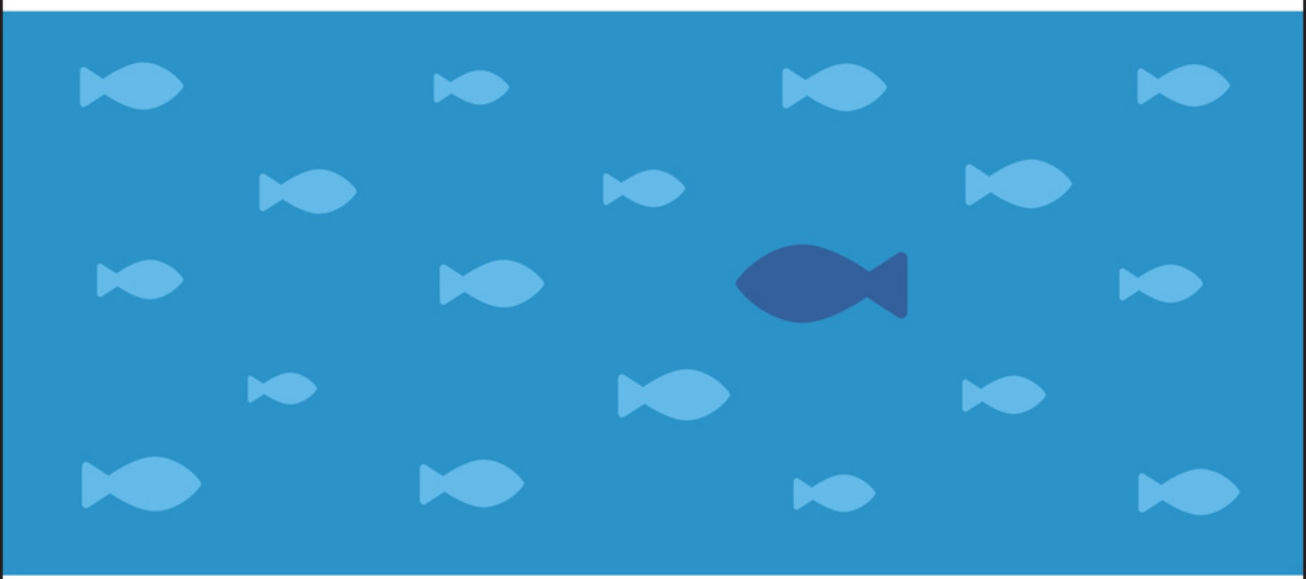
UPSTREAM MARKETING

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CHAPTER 3

DEFINE YOUR PURPOSE—TO WHOM? FOR WHAT?

"Discovery consists of looking at the same thing as everyone else and seeing something different."
—Albert Szent-Györgyi, *biochemist and Nobel Prize winner*

"Market segmentation is a natural result of the vast differences among people."
—Donald A. Norman, *director of The Design Lab at University of California, San Diego*

"If you're not thinking about target segments, you're not thinking."
—Theodore Levitt, *professor, Harvard Business School*

FROM A SINGLE STORE IN 1971 to over 30,000 global locations today, Starbucks built its business on a core purpose and deep insight into the coffee experience—that for coffee lovers, a cup of coffee is much more than a hot morning drink made from roasted beans.

A cup of coffee, especially a Starbucks cup, is about the smell, taste, sights, and sounds associated with a favorite beverage to start the day. Sure, it's coffee, but it's also grabbing breakfast while checking email. It's meeting with a family member, friend, or work colleague

throughout the day. It's having a comfortable "third place" (outside of home and work) to socialize and get stuff done.

Starbucks delivers a carefully choreographed customer experience supported by its mission: "To inspire and nurture the human spirit—one person, one cup, and one neighborhood at a time."[26]

Google was founded with a clear purpose: "Organize the world's information and make it universally accessible and usable."

When the company was just a few years old, the founders developed a list of "Ten things we know to be true." The list expounds upon the mission, with the number one priority to "Focus on the user and all else will follow."

As former Google CEO and Alphabet Chairman Eric Schmidt noted, Google's purpose directly influences the way it operates: "Google was founded to get information to everybody. A by-product of that strategy is that we invented an advertising business which has provided great economics that allows us to build the servers, hire the employees, create value."[27] From its company mission to customer value creation, Google is in alignment.

In the early 1970s, Southwest Airline's founders Herb Kelleher and Rollin King drew on a napkin the insight and idea that would revolutionize the airline industry.[28]

While other airlines targeted business customers and longer flights using a hub-and-spoke model, Southwest pursued another flyer segment through its point-to-point approach. It provided frequent, low-cost airline service in busy markets with shorter distances, with the first flights between Dallas, Houston, and San Antonio. Southwest's initial insight? Target the consumers who drive most of the time instead of flying, with frequent, no-frills service at the lowest possible cost.

Southwest links customer insight with founder Herb Kelleher's belief that if you put people first, the rest will follow. Kelleher said, "I tell my employees that we're in the service business, and it's incidental that we fly airplanes."[29] Southwest's purpose is to "Connect people to

what's important in their lives through friendly, reliable, and low-cost air travel."[30] Southwest built a leading airline based on customer clarity, operational excellence, and a legendary corporate culture.

Amazon didn't set out to be in many of its current businesses when Jeff Bezos launched the company out of his garage in 1994. It did, though, set out to become the most customer-driven business, as reflected in its vision statement: "Our vision is to be earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online."[31]

Bezos is clear about where to look for business direction—the end customer. "If you're competitor-focused, you have to wait until there is a competitor doing something. Being customer-focused allows you to be more pioneering."[32]

Nike's purpose is "to unite the world through sport to create a healthy planet, active communities, and an equal playing field for all."[33] It may sound like a lofty goal for an athletic shoes and apparel company, but it speaks to why the company exists and aligns with their target consumers' aspirations.

Nike's early insight? "You can't explain much in sixty seconds, but when you show Michael Jordan, you don't have to. It's that simple," said Phil Knight, Nike CEO, describing the importance of consumer clarity and emotion in new product and brand development. Nike knows athletic performance is highly aspirational and uses athletes who embody the brand to make a consumer connection. Knight attributed Nike's early success to a mindset shift, recognizing the importance of building a strong emotional connection with the consumer. "We used to think that everything started in the lab. Now we realize that everything spins off the consumer."[34]

Steve Job's original mission for Apple: "To make a contribution to the world by making tools for the mind that advance humankind." Jobs also spoke about the importance of insight and simplicity. "That's been one of my mantras—focus and simplicity. Simple can be harder

than complex: You have to work hard to get your thinking clean to make it simple. But it's worth it in the end because once you get there, you can move mountains."[35]

Walt Disney described his company's mission as "To make people happy."[36] Walt believed if you can dream it, you can do it. "We keep moving forward, opening up new doors, and doing new things, because we're curious . . . and curiosity keeps leading us down new paths."[37] Strong on curiosity and insight, Disney's success is moving beyond dreams to make them realities.

BEGIN WITH WHY

Starbucks nurtures the human spirit, one cup at a time. Google makes information universally accessible. Southwest connects people to what is important in their lives. Amazon strives to be the most customer-centric company in the world. Nike seeks to unite the world through sport. Apple simplifies technology. Disney makes people happy through magical, family entertainment.

These companies are all well known for their strong brands and innovative products. What drives their performance, though, is an aspirational purpose and a commitment to customer-centricity. They begin with *why*—using internal clarity to define their organization's aspiration—then leverage deep customer insight to chart new growth strategies.

The idea of beginning with why is described in Simon Sinek's famous TED talk and in his book *Start with Why: How Great Leaders Inspire Everyone to Take Action*. Says Sinek, "People don't buy what you do; they buy why you do it. And what you do simply proves what you believe." He continues, "Very few people or companies can clearly articulate *why* they do *what* they do. By *why* I mean your purpose, cause or belief—*Why* does your company exist? *Why* do you get out of bed every morning? And *why* should anyone care?"[38]

As the profile companies demonstrate, beginning with why inspires employees and helps solidify emotional connections with consumers and other stakeholders. The power of *why* is amplified when it links with to-whom and for-what insight.

TO WHOM? FOR WHAT?

When Steve Jobs returned to Apple in 1996, first as an advisor and then as interim CEO, one of the first things he did was refine the product strategy, beginning with the desktop computer portfolio.

After ten years of absence from the company he co-founded, he saw far too much complexity in how products were developed and marketed. He wanted to bring some focus, simplicity, and discipline to the product strategy.

During one meeting, he drew four boxes on a flipchart. Atop the two columns, he wrote "Consumer" and "Pro." He labeled the two rows "Desktop" and "Portable." The job, he said, was to make four great products, one for each quadrant (see figure 3.1).[39]

	Consumer	Pro
Desktop		
Portable		

Figure 3.1

This level of simplicity and focus is exactly what Apple needed then to deliver really strong products with specific targets in mind. Of course, Apple's product strategy is considerably more sophisticated today, but it continues to be defined by a clear, thoughtful approach to where-to-play decision making.

Interesting to note is where Apple decided *not* to focus. Apple has primarily stayed within the realm of hardware, software, and consumer products and services. Although they serve business-to-business customers, they leave much of that to Dell, HP, Lenovo, and other companies.

Southwest Airlines, by comparison, stays close to its core. Southwest focuses on low-cost airfare among business and vacation flyers and grows mainly by adding routes (organically and through acquisition). Sure, they've added credit cards and do a healthy business in freight, but mostly they're an airline serving airline customers. Also, the company offers a similar, relatively basic service experience to all its customers.

Starbucks maintains a fairly tight focus on its coffee and retail heritage. The company has pushed beyond morning coffee to a variety of beverage types (including tea and bottled drinks) and food items (bistro boxes, sandwiches, paninis, and salads).

They've also redesigned the in-store experience and invaded grocery stores and other outlets, so you can enjoy a latte while doing errands.

More recently, the company reallocated investments, selling off one of its tea brands and introducing the 15,000-square-foot Starbucks Reserve Roastery and Tasting Room to promote its rarest, small-batch coffees. Starbucks Reserve targets the most involved coffee connoisseur, in line with Starbucks' renewed commitment to its coffee heritage.

Each of these companies explicitly decides *to whom* its offerings should be targeted and *for what* particular need area. This to-whom, for-what mindset helps define the playing field. Some of the profile

companies have a tight view of their market space; others take an expansive view. Either approach can be successful.

What they all employ is a purposefully defined strategy to approach specific customer segments with particular products, and *not* to pursue certain interests. This allows them to concentrate resources on the most promising areas.

ALIGNMENT IS THE KEY TO GROWTH

Defining your market space is a strategic choice regarding where to compete and where not to, across markets, customer groups, products, and channels. As shown in figure 3.2, it is an exercise in mapping customer segments (to whom?) and their needs (for what?).

This construct informs strategic growth areas and helps sharpen alignment with marketplace requirements. Having a clear strategy and plan for choosing the right businesses to invest in is paramount to upstream marketing.

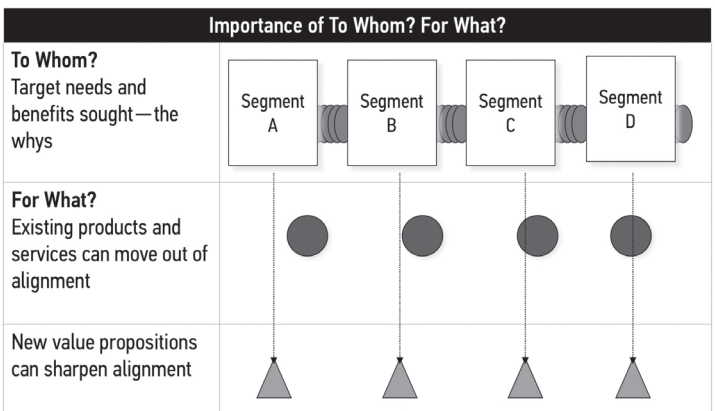


Figure 3.2

Growth Strategy Frameworks

In determining where to focus business growth, consider a few levels of strategic decision making and corresponding frameworks.

Level 1 regards whether to pursue "closer in" or "further out" opportunities. Should your focus be on the core business, adjacent areas, or diversification?

Level 2 uses traditional market segmentation methods—geographic, demographic, behavioral and attitudinal—to group customers.

Level 3, the domain of upstream marketing, directs where to focus precisely—which customers, needs, and offerings—drawing on a proprietary customer demand framework. The three levels are described in figure 3.3.



Figure 3.3

LEVEL 1—GROWTH STRATEGY MATRIX

At the base level, there are four classic growth strategies a company can pursue, hinging on whether markets are new or established and whether the company chooses to fill needs through existing or new products. Figure 3.4, derived from the Ansoff Matrix,[40] illustrates.

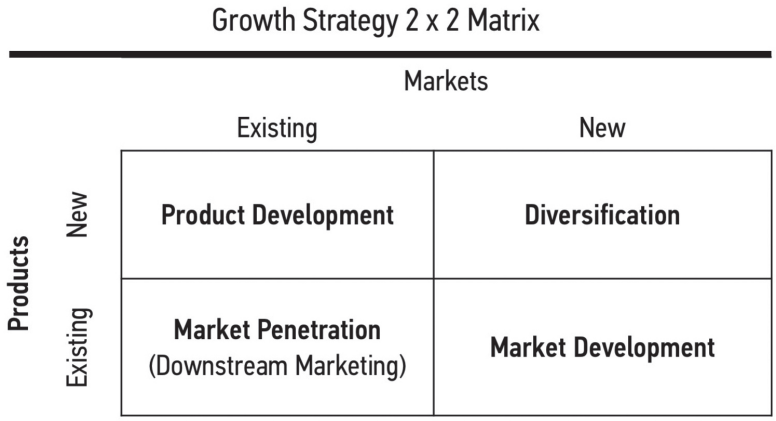


Figure 3.4

Let's use Amazon as an example of the Level 1 framework. Over time, Amazon has expanded well beyond its initial business to adjacent and diversified areas. Here's how.

FOUR PRIMARY GROWTH STRATEGIES

Market Penetration involves increasing market share by filling the needs of existing markets with existing products. Launched as "Earth's biggest bookstore," Amazon spent its early days establishing itself as an online alternative to traditional book retailers by expanding book titles and making consumers comfortable with a new way of shopping. The company focused on downstream marketing, pulling classic marketing levers: creating awareness, tweaking the product, and improving communication. Had Amazon decided to fixate here, it would not be nearly the company it is today.

Product Development involves identifying additional needs among existing customers and then satisfying these needs through new offerings. Even before Jeff Bezos started Amazon, he drew up a list of twenty potential products he would sell on the Internet, including software, CDs, and books. Once Amazon established its core infrastructure with books, other

continued

product categories were sold online. Amazon has also created its own products and services, including Kindle, Fire, Echo, and original content. These provide existing customers with new ways to experience content and other offerings.

Market Development entails finding new markets for existing products through segmentation and targeted communication. Just as Amazon disrupted traditional bookselling, it did the same with textbooks. Recognizing the high cost of textbooks and students' constrained budgets, Amazon introduced new programs to develop this market, including renting, selling, and repurchasing schoolbooks.

Diversification involves attacking new markets with new offerings at the same time. Within books, for example, Amazon established Kindle Direct Publishing (KDP), directly targeting authors to both publish and promote their books. Initial draft copies of *Upstream Marketing*, for example, bypassed traditional publishing and used KDP instead. While diversification has the highest upside, it's also the riskiest strategy. The more a company moves from its comfort zone, the greater the uncertainty. However, diversification can lead to substantial new revenue if successful.

The advantage of the first-level growth matrix is that it's simple and works. The 2 x 2 framework describes broad, strategic choices to focus marketing. However, while the model is strategically and managerially helpful, it's too far removed from end customers to provide rich insight and inspire growth.

Also, many companies are trapped in the lower-left, downstream quadrant: How do we sell more of the same stuff to the same people? To expand their thinking and uncover market-based opportunities, next-level customer insight is needed.

LEVEL 2—CONVENTIONAL MARKET SEGMENTATIONS

Second-level decision frameworks include commonly used methods of customer segmentation, including geographic, demographic,

behavioral, and attitudinal/needs-based. These are described here using The Walt Disney Company examples.

CONVENTIONAL SEGMENTATION APPROACHES[41]

Geographic segmentation is used when language, cultural, ethnicity, and other factors are present. Beginning with Disneyland Resort in California and Walt Disney World Resort in Florida, Disney Parks has expanded to include Paris, Tokyo, Hong Kong, and Shanghai. Disney delivers a consistent value proposition across all geographies, slightly modified to reflect local audiences.

Demographic segmentation uses age, income, household makeup, and life stage to define segments. Disney has created four hotels and resorts tiers—Value, Moderate, Deluxe, and Disney Vacation Club Villas—that appeal to different demographic targets. The Grand Floridian, its flagship resort, commands room rates of over $1,000 per night. This compares with Value rates of $100 to $200. Disney offers a similar magical experience—the same attractions, characters, and fun factor—though at different value levels for different demographics.

Behavioral segmentation divides a market by shopping and buying behaviors. Disney employs behavioral segmentation in determining marketing and pricing strategies for its theme park tickets. It uses sophisticated data analytics to carefully manage ticket pricing to encourage extended resort stays and provides a series of annual passports that combine valuable discounts, offers, and special events.

Attitudinal segmentation (also called psychographic segmentation) separates customers based on attitudes, motivations, and needs. Disney conducts market research with its highly involved attitudinal group, commonly referred to as "Disneyphiles." This group visits parks multiple times a year and eats, sleeps, and breathes anything Disney. Gaining deep insight into Disney's most loyal segment benefits the entire organization.

Many companies rely on demographics and firmographics (for business customers) for growth planning, as these groups are easier to

find and measure. Proponents of these methods argue, "If you can't measure it, you can't manage it."

While these approaches work for certain downstream activities, they are ill-suited when insight into consumer attitudes, motivations, and needs is vital. Remember, just because "the light is better there" doesn't mean it's the place to look.

MINI CASE EXAMPLE

Segmenting customers by needs and attitudes provides richer, more meaningful insight than demographic measures like age and income. We were hired by a biopharmaceutical company to help strategically market their FDA-approved inhalable insulin product for patients with diabetes.

Through qualitative and quantitative segmentation research, we identified two primary factors in separating patients with diabetes into clustered preferences. First, patients' fear and acceptance of needle injections. Second, patients' understanding and diligence in how they managed their diabetes—did they comply with or ignore doctors' orders in how they managed their condition?

Based on this customer clarity, we were able to segment and then obtain rich insight into patient motivations. It turns out, patient attitudes toward needles, self-administration, and compliance are much more meaningful than gender, age, and income.

LEVEL 3—PROPRIETARY CUSTOMER DEMAND FRAMEWORK

A third-level framework articulates customer segments and their attitudes, needs, and behaviors, and begins to identify growth opportunity areas to pursue, including market sizing.

A Level 3 framework differs from Levels 1 and 2 as it is *proprietary*, emphasizes *new market spaces*, provides *alignment* of products with the marketplace, and serves as a *common platform* shared within the organization.

The framework itself consists of three interrelated elements—customer segments, potential needs, and strategic opportunity areas—as shown in figure 3.5.

Think about a customer demand framework as a strategic chessboard: Across the top, align customer groups your organization could potentially serve. Then, on the left, group market-based opportunities: What needs do customers have? What benefits are they seeking? What jobs need to be done? Any areas of unmet need represent unoccupied white space opportunities. Like a master chess player, this allows a company to strategically identify, plan for, and move into new demand spaces, making competition irrelevant.

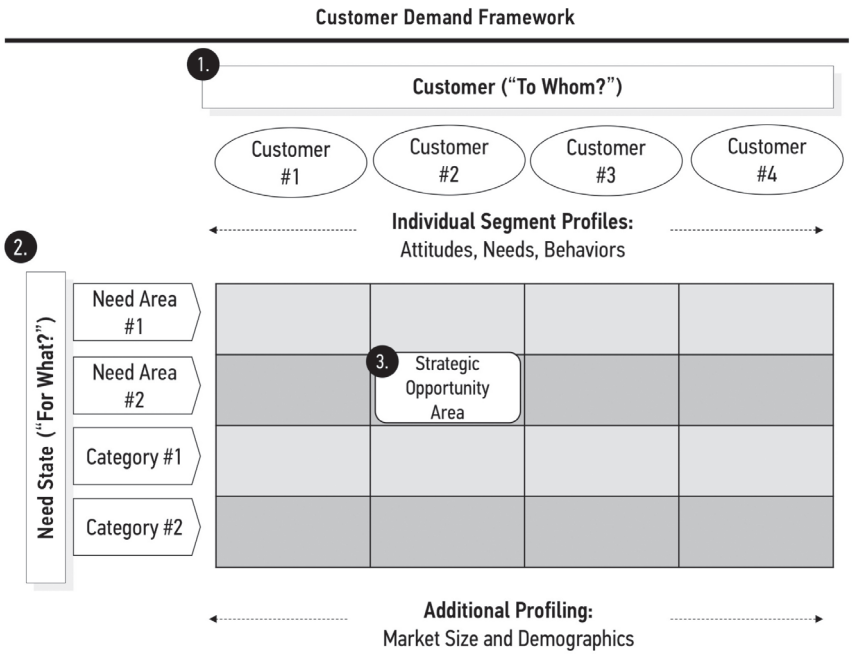


Figure 3.5

The most useful Level 3 frameworks combine standard segmentation methods with proprietary market insight. Customer attitudes, behaviors, and demographics are *combined* into a composite sketch

of opportunities. The framework then informs value proposition creation, brand positioning, customer experience, and product portfolio development.

To be clear, a Level 3 framework is *not* about dividing up existing–and often shrinking–market opportunities. A Level 3 framework is designed to uncover and size new market spaces to capture unmet demand. Find the deep that unites, by aggregating demand across customers and noncustomers to maximize brand and market opportunities.

Developing a Level 3 customer demand framework

There are a variety of ways to create customer management frameworks, ranging from simple, qualitatively developed frameworks to highly sophisticated, quantitatively based methods.

Level 3 frameworks often begin as a hypothetical sketch on a whiteboard and are then validated through the computational power of statistical modeling and data analytics. To illustrate:

Picture a large room, like an auditorium, filled with 100 potential consumers of your category. Now, split the 100 consumers into five to seven smaller breakout rooms, based on how they buy products and services, including their attitudes, needs, and behaviors—not based on demographics.

By way of example, consider 100 potential consumers within the automotive insurance category. One customer group may value a personal, neighborly association with their insurance agent. Another may prefer to handle the insurance experience entirely online—with no human interaction. Perhaps a third segment looks for the absolute lowest cost provider, and a fourth group is made up of people who are concerned they might not qualify for coverage due to poor driving records.

After the segments are identified, build out the Level 3 framework and fully profile individual customer groups, including their attitudes, motivations, and benefits sought. Use insight from actual

customer interactions and available research to populate the framework and create segment profiles. Paint a picture of each consumer group. Use stock photos, illustrations, and other tools to bring the segments to life visually—Who are they? What defines them? What are their needs? How do they buy?

Quantitative surveys can then be used to numerically validate and size opportunities. Finding patterns in actual buying behavior among current and potential customers can indicate where the largest sources of demand, revenue and profit may lie. Survey questions can be worded as "I wish" statements to identify growth areas, including uncontested white space opportunities (where no other competitor has a strong presence).

BE CAREFUL WITH BUYER PERSONAS

Personas are fictional representations of your target customers "brought to life" through a composite sketch. They provide a mental model of end customers: who they are, what motivates them, and what causes them to engage—or not engage—with your brand.

Because it's so valuable to see your business through your customers' eyes, be sure these personas reflect actual views in the marketplace, ideally confirmed through quantitative segmentation.

The risk of qualitatively based personas is that they can be designed to reflect desired or imagined groups rather than actual consumers.

Personas should be fact-based and derived from the entire market—start with 100 consumers and divide from there. That way, you'll know whether you're pulling from an actual clustered choice instead of creating a persona that might relate to a diffused or imagined preference.

Ultimately, to-whom and for-what decision making will shape your entire business model and go-to-market approach, so plan and choose wisely.

Look for Clustered Preferences

The key to a robust to-whom, for-what level 3 framework is when clear, clustered preferences emerge across potential customer segments. To do this, use a demand- or needs-based rather than a competitor- or product-based view of the category. This makes it easy to uncover untapped market spaces, and align potential offerings with customer needs. In most cases, customers have clustered preferences like these shown in figure 3.6.

Impact of Clustered Preferences on Segmentation

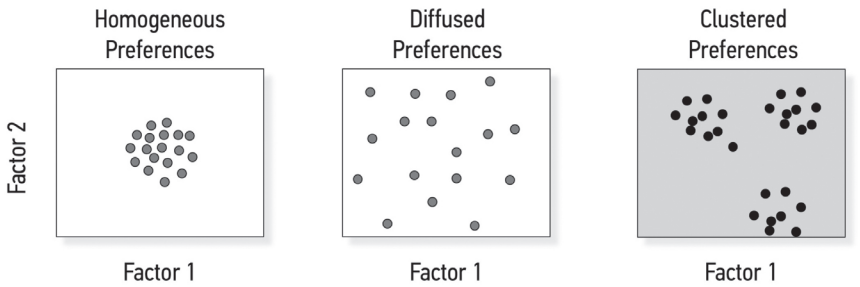


Figure 3.6

There are several advantages to uncovering and delivering on clustered preferences. First, customer clarity helps precisely define what makes one group tick versus others. New products can be laser-focused, improving business success rates. Second, resources can be targeted rather than trying to be all things to all people. Most organizations are resource-constrained and segmentation lets them "place their bets," focusing rather than diffusing resources. Finally, a needs- or attitudinal-based view helps identify unmet needs and tap uncontested upstream opportunities.

After creating the customer framework, it's time to prioritize targets and immerse yourself in the target customer experience.

TARGET MARKETING

Targeting is one of the most important, though often overlooked, components to marketing success. Many business leaders are reluctant to select a target, fearing that excluding certain groups will eliminate potential sources of volume. As a result, they define the market too broadly or try to serve all customers equally. They end up offering an average product that appeals to no one.

Other executives look for finer, more precise segmentations, and in doing so, end up slicing the market too narrowly and end up chasing smaller demand.

More adept marketers know that balanced targeting results in a stronger brand—the more focused the target, the deeper the understanding, the better equipped you are to deliver on strategic opportunity areas for growth.

MINI CASE EXAMPLE

"Anybody with money." That was the unfortunate answer from the SVP of sales of a global financial services company. We had asked him who he thought the target should be for a new product we were helping his company develop. It was a poor targeting choice. At some level, nearly *everyone* has money. Creating an undifferentiated offering, marketing it to everyone, and hoping someone buys it is inefficient. A shotgun approach to marketing is bound to fail. Fuzzy targets don't get hit.

Marketing Target vs. Consumption Market

Best practice marketers understand the distinction between (1) a focused "target market" (the center of the bull's-eye) and (2) the broader "consumption market" that falls outside of the core target, but often finds the offering appealing. "Speak to the target, but let

others listen" distills target marketing down to actionable insight (see figure 3.7).

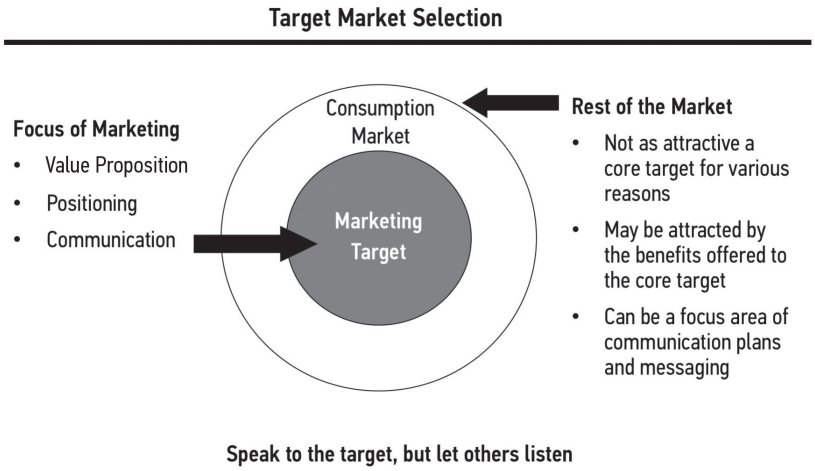


Figure 3.7

The Targeting Paradox

Target selection presents an interesting paradox. Often, the tighter the target definition, the broader the appeal among the consumption market. In other words, the smaller the center circle in figure 3.7 (the marketing target), the larger the outer circle (the consumption group). Laser-focused brands attract broader consumer groups, which results in greater sales from both current and potential new customers. Here are a few examples.

TARGETING AT NIKE

Nike targets athletes, broadly defined, as reflected in its mission statement. Within this broader market, the center of the bull's-eye is

actually *performance athletes*. Targeting true athletes provides an aspirational element to the brand and also impacts how Nike operates.

For example, Nike involves world-class athletes in its product development efforts, creating optimal shoes and apparel for their use. A case in point is Nike's development and launch of the Vaporfly Elite Flyprint 3D. Only runners who could run a marathon in three hours or less qualified to purchase these shoes, initially made available in limited quantities and priced at over $600 per pair.

Of course, Nike sells a lot of shoes to non-athletes, representing the much broader consumption target. Extending out from the core are weekend warriors and further out, less involved targets, who, while not particularly athletic, aspire to "be like Mike."

Making performance athletes the bull's-eye brings clarity and commitment to the organization. Phil Knight said, "We wanted Nike to be the world's best sports and fitness company. Once you say that, you have a focus. You don't end up making wing tips or sponsoring the next Rolling Stones world tour."[42]

Notably, Nike sold off its non-athletic Cole Haan shoe division in 2012 and divested other assets to focus its efforts and better align with its mission.

TARGETING AT APPLE

Apple uses a similar approach in targeting involved consumers to penetrate new markets and categories. Apple designs its products for creative consumers, and its core marketing target is hardcore Apple loyalists—folks who preorder products online or grab them the first day they're available in-store.

Even before launch, Apple gets expert bloggers, thought leaders, and influencers on board to create buzz. Through PR, viral marketing, and word-of-mouth, broader groups begin to purchase the

product, and sales skyrocket. Apple maintains a tight marketing target, with an eye toward the broader consumption market.

Sure, Apple has an extensive, growing business with schools, corporations, and other enterprises. Its core marketing target, though, remains the consumer. Steve Jobs said, "Our DNA is as a consumer company—for that individual customer who's voting thumbs up or thumbs down. That's who we think about."[43]

The Apple loyalist consumer who loves her MacBook, iPad, and iPhone? She may also serve as the purchasing director for a Fortune 500 company at her day job. In targeting consumer loyalists, Apple also attracts business users—the targeting paradox at work.

TARGETING ACROSS INDUSTRIES

The targeting paradox is common across industries. Pharmaceutical companies often target thought leaders and specialty physicians to endorse their brand's effectiveness with primary care physicians and pharmacists, who are considered the consumption market.

Software companies often prioritize power users in product development, even though the bulk of product sales come from casual users. Similarly, auto manufacturers often put coveted road-and-track enthusiasts at the center of their bull's-eye instead of the average driver.

More involved consumers tend to be more demanding, setting higher performance standards and rewarding companies that meet them with greater brand loyalty and word-of-mouth marketing. Targeting aspirational groups stimulates interest and demand from broader consumption groups.

Target Selection Criteria

Selecting targets is an issue of prioritization—while you don't want to exclude anyone from purchasing, a focused target results in a stronger

value proposition, brand positioning, and go-to-market plan. Four standard target evaluation criteria include:

- **Segment size:** Is the segment sufficiently large including non-customer prospects?
- **Segment growth:** Is the segment growing and on-trend with where the market is heading?
- **Brand fit:** Does the target customer align with our company purpose, mission, vision, goals and brand?
- **Segment attractiveness:** Can we win—do the segment's needs match our ability to deliver?

It's often easier to determine first who *not* to target, which becomes a process of elimination and can help narrow your choices.

WHO *NOT* TO TARGET

In marketing an offering, rather than consider, "Who should we target?" ask, "Who *shouldn't* we target?" It's sometimes easier to whittle down targets than to take a bottom-up approach. The result is the same. It's just another way to get to the answer.

Posing the question this way forces discipline in making trade-offs. In the inhalable insulin mini case example, we decided to *not* target noncompliant patients, recognizing it would be difficult to win with this segment.

In other categories, we've deemphasized price-driven consumers who chase deals and are unlikely to demonstrate brand loyalty.

Defining the bull's-eye and the segments falling outside the center helps determine which groups will receive focused expenditures and investments.

In summary, one of the root causes of poor business performance is the failure to select a core marketing target. Companies that try to

be all things to all people often do not stand for any one thing, resulting in diluted marketing. The inability to define and select a clear target, then, often results in a murky brand positioning or failed new product launch.

In the end, making hard targeting decisions helps increase your chances of market success. As we've seen with the targeting paradox, selecting a focused marketing target does not restrict business potential. It often means the opposite.

STRATEGIC OPPORTUNITY AREAS

The intersection of the to-whom, for-what framework results in strategic opportunity areas (SOAs)—or fishing ponds from our chapter 1 analogy. Think of SOAs as significant, attractive "innovation buckets" in which to look for profitable growth. They often represent pockets of unmet customer demand, to be filled through new products, new services, geographic expansions, brand extensions, new channels, acquisitions, improved market communication, and internal initiatives.

Most companies intuitively think about strategic opportunities, but not in an organized way. Often, demand spaces reside in the minds of business leaders and don't move beyond that stage. The key is to write them down using a consistent format. This makes the areas tangible so that they can be evaluated and prioritized. Figure 3.8 offers a sample SOA template.

Potential sources of growth stem from areas already talked about—customer, marketplace, and technical insight. These inputs add context and texture for the SOA written description.

In filling out the template, describe the target customer situation, their needs, and benefits sought. Later, you'll use concept iteration to develop potential solutions.

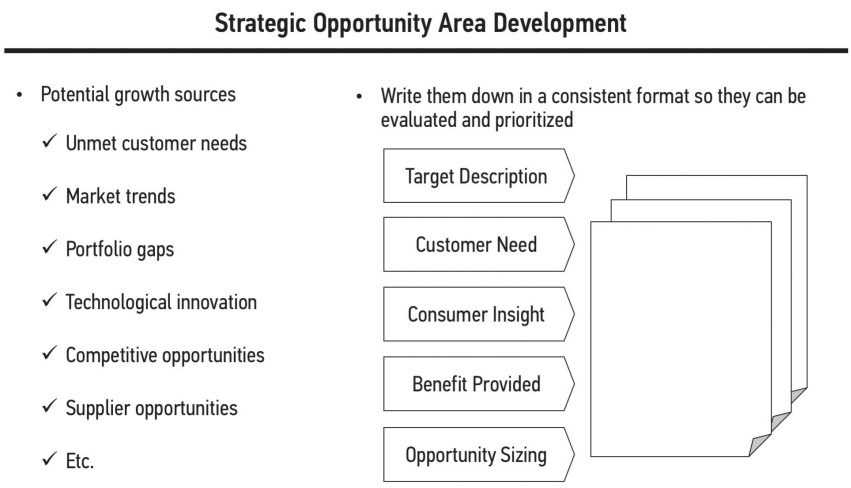


Figure 3.8

Here are broad, strategic opportunity areas from EquiBrand clients, using the how-might-we problem statement setup:

- For a luxury automotive manufacturer, how might we design a sales and service experience for the one-third of customers who prefer to skip the dealer experience entirely?
- For a traditional automotive insurance company, how might we sell new financial products and services, including retirement planning, investment management, and trust services, to existing insurance clients?
- For a food manufacturer of prepackaged mixes, how might we deliver a Starbucks or specialty-bakery dessert experience at home?
- For a retail bank, how might we attract consumer segments across multiple cultures and backgrounds through an improved customer experience?

- For a biopharmaceutical company, how might we improve patient compliance to promote better care and improved quality of life?
- For a manufacturer of backpacks, how might we penetrate the workplace with a new line of packs that combine the professionalism of a briefcase with the convenience of a traditional backpack?
- For a small kitchen appliance maker, how might we create a "driving idea" to increase cooking confidence through tips and recipes on Pinterest and other social platforms?
- For a public library, how might we transform the customer experience, recognizing the shift to remote learning, makerspace, and digital programming and away from physical books?
- For an enterprise software company, how might we create a direct-to-consumer vision, strategy, and investor pitch deck to secure funding and expand the business.

A strategy session or brainstorming session could yield many opportunity areas, often a dozen or more. That's too many for most companies to handle. Even Apple only works on a few projects at a time, choosing to concentrate its resources rather than diffusing them across hundreds of efforts. So, you'll need to narrow the list.

Prioritizing Strategic Opportunity Areas

There are numerous ways to screen growth areas, though the principles are the same. The impact-effort matrix is a great early way to assess and prioritize strategic opportunities at a high level using an investment mindset. In figure 3.9, consider impact to be the return, and effort to be the investment, with the end objective to maximize your return on investment.

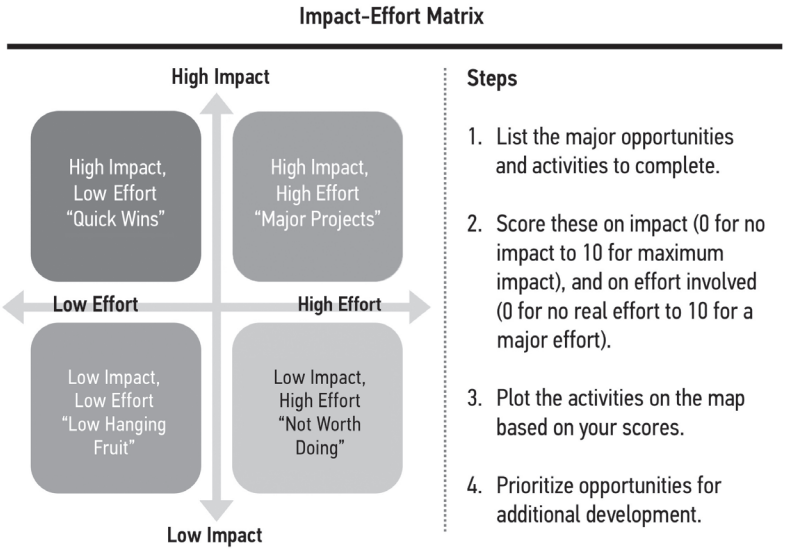


Figure 3.9

Use business judgement and experience initially to qualitatively assess potential. As ideas begin to take shape over time, screening will get more granular as you obtain customer insight and metrics to evaluate. See chapter 6 for more detail about what-would-have-to-be-true business screening across strategic, customer, financial, and operational areas.

Confirming Where to Play

Use the Level 3 customer framework to plot and manage your corporate growth strategy. Going back to the chessboard example, any point of intersection (the square for the chess piece) provides you with the opportunity to establish and define a strategic opportunity area.

Emerging companies might focus on one square, establishing and protecting their beachhead from competitors. Established companies may extend their business to encompass adjacent white space or unoccupied opportunities.

After identifying and prioritizing where to play opportunities, it's time to get smart on the market space and obsess about how to win with the marketing target. This involves placing bets on how best to aim value proposition and brand development efforts, as described in the next two chapters.

In the end, target insight and alignment are vital to growth. In practice, this means having a clear purpose and customer demand framework to understand segment needs and opportunities, then preparing targeted offerings to align with their needs.

MOVING FROM INSIGHT TO IDENTITY

"Five hundred dollars for a plane ticket and I can't even get a free snack!" The flight attendant just told the stranger sitting next to us that the airline no longer offered complimentary snacks. If he wanted food, he'd have to pay for it.

For the next half hour, the disgruntled customer talked about his frustrations with airline travel, including the "principle" of not getting a free bag of peanuts.

With nothing but time on our hands, we probed for deeper insight and learned he was a frequent flyer and preferred certain airlines, mainly based on customer service. He didn't like to travel, as it took him away from his family. For him, the free snack had emotional significance.

He spoke of being awarded ribbons at his grade school track meets. It was hard work, and he earned it. He likened the bag of snacks to a reward, a ribbon, for his travels.

He questioned the logic and cost savings of the airline's actions. At one point, he did a back-of-the-napkin calculation (after all, soft drinks were still free) about the airline's savings. He concluded, "It's like the old saying, accountants know the cost of everything but the value of nothing."

A couple of things to note from this example: First, how easy it is to obtain consumer insight, and yet how many companies ignore it. Many companies emphasize data, but lack insight. The emotional connection a frequent flyer has with a bag of snacks won't show up on a spreadsheet.

Second, how some companies make better use of insights in developing strong brands and driving innovation. Southwest Airlines, for example, still offers low fares and freebies—checked bags, free TV, no change fees—and has one of the highest profit margins in the industry.

Does Southwest have *better* insight or do a better job of using it in business operations? It turns out the answer is yes to both. Best-in-class companies are committed to gathering insight *and* applying it to improve marketing and business operations.

Principle 1 described the role of purpose and customer-centricity in identifying where-to-play opportunities. In Principle 2, we explore how to win by developing compelling value propositions and strong brands. We move from defining the playing field to fielding a winning team. We move from insight to identity.

QUESTIONS TO CONSIDER

1. *Why* does the organization do what it does? What is its purpose?
2. To whom—on which customer segment—should you target your growth efforts?
3. For what—which high-potential strategic opportunity areas should be targeted?



PRINCIPLE 2

Identity

IDENTITY

AMAZON, APPLE, GOOGLE, NIKE, SOUTHWEST, Starbucks, and Walt Disney.

What comes to mind when you think of these companies? What thoughts, feelings, and impressions do you have? How employees, customers, and investors see and experience a company or product *is* its identity. When done right, what the market sees is in alignment with how the company views itself.

The best companies create strong, winning identities, both with employees and customers. That identity then shapes how the company operates and distinguishes its brand from competitors. Product patents, technical know-how, and barriers to entry can be fleeting. A brand is one of the few things a company can own forever.

Our best practice research suggests three key steps to achieve a strong identity. First, as discussed in Principle 1, intentionally define what you want to become, including a deep and shared understanding of the customer and your organization's purpose.

Next, develop value propositions that embody that identity—at the corporate, business unit, and product level. As discussed in chapter 4, this requires identifying and aligning three things: prioritized customer needs, benefits delivered, and operational strategies and tactics.

Finally, build a strong brand that communicates the identity and value proposition internally and externally. A well-defined brand

serves as a touchstone for strategic decision making, resonates with target audiences, and results in a distinctive brand identity. Chapter 5 lays out the four keys to brand management: brand positioning, brand-customer experience, brand architecture, and brand extension.

Identity, value proposition, and brand strategy are related concepts—each should inform, reflect, and reinforce the other, as shown in figure P2.1.

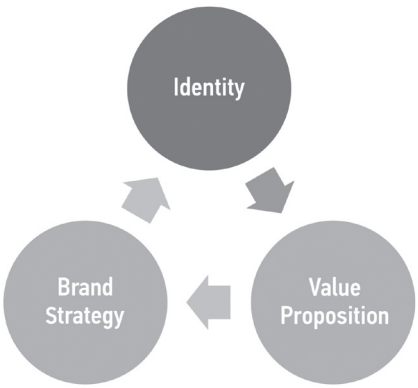


Figure P2.1

It's important to distinguish the upstream marketing principle of identity as separate from *corporate identity*, which is a business term associated with a company's logo or style guide.

Most companies have a logo and a distinct look and feel, but many lack a strong identity. The substance of a brand, like a person's character, is beneath the surface.

Leading companies succeed by obtaining deep customer insight, strategically placing bets on portfolio opportunities, and establishing and communicating a winning identity, value proposition, and positioning. The strongest brand identities are built upstream. Let's dive in.