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Engaging Marketing Minds

Vol 1, Issue 5, 2011



**INSIDE** The Model Business .....  
Inducement to Innovate .....  
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# Seducing the Market

**T**he market has changed as evidenced by the economic turbulence we have seen over the past few years. However, there seems to be something deeper at work as well. Specifically, the way we market has changed and the greatest marketing minds are way ahead of the curve.

The best and the brightest understand that you can no longer push the market. We live in a "TiVo" world where everything we have ever wanted is at our fingertips and on our time. We can find the answers to the most puzzling questions or the menu of a Chinese restaurant around the corner within seconds. We can consume the things dearest to us exactly when we want them. Therefore, we cocoon ourselves with our most trusted allies, brands, and products.

Seducing a market is not as easy as it once was. You have to be a part of their world. You have to define yourself in the same way they do. You can no longer be defined by the products you push. In turn, the relentless pursuit of measurement can become a feeble attempt at intimacy. The new market demands a deeper and more sincere relationship. We need to become part of their trusted circle. How we get there remains the challenge.

Jon Cropper has proven to be an expert at marketing and believes passionately that marketers are getting lost in the metrics. He believes that true marketing emanates from the soul and we are so proud that he took the time to share his thoughts with us in our cover article, The Art (and the Heart) of Fine Marketing. With thoughtful and heartfelt insight, Jon's message resonates with true marketing minds.

As our world continues to divide itself into more specific niches, we may come to realize that innovation in our products is not lasting. True innovation, as our friend Saul Kaplan explains in his Q&A, is about creating more value. Subsequently, our second feature article, The Model Business, delves into designing business models that challenge traditional assumptions and makes us rethink how we deliver value to our clients. With perspectives from Alexander Osterwalder, the bestselling author of Business Model Generation, and Gina Testa, Vice President, Graphic Communications, Xerox Corp., we discover that the highest performing companies are finding a better way.

We hope you enjoy our last issue of 2011. We are extremely proud to create this content for you. We wish you the best in the New Year and hope you find new and better ways to connect with your markets. We know we have.

Warmest regards,



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# Digital Marketing

**T**hough overall global marketing budgets in the tech sector are increasing 3.5% in 2011, they are not keeping pace with annual revenues in the sector, which are expected to grow 6.5% over 2010 levels, according to a report by IDC.

Moreover, that 3.5% budget growth estimate is far less than the 8% projected in January 2011.

In recent years, marketing investment growth has generally tracked revenue growth, according to IDC CMO Advisory Service research, but that trend has not continued during the business downturn, the report notes.

Smaller tech companies, however, are surging ahead: those with revenues less than \$500 million, between \$500 million and \$999 million, and between \$1.0 billion to \$2.9 billion are expecting average marketing investment growth of 10%, 8.1%, and 7%, respectively, in 2011.

By contrast, larger companies—those with annual revenues between \$3.0 billion and \$9.9 billion—are reporting marketing investment growth of 2.1% on average, while companies with revenues greater than \$10 billion are reporting investment growth of 1.7%.

**Larger companies are reporting marketing investment growth of 2.1% on average.**

Overall, services companies are recording the weakest marketing investment growth in 2011, down 1% from 2010 levels.

Digital marketing program spending, defined as display ads, search ads, email marketing, digital events, company websites, search engine optimization, and social networks, continues to increase rapidly.

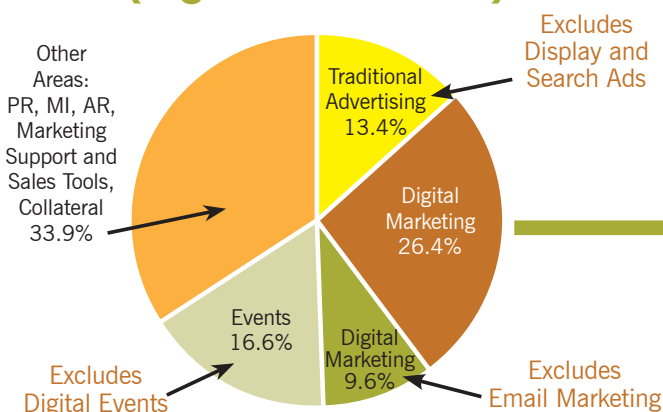
Digital marketing accounted for 19.3% of total program spending in 2010, and that figure is rising to 26.4% in 2011.

Marketing organizations are also allocating more of their budget to website content and development in 2011, which now accounts for 8.2% of the total program spending mix, or 31.6% of digital allocations.

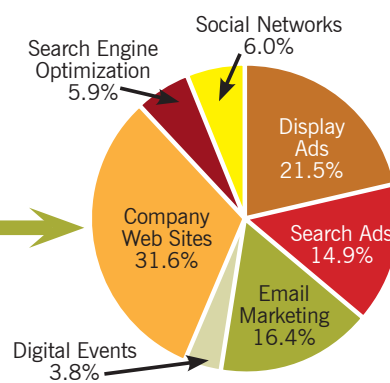
Display, email, and search are expected to account for 21.5%, 16.4%, and 14.9% of digital allocations, respectively, while social media accounts for 6.0% of the digital mix (less than 2% of total marketing investments).

## THE 2011 PROGRAM SPEND MIX – THE ‘DIGITAL ISLAND’ VIEW

**Program Spend Allocations (Digital Island View)**



**Specific Digital Marketing Allocations**



Source: IDC's 2011 Tech Marketing Benchmarks Study, n=85

**ABOUT THE DATA:** Findings are from IDC's ninth annual Tech Marketing Benchmarks Study, conducted from May 15 to July 31, 2011 among more than 100 tech companies representing roughly \$850B in revenues. Hardware, software, and services companies with both direct and indirect channel strategies are represented in survey.

<http://www.marketingprofs.com/charts/2011/6017/smaller-tech-companies-upping-marketing-investments>

# Direct Mail Spend Expected to Grow 4.6% This Year

October 2, 2011 – Topline results from The Direct Marketing Association's (DMA) *The Power of Direct Marketing*, a biennial forecast of direct marketing's economic impact on the US economy:

- Direct Marketing continues to grow at a quicker pace than the overall US economy. Direct marketing driven sales are projected to grow 7.1% this year to nearly \$2 trillion, compared with sales overall in the US, which will grow 5.1%. Overall, 8.7% of US GDP comes from direct marketing.
- Spending in direct marketing grew 5.6% to \$163 billion in 2011 and now accounts for 52.1% of total advertising spending in the US. This share has increased steadily over the past five years, a trend expected to continue through 2016.
- ROI: An investment of \$1 in direct marketing advertising expenditures in 2011 is predicted to return, on average, \$12.03 in incremental revenue across all industries, compared with \$5.24 for general advertising.
- Much of direct marketing's growth is driven by online media, which continues to outpace other channels in expenditure growth. DMA expects digital channels to continue to increase their share of the marketing budget from 19% in 2011 to 21% in 2012. The total spend on digital marketing has grown by \$14.5 billion since 2006.
- Mobile marketing will lead all channels in 2011, with an annual growth rate exceeding 50%.
- Social network marketing, search engine marketing, and "Internet other" (rich-media ads, advergames, blogs, etc.) will all increase by more than 20%.
- The two largest components of Internet advertising — search and display, will both grow at a rate over 18%.
- Although spending on most traditional channels remains below the peak year of 2007, direct mail bounced back strong in 2011. Direct mail expenditures are expected to grow 4.6% to just over \$50 billion.



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# Tips from a Master Marketer

by Lorrie Bryan

**A**midst all the scientific marketing chatter about Google algorithms, empirical quantitative research, media mix formulas, social media analytics and marketing metrics, there is a rising roar about the data explosion. Some estimates say that information is doubling every two years due in part to the daily influx of 200 billion emails and 147 million tweets. We've gone from a megabyte culture to one of gigabytes, terabytes and petabytes—a single petabyte can hold 500 billion pages of standard text. And scientists say we are rapidly approaching the realm of zettabytes and yottabytes. To put it in perspective, the entire World Wide Web now takes up nearly a yottabyte, and it would take approximately 11 trillion years to download a yottabyte file from the Internet using high-power broadband.



## The Science of Marketing

Not surprisingly, technology has also produced new ways to process this deluge of raw information. Capabilities now exist to tackle everything from customer sentiment in social media and predicting future outcomes, to faster insights with in-memory processing and greater understanding of web behavior. Our lives, our behaviors and preferences, are being scrutinized, analyzed, digitized and monetized. Data analytics are fueling a new marketing megatrend and essentially changing the marketing dynamic as it begins to evolve into an outcome-oriented science rather than an art.

Many marketers welcome this insight into the minds and behaviors of their targeted demographic. Traders and merchants dating back to the beginnings of civilization have benefitted from knowing their customers' or trading partners' preferences to nurture customer loyalty. (The tall guy likes the beaver pelts, that short guy prefers the deer skins.) Heralding this new personalized strategy as intelligent one-on-one marketing, many marketers are eagerly finding new ways to gather, process and utilize information to create even more personal messages using multiple mediums.

Other marketing minds are wary of this new trend. "I find this hyper customization and



**“Great marketers have a responsibility to project and inject optimism into this culture and become more love-based rather than fear-based in their orientation.”**

– Jon Cropper

localization troubling,” says Jon Cropper, a highly respected media strategist and entrepreneur. “This is a desensitizing, dehumanizing, data-driven unfortunate trend that will eventually overtake this industry. I think you’ll continue to see less art and more science. That’s not all that comforting, but that is definitely the reality. It’s getting creepy.”

Cropper, the genius behind some of Nissan’s most creative and successful campaigns, says that privacy issues aside, the trend is disturbing because it is an attempt to create a false sense of intimacy. “Intimacy is based on trust and the mutual sharing of ideas between people who are trying to connect. This is based on hyper observation of what you do and who you are in an attempt to exploit you—more like a stalker who is pursuing you in an inappropriate way. It’s completely wrong.”

It likely won’t end well, he predicts. “This new love and dependency on the use of data—because there’s so much of it out there—is going to eventually blow up on itself, but not before a lot of emotional fatigue on a broad social level becomes the norm. We’ll all be enduring unnecessary attempts to get into our pockets.”

### The Art of Marketing

Rather than increasing aggressive data analysis, Cropper suggests a less-contrived, more authentic approach to marketing—more of an artful altruistic approach. The key principles that he thinks are necessary for marketers to succeed in this new economy focus on trust, multiculturalism, community building, attention to details and an element not usually used in the commercial realm—love.

#### 1. Trust

One of the first things Cropper advises great marketers to do is to restore their promise to keep their promise. “I use the word principles specifically—I mean key principles in the framework of ethics and morals. Trust has been breached. There is a high level of cynicism and distrust among



consumers, and much of advertising is a manipulation designed to create a false sense of need. The messages are becoming less believable.

“Great brands are going to have to re-up their commitment to do the right thing. There’s the cliché double bottom line mindset—do well and do good; generate profit and do good things. Companies have a responsibility to help the communities they operate in. The government, in this country and in many countries around the world, has faltered in their fiscal responsibility. It’s partially the role of marketers and brands to step into that void and be agents of positive change within their markets. I think that’s going to be a mandate and requirement for marketers operating in this ‘new economy.’”

#### 2. Multiculturalism

Marketers should have a deep understanding, appreciation and respect for multiculturalism and diversity. “We live in a really dynamic multicultural world and that means that there should be different messages for people that come from different heritages and backgrounds. The insensitivity of some commercial messaging is shocking. Messages should resonate with people that come from all different backgrounds,” he explains.

#### 3. Community Building

Marketers need a deep appreciation for and understanding of how to build interactive digital communities that have utility and real function, Cropper suggests. “A group of people who are fans of a brand should not be passive, but should actively work as a group toward something that has a positive outcome. Brands have to have the mindset of a mayor of a town or digital community. It’s not just your job to sell something, but also to provide community members with a suite of services and support.

“Social media and mobile technology are remarkable enablement tools that are here to stay. We have the opportunity for dialogue now instead of just a monologue and this is a massive game changer.”

#### 4. Attention to Details

“Marketers should heed the lesson of Steve Jobs and develop a deep appreciation for a maniacal level of focus on detail—step into excellence through over commitment to detail. It takes more time and costs more money, but details matter,” asserts Cropper. “That’s what it’s all about—going the extra mile; giving 102 percent rather than 90 percent.”

#### 5. Love

“This is a word that people often find uncomfortable to use in the commercial realm, but great marketers need to demonstrate love. In this age of austerity, people are dealing with a lot of negative energy swirling around. Great marketers have a responsibility to project and inject optimism into this culture and become more love-based rather than fear-based in their orientation. Marketing shouldn’t be about creating anxiety for people; it should be about injecting a positive attitude. We should continually be reminding people of what is possible and provide them with a sense of how they can get there.”

#### ...And the Heart of Marketing

Cropper says that one of the most important pieces to this whole thing is a very clear sense of self—self awareness, self definition. “Be ruthless in your articulation of that. Look yourself in the mirror and have a precise and honest inner dialogue. Be able to say this is who we are; this is what we stand for. This is the most important piece of advice I can offer to anyone trying to figure out how to create some kind of energy that will be attractive to other people. You are not just selling a product—you’re selling the energy around the product.”

For Cropper, it’s important to try and live his life as a contributor. “I want to be net positive—to give more back than I receive. Having that kind of orientation has governed my point of view and philosophy in the commercial realm. There is a sense of responsibility that comes with being able to reach out and communicate with lots of people. I think that looking at my work as a responsibility—and not just as a job—has left me in a good place.

“At the end of the day, I think the goal and mission of marketers is to communicate ideas that help people to progress, that move our culture forward...It’s as simple as that.”



## JON CROPPER ON THE ELEMENTS OF GREAT ADVERTISING

#### 1. SIMPLE ELEGANCE

“Great ads have an understated elegance that transcends the object being sold—a beautiful, elegant, simple message. Most people site Apple’s advertising as a great example of this. My favorite was their Think Different campaign. It was about as simple as it gets, yet as impactful and significant as it gets.”

#### 2. USEFUL INFORMATION

“Out teach rather than out sell your competition. The message that you are putting out there should provide useful information that teaches the customer how your product or service will enrich their lives—how their life will somehow be better with that object in their life. Inspiration is the fuel of progress.”

#### 3. FEARLESS PROVOCATION

“Good advertising breaks through the clutter and causes people to stop and have a dialogue about it. You can’t live in the middle of the cultural bell curve; you can’t be all things to all people. If you attempt to speak to everyone, you will speak to no one. Break through the clutter with a bold message that creates conversation. Nike brand has done a great job with this, creating a culture that accepts and embraces provocation.”

As senior manager of Youth and Urban Communications at Nissan North America, Jon Cropper was responsible for all youth, multicultural marketing and strategic alliances for the Nissan and Infiniti brands. He was acknowledged by industry trade publication Brandweek, as the best marketer under 40 in America.

# THE MODEL BUSINESS



By Michael J. Pallerino

## The art of (re) establishing your business model is about changing the rules and adapting to the harsh (or antiquated) realities of doing business today. So, how's your strategy going?

**W**hat if Alexander Osterwalder is right? What if you could sketch out your company's future on a canvas and strategically redirect its fortunes with nothing more than a large whiteboard and some sticky notes? What if this seemingly simple method of helping transform your business model was as easy as that?

### A business model describes the rationale of how an organization creates, delivers and captures value.

– Definition of a Business Model

Osterwalder, the best selling author, advisor and highly sought after lecturer, believes it is that simple – sort of. In his groundbreaking book, the “Business Model Generation,” Osterwalder takes the art of the business model to a whole new level, challenging today's entrepreneurial leaders to rethink the way they create value, build new businesses and transform their organizations.

But to fully understand Osterwalder's ideals, you must start from the beginning.

Osterwalder's concept is rooted in a Ph.D. dissertation he completed on business model innovation with Professor Yves Pigneur at HEC in Lausanne, Switzerland. In 2006, his concept, the crux of which was defined in a must-read blog, began being applied around the world in companies such as 3M, Deloitte, Ericsson and Telenor. And then one day, during a workshop in the Netherlands, Business

Model Inc. founder Patrick van der Pijl asked the question: “Why is there no book accompanying the method?”

The question spurred Osterwalder and Pigneur into action. But the last thing they wanted to do was publish a book on business models in a market flooded with books on business models. So they tried a different approach. Ditching the traditional publishing route, they launched a hub. The online platform would not only enable them to share their writings, but it also would allow them to seek input from followers who would pay a membership fee (ranging from \$24 per month in the beginning, to \$243, which helped keep the site exclusive). The innovative approach worked. The fees helped finance the production of the book, while the forums provided invaluable insight on business model innovations from some 470 practitioners in 45 countries around the world.

**“There's not a single business model... There are really a lot of opportunities and a lot of options and we just have to discover all of them.”**

– Tim O'Reilly, CEO, O'Reilly

The “Business Model Generation” encourages business owners to plot out their business models using, what Osterwalder calls, the “business model canvas.” The strategy forces entre-

preneurs to communicate their business model visually, allowing them to get what's in their heads onto a canvas for others to see and contribute to. “Once your vision has been exported

from your head onto a canvas your employees helped to create, you'll have a business that can grow without you calling all the shots – which is the essence of a sellable company,” he says.

Osterwalder believes that a successful business model can best be described through nine basic building blocks (see sidebar, *9 business model building blocks you need now*) that show the logic of how a company intends to make money. The building blocks cover the four main areas of how any business makes money: customers, offer, infrastructure and financial viability. The business model is like a blueprint for a strategy to be implemented through organizational structures, processes and systems. The tool resembles a painter's canvas that enables you to paint pictures of new or existing business models.

In an economic climate defined by how your company responds to change, the "Business Model Generation" lends credence to the theory that the key to a company's success is rooted in business model innovation, not technical innovation. "Technology innovation (product innovation) is always going to be important," Osterwalder says. "But in many cases, it's not technology or product innovation that gives you an advantage, it's business model innovation."

Take Apple, which in 2001 launched its iconic iPod portable media player. Working in conjunction with its iTunes software, the device enables users to transfer music and other content from the iPod to a computer. But Apple wasn't the first to hit the portable media player market. Others such as Diamond Multimedia and its Rio brand were there initially.

Apple's advantage was its business model, Osterwalder maintains. Its strategy offers a seamless music experience by combining its distinctively designed iPod devices with iTunes software (more than 40,000 developers and 400,000 applications and counting) and the iTunes online store (easily searchable and accessible digital music). Part of Apple's business model also included a number of deals with major record companies, creating one of the world's largest online music libraries.

"What Apple showed us is that business model innovation gives you a longer competitive advantage than just product or technology," Osterwalder says. "Technology in and of itself is just a technology. It's how you apply it. Product technology can lead to, five, 10, 30 different business models. The challenge is to think through alternative business models to see which ones are the most suitable. Technology innovation in itself isn't losing its relevance; it's just not as sufficient anymore."

While having the right technology remains critical, today's market differentiators and opportunities for growth come from applying a flexible set of services to the task of solving a customer's business problems, not from offering a rigid set of product-based services. "So, a high-capacity offset press might still be the right solution for printing a large quantity of a particular book or marketing collateral piece," Testa says. "[But other times] printing is part of an overall communications solution consisting of print and related services that can be tailored to meet a customer's precise needs. The companies that succeed need a more services-oriented business model that can be adjusted to optimize each application and, potentially each customer's application."

Surveys regularly show that businesses of all sizes pay less attention than they should to business planning and business models. Small and medium-sized businesses can be especially burdened, as they typically run lean and have limited resources for addressing issues outside of day-to-day operations.

Enter Xerox, which has been a leader in providing business development resources and services designed to help graphic communications companies of all sizes focus on developing optimal business models.

"The process of designing a model begins with a plan that addresses the business's challenges and opportunities, and establishes measurable goals and a path to achieve them moving forward," Testa says. "This exercise should help guide entrepreneurs and small businesses to the type of business model they need to achieve their goals."

For companies that might not have made the transformation and/or re-evaluated their business models, Testa says it's not too late. "We get asked this question all the time. The first step is to sit down and take that deep dive analysis – 'Where is your business today?"



**"In all enterprises, it's the business model that deserves detailed attention and understanding."**

– Mitch Thrower

When Gina Testa looks at the evolution of today's printers, she can firmly say that a company's decision to transform its business model is what will continue to keep the industry relevant going forward. As the Vice President, Graphic Communications, Xerox Corporation, she has seen how product offerings – and, in effect, business models – were dictated by the type of technology a company used.

Today, most of the growth graphic communications companies are experiencing comes from selling value-added services that generally include print as one of several deliverables. "Print as a stand-alone product is no longer a growth engine," Testa says. "In making this transition, graphic communications is aligning with the global economy, which is based largely upon services."

Where is all the revenue coming from? What are your core competencies? You have to do a true SWOT analysis on strengths, weaknesses, opportunities and threats. Next, you have to make a decision with your leadership team on where your company's future lies. Without a plan, you're just floundering."

After a decision is made, Testa recommends laying out a strategy that details where you want the company to be over the next three months, six months, twelve months, etc. "You don't have to do this alone," she says. "Look for strategic partnerships. We establish partnerships at Xerox on both ends of the spectrum (in software applications and on the back end in areas such as inline finishing equipment). No one company can afford it all."

As for the printing industry, the product is just one small piece of the equation. The solutions are the key. "That's the direction today's business models are following," Testa says. "Everybody can print. You need to talk the language of your customer. You need to be solving their problems, not producing something for the sake of selling it. For some, that's the hardest thing to come to grips with. We [Xerox] have been on the transformation trail for 10 years now. It's something we work at every day."

## "Drive thy business or it will drive thee."

– Benjamin Franklin

As the scope of the economic landscape continues to change, the winners will be those who can adjust to changes in their respective markets. "You can't predict the future," Osterwalder says. "What we see in a lot of industries is that a lot of disruptors are succeeding, and in some industries, replacing the incumbents."

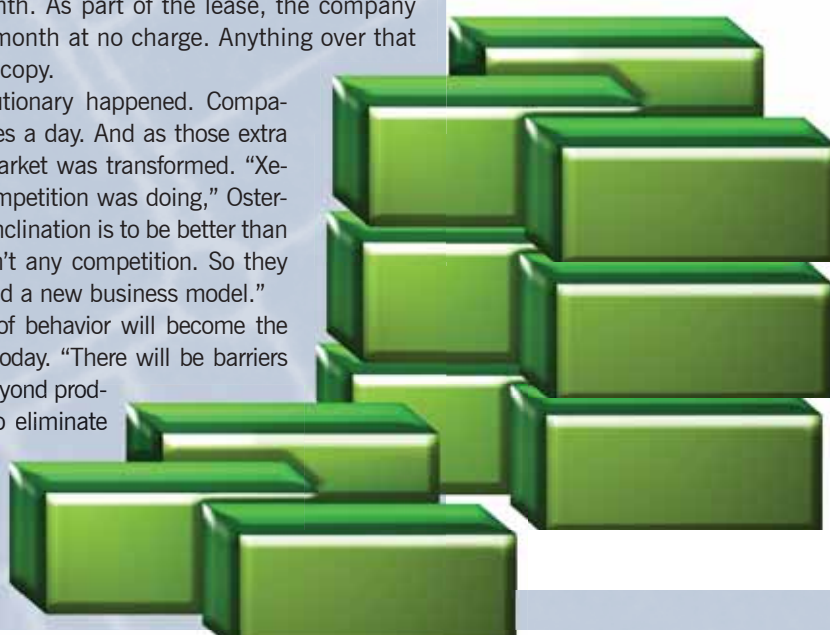
Osterwalder says that existing companies are finding better ways to deal with innovation, a sign that start-ups won't be the only ones creating new business models. "You hear the folks in Silicon Valley say that everything will come from start ups. But I think large companies have some strengths. They just haven't found out how to overcome their weaknesses yet. But they will learn how to deal with this."

Innovation for new business models can come from anywhere. As an example, Osterwalder cites the story of Xerox's foray into photocopiers. Chester Carlson, a patent attorney, and part-time researcher and inventor, created the technology that enabled a company to photocopy 2,000 copies per day in a time when machines could only generate between 15 and 30 copies per day.

But after sitting down with its consultants, the consensus was that the machine was too expensive to sell. Xerox didn't listen to the consultants. But that's not the lesson, Osterwalder says. Xerox went back to the drawing board and invented a new business model that would commercialize the machine. If nobody was going to buy it, they were going to lease it for \$95 a month. As part of the lease, the company could make 2,000 copies per month at no charge. Anything over that would cost them a few cents a copy.

And then something revolutionary happened. Companies started making 2,000 copies a day. And as those extra copies started to add up, the market was transformed. "Xerox couldn't look at what the competition was doing," Osterwalder says. "A company's first inclination is to be better than the competition. But there wasn't any competition. So they went a step further. They invented a new business model."

Osterwalder says this type of behavior will become the norm rather than the exception today. "There will be barriers that will force a company to go beyond product innovation. They will have to eliminate those barriers. They will have to rethink their business models. It won't be about beating the competition. It will be about changing the landscape."



## 9 BUSINESS MODEL BUILDING BLOCKS YOU NEED NOW

(From the book – Business Model Generation)

The "Business Model Generation" shows that a successful business model can best be described through nine basic building blocks that show the logic of how a company intends to make money. The building blocks cover the four main areas of any business: customers, offer, infrastructure and financial viability. Following are the nine building blocks.

**1. CUSTOMER SEGMENTS** – This building block defines the different groups of people or organizations an enterprise aims to reach and serve.

**2. VALUE PROPOSITIONS** – This block describes the bundle of products and services that create value for a specific customer segment. Value propositions are delivered to customers through communication, distribution and sales channels.

**3. CHANNELS** – This block describes how a company communicates with and reaches its customer segments to deliver value propositions.

**4. CUSTOMER RELATIONSHIPS** – Customer relationships are established and maintained with each customer segment. This block describes the types of relationships a company establishes with specific customer segments.

**5. REVENUE STREAMS** – Revenue streams result from value propositions successfully offered to customers. This block represents the cash a company generates from each customer segment – costs must be subtracted from revenues to create earnings.

**6. KEY RESOURCES** – Key resources are the assets required to make a business model work.

**7. KEY ACTIVITIES** – These work by performing a number of key activities. This block describes the most important things a company must do to make its business model work.

**8. KEY PARTNERSHIPS** – Some activities are outsourced and some resources are acquired outside the enterprise. This block describes the network of suppliers and partners that make the business model work.

**9. COST STRUCTURE** – The business model elements result in the cost structure.

# Inducement to Innovate



**Q. What does business innovation mean to you? Is it different than technical or product innovation?**

**A.** I like to say that it is the innovator's day—everyone is interested in what innovators have to say during bad economic times. That's the good news. The bad news is that we've turned innovation into a buzz word. Everyone defines it differently. Everybody is talking about the word, and, of course, everyone is an innovator and everything is an innovation. In fact no one is, and nothing is. But you have to get below the buzz word.

I have a very simple definition to offer. To me innovation is a better way to deliver value. It is not an innovation until it solves a problem that a customer is having—it delivers value in the real world, solves a problem and helps get a job done that a customer is trying to do. A lot of people confuse innovation with invention, and think that they just need new technology to solve a problem. But an innovation is not the same as an invention. Inventions are important, and it's nice to have new technology, but frankly we have more new technology than we can use. We're not short on new technology, but we are short on the ability to use new technologies to solve problems and deliver value to customers.

**Q. What types of business models do you see on the horizon?**

**A.** I am a huge believer that all leaders in all organizations need to learn how to do R and D for new business models. Think about it—they do R and D (research and development) on new products and new technology. And they need to do that for business models as well. In the 21st century, as a leader, you're going to have to do R and D for new business models—literally experimenting with potential new business models on an ongoing basis. If you don't, you are going to be vulnerable to being disrupted.

**Q. How do people start thinking disruptively? Assuming that disruptive thinking causes change and sustainable growth, how do we go about it?**

## Innovation Catalyst, Saul Kaplan

By Lorrie Bryan



**A.** The first thing that needs to happen is that you have to take a customer view. We get so wrapped up in our current business models that everything we see is through the lens of the current business model. We have to change that perspective, begin to understand it through the lens of the customer instead of the lens of the current business model, and get inside the heads of our customers and see what they are experiencing and what they are trying to do. You have to begin to think creatively about new and better ways to deliver value to the customer. A perspective change is key.

Secondly, you have to be willing to experiment with different ways to deliver value. A lot of this is about experimenting and creating platforms and ways that you can play with new configurations and ways to deliver value that aren't constrained by your current business model.

**Q. Why have large companies failed to sustain innovation and what insight can you give us into the challenges that innovative companies face?**

**A.** All companies are vulnerable to disruptive innovation. So they have to be proactive and commit part of the organization's resources to developing ideas, prototypes. Test in the real world, give freedom and autonomy. That's the biggest challenge for most large companies that I talk with. They do a lot in innovation space, but most of it is focused on how to make their current business model more effective—which is important—but a small part of your effort needs to be focused on potentially transformative new business models. And you need to make sure the resources are carved out to support those types of experiments as well.

And that's the piece of work that never gets done. It's almost always about incremental improvement in today's business model, and almost never about discovering what the new business model is, even if it might disrupt us. I want to know, understand, be in a position to be proactive and potentially migrate from the current business model to a new one.

Saul Kaplan is the founder and chief catalyst of the Business Innovation Factory (BIF) in Providence, Rhode Island, and blogs regularly at It's Saul Connected. Follow him on at @skap5.

# The New Capitalist Manifesto

By Umair Haque

In the midst of a most difficult time, it becomes logical to question our economic platform and the institutions that operate within it. Many of us are scared and curious about the future of capitalism in general. Capitalism is dead. Long live capitalism.

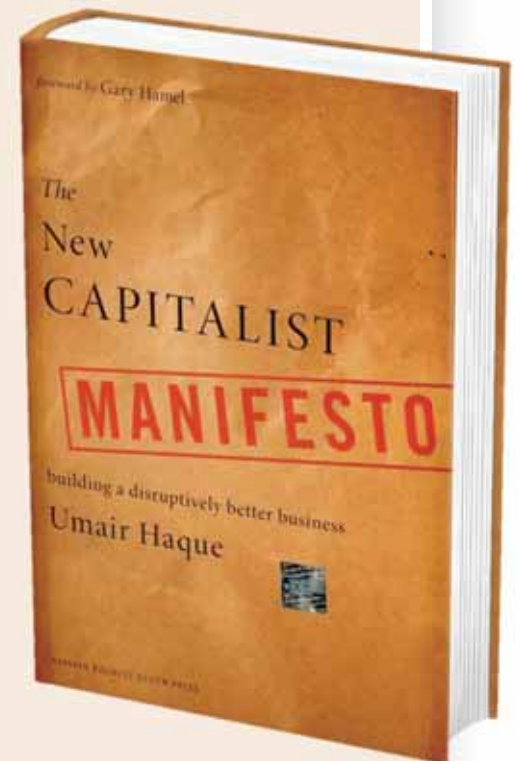
In his thought provoking new book, *The New Capitalist Manifesto*, economic strategist Umair Haque argues that business as we know it has outgrown traditional assumptions and is in need of new and meaningful philosophies. Short term motivations and the idea of a “dog eats dog” world are no longer sustainable. Haque details the idea of creating “thick” value that impacts everyone as a whole.

Without providing a “quick fix” or recession proof blueprint, Haque describes five new concepts that could lead to enduring prosperity in the new landscape of business:

- **LOSS ADVANTAGE:** From value chains to value cycles
- **RESPONSIVENESS:** From value propositions to value conversations
- **RESILIENCE:** From strategy to philosophy
- **CREATIVITY:** From protecting a marketplace to completing a marketplace
- **DIFFERENCE:** From goods to betters

*The New Capitalist Manifesto: Building a Disruptively Better Business* is a great read for anyone who is market based and interested in elevating their connections. With insightful examples that include Google, Nike, Apple and other leading brands, Haque makes us think differently about business in the 21st century. It can be assumed that the world has changed, but that capitalism has worked in the past. It will work again, but with new cornerstone concepts.

Haque ponders that economic struggle may be a foregone conclusion. However, with the adoption of new philosophies that focus on creating value rather than extracting value, blue skies are ahead. We recommend this book for anyone who plans on succeeding in the new day.





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