

LATERAL MARKETING

NEW TECHNIQUES FOR FINDING
BREAKTHROUGH IDEAS

Lateral Marketing

Lateral Marketing

Vertical marketing

*Segmented
Markets*

New Markets

Philip **KOTLER**

Fernando **TRIAS DE BES**

Lateral Marketing

*New Techniques for Finding
Breakthrough Ideas*

PHILIP KOTLER
FERNANDO TRIAS DE BES



GIFT OF THE ASIA FOUNDATION
NOT FOR RE-SALE

QUÀ TẶNG CỦA QUỸ CHÂU Á
KHÔNG ĐƯỢC BÁN LẠI



WILEY

John Wiley & Sons, Inc.

Copyright © 2003 by Philip Kotler and Fernando Trias de Bes. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 750-4470, or on the web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, e-mail: permcoordinator@wiley.com.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. The publisher is not engaged in rendering professional services, and you should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books. For more information about Wiley products, visit our web site at www.wiley.com.

Designations used by companies to distinguish their products are often claimed by trademarks. In all instances where the author or publisher is aware of a claim, the product names appear in Initial Capital letters. Readers, however, should contact the appropriate companies for more complete information regarding trademarks and registration.

ISBN 0-471-45516-4

Printed in the United States of America.

10 9 8 7 6 5 4 3 2

CONTENTS

Introduction

xiii

1	The Evolution of Markets and the Dynamics of Competition	1
1.1	In Consumer Packaged Goods, Distribution Concentration Has Increased Greatly	3
1.2	The Number of Competitors Has Been Reduced, but the Number of Brands Has Strongly Increased	4
1.3	Product Life Cycles Have Been Dramatically Shortened	6
1.4	It Is Cheaper to Replace than to Repair	7
1.5	Digital Technology Has Provoked a Revolution in Many Markets	8
1.6	The Number of Trademarks and Patents Is Increasing	9
1.7	The Number of Varieties of a Given Product Has Increased Radically	9
1.8	Markets Are Hyperfragmented	10
1.9	Advertising Saturation Is Reaching Its Highest Levels, and the Fragmentation of Media Is Complicating the Launch of New Products	11
1.10	The Capacity of Obtaining Space in the Mind of the Consumer Has Been Reduced	12
	Conclusion: Markets Are Much More Competitive	13
	Summary	15
2	Strengths and Weaknesses of Traditional Marketing Thinking	17
2.1	Needs Identification as the Starting Point	19
2.2	Market Definition	21
2.2.1	Selecting a Market	21
2.2.2	Adoption of a Market Category and Subcategory by Marketers	23

Contents

2.2.3	Adopting a Market as Something Fixed Leads to Segmentation	26
2.3	Segmentation and Positioning as Competitive Strategies	27
2.3.1	Segmentation	27
2.3.2	Positioning as a Strategy for Generating Competitive Advantages	32
2.4	The Development of the Marketing Mix: The Only Thing That Is Seen	34
	Summary	36
3	Innovations Originated from Inside a Given Market: The Most Common Way of Creating Innovations	37
3.1	Innovations Based on Modulation	40
3.2	Innovations Based on Sizing	42
3.3	Packaging-Based Innovations	43
3.4	Design-Based Innovations	45
3.5	Innovations Based on Complements Development	46
3.6	Innovations Based on Effort Reduction	47
	Summary	49
4	Innovations Originated Outside of a Given Market: An Alternative Way to Create Innovation	55
4.1	The Case of Cereal Bars	57
4.2	The Case of Kinder Surprise	59
4.3	The Case of 7-Eleven Japan	61
4.4	The Case of Actimel, from Dannon	62
4.5	The Case of Food Stores inside Gas Stations	63
4.6	The Case of the Cyber Café Concept	65
4.7	The Case of "Be the Godfather of a Kid"	66
4.8	The Case of "Big Brother" TV Contest	67
4.9	The Case of Huggies Pull-Ups	68
4.10	The Case of Barbie	69
4.11	The Case of Walkman	70
	Summary	71
5	The Need for Lateral Marketing to Complement Vertical Marketing	73
5.1	Basis of Vertical versus Lateral Marketing	77
5.2	How Lateral Marketing Works versus Vertical Marketing	79

Contents

5.3	Effects That Lateral Marketing Provokes in the Markets versus Vertical Marketing	82
5.4	Source of Volume	84
5.5	Situations Where Each Type of Marketing Is More Appropriate	86
5.6	Responsibility of Creating in the Markets	90
	Summary	91
6	Defining the Lateral Marketing Process	95
6.1	Lateral Marketing Definition	97
6.1.1	Objectives of Lateral Marketing	98
6.2	Logic of Creativity	98
6.3	Similarities between Humor and Creative Thinking	102
6.4	Importance of Understanding the Logic of Creativity	103
6.5	The Three Steps of Lateral Marketing	104
6.5.1	Choosing a Product or Service	104
6.5.2	Step 1: Choosing a Focus in the Marketing Process	105
6.5.3	Step 2: Generating a Marketing Gap	114
6.5.4	Step 3: Making Connections	120
6.6	Final Outputs of the Lateral Marketing Process	128
6.7	Examples from Chapter 4 under the Lateral Marketing Framework	128
7	Lateral Marketing at the Market Level	135
7.1	Change of Dimension as the Most Practical Technique	137
7.2	Dimensions to Be Changed: Concept and Examples	138
7.2.1	Changing the Need: Trying to Cover Another Utility	138
7.2.2	Changing the Target: A Person, Persons, or a Group	140
7.2.3	Changing the Time: Choosing New Moments	142
7.2.4	Changing the Place: Move Your Product into a New Setting	143
7.2.5	Changing the Occasion: Link Your Product to an Event	145
7.2.6	Changing the Activity: Place Products into Experiences	146
7.3	Connecting the Product with the New Dimension	147
7.3.1	Connections Made without Altering the Product	148
7.3.2	Connections Made by Altering the Product	148

Contents

7.4	A Complete Case: Proposing a New Business Concept	149
7.5	Ancillary Techniques for Displacing the Market Level	151
7.5.1	Combining the Dimension "Place"	151
7.5.2	Reordering the Dimension "Time"	152
7.5.3	Exaggerating the Dimension "Place"	152
7.5.4	Inverting the Dimension "Need"	153
7.5.5	Inverting the Dimension "Target"	153
7.5.6	Eliminating the Dimension "Time"	154
8	Lateral Marketing at the Product Level	155
8.1	Philosophy behind Applying Lateral Marketing at the Product Level	157
8.2	Dissection of the Product	159
8.3	Selecting the Entry Doors	160
8.3.1	Selecting Natural Anchors as Entry Points	160
8.3.2	Selecting Other Elements as Entry Points	160
8.4	Applying Lateral Displacements: Concept and Examples	161
8.4.1	Substitution	161
8.4.2	Combination	163
8.4.3	Inversion	164
8.4.4	Elimination	166
8.4.5	Exaggeration	168
8.4.6	Reordering	170
8.5	Connecting a Possible Market with the New Product	171
8.5.1	Finding a Possible Setting	172
8.5.2	Extracting the Positive Things	172
8.5.3	Imagining the Purchase Process	173
8.6	The Product May Need to Be Adjusted	173
8.7	A Complete Case: The Double-Decker Car	173
9	Lateral Marketing at the Marketing Mix Level	175
9.1	Effects of Lateral Marketing at the Mix Level	177
9.2	Lateral Marketing for Diversifying Our Marketing Mix: "Taking the Mix of Other Products"	178
9.2.1	Pricing	179
9.2.2	Distribution	180
9.2.3	Communication	182
9.3	Lateral Marketing for Finding New Marketing Mix Formulas: The Rest of the Lateral Displacements	183
9.3.1	Combination	183
9.3.2	Inversion	184

Contents

9.3.3	Elimination	184
9.3.4	Exaggeration	185
9.3.5	Reordering	185
9.4	The Product May Need to Be Adjusted	186
9.5	A Complete Case: Steel Shops	186
10	Implementing Lateral Marketing	189
10.1	The Three Systems of an Innovative Company: The Gary Hamel Model	193
10.1.1	An Idea Market	193
10.1.2	A Capital Market	195
10.1.3	A Talent Market	195
10.2	Next Step: Managing the Whole Process	199
Appendix: Quick Reminder of the Lateral Marketing Framework		201
Index		203