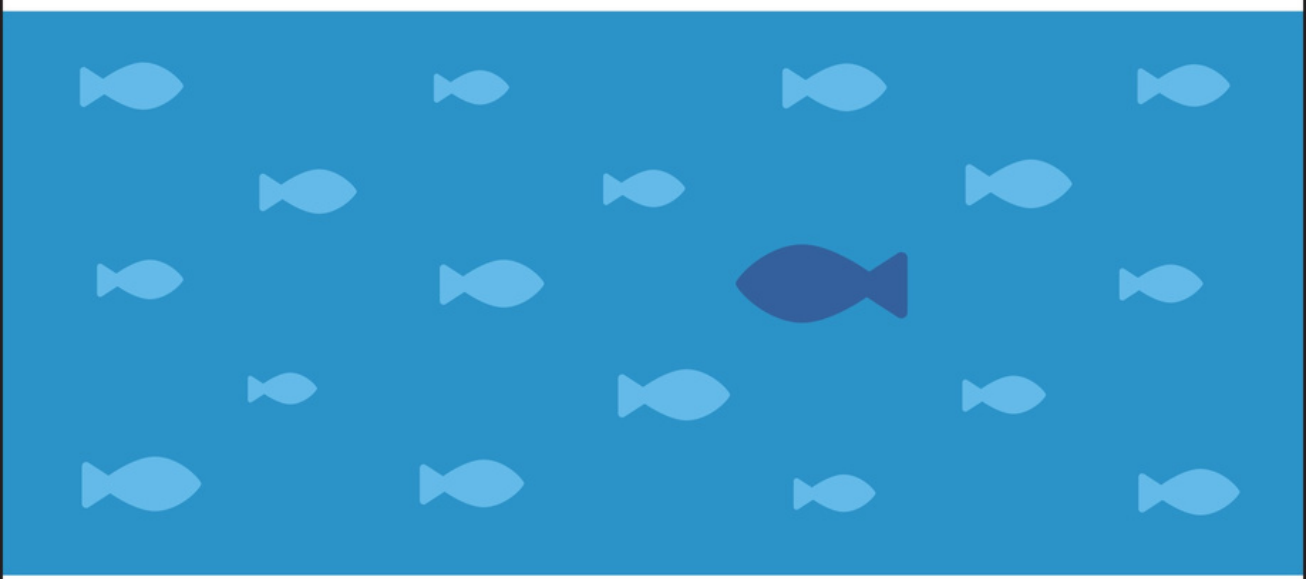
UPSTREAM MARKETING

UNLOCK GROWTH USING
THE COMBINED PRINCIPLES OF
INSIGHT + IDENTITY + INNOVATION



TIM KOELZER & KRISTIN KURTH

CO-FOUNDERS OF EQUIBRAND CONSULTING

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CHAPTER 1

UPSTREAM MARKETING—AN OVERVIEW

"It is well known that 'problem avoidance' is an important part of problem-solving. Instead of solving the problem, you go *upstream* and alter the system so that the problem does not occur in the first place."

—Edward De Bono, author, *Serious Creativity*

"Because the purpose of business is to create a customer, the business enterprise has two—and only two—basic functions: *marketing* and *innovation*. Marketing and innovation produce results; all the rest are costs. Marketing is the distinguishing, unique function of the business."

—Peter F. Drucker, author, *The Practice of Management*

"As to methods, there may be a million and then some, but principles are few. The man who grasps *principles* can successfully select his own methods. The man who tries methods, ignoring principles, is sure to have trouble."

—Harrington Emerson, *management consultant and efficiency expert*

THERE'S AN OLD STORY ABOUT a man searching at night on his hands and knees under a streetlight, looking through the grass. A passerby stops and asks what he's looking for, and the man replies, "The keys to my car." Being helpful, the passerby joins in the search.

After some time, with no success, the passerby asks whether the man is certain he dropped the keys near the streetlight. "No," he replies. "I lost the keys somewhere across the street."

"Why look *here* then?" asks the surprised and slightly irritated helper.

The man responds, "The light is much better here."

If one thing is clear from our years of management consulting, it is this: Most organizations search for growth in all the wrong places. They believe an ad campaign, refreshed website, digital marketing funnel, more content, social media, sales promotion, or similar effort is going to drive sustainable growth.

Many CEOs, business leaders, and marketing managers see their playing field as largely fixed and overemphasize downstream marketing, failing to embrace the power of upstream marketing to build strong brands and transform their business. In some cases, they've surrendered the foundational principles of marketing to the digital era, including an overreliance on marketing push tactics.

The purpose of *Upstream Marketing* is to change that perspective and provide the principles, tools, and techniques to redefine the playing field and unlock growth.

This book introduces the concept of upstream marketing, defines it, and establishes a new framework to drive growth, drawing on core principles of insight, identity, and innovation. These principles, when combined with six upstream marketing best practices and four business framing questions, facilitate a strategic approach to fulfilling customer needs and creating new market spaces.

The principles and practices are universal and apply to any organization, regardless of industry, company size, or geography. So, whether you are an executive in an established company, a small business owner, on the board of a nonprofit organization, a student of marketing, or just interested in understanding the concept of upstream marketing, you can benefit from this discussion.

BEST PRACTICES IN CORPORATE GROWTH

"What's the headline?"

That's the question the lead partner asked our consulting team during an internal strategy session. It was the summer of 1997, and Tim was working for another consulting firm, before EquiBrand.

Our team was assisting a global apparel manufacturer develop a *process* to stay at the leading edge of innovation. The client wanted to define a standard approach to growth and innovation, then implement it across the half dozen or so business units within the company.

The project had two broad parts—a design phase and an implementation phase. The design phase kicked off with an internal assessment to get up to speed on our client's business and establish initial hypotheses. How were leading companies able to consistently grow their business more, and faster, while others in the same industry lagged? What were the major steps, activities, outputs, and requirements to achieve above-market growth?

Our job was to define best practices that distinguish "good" companies from "great" companies, then use that information to design the process. (If this "good to great" approach sounds familiar, that is because it's a fairly common way to benchmark best management practices.)

We selected six companies across a spectrum of industries based on financial performance and company access: First Union (now part of Wells Fargo), Gillette (now part of P&G), IBM, Nike, Gap, and The Walt Disney Company. In exchange for participation, the companies received a copy of the study findings.

With the list solidified, we divvied up the companies across the team and set out to gain best practice insight. The first profile company our sub-team visited was Nike. At the time, Michael Jordan and the Chicago Bulls were in the middle of their second three-peat world championship performance after their first three-peat win a couple of years earlier.

With Jordan back in the game and at peak performance, Nike's Air Jordan was generating huge revenues for the company. Nike had a significant athletic footwear business, though not much else. It may be hard to imagine now, but in 1997, there was no Nike Golf, no Nike Soccer, and no Nike Tennis.

Through research before the visit, we learned that one year earlier, in 1996, Nike had signed a then little-known, twenty-one-year-old Tiger Woods to a $40 million, five-year contract, despite Nike's limited presence in the golf category.

Also in 1996, Nike made clear its commitment to the world's most popular sport, soccer, by signing the CBF—the Brazilian Football Confederation, making good on CEO Phil Knight's belief that, "We will only truly understand football when we see the game through the eyes of Brazilians."[1]

Looking at the business through the eyes of the consumer was a recurring theme in assessing Nike. It became even more apparent during our visit to Portland, Oregon.

When our team pulled the rental car into Nike's headquarters, we thought we had made a wrong turn. We were expecting a collection of corporate office buildings. The Nike grounds, though, looked more like a college campus or sports complex. Soccer fields. Volleyball nets. Running tracks. It was early morning but felt like lunchtime or a Saturday afternoon. Employees were out on the fields, playing, working, and experiencing the category and brand.

Nike's culture, deeply associated with athletes, sports, and design, was vividly on display that day. Phil Knight's mantra was evident. His team looks at the business through the consumers' eyes. In fact, the Nike team *became* the consumer, gaining more in-depth insight while having fun!

We didn't get to meet Phil Knight that day, but did spend time with his lieutenants to understand Nike's approach to marketing and innovation. The interviews helped define how Nike successfully innovates product after product, time after time.

Weeks later, the full consulting team met to compare notes and debrief research findings across best practice companies. We had hoped to uncover a standard *innovation process* to replicate with our client team. That didn't happen. The companies were too different, and no single process emerged.

Instead we found a common set of *principles* across all best practice companies, which was far more impactful. We used case evidence and systematic review to "structure the unstructured" in preparing findings. Our team then presented initial recommendations on innovation best practices and obtained approval from the client to employ them in the pilot phase.

This second project phase was where the study differed from typical "good to great" comparisons. After the design phase, we worked directly with the client to pilot a new approach to innovation real-time with a couple of their divisions before refining and rolling it out across the organization.

In the end, we significantly improved our client's business condition by using a principles-based approach to growth, adaptable across individual business units. We obtained deep consumer insight and developed and launched numerous new products, with results far exceeding the cost of the study. It was a very favorable return on investment.

GROWTH STRATEGY EVOLUTION

Over twenty years have passed since that initial best practices study. Revisiting our findings today suggests it was a good start. We identified and cataloged many classic tenets of corporate growth—the importance of customer insight, a strong brand, and an innovation mindset. These growth-drivers are foundational to marketing, as important today as they were then.

Still, our initial study had its shortcomings. That work occurred before the emergence of the "digital economy," which, of course, is now just the economy.

Today, business change occurs much faster than it did when leading companies like Apple, Amazon, and Google were in their early stages. Many of the management principles that drive these companies today, including their approaches to product development, organization design, and culture, weren't well understood then.

Certain processes and principles, like rigid, top-down strategy development and a multistage-gate approach to innovation, have largely been replaced. Now, practices like agile planning, design thinking, and minimum viable products (MVP) are proving more effective.

Twenty years ago, customer input came at later and more discrete stages in the product development cycle. Today, it occurs much sooner and in an ongoing fashion. Rigid strategy development that occurred periodically has been replaced with continual listening, learning, and adjusting.

Innovation used to emphasize new products and services. Now, it involves creating new business models and customer experiences, often through digital transformation. Technological innovation, new forms of interactive marketing, and digital disruption are common. Design sprints, rapid prototyping, and digital diaries lead to better, faster, and cheaper innovations.

The way companies and consumers interact has also changed. Historically, marketing communication was mostly one way, from companies to consumers. Now, it's interactive—real-time marketing, including multiple streams of ideas, with continuous strategic strikes.

Brand storytelling and immersive customer experiences have proven more effective than broadcast media in driving sales. Interactive content, personalization, and social and data analytics enable deeper brand-customer relationships.

Increasingly, companies are turning to direct-to-consumer (DTC) marketing as they seek to bypass retailers, wholesalers, and other distributors to serve end customers. Companies that traditionally relied on intermediaries to market and sell their products—including many in

the business-to-business space—are now taking the reins in marketing directly to end purchasers.

Marketing, as a concept, has also changed. At one time, marketing was viewed in organizational terms, often as a functional silo. Today, it's seen holistically, from a process perspective, intertwined throughout the organization.

Finally, our initial effort resulted in a listing of growth-focused principles, but it didn't integrate them into a single theme or idea. Although a list of principles is nice, it's still just a list unless the ideas are incorporated into a framework or model.

NEW INSIGHT, NEW PRINCIPLES

Since that time, EquiBrand has worked with scores of client companies across business-to-consumer and business-to-business categories. We've uncovered customer insights, built strong brands, and developed new business models to fuel growth.

In addition to real-world consulting, we continually update our best practice work by adding new companies, challenging assumptions, and pushing, pulling, and refining our thinking, in moving from the *whats* to the *so whats*.

In writing *Upstream Marketing*, we've done a systematic review of seven companies—Amazon, Apple, Google, Nike, Southwest, Starbucks, and The Walt Disney Company—to uncover and illustrate critical upstream concepts.

We've included these seven, collectively referred to as the *profile companies,* based on a variety of factors, including financial performance and access to corporate information through primary and secondary research.

One requirement in selecting our profile companies was growth consistency *over time*. Many of our Silicon Valley startup neighbors, including some we've worked with, show great initial promise only

to stumble and fall within a year or two. Our focus is on time-tested, enduring principles.

Throughout the case studies, you'll see surprising consistency in the marketing and innovation principles these profile companies share. Some of the examples may be familiar, especially if you're a student of management thinking. What should be new is perspective *across* these seven organizations, including the standard set of best practices used from their formation as small startups, until now.

For comparison purposes and as a reality check, we also draw on real-world case examples from EquiBrand clients. In some instances, our client cases exemplify best practices. In other cases, we use them to show what *not* to do.

Let's go deeper on upstream marketing, show how it's different from downstream marketing, and introduce the upstream marketing framework, which serves to structure this book.

UPSTREAM MARKETING VS. DOWNSTREAM MARKETING

The idea of going *upstream* to unlock growth is a proven concept, though it lacks familiarity, understanding, structure, and practical instruction. Dr. Ram Charan, a top management consultant, broadly defined the term in his book *Profitable Growth Is Everyone's Business*. There, he talks about the need to "beef up upstream marketing" and describes how downstream differs from upstream this way:

Downstream marketing is what most people visualize as marketing and involves advertising, promotion, brand building, and communicating with customers through public relations, trade shows, and in-store displays. While these activities are extremely important, they tend to enhance the acceptance of a product or service that already exists. Further, companies spend an inordinate amount of money on downstream marketing activities and ignore critical upstream marketing activities.

Upstream marketing, by comparison, refers to the strategic process of identifying and fulfilling customer needs. Upstream marketing takes place at a much earlier stage by developing a clear market segmentation map and then identifying and precisely defining which customer segments to focus on. It analyzes how the end user uses the product or service and what competitive advantage will be required to win the customer and at what price point. This is done very early in the product or service development cycle and is one of the missing links for generating revenue growth at many companies.[2]

Figure 1.1 compares the two stream parts, drawing on EquiBrand's real-world experience to expand on Charan's definition and highlight key differences:

	Marketing's Two Streams	
Focus Area	**Downstream Marketing**	**Upstream Marketing**
Customer Orientation	A defined target segment, based upon the product or service sold	The entire customer landscape, including new, uncontested market spaces
Growth Areas	Existing products and services with incremental refinements	New products, new channels, and markets, based on obsessive customer insight
Approach	Functionally driven, dependent upon advertising, sales, social media, and PR	Principle-based, built on a set of proven winning practices
Organizing Framework	The Four P's: Product, Place, Price, and Promotion	The Three I's: Insight, Identity, and Innovation
Time Horizon	Short-term, often firefighting	Future-focused (think big, but start small and fail fast)
Planning Cycles	Often either too short (today's crisis) or too long	Around 90 days
Marketing Orientation	"Make people want things"	"Make things people want."

Figure 1.1

In considering upstream and downstream marketing, it's crucial to ensure both are fully aligned and seamlessly integrated. After all, upstream and downstream marketing are different parts of the same stream.

While figure 1.1 shows downstream and upstream side by side, upstream marketing should actually occur first, flowing directly into downstream marketing. Extending the stream analogy, a better visual representation has upstream at the top, splitting into several downstream channels, as in figure 1.2:



Figure 1.2

Upstream marketing promotes economic leverage: A variety of downstream opportunities emerge from a singular focus on upstream principles. When you start with upstream, downstream flows more smoothly, uncovering multiple opportunities with fewer impediments.

Upstream Marketing Analogy

Here's another way to look at upstream marketing: Ever gone fishing? Think of upstream marketing as everything that happens *before the hook is in the water*. The best anglers reflect and act on several factors before they cast the line. First, they'll consider the kind of fish, the

method (fly fishing or bait casting), and the tools needed—the type of rod, reel, fishing line, and so on.

After answering a few other questions—Where exactly will they go to fish, which lake or river? Where within that lake or river? At what time? What's the best bait?—they then bait the hook and cast it into the water.

In doing all this, good anglers observe the essential principles of upstream marketing, thinking through the five W's—*who, what, where, when,* and *why*—before integrating with downstream implementation (sometimes literally) in landing the target.

THE ELUSIVE HEADLINE EMERGES

Amazon, Apple, Google, Nike, Southwest Airlines, Starbucks, and The Walt Disney Company: How have these companies and companies like them been able to consistently grow their business compared with others in their respective industries?

The Strongest Brands and Businesses Are Built Upstream Through the Combined Principles of Insight, Identity, and Innovation.

As different as these companies are in terms of the products and services they offer and markets they serve, their approach and adherence to upstream marketing are remarkably similar. Common to all is emphasis on:

- **Insight:** gaining internal clarity and deep customer understanding as the basis for transformative growth

- **Identity:** building strong value propositions and brands that deliver on customer needs and align with company operations
- **Innovation:** ensuring a continual stream of creative solutions to meet evolving customer needs and expand the business

Leading upstream marketers infuse these principles into everything they do and obtain synergies along the way. If there is a formula for success, it's:

Insight + Identity + Innovation = Upstream Marketing
Or 1 + 1 + 1 = 4

The key to effective upstream marketing is that each principle builds upon the others, reinforcing and magnifying them. Combined, they form an integrated whole much more powerful than the sum of its parts because the principles are all working together, all the time.

Three Factors Distinguish Upstream Marketing Leaders

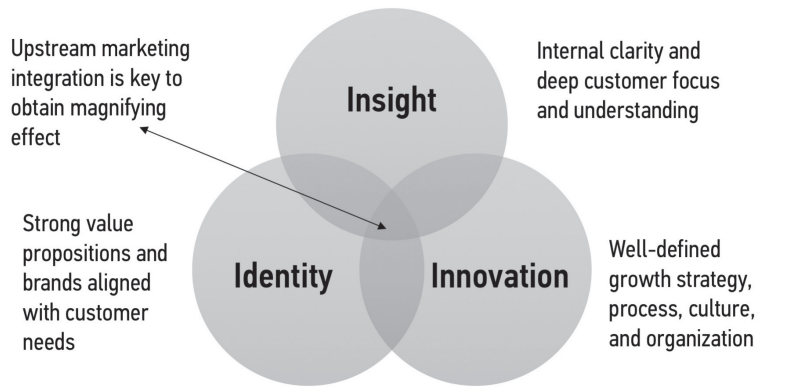


Figure 1.3

As shown in figure 1.3, insight, identity, and innovation are inextricably linked across all parts of the organization.

For example, insight isn't relegated to the marketing research department. Identity management extends far beyond the walls of the marketing department or ad agency. Innovation is more than an occasional brainstorming session. After years of incorporating these principles into their business models, leading upstream marketers become perpetual insight-identity-innovation machines.

Many organizations *say* they have a similar set of principles, and some do. What distinguishes best-in-class companies are three integrated principles and six related best practices that drive everything they do. As we'll see, each profile company's corporate strategy statements, business processes, company culture, and hiring practices all support the upstream marketing principles.

UPSTREAM MARKETING FRAMEWORK

As companies recognize the differences between upstream and downstream marketing, a new framework and tools for applying insight, identity, and innovation principles and practices are required. The framework, built on EquiBrand's research and in-market client experience, provides the discipline and structure for analyzing and synthesizing results and for organizing the rest of this book.

Think of the upstream marketing framework as a structured way to answer four framing questions: Where to play? How to win? How might we? and What would have to be true? Insight, identity, and innovation serve as *first principles*[1] to direct the approach and help

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1 * A first principle is a basic assumption that cannot be deduced any further. Many great thinkers, from Aristotle to Elon Musk, use first principle thinking, which involves boiling things down to the fundamental parts that you know to be true and then building up from there. Insight, identity and innovation are the first principles of upstream marketing.

answer the questions. Attached to each principle are two best practices. Finally, underlying the principles and practices is a process to integrate and execute upstream marketing. Figure 1.4 shows the framework, including details describing each component.

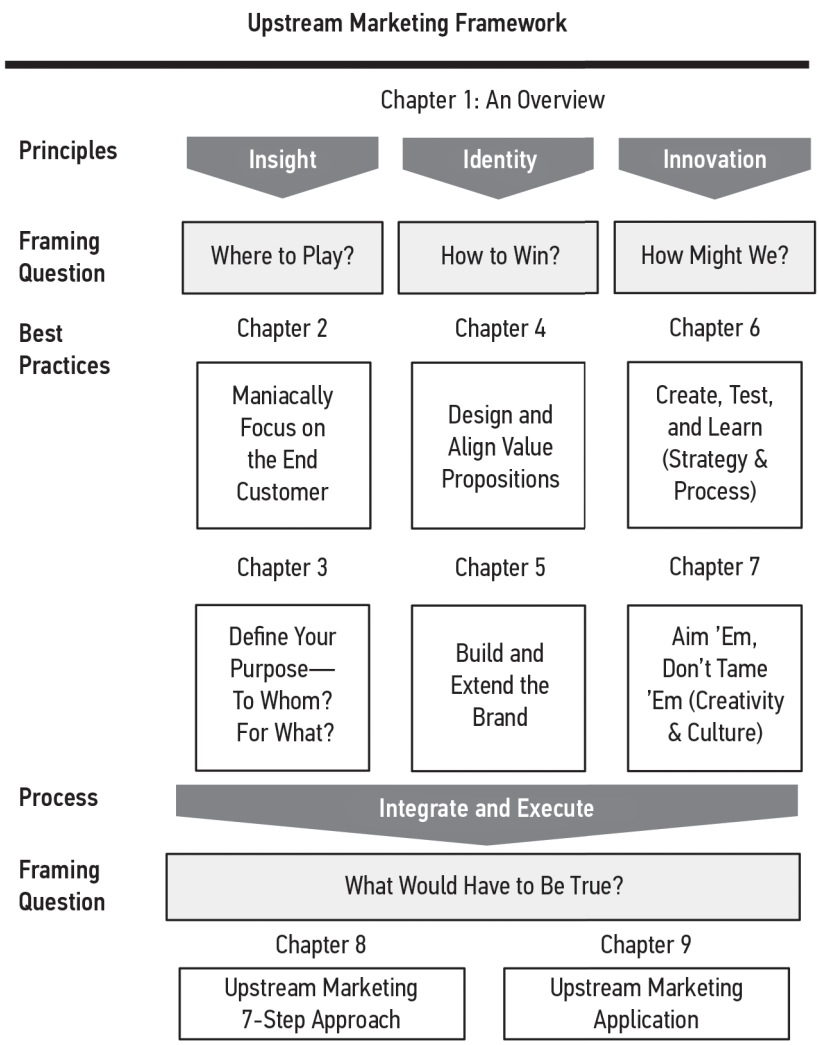


Figure 1.4

While there is order to the framework, don't get hung up on the sequencing and alignment of individual components. The principles, framing questions, and best practices are interrelated and will overlap. For example, the question "What would have to be true?" shown at the bottom of the figure relates to every element of the upstream marketing process.

FOUR FRAMING QUESTIONS

There is a saying that applies to strategy development: "A problem well stated is half solved." When a problem is clearly defined, it's that much easier to answer. Albert Einstein purportedly once said that if he had an hour to solve a problem, he'd spend fifty-five minutes thinking about the problem and five minutes thinking about solutions.

The opposite of this is a concept called "boiling the ocean." As the phrase suggests, if the problem is unclear, there's a risk of trying to do the impossible. Additionally, some issues are so complex, it's difficult to know where to begin, and "analysis paralysis" sets in.

By definition, growth involves new things: new products, new markets, and new channels. Since there's often no existing fact base to consider, it can be unclear how to get started and what comes next. What questions need to be answered to improve success rates?

Management guru Michael Porter sees business strategy as a set of long-term choices that articulate the competitive advantage companies seek to create in order to win. A.G. Lafley, former CEO of Procter & Gamble, and Roger Martin, dean of the Rotman School of Management, echo the strategy-as-choice definition in their book *Playing to Win: How Strategy Really Works*.[3]

Consistent with this approach, questions can be a powerful way to improve upstream marketing. The better the question, the more valuable the answer. Listed here are four interrelated framing questions used in upstream marketing. Each question informs the next and

draws on specific methods to obtain answers. Collectively, this Q&A format is vital to structuring the framework. Here are the details:

Where to play? specifically, to whom and for what, is the first strategic business decision to make, regarding where to compete and where not to compete. This involves mapping customer segments (to whom?) and their needs (for what?) to identify strategic opportunity areas. Which customers, markets, channels, and broad product categories should be pursued?

How to win? informs value proposition and brand development. What's the optimal business model, value proposition, product, or service concept to address the specified opportunity area? If *to whom* and *for what* determines the fishing pond, then *how to win* defines the optimal bait.

How might we? jump-starts innovation by pushing for creative solutions to complex problems. Wording the question this way is preferred over "how can we" or "how should we," as it opens up opportunities.[4] This framing question is central to the design sprint process used by Google and other profile companies.

What would have to be true? is the final question that links upstream and downstream marketing. While the first three questions promote expansive thinking, this one narrows choices in moving toward execution. To improve success rates, consider *ahead of time* what's required to win, including business metrics and financial thresholds. Go upstream and use mini tests to assess what must be true about product acceptance, channel penetration, sales, and marketing requirements to succeed. Gain experience before making the next sizable bet.

After considering all these things, keep in mind Porter's other advice for strategy: Define it as "choosing what *not* to do."

Later in this chapter we'll highlight the six best practices that complete the framework (one per chapter). First, though, let's discuss *why* focus on upstream marketing, including key challenges and opportunities to address.

WHY UPSTREAM MARKETING?

The primary reason to pursue upstream marketing is improved business performance. Companies that rapidly identify and reallocate capital to new growth businesses outperform those that take a steady-state approach.[5] When executed well, upstream marketing provides substantial new revenue and profit streams that extend far beyond the core business. Uncontested "white space" market opportunities open up, making competition irrelevant.

After adopting upstream marketing principles and practices, companies tend to look very different than they did in their early stages. The playing field—the customers they serve and the products they deliver—expand significantly.

Imagine if Apple had defined its business in product terms only—as a manufacturer of desktop computers. It would have completely missed out on the revenue associated with the iPod, iPhone, iPad, Apple Watch, Apple TV, and its array of services such as Apple Arcade, Apple Music, TV+, News+, and Card. Today, the combined value of these newer businesses far exceeds that of the original desktop computer portfolio.

Similarly, what if Amazon had remained an online retailer of books only? It's now the world's largest retailer, supplemented by product sales from Kindle, Echo, and a host of other businesses, including self-publishing, groceries, home automation, delivery services, and robotics. Alexa, Amazon Prime, Amazon Music, and Amazon Studios envelop consumers each day. Amazon Web Services (AWS) represents an entirely new business-to-business proposition that contributes significantly to the company's bottom line. Other mega-industries Amazon has its eye on include pharmaceuticals, health care, and financial services.

Disney got its start in animation. Today, it is the largest media company in the world. Studio Entertainment—consisting of all films released by Walt Disney Pictures, Walt Disney Animation Studios, Pixar, Marvel Studios, Lucasfilm, 20th Century Studios, and

others—accounts for only 15 percent of total company revenues. The majority of sales and profits comes from its other businesses. Within a year after launching Disney+ in 2019, the company restructured its organization around it to ramp up its direct-to-consumer strategy.[6]

These examples may seem obvious. It's hard to imagine Apple, Amazon, or Disney *not* being as expansive as they are today. And yet many companies—most companies—do what they've been doing from inception. It's why many small businesses remain small businesses. Though not for lack of trying. A study by McKinsey & Company indicates 84 percent of global executives see innovation as extremely important to their growth strategies.[7] Yet a staggering 94 percent are dissatisfied with their organization's innovation performance.

Many companies employ upstream marketing principles in their early stages (perhaps subconsciously) but gradually lose perspective. When launched, they consider choices like to whom, for what, how to win, and other strategic decisions.

Over time, though, day-to-day firefighting often takes over. Along the way, marketing shifts from strategic to tactical. Instead of working *on* the business, execs find themselves working *in* the business.

Despite its proven importance to business success, many business leaders are unfamiliar with upstream marketing. Why is it so neglected? Why do so many companies focus downstream and undervalue upstream marketing? This occurs for several reasons.

UPSTREAM MARKETING CHALLENGES

Upstream marketing is hard to do. Upstream marketing is neither a strategy nor a process but rather a set of principles, framing questions, and underlying practices that need to be consistently applied. Many companies don't know how to get started, or they treat upstream components as separate or distinct, as opposed to an integrated system.

Upstream marketing takes time. Before realizing its benefits, upstream marketing requires thoughtful strategizing, planning, and

testing. The payoff in new business is not immediate. Faced with a soft business climate or limited resources, many companies turn to downstream to spur short-term growth and never get around to upstream activities. Upstream is a journey that requires displaying patience and a sense of urgency at the same time.

Upstream marketing lacks tangibility. Downstream efforts like an ad campaign, new website, or slick brochure are often more appealing than a marketing strategy or business plan. It can be challenging to envision the potential value of upstream marketing tools like framing questions, concept statements, and prototypes.

Upstream marketing success can be hard to measure. Sales revenue, ad impressions, click-through rates, lead tracking, and other metrics provide a sense that downstream marketing is working. There are fewer ways to track upstream marketing successes in the short term.

Many organizations are not set up for upstream marketing success. Small to medium-sized businesses may lack the resources and training. Conversely, large organizations may have strategic planning departments staffed with MBAs and data scientists, but these groups are often functionally siloed, disconnected from other functions required to drive growth.

UPSTREAM MARKETING OPPORTUNITIES

There are counterarguments for why upstream marketing makes sense, and why now. The main reason is the substantial business growth that results. New markets, new business models, new products, new channels, and other growth areas open up entirely new revenue streams. Here are other factors:

Customer obsession helps focus the organization. The answers to most marketing strategy questions reside in the marketplace. Companies that invest in deep, proprietary insight about their customers are better equipped and inspired to meet their needs both today and in the future.

Upstream marketing expands the playing field, and creates uncontested market space. Many organizations are driven to hit short-term numbers and therefore fixate on the current state. Be careful. Amazon's Jeff Bezos said, "If everything you do needs to work on a three-year time horizon, then you're competing against a lot of people. But if you're willing to invest on a seven-year time horizon, you're now competing against a fraction of those people, because very few companies are willing to do that."[8]

Upstream marketing offers the opportunity to be "roughly right" rather than "precisely wrong." While precision may be required in certain downstream business practices (in tracking metrics and sales, for example), upstream marketing thrives on being "roughly right." Many business decisions are reversible. Use test-and-learn to minimize the cost of failure. You don't have to win every time, but you need to be in the game. Upstream marketing gets you in the game.

New tools, techniques, and accelerators that support upstream marketing emerge every day. Upstream marketing is more efficient today than in prior years. Agile planning, rapid prototyping, website mock-ups, and 3-D printing are huge time- and cost-savers. New business incubators and entire innovation districts are increasingly available to assist with development.

Consumers are comfortable with the concept of beta products and product updates. Customers have become conditioned to accept products that may not be 100 percent. "Ship and iterate" is an acceptable way tech companies gain early, loyal customers. After version 1, it's 1.1, then 1.2, and eventually version 2.0. Consumers get this, are comfortable with it, and have become more forgiving over time.

With upstream marketing, the Pareto principle (80-20 rule) and Parkinson's law work in combination. The Pareto principle, named after economist Vilfredo Pareto, holds that roughly 80 percent

of the effects come from 20 percent of the causes. For example, 80 percent of sales come from 20 percent of your customers, and so on.

Parkinson's law states that "work expands so as to fill the time available." These two ideas become even more powerful when combined. In our experience, companies that integrate a general comfort with ambiguity with a bias for action can reap 90 percent of the benefits of strategic marketing with just 10 percent of the effort.

Upstream marketing combines strategy formulation with execution. There is no centralized planning department, organizational silo or hand-off between functional groups. Rather, upstream marketing is built into strategy from the start and naturally flows to downstream implementation.

BEGIN WITH THE END IN SIGHT

As you'll see, a central theme interwoven throughout this book is *to begin with the end in sight.* This involves envisioning where you want to be in the future and then working backward to fill the gap, using a create-test-and-learn approach.

If you're familiar with Stephen Covey's bestseller, *The 7 Habits of Highly Effective People*, you may see parallels with the second habit, "Begin with the end in mind." This habit involves knowing your purpose and what you're trying to achieve, then using an outcome-oriented mindset to get there.

Said another way, envision what you want in the future and create a plan to get there. Covey explains that with this habit, all things are created twice: first through mental conceptualization and visualization, and second as a physical, actual creation.

Covey's second habit applies to upstream marketing, though with a twist—rather than begin with the end in *mind*, begin with the end in *sight*. It may seem like a subtle distinction, but starting with the end in sight adds another tangible thing to create—a

testable proposition, like a concept board, business narrative, draft proposal, or prototype that represents the end goal. In effect, you create things *three* times—first mentally, next as a tangible/testable concept, and finally through actual creation.

By iterating tangible ideas internally and with customers, you can peer into the future, clarify thinking, optimize ideas, reset—as necessary—and get everyone on the same page.

This is why Disney creates storyboards and models in planning new attractions, why Amazon requires business leaders to create six-page narratives (not PowerPoint slides) to debate ideas internally, and why Nike iteratively develops and tests prototypes with professional athletes.

Most innovations fail. The root cause is the inability to accurately define the end state at the beginning. Starting with the end in sight and working backward allows for better decisions about what to do and how to do it. Clarify this upfront so people engage. And remember: If you can't clearly express an idea ahead of time, you may not have an idea.

HOW THIS BOOK IS ORGANIZED

The rest of the book draws on the winning strategic patterns of the profile companies contained in the upstream framework (see Figure 1.4). Here's a preview of what's to come.

Principle 1: Insight. Internal clarity and proprietary customer insight are foundational to upstream marketing. Here we describe the role insight plays in strategy development and specific ways to obtain it.

- **Chapter 2: Maniacally Focus on the End Customer.** Google considers itself an engineering company; Amazon, a retailer; Disney, a media and entertainment company. Dig deeper, though, and the unifying element is their commitment to customer-centricity.

Upstream marketers define their markets in customer terms and obsess about the customer experience. Here we introduce a step-by-step approach and practical tips to obtain customer clarity.

- **Chapter 3: Define Your Purpose—To Whom? For What?** Along with a commitment to insight, every organization needs a clear sense of purpose to direct strategy, including where and how to compete. An organization's purpose, when linked with a customer demand framework, provides the structure to identify strategic opportunity areas. In formulaic terms:

To whom + For what = Strategic opportunity area

This focus allows expert marketers to pursue initial beachhead targets, demonstrate success, and expand the business over time.

Principle 2: Identity. Your identity is who you are, and establishing it should start internally—first, define your purpose, then prove that identity externally. Mission, vision, and value statements are essential components, though are not enough. You need two critical aspects—value propositions and brand strategy—to win.

- **Chapter 4: Design and Align Value Propositions.** Winning marketers create a multidimensional definition of value, aligning customer needs, benefit planks, and company operations. They employ creativity and concept iteration to identify new market spaces and then work backward to deliver solutions.
- **Chapter 5: Build and Extend the Brand.** It's no surprise the seven profile companies top the list of the most valued brands. Historically managed by ad agencies, brand is now a strategic weapon senior executives use to increase corporate value. They know how to

build a deep, shared meaning of the brand internally and with customers externally, to craft and manage a portfolio of brands, and to selectively extend them to new areas.

Principle 3: Innovation. This is the hallmark of upstream marketing, and leading organizations draw on it to consistently fuel growth. We break innovation down into two core components: those dealing with strategy and process, and those relating to creativity and culture.

- **Chapter 6: Create, Test, and Learn (Strategy & Process).** Each profile company has its own innovation process, though they share common elements. Guided by insight and identity, the companies use similar methods—focused ideation, iterative concept development, prototyping, business screening—to open new opportunity areas.
- **Chapter 7: Aim 'Em, Don't Tame 'Em (Creativity & Culture).** While organizational and cultural issues are often dismissed or overlooked as "soft stuff," these are the very things that distinguish successful upstream marketers. The phrase, "aim 'em, don't tame 'em," coined by strategic facilitator Cavas Gobhai, encapsulates the seemingly contradictory values and behaviors needed to drive growth.[9]

Now Apply It: Integrate and Execute. Any upstream marketing principle alone can improve business performance. Implementing them holistically unlocks their true potential. Insight informs identity, which improves innovation, which enhances insight, and the process repeats. It's not a single thing. It's all of them working together.

- **Chapter 8: Upstream Marketing 7-Step Approach.** Upstream marketing principles are universal. The method for enacting them, however, varies. What works for one company may not for

another. To jump-start upstream marketing, we share a proven seven-step approach. We show how integration—including active participation of executive decision makers at crucial points—is critical for success.

- **Chapter 9: Upstream Marketing Application.** Would your organization benefit from an increased focus on upstream marketing? We complete the framework with case examples and a set of questions to diagnose the potential impact.

Terms and Definitions

Companies use different words to describe their end purchasers, including buyers, candidates, clients, consumers, customers, guests, members, patrons, prospects, and users. For purposes of this book, we use the terms *consumer* and *customer* interchangeably to encompass the ultimate buyer of goods and services across industries. We also consider these terms to include both current customers and non-customer prospects.

Upstream marketing is a concept that extends beyond what many view as marketing. The term *upstream marketer* is designed to be inclusive across titles, functional groups, and skill sets in strategy, marketing, sales, product development, research and development (R&D), and others.

Exactly who leads upstream efforts can vary. In large corporations, this could be the chief executive officer, chief marketing officer, or chief experience officer. In small to medium-sized businesses, it might be the business owner or marketing manager.

In this book, the sequence unfolds in the following order—insight, identity, and innovation. In reality, the order could switch, beginning with identity or innovation and mixing in the others. The sequence doesn't matter, provided the principles are all understood and delivered at the same time.

solution to growth. Psychologist Abraham Maslow said, "I suppose it is tempting, if the only tool you have is a hammer, to treat everything as if it were a nail." A one-off solution is the wrong approach.

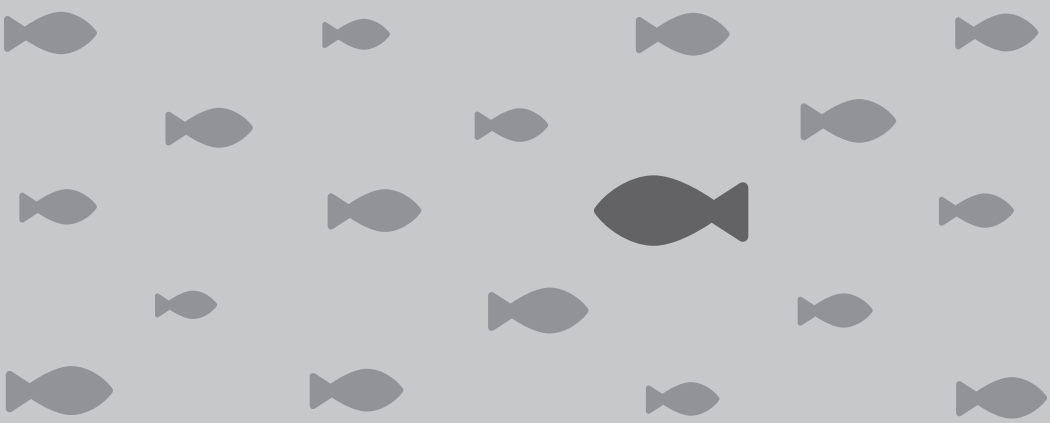
Going upstream offers the opportunity for sustainable brand and business growth. Effective execution, though, involves doing many things well. It requires that the entire organization understand, adopt, and adhere to three universal principles and six best practices. Let's get started with insight, the first principle.

QUESTIONS TO CONSIDER

1. Does the C-suite view the business playing field as largely fixed, or is it open to redefining the landscape?
2. Does your organization understand the critical differences between upstream and downstream marketing?
3. Are adequate resources being allocated to upstream marketing?

PRINCIPLE 1

Insight



INSIGHT

ASK A GROUP OF A half dozen marketers to define the term "marketing" and you'll likely get a dozen or more answers. Most will agree marketing is a broad topic, involves both art and science, and covers a wide range of activities in growing a business.

While there are literally hundreds of definitions of marketing, here's a simple one that fits our purposes: *Marketing is meeting wants and needs profitably.*

Of course, to meet needs, you have to understand them first, and that is the role of insight. As we see in the next couple of chapters, insight promotes clarity. The more clearly you define your organization's purpose and understand your customers, the better success you'll have.

Chapter 2: Maniacally Focus on the End Customer defines insight and provides an overarching approach to structure market research inputs and outputs. Here we introduce proven ways to obtain insight, including how-to tips to experiment and learn.

Chapter 3: Define Your Purpose—To Whom? For What? describes how to integrate internal clarity with customer understanding. Internally, start with *why* and define your organization's aspiration. Then, establish a customer management framework (to whom and for what) in determining strategic growth areas.

Asking the right questions in the right sequence results in better, faster, and cheaper answers. The next two chapters show you how.