



Web marketing concepts (CMW)

Class 3

The market

Market is defined as a conceptual environment where commercial supply and demand occur, where products and services are made available and where consumers may purchase them.

Global market

Also called **Total Addressable Market (TAM)**, the global market is what we have just defined, the global customers and potential customers environment where commerce happens. It is formed of various types of consumers with very different needs to fill.

From a marketing point of view, it is impossible to reach the global market's consumers using a single communication effort in order to convince them to buy a product. Since a communication must be adapted to the people it targets, communication efforts must be targeting groups of consumers sharing common characteristics such as the language.

So, the first step of any marketing campaign should be to define the part of the market marketing efforts should be targeting.

Target population

As it was just established, since it is impossible to reach the global market, marketing efforts should be targeting a part of the market where the potential consumers can be found. This large segment is the *target population*, also called **Serviceable Available Market (SAM)**.

In order to define the target population, it is necessary to choose a segmentation base, characteristics that will be common to the potential consumers of a given product. Depending on various factors, marketing efforts may target a country, a province, a city or even a more specific group. But, most of the time, this wouldn't be enough to efficiently adapt marketing efforts.

Target publics

Target populations are formed of very different individuals with various characteristics and different needs. In order to adapt marketing efforts, the segmentation must be even more specific.



Depending on the product and different contextual specificities, there can be one or many target publics, also called **Serviceable Obtainable Market (TOM)**, and those may be more or less specific.

For instance, If you want to promote a dry cleaning service in a small town, your target population won't be Canadian citizen nor province of Quebec's population. It will most probably be a very local population pool. Although, even what seems to be a very specific group is formed of individuals whom might not need dry cleaning services such as children or teenagers.

In order to have an efficient marketing campaign, you now understand that you first need to know exactly who will or could be interested to your product or service (target publics/ SOM) and to identify in what common group these target publics belong (target population/SAM).

Different segmentation basis and methods will help you focus on the right audiences and, of course, new technologies and new medias broaden the possibilities as, with the Internet, target publics from anywhere on the globe can now be reached.

Market segmentation

The first task in any marketing plan is to **segment** the market. Once it is done, a single **target** (or group of targets) should be selected to finally **position** the product or the service within the segment. This approach is commonly known as STP (Segment - Target - Position).

Choosing a segment

From a commercial point of view, a segment is defined as a group of people sharing common needs to be filled, different types of consumers potentially interested into purchasing a product.

Example :

Let's say we want to market breakfast cereals. May the company doesn't have the necessary infrastructure to supply the entire world and would decide to focus on the Canadian market(TAM). This is quite a large an unspecific market though.

We could easily define three segments to our global market such as : children, teenagers and adults. Using researches and studies, we could define which segment represents the most possibly profitable segment to target.

Segmentation bases

There are different approaches when it comes to segmenting a market and the chosen method will be related to many factors such as the type of product, the company's infrastructure, the product life cycle, etc.

These approaches can be mixed to narrow down market segments to suit the product specificities and company's needs or limitations.

Example :

We may choose North-America as a global market, but if we want to sell mittens, it just might be a good idea to narrow down the market to where the climate is the coldest.

Although, one of the target markets may be people who travel to cold regions such as snow sports enthusiasts.

Geographical segmentation

Geographical segmentation isn't only used for practical purposes. Depending on where consumers live, the needs, personalities and behaviours will greatly vary.

- Countries
- Provinces/states
- Regions
- Urban / rural
- Cities and neighbourhoods
- Populations
- Climates

Demographic segmentation

- Age ranges
- Genders
- Education levels
- Incomes
- Occupations
- Religions
- Nationalities

Psychographic segmentation

- Lifestyles
- Social classes
- Opinions / interests
- Personality
- Personal/moral values

Behavioural segmentation

- Loyalty degrees
- Occasions / special occasions / seasonal...
- Benefits wanted
- Usages
- Sensitivity to prices
- Purchase readiness stages

Target market

Once a segment has been identified (target population/SAM), it is needed to select the target market or group of target markets. Usually, the most promising group would be selected.

The marketing concept should take in considerations what are the needs and characteristics of the typical consumers of the selected group. The concept and the message should be adapted in order to be able to convince the vast majority of the target market. That's called positioning.

Product positioning

Product positioning consists into defining how to present a product's attributes and characteristics taking in consideration the target market's specificities.

Example :

If we come back to our cereals marketing example, it was chosen to target Canadian citizens. Within this large market (SOM), sub-segments (target markets) could be of variable interest.

Depending on the target selected, the product may be positioned differently. For adult, we may focus on the nutritional aspect of the product or the fact it is low calories; for teenagers we may focus on the taste or energy it supplies; for children, we should probably focus on the fact that it is fun to eat, etc.

So, positioning is all about arguments and characteristics related to the various needs and behaviour of the consumers of a target market.

Positioning for large markets

It happens that a product marketing efforts will target very large markets. This is called *mass-marketing*. In cases like these, three approaches are possible: *differentiated*, *undifferentiated* and *concentrated* strategies.

Concentrated strategies

A concentrated strategy is when marketing targets a very specific market segment. These are used especially with products appealing to more specific consumers.

Differentiated strategies

A differentiated strategy is when marketing targets more than one target market or segment. For instance, a promotion can be appealing to both men and women, to women of different age ranges or to residents of different regions of a country.

Undifferentiated strategies

An undifferentiated strategy is when a marketing campaign uses the same message for all segments and target publics. In order to achieve such a strategy, which is similar to mass marketing, it is necessary to define common specificities to the consumers of all markets and segments.

This approach forces to find common characteristics of the consumers. As the number of consumers grows, the common characteristics possibilities decreases. That is why these strategy usually focus on human aspects such as: sexuality, power, wealth, popularity, etc. Don't we all dream of these?

Example : Coke vs. Pepsi

Coke was used the biggest player in the of soft beverages industry and always used undifferentiated strategies. The message used was the same everywhere. Pepsi was the second player of the industry and wanted the first place very badly.

They adopted the similar approach until the president was convinced to apply a differentiated strategy and hired advertising agencies in the different markets asking them to produce messages especially adapted to the segments. In the Province of Quebec, they hired a very well known comedian and gave him total freedom. They hit the Jackpot!



Province of Quebec's Pepsi marketing campaign starring Claude Meunier (1992).

Marketing strategies

Marketing strategies are of course based on the product to be offered to consumers. In order to correctly position a product, it is necessary to very well know the consumers from the selected market segment, but it is also important to know the product specificities, its forces, limitations and possibilities.

Product analysis

It is important to define the product as precisely as possible from different points of view.

Functionalities

- What is the product main functionalities?
- Are there other functionalities to the product?
- What makes it different from similar products?
- What are the products limitations?

Direct benefits

- What principal need does the product fill?
- Are there other needs the product can fill?

Occasions of use

- In what occasions can the product be used?
- In what circumstances can the product be used?
- In what occasions and circumstance the product can't or shouldn't be used?

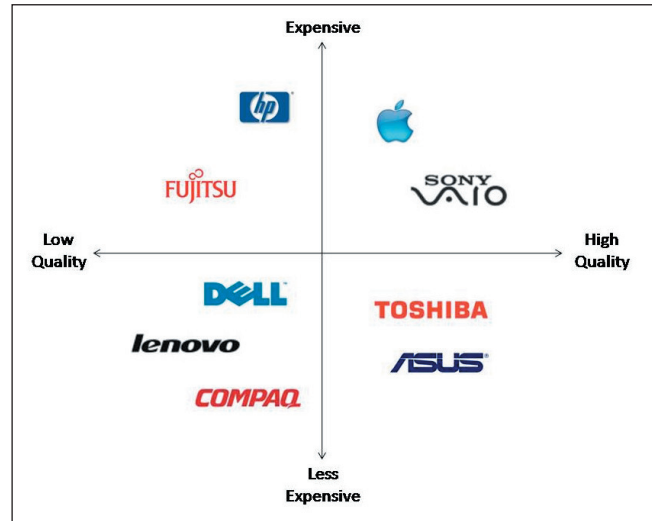
Emotional and psychological benefits

- How can the product satisfy a consumer's ego?
- How can it give an impression of power?
- How can it make a consumer more popular?
- How will it make the consumer's life better?

Positioning in regards of similar products

It is important to compare the product we intend to market to similar products offered to the same segment. Knowing the products forces and weaknesses can help finding a way to position it. One of the goal is to find a way to present a weaknesses as a advantage.

Using a tool such as a *perceptual* or *positioning map* can be very useful. The map uses an *x* and a *y* axis expressing an aspect of the product.



Example of a perceptual/positioning map.

Main marketing strategies

A marketing strategy is a group of measures defined and applied in order to conquer a part of market, to convince consumers to buy a product or a service and to satisfy customers.

Some strategy consist on trying to steal customers to competition, to expand an existing market, to penetrate new markets, etc.

Mass marketing

Mass marketing is a concentrated strategy where a product is offered in one single way to all market segment. We are talking about mass marketing instead of concentrated strategy in the cases where the marketing efforts are targeting a great number of consumers using mass medias (ex. : Coke).

Rivalry Strategies

There are various rivalry strategies which are based on differentiating the product in the markets in order to take competitors customers: *product flanking*, *confrontation*, *defensive*, *offensive*, *demarketing*, *remarketing*, etc.

Growth Strategies

These strategies apply for expanding existing and new markets penetration.

The main approaches to these strategies are :

- To encourage existing customers to buy more.
- To convince competition's customer's to switch to our product
- To convince non-users of a product to use it.

Consolidation Strategies

Consolidation consists into ways to withdraw from certain markets or abandoning certain products often in order to concentrate on more promising markets and products.

Retrenchment :

Retrenchment consist, for a company, to withdraw from less profitable markets to concentrate on the most interesting ones.

Pruning :

Pruning consist, for a company to abandon one or several products, to remove them from the markets. This can occur when products aren't profitable enough or when the company want more money to produce new products.

Functional strategies

These are the ones we are more concerned with. Let's see what they are about...

Functional strategies

Functional strategies are those oriented towards specific aspect of marketing : product, branding, positioning, price, skimming, distribution, media and promotion. We'll explain these strategies at a later time.

Product strategies

Product strategies are the most important part of any marketing campaign. As we already explained, the choice of the strategy needs to be made according to various factors.

Pruning :

Pruning consist, for a company to abandon one or several products, to remove them from the markets.

Rejuvenation:

This should be an ongoing strategy. It consist in adjusting the product to changing realities.



Attraction :

Attraction strategy consist into offering a low price product to consumers in order to attract them and then try to sell them another product.

Innovation :

Innovation consist in introducing new products or services into markets.

Extending the life cycle of a product :

In order to extend the life cycle of a product, there are various possible ways :

- Improving the product's quality.
- Improving the product's characteristics.
- Advertise to gain new customers.
- Explore new markets (selling abroad).
- Change the packaging.

Differentiation strategies (branding)

Differentiation is a very important strategy. It consists into branding the product, making it look different from other similar products, to differentiate it.



This can include what is called a *positioning strategy* and it is made by associating the name of the company or of the brand to the product. It gives an image to the product, and a recognizable identity.

A positioning strategy (*head to head* or *differentiated*) is to make the company offers similar or different from those of the competition.

Price strategies

There are various price strategies and, to use such a strategy, it generally requests to evaluate the customer's loyalty to the brand as well as several other factors.

New release strategies

Skimming :

This strategy consists into keep the price of the product artificially high in order for the consumers to perceive the product positively. This allows fast profits, but it is best adapted to top of the line products.

Competition alignment :

This strategy consists into fixing the price of a product accordingly with those of the competition.

Penetration Pricing Strategy :

This strategy is the exact opposite of skimming and it consist into fixing a low price to stimulate sales. It takes a longer time to make profits, but it can be a good way to penetrate markets rapidly. It is especially efficient for segments sensitive to price.

Differential Pricing Strategy :

This is a strategy consists of fixing different prices for the same product in different segments.

Distribution strategies

Distribution is the way products go from the manufacturer to the selling locations. It involves different types of distribution :

Intensive distribution :

An intensive distribution seeks maximum exposure of the product. It consists into making the product available in the greatest number of selling locations.

Exclusive distribution :

This strategy consists for a product to be exclusively distributed by one enterprise (usually one in every big regions). For instance, some perfumes are only available at The Bay.

Selective distribution :

At midst between intensive and exclusive, selective distribution makes the product available in a few stores or regions of importance.

Push and pull strategy :

These are two strategies usually working together for best results. It consists into pushing sales and to get the consumers to want and request the product.

Promotion strategies (media)

Promotion strategies are advertising communications messages broadcasted through the various medias and mass-medias targeting consumers and possible consumers to convince them to buy a product or a service.

Media advertising :

The success of media advertising depends on many factors :

- Targeting the proper audience.
- Attraction and persuasion power.
- Clarity and cohesion and appealing content.
- Selection of the proper media and channel according to its popularity to the potential market.
- Available budget. The money spent in advertising should be considered as an investment.

Sales promotion :

Sales promotions are promotion activities other than advertising and personal sell. It is used to stimulate consumers to purchase using elements and events such as displays, shows and expositions.

Consumer sales promotions examples : coupons, samples, demonstrations, contests, money refund, premium, special rebates (e.g. : rebates on a second purchase), sweepstakes, etc.

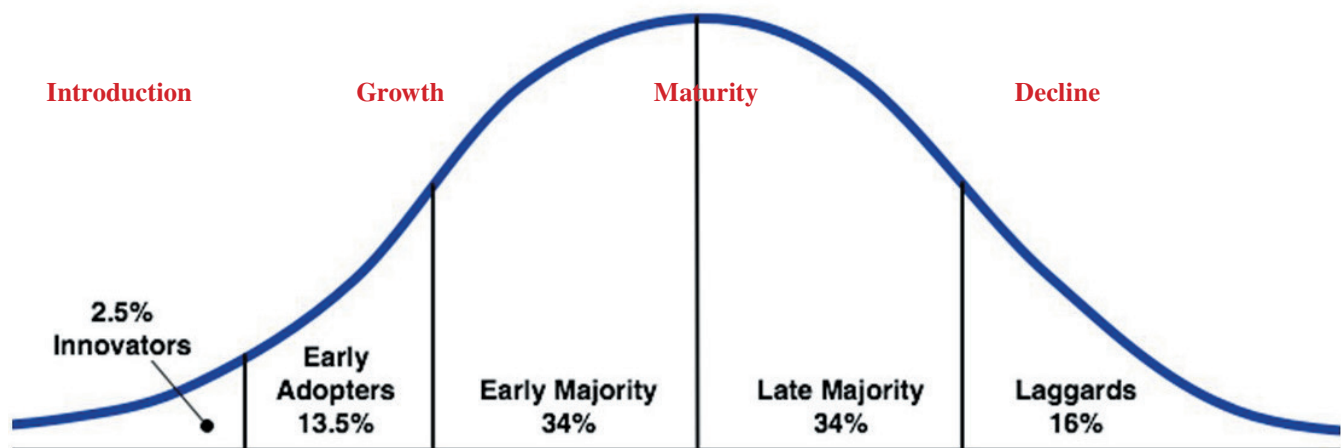
Niche strategy

The *Business Dictionary* defines a niche as : [...] *a small but specific and well defined segment of the population. Niches do not 'exist' but are 'created' by identifying needs, wants, and requirements that are being addressed poorly or not at all by other firms, and developing and delivering goods or services to satisfy them.*

This strategy can be used when a company doesn't have sufficient budget for a powerful advertising campaign or for declining products

Products life cycle based strategies

When selecting a marketing strategy and defining a marketing-mix, it is also very important to consider the life cycle of the product. Approaches differ depending if, for instance, a product is being introduced to a new market or if it is in its decline phase.



Introduction phase

When a new product is introduced, there is virtually no direct competition.

The challenge is to change consumers habit so they start to buy the new product instead of the one they used to.

Innovators and early adopters should be targeted.

A skimming or a penetration strategy are the most common strategies to be used.

Growth phase

As the product grows, direct competition grows at the same time. Players are fighting for distribution channels and demand has to be developed.

Targeting more specific segments and applying push and pull as well as price strategies are the most common strategies to be used during this phase.

A price strategy can be risky though. Bigger and richer enterprises can decide to cut prices and choose to lose profits momentarily in order to kill your product.

Maturity phase

During maturity, competition is stable but uncertain and unpredictable. It is a giants battle. During this phase, prices aren't that important.

Marketing focuses on larger segments, reminder advertising and distribution strategies.

Decline phase

During decline, competition is very weak, almost inexistent as most of consumers choose to buy newer products.

As profits are also declining, less marketing efforts (mainly distribution strategies) should be made and should concentrate on late adopters and laggards.