Course: BSc in Information Technology

Class   Bsc in IT 4.2

Unit Title: Entrepreneurship & Product Devt

Unit Code: CIT 4201

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Marketing strategy development

❑ Once a promising concept is finalized, the next step involves developing a marketing strategy for the new product. The marketing strategy is divided into 3 parts:

- i) The detailed description of the target market's size structure and behaviours, the planned value proposition, the product positioning strategy, and sales size, market share and profit goals for the first few years.

- ii) An outline of the pricing strategy, distribution strategy, and the required marketing budget for the first year.

- iii) The marketing mix strategy and the planned long-term sales and profit goals.

- ❑ Marketing strategy is the comprehensive plan formulated particularly for achieving the marketing objectives of the organization.
- ❑ It provides a blueprint for attaining these marketing objectives.
- ❑ It is the building block of a marketing plan.
- ❑ It is designed after detailed marketing research and helps an organization to concentrate it's scarce resources on the best possible opportunities so as to increase its sales.
- ❑ To design a winning marketing strategy, the marketing manager must answer 2 important questions:

  1. What customers will we serve? (target market)

  2. How can we best serve these customers? (value proposition

Firms can choose to serve a whole world

Mass Marketing

Mass marketing refers to the treatment of the market as a homogeneous group and *offering the same marketing mix to all customers*. It allows economies of scale to be realized through mass production, mass distribution, and mass communication.

Drawback- Customer needs and preferences differ and at the same offering is likely to be viewed as optimal by all customers.

Select customers to serve

Segmentation
Divide the total market into smaller segments

Targeting
Select the segment or segments to enter

Create value for targeted customers

Decide on a value proposition

Differentiation
Differentiate the market offering to create superior customer value

Positioning
Position the market offering in the minds of target customers

Selecting Customers to Serve

- Market Segmentation

Market Segmentation

Market segmentation is the process that companies use to divide large, heterogeneous markets into small markets that can be reached more efficiently and effectively with products and services that match their unique needs

PRINCIPLES OF Marketing

Chapter 7- slide 3

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6

MARKET SEGMENTATION IN VARIOUS INDUSTRIES

- ## SOAP INDUSTRY
  - LAUNDRY SOAP.
  - SPECIAL LAUNDRY SOAP.
  - LOW GRADE TOILET SOAP.
  - PREMIUM YOILET SOAP.
  - TOILET SOAPS FOR STORES, OFFICES AND RESTAURANTS.
  - INDUSTRIAL SOAP.

- ## WATCH INDUSTRY
  - GEOGRAPHIC LOCATION OF CUSTOMERS.
  - LIFE STYLE PATTERN.
  - BASED ON AGE.
  - BASED ON GENDER.
  - BASED ON INCOME.

All Customers Differ

- Most basic issue facing managers, as they make strategic marketing decisions for their firms is that all customers differ
  - **Customer heterogeneity** is variation among customers in terms of their needs, desires, and subsequent behaviors

- In response, firms are targeting smaller & smaller segments
  - Mass marketing → niche marketing → 1 to 1 marketing
  - Competitive race as firms target smaller segments
  - But, it is hard to effectively compete in all segments

- Drivers
  - Matches inherent customer desires (real, perceived)
  - Faster response to customer trends and changes
  - Technology enabled (more economical to target/customize)
  - Only limited by tradeoff in efficiency (cost) versus benefit of better match to need (solution)

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In Class Exercise on Customer Heterogeneity

- Everyone take 2 minutes to list your favorite retailer, and why _____
  - First reason _____
  - Second reason _____

- How could one retailer be the best at satisfying all of you?

- What segment is each retailer targeting?

5 Sources of Customer Heterogeneity

- Individual differences

- Life experiences

- Functional needs

- Self-identity/image

- Marketing activities

5 Sources of Customer Heterogeneity

Source	Description	Examples
Individual differences	A person's stable and consistent way of responding to the environment in a specific domain	Favorite colors, Big 5 personality traits (openness, conscientiousness, extraversion, agreeableness, neuroticism)
Life experiences	An individual's life experiences capture events and experiences unique to his or her life that have lasting impact on the value and preference he or she places on products and services, which in turn affects preferences independent of individual differences	A child raised closer to the equator, in warmer climates, will typically have a higher preference for spicy foods, as a carryover of past periods when spices were used to preserve and help mask the taste of food more likely to spoil in warmer climates
Functional needs	An individual's personal decision weightings across functional attributes based on his or her personal circumstances	What price can they afford to pay (income), how long does the product need to last (quality, warranty), when will they use the product (battery powered, size), and are there any special usage features that they need (waterproof)?
Self-identity/image	Customers actively seek products that they feel will support or promote their desired self-image	Motorcycle riders often wear leather (functional and image driven,) and Goths like the color black because of their desire to identify with the image of a specific user or social group
Marketing activities	Firms' attempts to build linkages between their brands and prototypical identities or meanings	BMW paid $25 million to have James Bond drive a BMW in the movie *Skyfall*, based on the belief that Bond's image would be aspirational to many potential target customers (e.g., men aged from 30 to 50 years)

Customer Heterogeneity: A Fundamental Assumption of Marketing Strategy

- Customer heterogeneity is a fundamental "problem" that all firms must address when developing an effective marketing strategy

- Customer heterogeneity may be latent or hidden
  - Customers vary on some underlying preferences, but no firms are supplying offerings that fit their desires, so those preferences are not evident
  - Customers might not even know of their diverse preferences, because they have no options to evaluate

- Assuming all customers are the same is a recipe for failure, at least in the long term, as competitors will better satisfy subsegments with more aligned offerings, leading to a downward spiral in which the firm has fewer, less profitable customers that are more costly to serve

Latent Customer Heterogeneity

- **Latent customer heterogeneity** is defined as potential differences in desires that are unobserved and have not become manifest in customer purchase preferences or behaviors yet

- Latent customer heterogeneity can stem from several constraints:
  - Legal constraints (government regulations, patents)
  - Economic constraints (prohibitive prices, due to the size of the market or the costs of providing)
  - Technological constraints (only way known to make something)
  - Innovative constraints (no firm has yet identified and satisfied the need)

Market Segmentation

- Segmenting consumer markets
- Segmenting business markets
- Segmenting international markets
- Requirements for effective segmentation

Steps in the Segmentation Process

1. Select the general market:

   ❑ Eliminate markets that have no need for the product or are inappropriate for other reasons.

2. Apply segmentation variables.

3. Assess and select segments for targeting

Bases for Segmentation → Consumer markets

Type of Variable	Examples
Behavioral and Attitudinal	Benefits sought, rate of usage, attitude toward product and usage, price sensitivity.
Demographic	Age, gender, family status, household size, income, occupation, education.
Geographic	Location, distance, climate.
Psychographic	Lifestyle, activities, interests.

Market Segmentation

Segmenting Consumer Markets

Geographic segmentation divides the market into different geographical units such as nations, regions, states, counties, or cities

Examples of geographical segmentaion of a product in kenya

1. Target Coast region to sell seafood
2. Target Mount Kenya region to sell warm clothing made from wool

Publishing as Prentice Hall

Segmenting by Geographics

May be based on:

- **A company's ability to sell and service products in certain areas or climates,**

- **Its interest in entering promising new markets, or**

- **Its reluctance to sell in certain areas due to environmental threats or unfavorable climate.**

Segmentation by Demographics

- **Demographic segmentation:** dividing consumer groups according to characteristics such as gender, age, income, occupation, education, ethnicity, household size, and stage in the family life cycle.
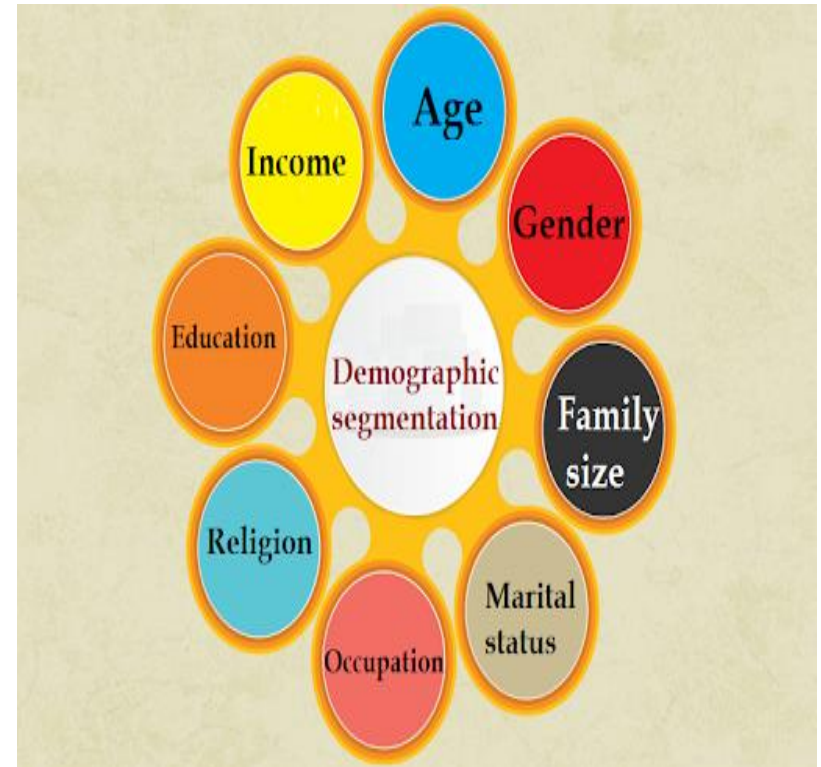
Demographic Descriptors	Examples of Categories
Age	Under 2, 2–5, 6–11, 12–17, 18–24, 25–34, 35–49, 50–64, 65 and over
Sex	Male, female
Household life cycle	Young, single; newly married, no children; youngest child under 6; youngest child 6 or over; older couples with dependent children; older couples without dependent children; older couples retired; older, single
Income	Under $15,000, $15,000–24,999; $25,000–74,999, etc.
Occupation	Professional, manager, clerical, sales, supervisor, blue collar, homemaker, student, unemployed
Education	Some high school, graduated high school, some college, graduated college
Events	Birthdays, graduations, anniversaries, national holidays, sporting events
Race and ethnic origin	Anglo-Saxon, African-American, Italian, Jewish, Scandinavian, Hispanic, Asian

Segmented by Gender

Segmented by Age

psychographic segmentation

Psychographic Market Segmentation

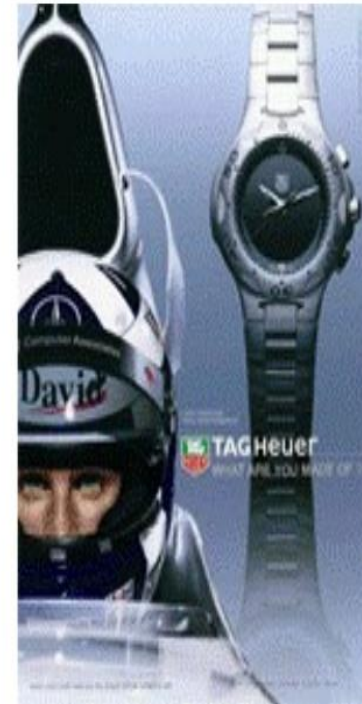Examples

Personality traits

Values

Lifestyles

Psychological influences

Subconscious and conscious beliefs

Motivations

Priorities

What's the psychographic element here?

- Examples of psychographic segmentation

❑ **Personality:** A few defined personalities are: creative, emotional, friendly, opinionated, introvert, extrovert, etc.

❑ **Lifestyle:** A shoe manufacturer intends to design shoes for various sections of the market such as athletes, office-goers, students etc. Dividing groups according to customers whose lifestyle revolves around cycling or running, those individuals who prefer formal shoes and similar other segmentation.

❑ **Attitudes:** Each customer exhibits different attitudes – a person belonging to a high-income group will prefer dining at premium restaurants and drive a Mercedes Benz and a middle-class individual will be bothered more about saving a few extra shillings and buying a Toyota corolla or Nissan car

Behavioral Segmentation of a Market

Meaning

- Behavioral Segmentation divides a market into groups based on consumer knowledge, attitude, use or response to a product.

1.Occasion

- It divides the market into groups according to occasions when buyers get the idea to buy , or use the purchased item.

Examples:

 Orange juice, Coca-Cola, Cadbury celebration etc

2.Benefits Sought

It divides the market into groups according to the different benefits that consumers seek from the product. Examples: Colgate, Sunsilk etc.

3.User Status

Every product has its nonusers, ex-users, potential users, first time users and regular users. A company cannot always rely on the regular users, it has to attract the other types as well.
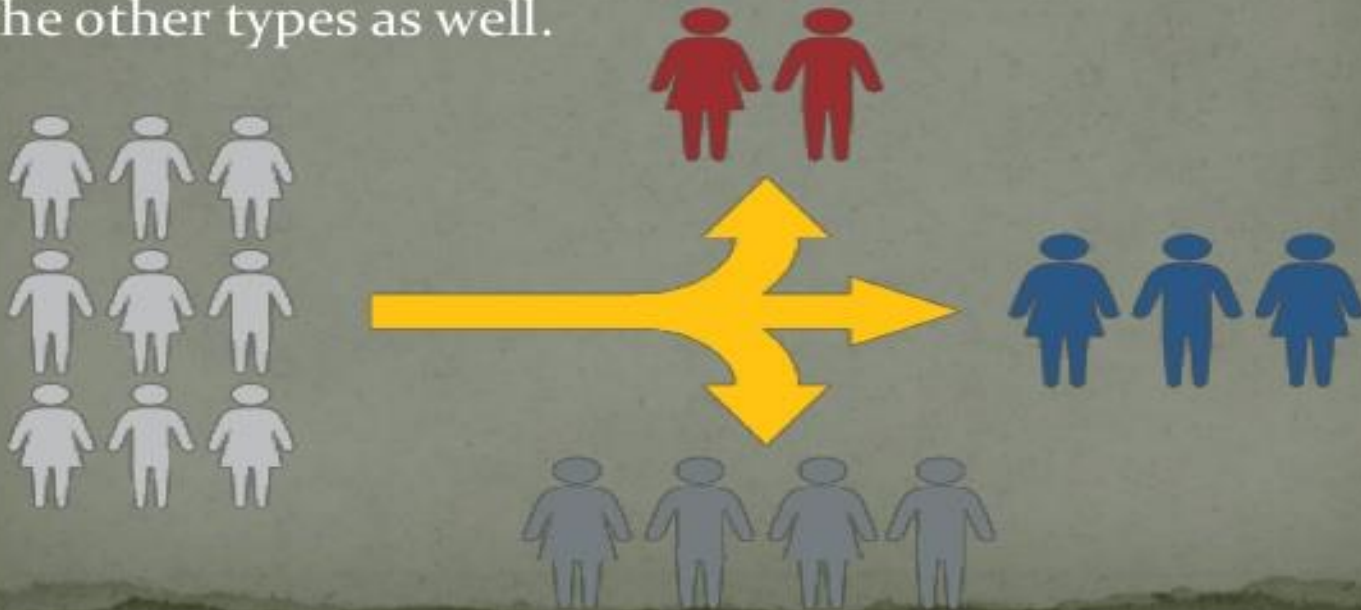
4.User Rate

- Markets can also be segmented into light, medium, and heavy product users.

5.Loyalty Status

- Buyers can be divided into groups according to their degree of loyalty. Some consumers are completely loyal they buy one brand all the time. Others are somewhat loyal they are loyal to two or three brands of a given product. Still other buyers show no loyalty to any brand.

g. **Attitude Toward Product:** Five customer attitudes about products are-
   1. *Enthusiastic*
   2. *Positive Attitude*
   3. *Negative Attitude*
   4. *Indifferent*
   5. *Hostile.*

Door-to-door workers in a political campaign use attitude to determine how much time to spend with each voter. They thank enthusiastic voters and remind them to vote, reinforce those who are positively disposed, try to win the votes of indifferent voters, and spend no time trying to change the attitudes of negative and hostile voters.

Business Segmentation Variables

Type of Variable	Examples
Behavioral and Attitudinal	Purchasing patterns and process, user status, benefits expected, order size/frequency, buyer/influencer/user attitudes.
Demographic	Industry, business size, business age, ownership structure.
Geographic	Location, distance, climate.

Segmenting by Behaviors and Attitudes

Business Markets

- **Helps marketers identify what specific business segments want and value, as well as how/why they buy.**
- **Includes variables such as:**
  - **Purchasing patterns**
  - **User status**
  - **Attitude toward technology**
  - **Loyalty status**
  - **Price sensitivity**
  - **Order size/frequency**
  - **Attitudes**
  - **Benefits expected**

Segmenting by Demographics

Common business demographic variables used:

- Industry
- Business size
- Business age
- Ownership structure

Segmenting by Geographics

- **Utilizes such variables as nation, region, state, city and climate.**
- **Allows for the grouping of potential customers according to:**
  - ❑ **Concentration of outlets**
  - ❑ **Location of headquarters**
  - ❑ **Geography-related needs or responses**

International Coverage

Market Segmentation
Requirements for Effective Segmentation

To be useful, market segments must be:

Measurable	Accessible	Substantial

Differentiable	Actionable

Market Targeting

Market Targeting

To understand the Targeting process firstly we should know the meaning of term **"Target Market"**.

Target Market: It refers to that particular market in terms of customer group which is selected or identified by marketers to tap it. All marketing plans & strategies are made according to this target market to generate revenue which will help firm to increase market share & profitability

Selecting target Market Segments

Undifferentiated (mass) marketing → Differentiated (segmented) marketing → Concentrated (niche) marketing → Micromarketing (local or individual marketing)

Targeting broadly ... **Targeting narrowly**

Strategies for Reaching Target Markets

- **Undifferentiated marketing**
  - Strategy that focuses on producing a single product and marketing it to all customers; also called mass marketing

- **Differentiated marketing**
  - Strategy that focuses on producing several products and pricing, promoting, and distributing them with different marketing mixes designed to satisfy smaller segments

Concentrated Marketing

▍ Focusing marketing efforts on satisfying a single market segment; also called niche marketing

▍ Approach can appeal to small firms or to firms that offer highly specialized goods and services

▍ Example: Peanut Butter & Co, which appeals to peanut butter lovers

▍ Can backfire if competitors target the same niche or if market decreases

Market Positioning

- **Positioning is the differentiation of the brand or product on the basis of attributes that customers find meaningful.**

- **Positioning conveys the value that the brand provides and sets the brand apart.**

- **Sets the tone for the marketing plan.**

- **Should be re-evaluated periodically.**

Market Positioning

- Placing a product at a certain point or location within a market in the minds of prospective buyers

- Possible approaches

  - Attributes   - Price/quality

  - Competitors   - Application

  - Product user/class

- Distinguishes firm's offerings from its competitors'

- Marketers may develop a positioning map and reposition a product as necessary

Steps to Choosing and Implementing a Positioning Strategy

- <u>Step 1.</u> Identifying Possible Competitive Advantages: Competitive Differentiation.
- <u>Step 2.</u> Selecting the Right Competitive Advantage: Unique Selling Proposition (USP).
- <u>Step 3.</u> Communicating and Delivering the Chosen Position.

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Positioning Strategies

(1)**Attribute Positioning:** A company position itself on the basis of an attribute which creates their separate identity such as size, no. of years of existence etc.

e.g: "Raymonds Since 1925"

(2)**Benefit Positioning:** Corporate may position itself as a leader in a certain benefit which they provides to their customers.

e.g: " Maruti---Service Station"

(3)**Use or Application Positioning:** Positioning can be done on the basis of use or application of the product. Corporate position their product as best for some use like café coffee day position itself for discussion & meeting point.

e.g: "Café Coffe Day—a lot can happen over a coffee"

(4)User Positioning: When firm position itself and its products as best suited for a particular user class is called user positioning

e.g: "Johnson & Johnson----for babies"

(5)Competitor Positioning: In this category firm claims to be better in some product or service than a well-known competitor.

e.g: "Thums up against Pepsi"

(6)Value Positioning: This strategy focuses on company's positioning as offering the best product at lower price or we can say best valued product.

e.g: "McDonald Burger @ Rs 25 only/"