

Slides on Market Planning

Marketing Strategy

Fall 2009

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Agenda

- Market Selection
- Market Prioritization
- Setting Objectives
- Understanding the Process
- Marketing Plan Module

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Color Kinetics Incorporated – CKI (Nov. 1999)

“This company is about fun, about bringing a disruptive technology to an industry that really doesn’t have all that much technology. We want to make light fun – make people think of light as a “paintbox” they can use to create environments they never dreamed of before. In starting the company we’ve developed a sense of passion... our employees are being challenged, the products are exciting, and the customers are great. Now we are at the transition point of converting industry mind share to market share, and we need to decide our next market...”

George Mueller, CEO

CKI: selling LED (light emitting diodes) based technologies for the lighting industry – digital lighting products and technologies to add colored lighting and control in a broad range of commercial and residential environments (\$10M revenues, 40 employees).
<http://colorkinetics.com/showcase/>

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CKI

Until now: -Some early wins in theaters and entertainment
 -Architectural, retail, merchandising, and display industries, “retailtainment” (Rainforest Cafe, Disney stores, Bath & Body Works, Victoria’s Secret, Harrods, Christian Dior, Saks Fifth Avenue)

Competitors:

Neon technology (requires more power, fragile, more costly to install, lower prices)
Big large lighting Cos. (GE, Sylvania, Philips; doing R&D)
Small “Wannabe” LED Cos doing LED (Borealis, Artistic License)

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Options for Growth

Expand within current "retailtainment" market:

- just scratched the surface. 1.12M chain retail locations in US, 43,600 shopping malls, 5.33b sq ft of retail space
- "lighting designers" – price sensitivity
- cyclical market

Expand "upwards" into theatrical and entertainment markets:

(theatres, amusement parks, concert halls, trade shows, casinos)

- unique event and/or location – high maintenance
- cottage industry of "lighting jocks"
- entrenched competitors, not very interested in technological advance
- large projects, high publicity

Mass markets with consumer products:

- big payoff
- big product difference
- what is learned there can go to other markets
- residential/houseware products vs. novelty/toy products

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Options for growth (cont.)

Niche markets: swimming pools, luxury boats, automotive, signage, vending machines

OEM and licensing to lighting industry players or niche industries:

- link with big players, GE, Sylvania, Philips
- CKI seen as "applications" player (bought LED from big players)

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Market Selection

- There are many characteristics that can be used to describe markets
- Identify the characteristics that make a market attractive for your firm
- Firms are heterogeneous
 - different strokes for different folks
 - several successful firms within an industry

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Common Characteristics

- size of the segment
- profitability
 - margin, cost of marketing, cost of distribution
 - In the real world: other factors after-sales service, etc...
- projected growth
- open other doors...

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Company-Specific Characteristics

- Company skills
 - manufacturing, servicing, R&D
- Competition
 - number of competitors
 - strength/commitment
 - performance

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Market Prioritization

- Many segments may look attractive
- you can't do everything
- you need to have priorities
 - when the going gets tough...

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Market Prioritization

- How many resources do you have/require?
 - funds, people, time
- What is the likelihood of success?
- Is it likely that competitors will have the same prioritization?

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- Hurt  Insulate

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Setting Objectives

- You need to establish a basis for evaluating performance.
- Objectives should be associated with sales and profit targets.
- Objectives need to be set for each period
 - on going process

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Methods for setting objectives

- Can be simple or complex
 - logical
 - validate over time
- Important
 - non-achievement of objectives
 - poor performance
 - unrealistic objectives

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Basis for objectives

- Competition
 - shares/profitability of leading products in different segments
 - growth and achievement of successful new competitive products

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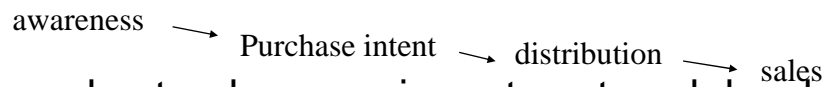
Basis for objectives

- Firm experience
 - your own successful products
 - your own experience in bringing products to market

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Basis for objectives

- Micro-level objective development
- the process



- understand conversion rates at each level and predict performance

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New Products

- Here there's a special process at work

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A New Market

- What are the key questions that need to be answered?
 - What is the ultimate market potential?
 - Number of users
 - How much can you sell initially?
 - Who will buy initially?
 - How will the sales track over time?

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Diffusion of Innovations

- Diffusion Process - Works like catching a cold
 - Innovators - people who buy a product on its merit.
 - Imitators - people who also look to other people for information
 - adopters
 - followers

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Who are the first people to buy?

- Real world characteristics of Innovators
 - More knowledgeable about product category
 - Heavy users of related products
 - Better educated, higher income
 - Users of mass media information
 - Receptive to new ideas
 - Less risk averse, venturesome
 - More independent of other people's opinions

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How To Make a Product Diffuse Faster?

- Target innovators
- Give product away if necessary (trial)
 - Not applicable in Markstrat (why?)
- Lots of support
- Competition can help
 - industrial applications

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Summary

- Market selection
 - money can be made and you have the ability to do it
- Market Prioritization
 - if cuts come from head office...
- Setting objectives
 - evaluate and learn

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Summary

Diffusion

- New product adoption follows a predictable pattern
 - Like the diffusion of a disease
- Innovators are where the battle begins but the battle is ultimately won or lost over imitators

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