



MERIT

**MARKET INVENTION
WHITE PAPER**

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WHAT IS MARKET INVENTION?

Virtually every industry leader leverages the process of Market Invention—whether they know it or not. Rather than competing within a legacy market according to the traditional rules, market inventors create an alternative market and position that market as the future of an industry. This involves a mix of creativity, technology, market awareness, strategic execution, and disruption. For example, McDonald’s invented the fast food market by solving a pain: people had limited options for a quick and reliable meal on the road. Today, McDonald’s is worth \$147 billion.

Another example is gemstone giant De Beers. In 1938, the company had excess inventory of diamonds, and a stagnant economy was keeping prices down. De Beers saw an opportunity and launched a new campaign, “A Diamond Is Forever.” De Beers also worked with the influencers of the day—like movie stars and royalty—to make diamond engagement rings the new standard. Before World War II, only 10% of engagement rings were diamond.

AN EXAMPLE OF MARKET INVENTION

Market Invention is the only reliable way to become a market leader in today’s economy. Why? Because advertising doesn’t work like it used to. Before the Internet, advertising was a primary source of brand awareness. We’d hear about sliced Wonder Bread on the radio, see it on TV, and—because sliced Wonder Bread spent the most money on advertising and shelf space—we all bought Wonder Bread.

But in the age of the Internet, advertising can be counted on to raise awareness of a market—not necessarily the advertiser’s brand. As consumers, we can access endless information on any product we consider buying. If we see a commercial or click a Google Ad, we’ll likely search online, read reviews, or comparison shop to find the best product on the market—regardless of which brand first sparked our interest.

If we see an ad for sliced Wonder Bread, we go online and ask, “What other sliced breads are there?” or “Are there some better alternatives to Wonder Bread?” The majority of the time, we end up spending our money with whoever we perceive to be the better option—which is often the market inventor and market leader.

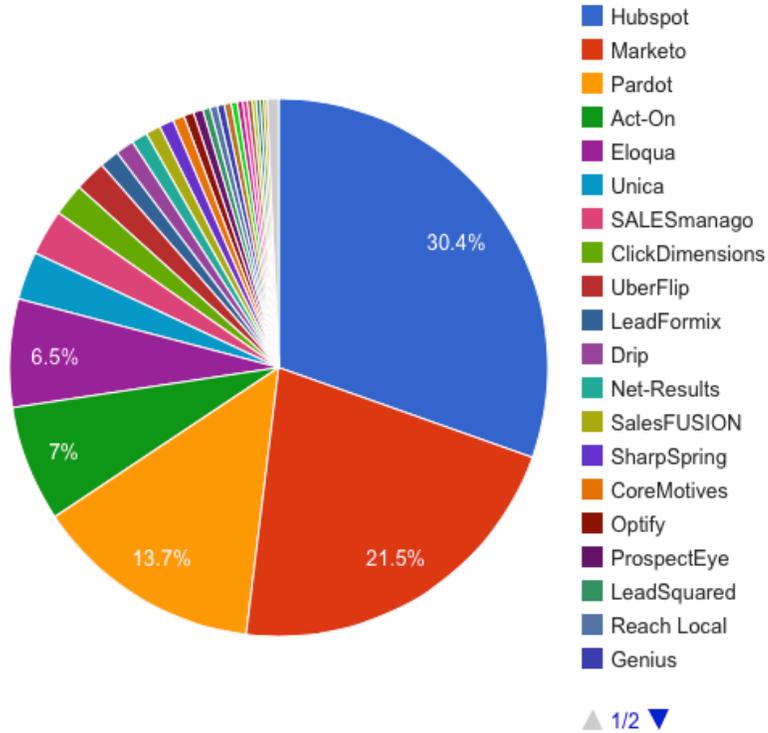
This means that if you’re not number one in your market, your advertisements are probably driving potential customers to whoever is number one. And even the biggest advertising budget probably won’t get you to number one. As you fight to increase market share, you’re actually sending more customers to the leader.



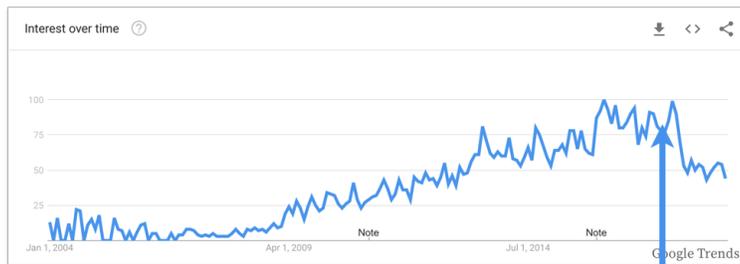
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AN EXAMPLE OF MARKET INVENTION

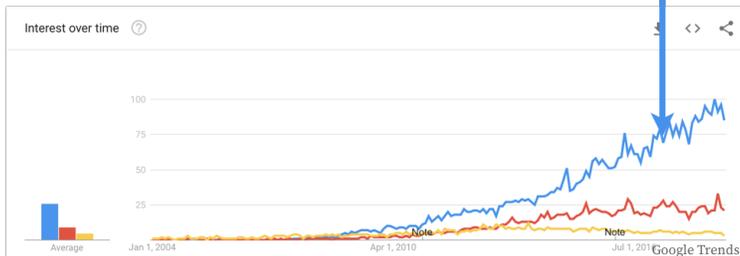
Take HubSpot, they invented the “Inbound Marketing” market and used it to stand out from their competitors. By inventing and owning Inbound Marketing, industry discussion and demand for Inbound Marketing lifted HubSpot past its competition to a position of market leadership. Below are Google Trends measuring search volume over time. Note the direct correlation between the rise of “Inbound Marketing” and HubSpot’s market share.



OF PEOPLE SEARCHING FOR INBOUND MARKETING



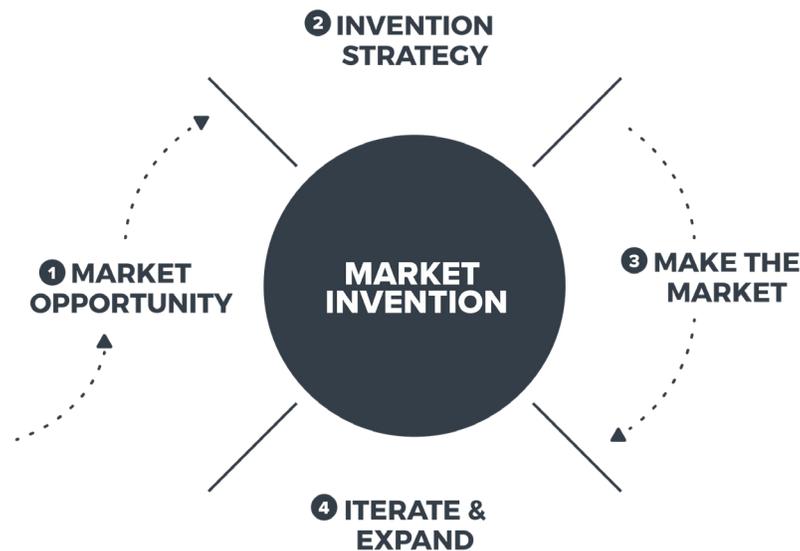
OF PEOPLE SEARCHING FOR “HUBSPOT” VS “MARKETO” & “ELOQUA”



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THE PHASES OF MARKET INVENTION

At the highest level, Market Invention can be divided into four phases. The specific tactics may differ based on the end user within each phase, but the framework and dynamics follow consistent rules across all industries and markets.



1 Market Opportunity

The Market Opportunity phase uncovers the problems that the market leader is either causing or ignoring. Market inventors assess their own strengths, research customer pains, and compare those pains with the current industry landscape. Essentially, this part of the process reveals the disconnects between consumers and market leaders.

2 Invention Strategy

The Invention Strategy phase starts by testing and refining the research findings. Then, market inventors must develop a clear point of view on how the current industry is failing consumers—and why the market needs something better.

3 Market the Market

With research and strategy in place, it's time to execute. The primary goal of the Make the Market phase is to seed and nurture an ecosystem of buyers, sellers, influencers, media, associations, and maybe even government—all focused on solving the same pain. Inventing a new market requires educating a new market. Education means far more than advertising. Market inventors aren't just trying to convince people to buy their brand; they are addressing the pains that others haven't and offering a solution. It's the difference between a faster horse and a Model T.

4 Iterate & Expand

When legacy brands and influencers recognize this new market, they will do anything and everything to get their slice of the pie. While the market inventor will never retain full ownership of the market they invented, that doesn't matter. Because as competitors move into the space, their marketing efforts inevitably drive attention to leader. And the mindset of Market Invention means that by the time the competition shows up, the market inventor is already looking to what comes next.