

# **The Entrepreneurial Mind**

**Chapter 8: Unique Marketing Issues**

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## Table of Contents

- ❶ Selecting a Market and Establishing a Position in the Market
- ❷ Segmenting the Market
- ❸ Selecting a Target Market
- ❹ Establishing a Unique Position
- ❺ Establishing a Brand
- ❻ The Four Ps of Marketing for New Ventures

## Selecting a Market and Establishing a Position in the Market

# Selecting a Market and Establishing a Position in the Market

## Important Questions

- In order to succeed, a new firm must address this important issue: Who are our customers and how will we appeal to them?
- Address the query by following a 3-step process:
  - Segmenting the market.
  - Selecting a target market.
  - Crafting a unique positioning strategy.

## Important Questions: Segmenting the Market

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hat groups of customers in my market are similar enough that the same product or service will appeal to all of them?

## Important Questions: Selecting a target market

**Which specific group of customers have I decided to target?**

## Important Questions: Crafting a unique positioning strategy

What position will my firm occupy in the minds of my customers (and potential customers) that will differentiate it from all of my competitors?

## Segmenting the Market

# Segmenting the Market

## Segmenting the market

- Involves studying a firm's industry and determining the different target markets in that industry.
- Markets can be segmented in a number of different ways, including:
  - Product type
  - Price point
  - Customers served

## Segmenting the Market

Example: Segmenting the Computer Industry by Product Type

- handheld computers
- netbooks
- PCs
- minicomputers
- mainframes

## Selecting a Target Market

# Selecting a Target Market

## Selecting a Target Market

- Once a firm has segmented the market, a target market must be chosen.
- The market must be sufficiently attractive and the firm must have the capability to serve it.
- Example: The Netbook segment of the computer industry is new, and is being targeted by startups.

## Establishing a Unique Position

### Establishing a Unique Position

## Establishing a Unique Position

- After selecting a target market, the firm's next step is to establish a "position" within the market that differentiates it from its rivals.
- A "position" is the part of a market that the firm is claiming as its own.
- A firm establishing a unique position in its customers' minds by drawing attention to two or three of the product's attributes.

## Establishing a Unique Position

- Firms often develop a "tagline" to reinforce the position they have staked out in their market, or a phrase that is used consistently in a company's literature and thus becomes associated with the company.
- An example is Nike's familiar tagline, "Just do it."

## Selling Benefits Rather Than Features

- Many entrepreneurs make the mistake of positioning their company's products or services on features rather than benefits.
- A positioning or marketing strategy that focuses on the features of a product, such as its technical merits, is usually much less effective than a campaign focusing on what the merits of the product can do.

# Selling Benefits Rather than Features

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**Conclusion:** The first statement tells a prospect how many phone numbers the cell phone will hold but doesn't say why that's important. The second statement tells a prospect how buying the product will enhance his or her life or business.

## Establishing a Brand

## Brand

- A brand is the set of attributes - positive or negative - that people associate with a company.
  - Positive attributes: trustworthy, dependable, easy to deal with
  - Negative attributes: cheap, unreliable, or difficult to deal with
- Some companies monitor the integrity of their brands through a program called "brand management".

## Ways of Thinking About the Meaning of a Brand

- A brand is a promise.
- A brand is a guarantee.
- A brand is a pledge.
- A brand is a reputation.
- A brand is an unwritten warranty.
- A brand is an expectation of performance.
- A brand is a presentation of credentials.
- A brand is a mark of trust and reduced risk.
- A brand is a collection of memories.
- A brand is a handshake between a company and its customers.

## Strong Brand and Cobranding

- A strong brand can be a powerful asset for a firm.
- A technique that companies use to strengthen their brands is to enter into a cobranding arrangements with other firms.
- Cobranding refers to a relationship between two or more firms where the firm's brands promote each another.

## The Four Ps of Marketing for New Ventures

## Product

- is the good or service a firm offers to its target market
- The initial rollout is one of the most critical times in the marketing of a new product.
- All firms face the challenge that they are unknown and that it takes a leap of faith for the first customers to buy their products.

## Core Product vs Actual Product

core product

the product itself (such as an antivirus software program)

actual product

the product plus all the attributes that come with it such as quality level, features, design, packaging, and warranty.

## Price: Part of Marketing for New Ventures

# Price

- Price is the amount of money consumers pay to buy a product.
- The price a company charges for its products sends an important message to its target market.
- Most entrepreneurs use one of two methods to set the price for their products:
  - Cost-based pricing - the list price is determined by adding a markup percentage to a product's cost
  - Value-based Pricing - the list price is determined by estimating what consumers are willing to pay for a product.

## Promotion

- refers to the activities the firm takes to communicate the merits of its product to its target market
- There are several common activities that entrepreneurs use to promote their products and services.
- Advertising is making people aware of a product or service in hopes of persuading them to buy it.

## Pluses and Minuses of Advertising

### Pluses:

- Raise customer awareness of a product.
- Explain a product's comparative features and benefits.
- Create associations between a product and a certain lifestyle.

## Pluses and Minuses of Advertising

### Minuses:

- Low credibility.
- The possibility that a high percentage of people who see the ad will not be interested.
- Message clutter.
- Relative costliness compared to other forms of promotion.
- Intrusiveness.

## Place

- Encompasses all the activities that move a firm's product from its place of origin to the consumer.
- The first choice a firm has to make regarding distribution is whether to sell its products directly to consumers or through intermediaries (such as wholesalers and retailers).
- Within most industries, both choices are available, so the decision typically depends on how a firm believes its target market wants to buy its product.

## Selling Direct vs Selling Through an Intermediary

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selling direct

many firms sell direct to customer, maintaining control of the distribution and sales process

selling through intermediaries

other firms sell through intermediaries and pass off their products to wholesalers who place them in retail outlets to be sold.