

type encounters with potential users. Highly compensated small samples in early phases would experience widely different versions, in keeping with the emphasis on exploring the product family possibilities; managers would seek ranges of positionings, with high levels of support. Each phase in the cycle would use long post-usage interviews to refine prototype alternatives for the next phase.

Phase III, test market preparation, replaces traditional market trial. Real market support vehicles are used, and a media optimization model is recommended so that smaller market tests can be run concurrently, with alternative support levels.

Phase IV, test markets, replaces traditional rollout. It uses several small test cities rather than a single large site. This is valuable for assessing alternative positioning materials and support levels. These tests yield the numbers needed for formal business case assessment.

As for the market research methods, the author recommends (and explains) a "long interview," semiotics, neural networks, and psycholinguistic engagement analysis.

Leveraging to Best the Odds: The New Marketing Mind-Set, Adrian J. Slywotzky and Benson P. Shapiro, *Harvard Business Review* (September-October 1993), pp. 97-107

Three ideas comprise an effective, and badly needed, new tool for improving the effectiveness of new product marketing.

First, marketing expenditures must be seen as an investment rather than as an expense, given the need to find ways to penetrate the defenses of what today is an ever-more formidably entrenched competitor at entry time. But, when introductory marketing costs are evaluated only in terms of their immediate effect, their ratio to competition, costs per unit of sales, and so on, they will never be carefully examined and analyzed. If a new product's factory were financed like marketing activities are, the firm would build the foundation the first year, add production equipment the second and third years, a service wing the fourth, and so on. Consequently, marketing expenditures rarely accomplish their goal of establishing a solid competitive position based on strong customer relationships.

If allowed an investment approach to new product launching, the marketing strategist can use the second of this article's key ideas by selecting an initial market target that is rich in potential and capable of long-term development. Example: RTE-ASEA entered the elec-

tric transformer market with an undifferentiated product, but saw their marketing effort as an investment, so targeted on GE and Westinghouse customers who were unhappy with their suppliers. In ten years, the newcomer had a profitable 40% of the market. The quick sales dollar is apt to be less expensive, but unstable.

The act of targeting is based on such matters as the long-term marketing goals, the returns a marketing investment might make, and the quality of the achieved market share. Such thinking permits the leveraging of smaller marketing budgets into bigger gains. It is known that early market entrants face lower costs per market share point, but this doesn't mean it is best to shoot for the largest possible chunk of the new market. It may be better to define what would be the *quality* share, which segment would be the least costly to maintain against later entrants? And what follow-on new product creation strategy would contribute to this program?

The same problem faces the later entrant. With a little luck and vigorous factual digging, there may a segment that the earlier participants did not protect, and this leads to the third key idea of the article: How can one find the best segment to use for later entry, given a management OK to treat marketing costs as an investment?

Conventional approaches include targeting on established demographic groups, the customers of large competitors, behavioral segments, and the like. But new product marketers should look for three other situations. One is the switchable, a second is the high-profit customer, and third is the customer who will be the share-determiner.

Some *switchables* are those who are sufficiently unhappy with their current supplier to welcome being courted. Parametric Technology Corporation entered the CAD market by finding a different kind of switchability. They concentrated on ferreting out customers whose new projects had shorter design cycles, where design engineers might be able to make a switch from their IBM and Computervision suppliers. PTC's CAD sales grew accordingly.

"Acquisition costs for switchables can be one-fifth to one-tenth what it costs to win over a competitor's loyal customers." These are "investment-grade" customers, not the chronic switchers.

Second, the *high-profit customer* is less concerned about price and is less costly to serve. It takes more effort to learn who they are, because accounting systems rarely pinpoint them, even though they are the

best target for a new competitive entrant! Customer-based audits are necessary, putting special focus on the costs of servicing their business.

An interesting twist on this is the firm that enters a market, and then deliberately focuses on *building* high-profit customers, again based on investment spending. FactSet Data Systems, a financial information firm, did this by targeting initially on fifteen to twenty accounts, and spending heavily on each one to build a relationship with it. Knowing the dollars were going to have a return stretched out over many years justified the strategy, and it worked, even taking fewer sales and marketing people than a normal market entry would.

Share-determiners are the third good target group. They are firms whose business will grow and who will be sought after in years to come. Wal-Mart would have been such a firm in its earlier years, but building volume to them would have required more "investment" patience than many firms' shorter-term view will allow. The strategy is, of course, well-known to marketers, but its particular application to new products is that it requires more market research and data analysis discipline than many hurried-up new product marketers can supply. It requires creativity to see growth where others don't see it.

Lastly, the authors put this customer-targeting issue into a life-cycle setting. High-profits are best in the entry stage, share-determiners work well during the growth stage, and switchables can be used during maturity stage. During decline, the firm works with its own high-profit customers, even to adding some late line extensions and product improvements to stretch them as far as possible.

Numerous examples are presented, and some advice is given on how to do it.

Brainstorming Electronically, R. Brent Gallupe and William H. Cooper, *Sloan Management Review* (Fall 1993), pp. 27-36

Many organizations are making effective use of computer software that permits electronic brainstorming sessions (EBS). They have found that traditional brainstorming, though effective in theory, does not pay off very well in practice, for two major reasons: (1) *production blocking*, the inability to get out ideas fast enough when others are also trying to speak; and (2) *evaluation apprehension*, the fear of an idea being ridiculed, resulting in embarrassment or even punishment by others in the group. There is a rich lode of research studies attesting to these problems.

Enter EBS. The technique is demonstrated in the article by a unit of North American Life and Casualty, in the electronic brainstorming facility of a local university. They used a software package named GroupSystems; other available systems are TeamFocus, VisionQuest, and Software-Assisted Meeting Management. The group of seven senior managers, two clerical staff, and one sales representative sat around a U-shaped table, facing a large projection screen. Each seat was provided with a sunken computer screen and keyboard.

The session began with a brief training session by the staff facilitator (five minutes is usually enough), followed by a problem statement from the firm's managing vice president. Tentatively at first, the participants began offering ideas to address the problem, typing each one first on the keyboard, then sending it to the group screen when satisfied with the wording. As ideas began to appear, group participation increased, flowing quickly into traditional brainstorming fluency.

At any time, each participant saw on the individual screen a random set of previous ideas and could scroll through the entire list as desired. An idea could be put in at any time, because there is no need to interrupt someone already speaking (the computer is content to receive, electronically store, and then display as soon as an opening is available). This leads to one of the key advantages—EBS can involve a group scattered anywhere a computer line is available, and participation need not shut down for lunch, sleep, travel or whatever—inputs can come in at any time of day or night. There is no evidence of the first of the two brainstorming problems—production blocking.

And the mix of staff levels in the insurance group demonstrates how the other problem disappears—the clerks and the sales rep need fear no inhibiting reaction to their ideas, and no senior manager need fear ridicule if an idea appears foolish. If the boss is known to favor a particular action, there is no gain from pushing for it. Anonymity is a great idea lubricant.

The authors have researched EBS in five different studies (over 800 people), and consistently find more productivity from it. And the number of high quality ideas is higher also. The gain is less in small groups of two to four people, and greatest in larger groups of over ten. The technique can work with fifty people also, given the electronic entry of ideas.

Getting the ideas, of course, is only part of brainstorming's problems. The long idea list has to be reduced and evaluated. Fortunately, the software has