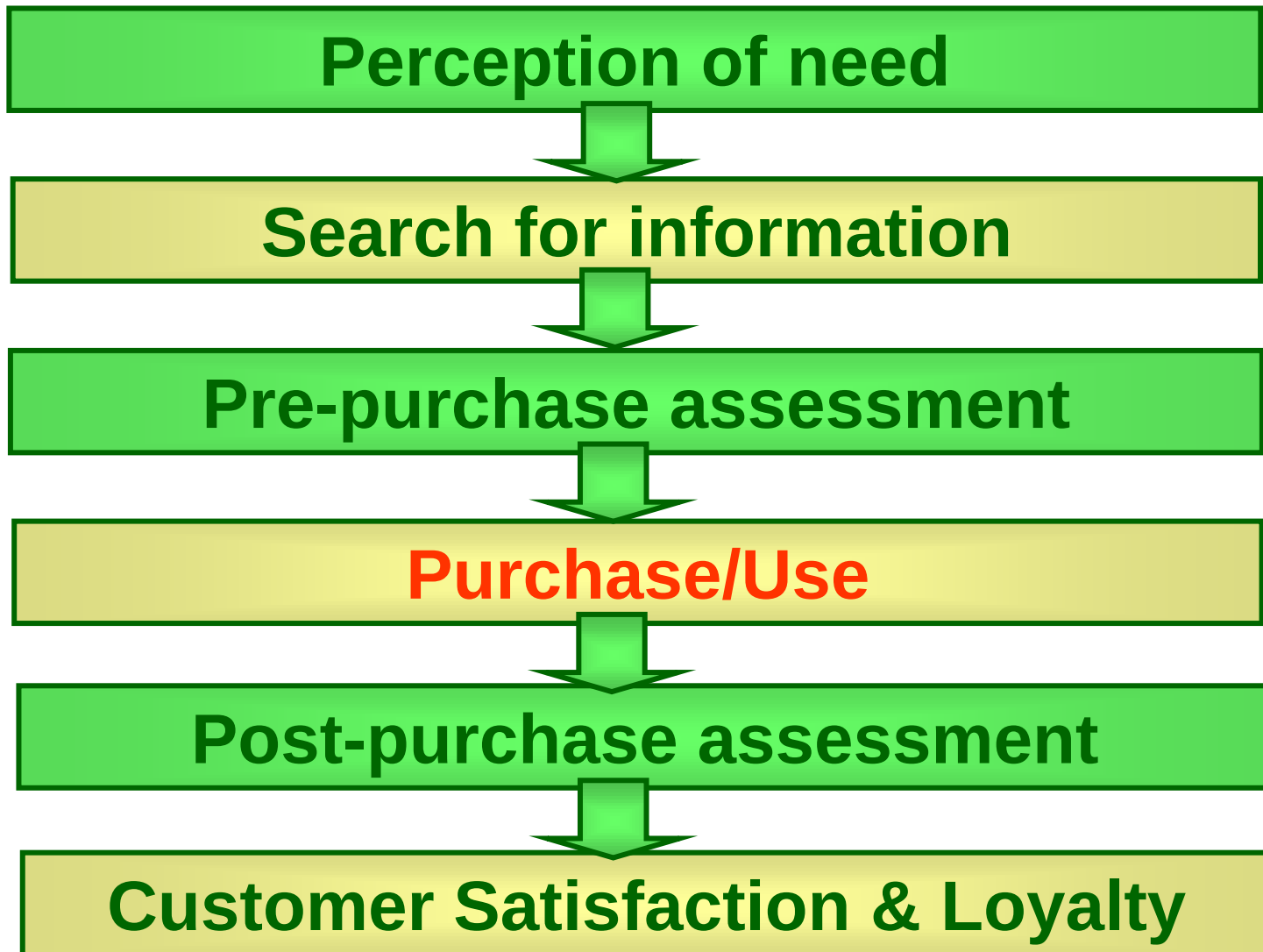
“Give them a mask, and they will tell you the truth”.

Oscar Wilde, *The picture of Dorian Gray*

THE PURCHASE PROCESS

A SINGLE DISH CANNOT SATISFY
THE TASTES OF A HUNDRED
PEOPLE

The purchase process



Roles in the purchase process

- Initiator: the first to have the idea or to suggest the purchase of a particular product
- Influencer: the one whose advice has a certain weight on the final decision
- Decision Maker: the person who totally or partially determines the final purchase decision
- Buyer: the one who physically makes the purchase
- User: the person, or persons, who materially consume or use the product or service

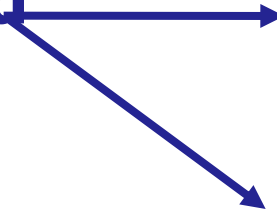
WHAT CANNOT BE MEASURED
CANNOT BE MANAGED

WHAT GETS MEASURED GETS
DONE

ROBERT D. BEHN (2003)

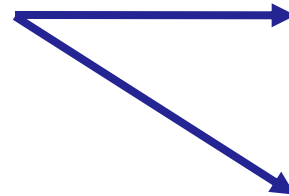
Measuring value

**Management-based
measurement**



Simplified EVC

**Customer-based
measurement**



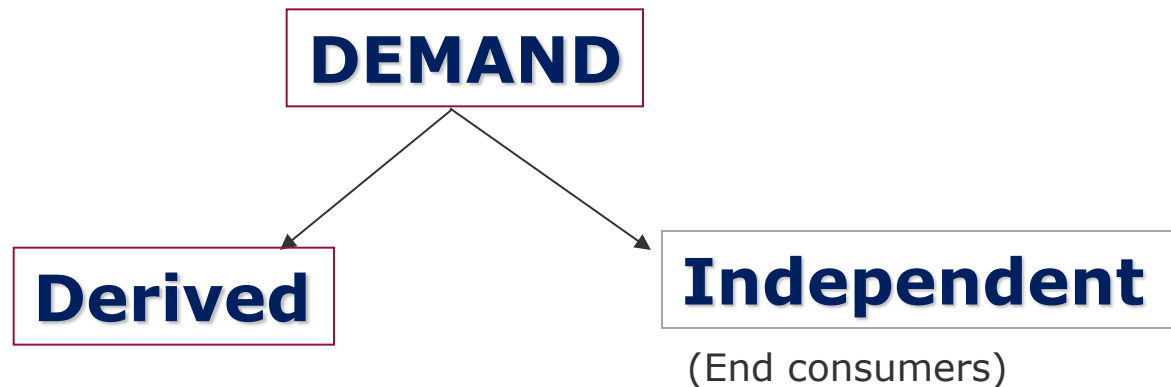
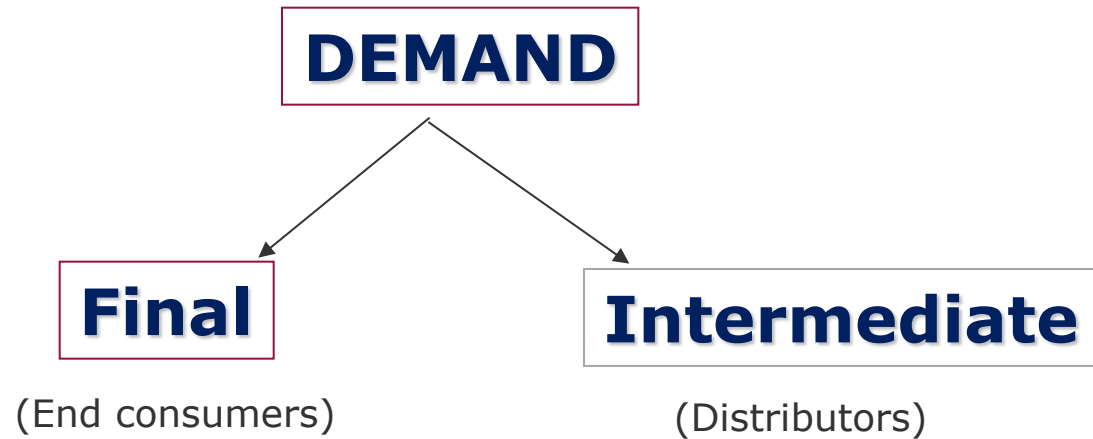
Fishbein (decomposition
approach)

Conjoint based
(composition approach)

MEASUREMENT OF POTENTIAL DEMAND AND DEFINITION OF POTENTIAL GAPS

WHEN THE RATE OF CHANGE
INSIDE THE COMPANY IS
EXCEEDED BY THE RATE OF
CHANGE OUTSIDE THE COMPANY,
THE END IS NEAR

(JACK WELCH)



Demand deriving from the complementary purchase of another product (e.g.: petrol for cars) or because it is part of a more complex product (e.g.: floors for homes).

Effective and potential demand

Effective demand

Dimension of demand in a specific period

Market potential or potential demand

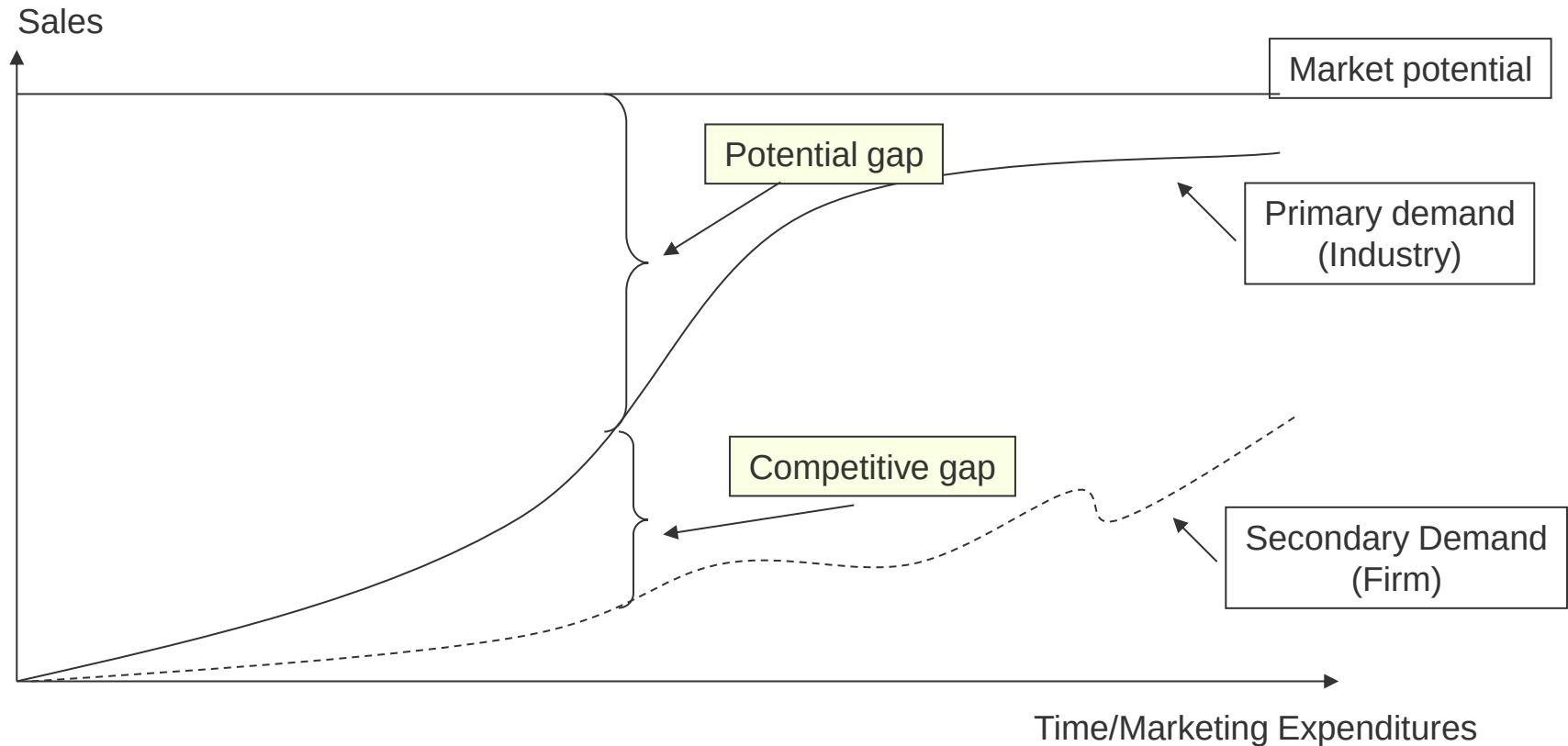
Maximum potential of quantity (in volume or value) in a certain unit of time and in a certain market. In other words, the maximum demand for a certain product or service.

This estimate also considers the possible effects on demand of the marketing initiatives of companies and of the environmental situation in which companies and consumers operate.



Demand in a certain period also depends
on commercial expenses

The concept of market potential and potential gap



Determining potential demand: a calculation algorithm

$$\text{PMKT}_t = N_t \times P_k \times O_{\text{use}} \times D_{\text{full}}$$

Where:

PMKT_t = market potential in time t

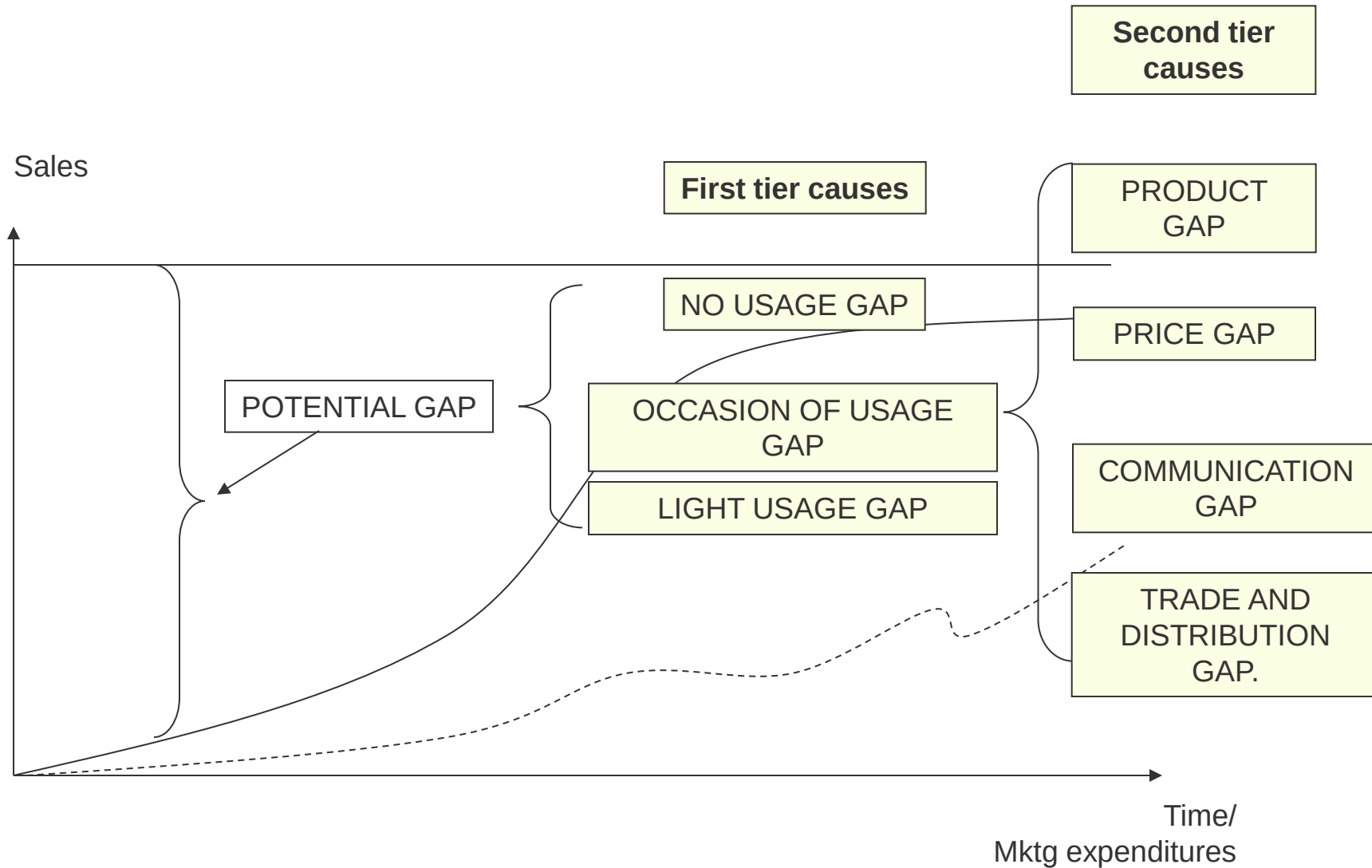
N_t = total population in time t (number of customers)

P_k = percentage of population in the target market

O_{use} = opportunities for usage (occasion of usage)

D_{full} = maximum quantity

Decomposing potential gap



Potential Gaps (1)

First Tier Causes

✓ No Usage Gap



Acts on N

Transform non consumers in consumers

✓ Occasional of usage gap



Acts on O

Increase the number of consumption occasions for existing customers

✓ Light usage gap



Acts on D

Increase the quantity of consumption every time a consumer consumes

Potential Gaps (2)

Second Tier Causes

The **differential between effective demand and potential demand** can be broken down into a certain number of **Potential gaps**

- ❖ product performance
- ❖ notoriety
- ❖ image
- ❖ price
- ❖ distribution
- ❖ competition

Level of market saturation

If in a certain country the level of saturation in the refrigerator market is 75%, it means that 75% of families has a refrigerator.

Low saturation levels mean high margins for future consumption development.



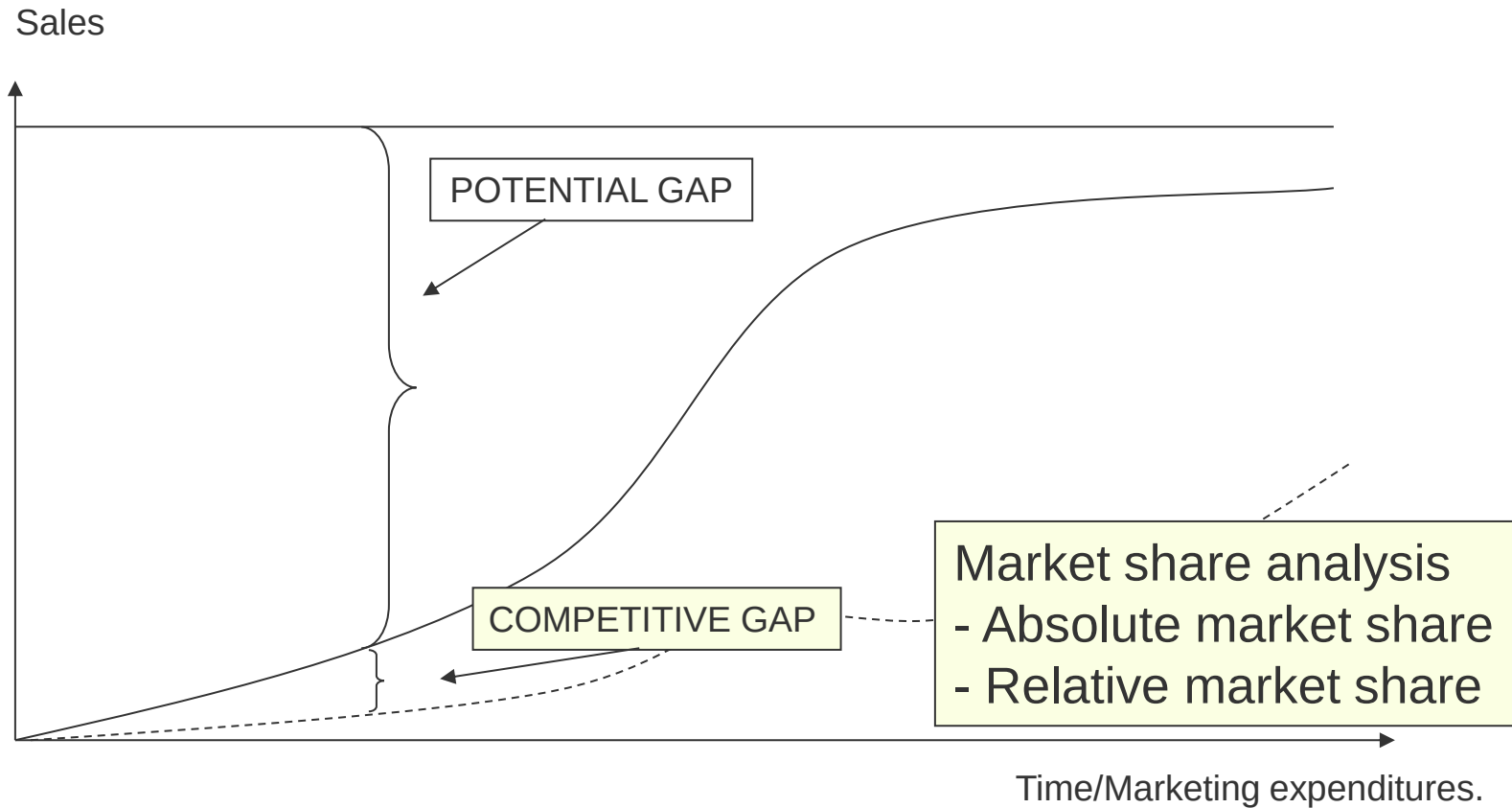
The knowledge of market potential allows companies to make important considerations on the strategic guidelines of their **marketing policy**

CONT.



- An high share of unsaturated demand would suggest basing marketing policies on convincing consumers to test the product;
- on the contrary, a minimum differential between effective demand and potential demand is a symptom of market saturation; in this case the company should focus on secondary demand with the purpose of taking market share from competitors.

Competitive Gap



Market share

The market share (MS) of a company in reference to a certain product/market combination is represented by the relation:

$$\frac{\text{sale of product "a" by the company}}{\text{total sales of product "a"}}$$

The MS indicates the **competitive capacity** of the company, of a certain brand or of a product group.

From a qualitative point of view, it represents the capacity of the product/company to **attract and maintain demand**.

A high MS for product X means that this has demonstrated an elevated capacity of sale compared with that of competing products.

The **relative market share** is the relationship between the MS of a company and that of its biggest competitor:

MS of company A (or its product)

MS of the biggest competitor (company or distributor)

Relative Market Share

	<i>Market A</i>	<i>Market B</i>
Firm X	44%	44%
Firm Y	40%	22%
Firm W	11%	22%
Firm Z	7%	12%
Relative MS of X vs. Y =	1,1	2,0

Example

It is completely different from having an elevated MS (e.g.: 40%) and small competitors (e.g.: the biggest competitor holding 5%), and having the same MS but a fierce competition (e.g.: the biggest competitor with an MS of 35%).

In the former, the competition is very strong and hard to attack (the relative share is 8%); While in the latter, the competitive situation is certainly weaker as there is a substantial threat from a large competitor (the relative share is 1.14%)

Estimating market share

- ➡ **The *consumer panel*** method
is a sample survey that involves measuring the purchases made by a fixed sample of consumers (families) representing the target population.
An essential condition is that the products must be frequently purchased by a large number of consumers.
The panel can be used to estimate not just the MS in a period but also its short-term evolution
- ➡ **The *scanner in distributors*** method
sets out to measure purchases and stocks of the various products at distributors. This method reads the product barcodes as they enter and leave the store. This is real data and not sample surveys.

MS breakdown

The MS can be expressed as the product of two indexes:

❖ **Degree of penetration**

shows the % of sales of a certain brand compared with the total quantities of the same kind of product purchased by the customers (mainly dealers) of the company considered

❖ **Degree of weighted coverage**

is the relationship between the total purchases of a product of a certain type made by the customers of the company and the overall sales (market) of the product in the reference market.

$$MS_i = VA_i / ACS_i \times ACS_i / VT$$

Where:

MS_i = market share of the i-th company

VA_i = quantity sold by the i-th company

VT = quantity of total market sales

ACS = total purchases (distributor) made by customers (dealers)

$VA_i / ACS_i = \text{level of penetration}$

$ACS_i / VT = \text{weighted coverage}$



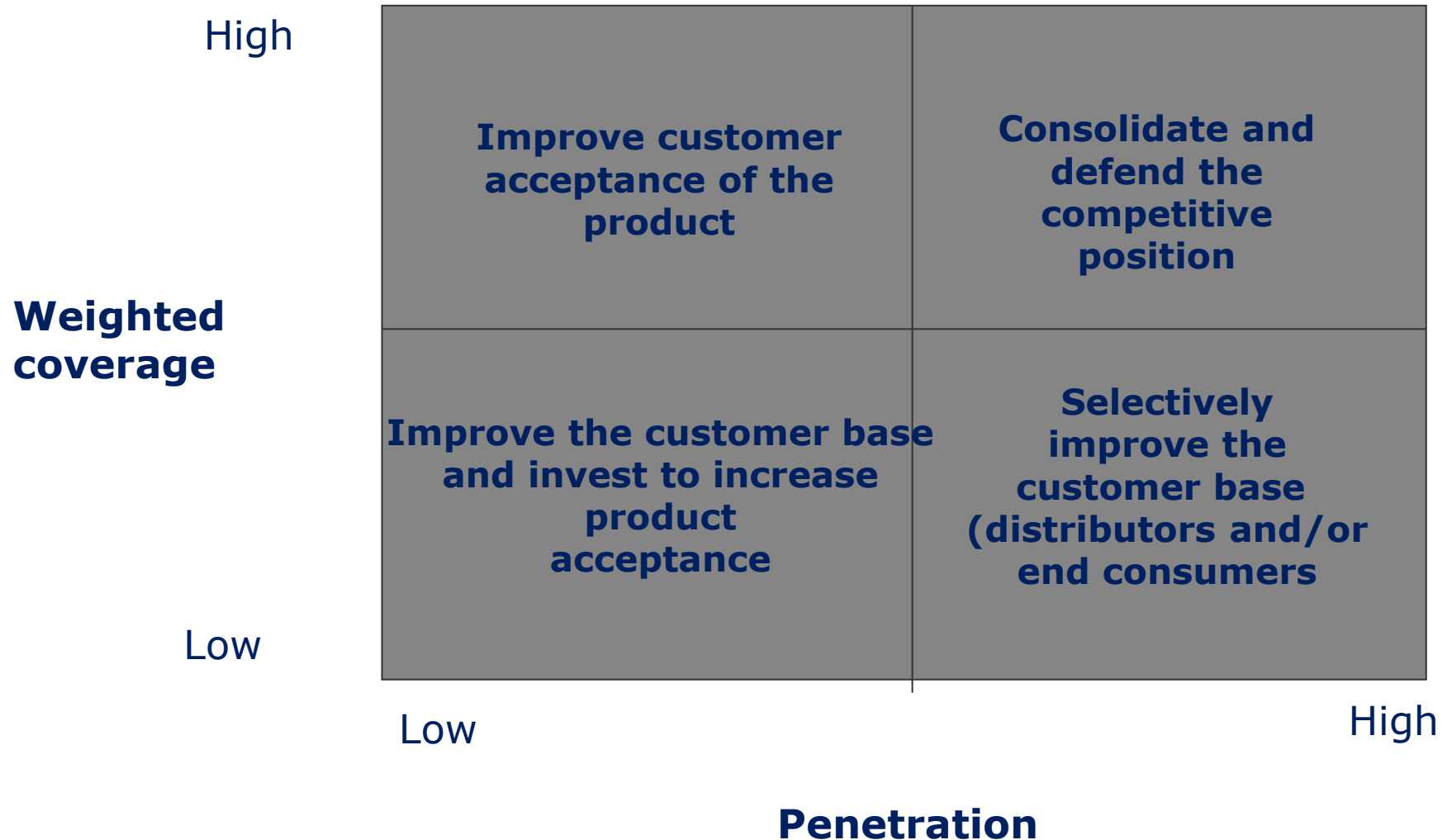
This may be further broken down into“:

- ❖ Numerical coverage = N_i / N
- ❖ Average weight of served customers = ACS_i / N

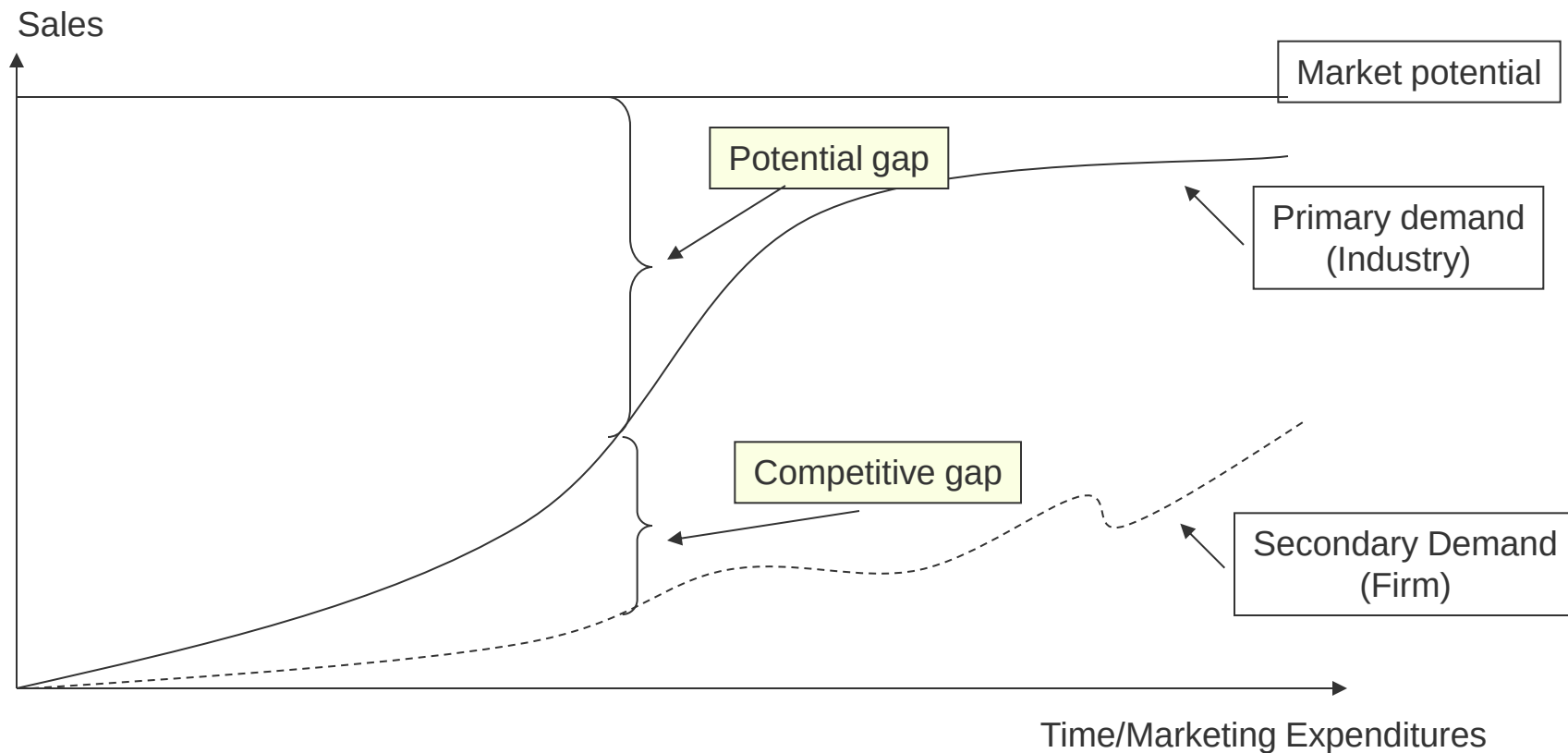
Interpretation of these indices gives the company useful indicators concerning the marketing activities required to improve the company's market position:

- ❖ a low index of weighted coverage requires action to be taken on the selection of customers, increasing their average size;
- ❖ an improved index of penetration requires the company to take suitable marketing initiatives to improve the acceptance level of the product (sell in & sell out activities)

MS breakdown



The concept of market potential and potential gap



Estimating market potential

$$\text{MKT POT} = N \times P \times O \times Q$$

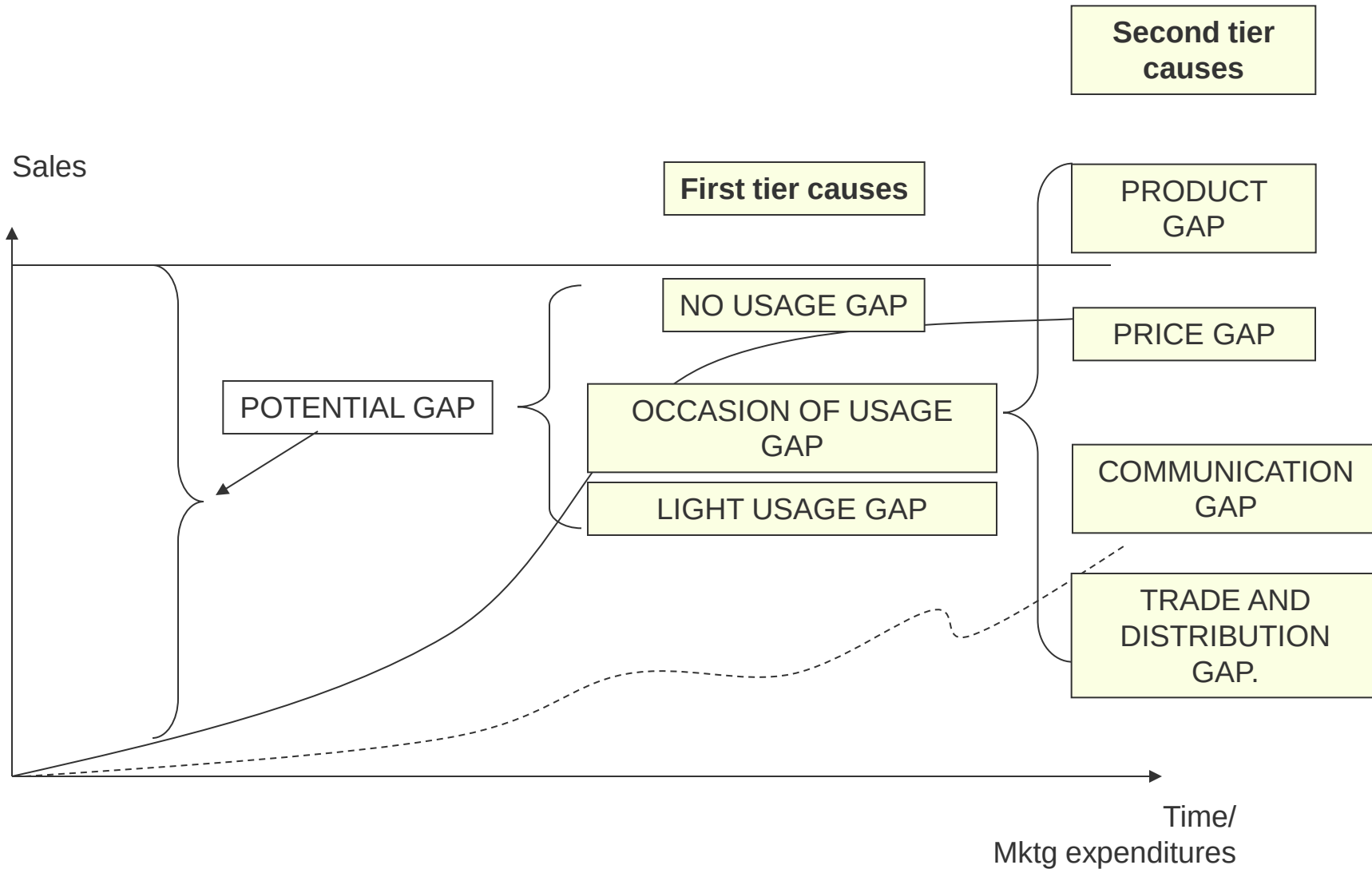
N = N of customers in the market

P = % of the customers that can purchase

O = number of usage occasions

Q = maximum quantity per occasion

Decomposing potential gap



Competitive gap

