

High Tech Marketing/Business Model Boot Camp (Part 4): Go-to-Market Mix in the Web 2.0 Era

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It's been 40+ years since E. Jerome McCarthy published *Basic Marketing*, the business book that introduced the 4 Ps (product, price, place/distribution, and promotion) to the world. The categories still hold true, but what was once the leading edge has drastically evolved.

Web 2.0 has also had an impact on the paradigm by changing what product definitions look like, and how things that are sold as "free" can make money. So while the 4 Ps are a good start as buckets, let's update them for today's era and discuss what you need to be doing to keep your mix both relevant and impactful.

Here's my take on what's happening... and some ideas on what you need to do to win your market.

Product

While chip speeds and data transfer rates have gotten faster, our desire to shape what we buy has increased. Product definition is changing as communications speed up, and Web 2.0 models allow this to be easy, fast, and interactive.

Seems to me that this is the ultimate dream: everyday people using their spare cycles to create content, solve problems, even do R&D for you. Consumer needs, desires, and dreams are bubbling up—from blogs, two-way Web sites, influencer communities, customer councils, people who are involved in do-it-yourself electronics and crafts (Make zine, etsy.com), to the usual—focus groups, trade show input, quantitative customer surveys, registration forms, and other traditional methods. There are an abundance of venues in which users can help shape innovations in your product line and for your next generation.

Product innovation, can play on a much larger field. If customer-created photos (iStockphoto) or video (YouTube) or mobile experiences (veeker.com) can be created and shared, then the notion of ideas can be extended. In the [WinMarkets](#) blog, we've talked about customer input into innovation via the Lego [model](#), at Six Apart, and at Sprint. All three companies are finding ways to innovate their product offer based on user input.

You can virtually know the desire of the many or the individual even though the wealth of data available frequently feels miles deep and impossible to get through. Getting good ideas is not the critical challenge. Discerning the winning idea among the many is the key.

Think about how this changes the terrain going forward. I propose it means the following:

- *Increased competition:* What took you years and focus groups to design will take your competition much less time if they are able to harness user power.
- *A shift of emphasis from generation to filtration:* When this model allows many new ideas, then the cost of solving problems and of generating content will go down. It also means the cost and the need for filtering will go up. You will need to filter not only for what's good versus what's bad but also for what fits your strategy. Not every idea will work given your asset base, your strengths, and your differentiation. The challenge will not be to find the smart people or ideas but to find a way to teach your whole company to filter on the same set of ideas.
- *Segments drive the portfolio.* Sorting your customers into natural segments will allow you to filter ideas based on who is sending them. Then companies will need to look for ways to glean intelligence from this segmentation to decide what to offer and what to toss. BMW, "The Ultimate Driving Machine," kept producing different models to address different segments so it could cover multiple price points, both genders, and all ages. The MINI was born of a desire to reach the aspirations of 20-somethings.
- *Harness gender differences.* It's amazingly clear that when technology companies lead with engineering, they typically don't understand the women's market. But given how much women influence purchases, they must. Women make 80% of all buying decisions. They control \$7 trillion in purchasing power. By 2010 they'll control more than \$13 trillion in private wealth. And that's just in America. Globally, women's soaring economic power is [changing business forever](#). Companies that tune in and find a way to specifically listen to this market can win.

Having been an avid runner a lifetime ago, I am impressed today with the shift Nike has executed. Five years ago, Nike still made its women's shoes on male-based models. Today its women's stores for fitness gear stock a mind-blowing array of fabrics, materials, and cuts that recognizes the multipurpose needs of women's lives. They aren't just doing the "matching color" but really fundamentally thinking about physiology and use requirements.

- *Change communications and your Web platform to be interactive.* I remember reading an article about a Nike ad located in Times Square where customers could dial commands and change the footwear that appeared. This (over the top) moment is a small example of the way we will be doing customer interactive, two-way messaging between marketers and consumers. While it's not yet perfect (people who vote on something may not necessarily buy that same something), it is going to become a powerful way of both designing and creating offers. I think it will also form our affinity and brand association. Not everything will be co-created in the future, but tapping into the collective experiences, skills, and ingenuity of hundreds of millions of consumers around the world is a complete departure from the producer-versus-consumer innovation model so common to most corporations.

Companies can be, should be, will be listening more deeply than ever before. Those that invite consumers to tell them about their product use experience—the positive and the negative—and

their dreams and aspirations will be the ones that can set the agenda in the market. And that's the next wave of product innovation.

Price

With information, buyers have power. Given the Internet, information flows freely. What happens when consumers can instantly check the price on a camera or a pair of shoes and find out who the low-cost provider is? Welcome to Wal-Mart's nightmare.

Consumers not only know your retail price and that of all your competitors but also may have access to wholesale information. What happens when they find out that you haven't been squeezing vendors to offer consumers the lowest price, but instead have been fattening margins at consumers' expense? Think someone's not going to blog about that? Think again!

While it's true that price is a factor of the decision process, it is only one factor. Remember that price must always reflect the full value proposition. Price surely is linked to purchase, but it is not always the determinant of purchase. And that difference, while subtle, matters. The mature market segment may need more technology insurance to make sure things work as promised. And for that they might be willing to pay a premium. In that case, retail rebates are not the answer, but making sure there is a service desk or value-add place where those consumers can get their needs met might be the answer. So make sure you create price in context to other aspects of purchasing.

How easy does your company make a return of merchandise? I just purchased two pairs of shoes from Zappos. Being able to see them with other outfits, try them on for several minutes, and try them on at different times of day conveniently mattered. I kept what I liked and returned the rest. The return was as easy as entering a code, printing a return label, and dropping the package at UPS. There were no questions, no hassles, and no discussions with cranky sales associates. And for that, I as a consumer am less price sensitive.

Since information is always going to be readily available, think about pricing models in the context of customer segments, point of purchase, the whole product offer, and related services... and then find ways to create the differentiation you need. Having the lowest price is not always the answer. Having many good choices and different price points matched to customer needs is.

Place

Because vendors don't need to make virtual storefronts look like a Ferragamo shop, the savings on leather seating, chrome, glass, and lighting fatten profit margins. That physical store? It's limiting because consumers have to be in that location. There may be branches, but in the physical world you can't shop without showing up.

If a business location is virtual, your reach becomes huge. Consider Kiva.org, a site that makes micro loans. Microfinance institutions post profiles of people seeking seed money to start or expand a business on Kiva. Lenders then grant loans in amounts as small as \$25. Someone in Malibu, CA can touch and improve the life of a fish-seller in Uganda.

This model not only shifts the connection of users to buyers but also creates new access portals. So whatever your business, think about whether you have created a "distribution" footprint that allows you to reach your customers.

A customer of Rubicon's hired us a few years ago to test a hypothesis that through retail expansion from 70% of all European outlets to 85% it could grow its business at a high enough return. Turns out that increasing visibility in different types of outlets not only created the corollary of 15% growth but also increased productivity in existing stores.

More presence = more visibility = more share of mind = more opportunities to buy. Therefore, more presence is directly tied to share of wallet.

To be ultimately fit in this new world of commerce, you've got to ask yourself whether your business has really looked at the multiple points of acquisition today: ISPs, OEM hardware or mobile partners, retail, value-add resellers, integrators, online/your own ecommerce store, and online through others, even portal presence in multiple aggregators, including Amazon. Your list may vary based on your specific vertical, but remember to do a pulse check every 12 months because new opportunities to reach customers are growing and are growth category leaders.

Promotion

The most exciting universe of marketing today is about the way we now talk with, not at, our market.

Internet advertising is especially powerful in its ability to target specific, appropriate segments of customers. For example, enter the search word "beer" in the Yahoo search engine, and notice the relevant advertisement (for Miller Genuine Draft) that appears on the top of the search results page. Similarly, entering the search word "beer" in the AltaVista search engine leads to a results page that contains an Amazon.com link to a list of recommended books about beer!

But is this a fundamental shift? Or is there more?

I think there's way more ahead than banner ads and search word optimization when it comes to high-tech consumer marketing. I think that we will move from non-personal ways of advertising to customer-engaged ways of connecting:

- 54% of online users today resist being exposed to or paying attention to marketing.
- 56% avoid buying products that overwhelm them with marketing content.
- 69% are interested in products that permit blocking, skipping or opting out of marketing. (Yankelovich Marketing receptivity study, 2006)

Other research I've seen suggests that well over 70% of online users in the US block out the top and side banners because that is typically where ads are placed. There are some eye-tracking heat diagrams done on Web sites that indicate what is read first, second, and so on. Advertising and passive forms of communication are the losing items.

The fundamental paradigm that consumer marketing folks must get is that the form of communications is shifting. I believe we are moving from being communicated at, to communicating with each other.

Here are some things that are critical to promotions going forward:

- **Move from one to many communications methods to enable a conversation.** The Web has to become interactive. Business is changing when/how/ways we interact with customers. We've been treating customers as if they were Goldilocks. We wait till it's all just right, we package it up, and we release. The new world is much more egalitarian, and customers are viewed as respected guests. Software isn't necessarily an 18-month cycle of development. With Yahoo, Google, or Amazon, software is updated as needed. Customers have a lot on the ball, a lot of feedback to give you. And with the advent of really easy to use development and communications tools, it is both relevant and interesting to talk with customers. Near term, it will look like "email to a friend," but over time people will be able to endorse the products that they like.
- **Recognize that we don't talk to all people in the same way.** The way I talk to my CEO group is different from the way I communicate with my staff. And the level of information my clients have about Rubicon and our business strategies is different from the information held by vendors who don't know us. Just as I want to enable people, yet manage and communicate with them according to context and our relationship, consumers expect us to have different "audience settings." A Web page that doesn't recognize who the person is limits the conversation. Users should be treated differently from non-users, who should be treated differently from competitors. I want different audiences to do different things—post comments, share tips, share information, add data. The company that figures out how and when to do this is going to win, and win big.
- **Develop/sponsor/create/incubate *influencers* as market advocates.** Interestingly enough, in this new paradigm, vendors don't matter as much as users. Having you say how great you are is one thing, but having real users say how great you are is incredibly powerful. With this tectonic shift toward users comes peer references and the power to communicate anything to anybody. Endorsements, peer groups, affiliations will all matter much more in the future. And I pity the vendors that keep trying to outspend one another on expensive marketing campaigns but don't understand how to build and deploy an influencer marketing strategy to shape the world's perception of them.

In the end, the 4 Ps remain important, but what is evolving is the way this new era allows real people, using real products, to communicate and share ideas and experiences with other real people. When your business figures out ways to harness that, you'll win.

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