



# Chapter 5

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## **Preparing Business Plan - Market Analysis**

# Section 4: Market Analysis

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## Market Analysis

### Key Insights

- Most startups do not service their entire industry. Instead, they focus on servicing a specific (target) market within the industry.
- It's important to include a section in the market analysis that deals with the behavior of the consumers in the market. The more a startup knows about the consumers in its target market, the more it can tailor its products or service appropriately.

# Section 4: Market Analysis

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- Market Analysis
  - The market analysis breaks the industry into segments and zeros in on the specific segment (or target market) to which the firm will try to appeal.
  - Items to include in this section:
    - Market segmentation and target market selection.
    - Buyer behavior.
    - Competitor analysis.



# Target Marketing Strategy: Selecting & Entering a Market

- Market fragmentation: The creation of many consumer groups due to the diversity of their needs and wants.
- Target marketing strategy: dividing the total market into different segments based on customer characteristics, selecting one or more segments, and developing products to meet those segments' needs.

# Steps in Market Segmentation, Targeting, and Positioning

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# Step 1: Segmentation

- The process of dividing a larger market into smaller pieces based on one or more meaningful shared characteristics
- Segmentation variables: dimensions that divide the total market into fairly homogeneous groups, each with different needs and preferences



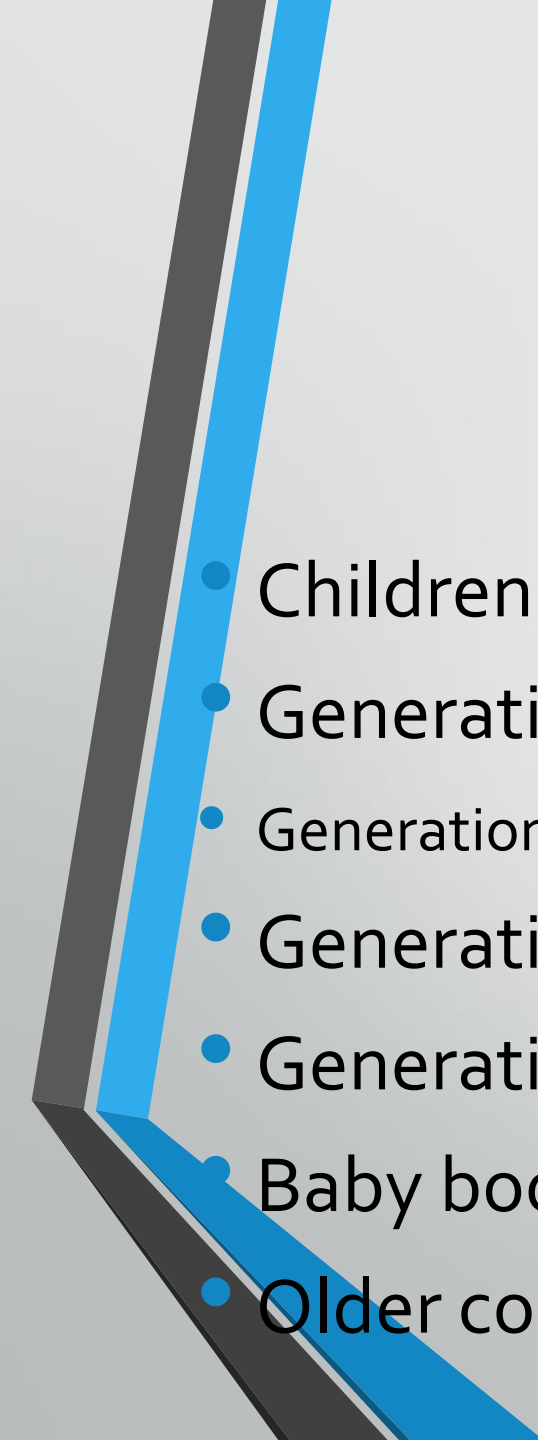
# Segmenting Consumer Markets

- Segmentation variables can slice up the market
  - Geographic Segmentation
  - Demographic Segmentation
  - Psychographic Segmentation
  - Behaviour Segmentation

# Segmenting by Geography

- Basic physical location
  - Nations
  - States
  - Regions
  - Cities or metro sizes
  - Density: urban, suburban, rural





# Segmenting by Demographics

## Age: Generational Marketing

- Children
- Generation Millennium
- Generation Z: born between mid-1990s and the early 2000s
- Generation Y: born between 1977 and 1994
- Generation X: born between 1965 and 1976
- Baby boomers: born between 1946 and 1964
- Older consumers / Grey Panthers etc

# Segmenting by Demographics Gender

- Many products appeal to one sex or the other
- Metrosexual: a man who is heterosexual, sensitive, educated, and an urban dweller in touch with his feminine side

# Segmenting by Demographics (cont'd)

- Education levels
- Income
- Social Class
- Race and Ethnicity
  - African Americans
  - Asian Americans
  - Hispanic Americans

# Segmenting by Psychographics

- Dividing buyers into different groups based on
  - **Lifestyle**
    - Healthy, Work-oriented, Family oriented
  - **Personality**
    - Fun, Confident, Adventurous, Outgoing, Domineering, Learning
  - **Learning**
    - Through experience, consumers learn about a product or service
  - **Belief**
    - Based on real knowledge, opinion or faith

# Segmenting by Behavior

- **Special occasion segmentation:** - From obvious Weddings to pilgrimage tourism
- **Benefits sought:** - quality, performance, customer service, special features, or other benefits
- **User status:** - basic classification: non-user to frequent user
- **Usage rate:** - light, medium and high and related to the development of loyalty – below
- **Loyalty status:** - hardcore, split, shifting, switching

## Step 2: Targeting

- Marketers evaluate the attractiveness of each potential segment and decide in which they will invest resources to try to turn them into customers
- Target market: customer group(s) selected
  - Have members with similar product needs/wants
  - Be measurable in size and purchasing power
  - Be large enough to be profitable



# Choosing a Targeting Strategy

- **Undifferentiated** targeting: appealing to a broad spectrum of people
- **Differentiated** targeting: developing one or more products for each of several customer groups
- **Concentrated targeting**: offering one or more products to a single segment

# Establishing a Unique Position

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## Positioning

- 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

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- Positioning (continued)
  - 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.”
    - The beauty of this simple three-word expression is that it applies equally to a 21-year-old triathlete and a 65-year-old mall walker.

# Tagline

- Melts in your mouth, not in your hands. - M&Ms
- Eat fresh. - Subway
- The Ultimate Driving Machine – BMW
- So good. - KFC
- "I'm lovin' it!" - McDonald's
- Everyone now can fly
- Think different
- "We are un-cola"



# Industry participants

- You should know who else sells in your market.
- You can't easily describe a type of business without describing the nature of the participants
- There is huge different, between:
- Players in the industry including the company under study
- Including both direct and indirect competitors

# Identifying Competitors

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## Types of Competitors New Ventures Face

### **Direct Competitors**

Businesses  
offering identical or  
similar products

### **Indirect Competitors**

Businesses  
offering close  
substitute  
products

### **Future Competitors**

Businesses  
that are not yet  
direct or indirect  
competitors but  
could be at any time

# Sources of Competitive Intelligence

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- Collecting Competitive Intelligence
  - To complete a competitive analysis, a firm must first understand the strategies and behaviors of its competitors.
  - The information that is gathered by a firm to learn about its competitors is referred to as competitive intelligence.
  - A new venture should take care that it collects competitive intelligence in a professional and ethical manner.

# Sources of Competitive Intelligence

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## Ethical ways to obtain information about competitors

- Attend conferences and trade shows.
- Purchase competitor's products.
- Study competitors' Web sites.
- Set up Google and Yahoo! e-mail alerts.
- Read industry-related books, magazines, and Web sites.
- Talk to customers about what motivated them to buy your product as opposed to your competitor's product.

# Sources of Competitive Intelligence

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- Many companies attend trade shows to not only display their products, but to see what their competitors are up to.
- This is a photo of the the 2008 Consumer Electronics Trade Show in Las Vegas.