



Marketing Part 2

Introduction

The founder of Dropbox was pitching in front of an investor one day, and the investor asked him: "there are similar companies out there doing the same as dropbox, why should I invest in just another similar company?"

His reply: "Yes. There are similar companies out there doing the same as dropbox. But do you use any of them?"

"No."

"Why?"

"Because they are bad."

"Ok. That's what Dropbox wants to solve."

So bottomline: **Ask your potential customers.**

Any business idea is a solution to someone's problem out there. Ask them if they are solving it, how they are solving it, and if they would be willing to pay to have it solved.

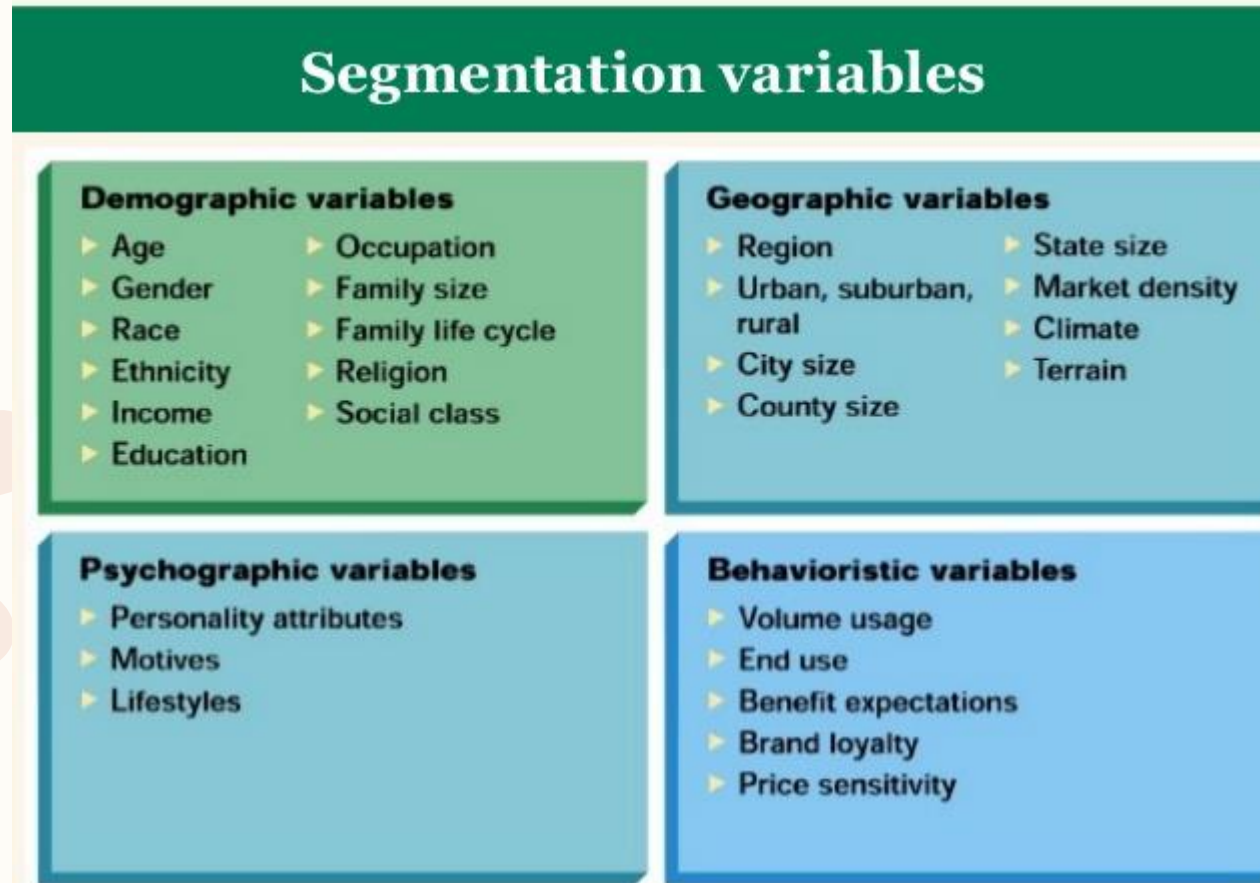
It doesn't matter if it already exists if it can be done better.

Market Segmentation

Market Segmentation is a method of “dividing a market(Large) into smaller groupings of consumers or organizations which each segment has a common characteristic such as needs or behavior.”



Segmentation Variables



Geographic Variable

- In geographic segmentation, the whole market is divided into different geographical units. Generally, the market is divided into regions-northern, southern, western, eastern and so on. Each region may consist of several states and districts. A national marketer may treat the whole nation as his market and divide it on the basis of region or zone for business operations.
- For example, a multinational company (MNC) may divide the global market on the basis of continental characteristics. For example, Coca-Cola may consider the entire Asia as its market but for further business operations, it may divide Asia into South Asia, Middle-east, Far-east Asia etc. Perhaps, each country may also be considered as a geographical segment.

Geographic Variable



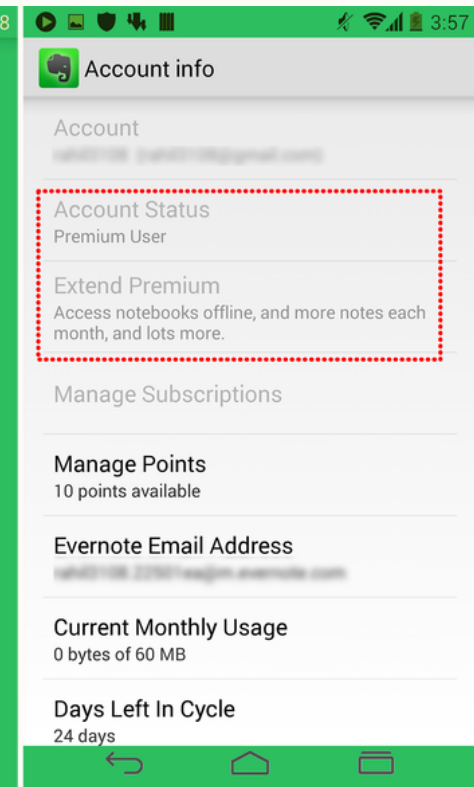
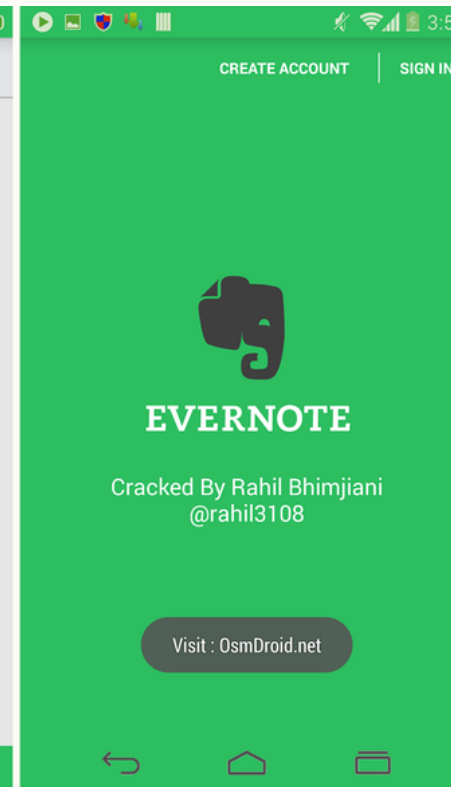
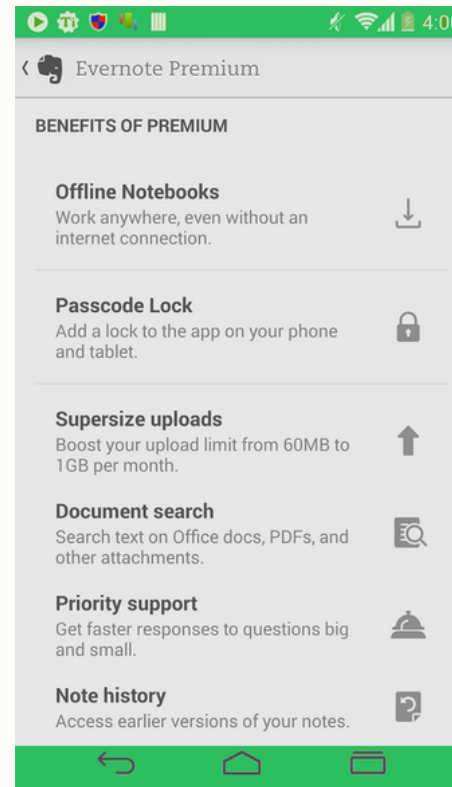
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Demographic Variable

- In demographic segmentation, the market is subdivided into different parts on the basis of demographic variables-age, gender, family size, income, occupation, education, family life cycle, religion, nationality etc. Demographic variables have long been the most popular bases for distinguishing significant groupings in the market place. One reason is that consumer wants or usage rates are often highly associated with demographic variables; another is that demographic variables are easier to measure than most other types of variables.

Demographic variables



Demographic variables



Psychographic Segmentation

- Consumers are subdivided into different groups on the basis of personality, life style and values. These characteristics lead to psychographic segmentation. People exhibit different life-styles and they express them through the products they use. Some social segments are very orthodox and tradition bound at home. But the same people look very modern and conspicuous when in the outside world.
- Marketers of cosmetics, textiles, soft-drinks, fast-food providers etc. must understand the lifestyle of the target market. Personality is another psychographic characteristic which is used to segment the market. Particularly, automobile manufacturers-two wheelers and passenger cars-must consider different personality traits in dividing the market. Values are also used by marketers to segment a market. Values are beliefs which determine people's product choices and desires.

Psychographic Segmentation

- Psychographic segmentation factors are slightly more difficult to identify than demographics because they are subjective. They are not data-focused and require research to uncover and understand.
- For example, the luxury car brand may choose to focus on customers who value quality and status. While the B2B enterprise marketing platform may target marketing managers who are motivated to increase productivity and show value to their executive team.
- Personality traits
- Values
- Attitudes
- Interests
- Lifestyles
- Motivations
- Priorities

Psychographic Segmentation



Psychographic Segmentation



Behavioral segmentation

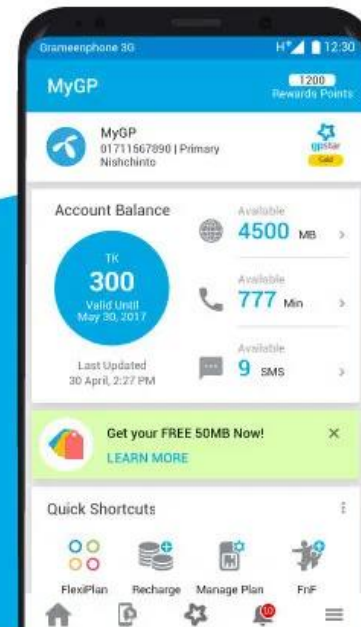
- Behavioral segmentation variables consist of occasions, benefits, user status, user rates, loyalty status, readiness stage, and attitude toward product/service (Kotler and Armstrong, 2013). Occasions are related to why and when customers purchase products/services. During the month of February people are more inclined to purchase Valentine's Day cards rather than in November. Different customers require different benefits from the products and services they purchase. Some examples of benefits are quality, service, economy, convenience, and speed (Kotler and Armstrong, 2013).
- User status, user rate, and readiness stage are closely related behavioral variables. A customer may have never heard of a product making them a non and unaware user with no usage rate. Loyalty status concerns a customer's inclination to a particular brand. The easiest way to understand this concept is someone who prefers Coke over Pepsi. The customer who is loyal to Coke is always going purchase Coke when given a choice between the two. The attitude toward the product is the final variable of behavioral segmentation. This variable can be understood by considering how people feel about a certain product. For example, Google Glass is a new and innovative product some people may be enthusiastic, while some may be uninterested.

Behavioral segmentation



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Segmentation for a B2B Setting

- Industrial marketers can hardly be blamed for feeling that segmentation is very difficult for them. Not only has little been written on the subject as it affects industrial markets, but such analysis is also more complex than for consumer markets. The problem is to identify the best variables for segmenting industrial markets.

Major Segmentation Variables for Business Markets

- ***Demographics***

- 1. *Industry*: Which industries should we serve?
 - 2. *Company size*: What size companies should we serve?
 - 3. *Location*: What geographic areas should we serve?

- ***Operating Variables***

- 4. *Technology*: What customer technologies should we focus on?
 - 5. *User or nonuser status*: Should we serve heavy users, medium users, light users, or nonusers?
 - 6. *Customer capabilities*: Should we serve customers needing many or few services?

Major Segmentation Variables for Business Markets

- ***Purchasing Approaches***

- 7. *Purchasing-function organizations*: Should we serve companies with highly centralized or decentralized purchasing organization?
- 8. *Power structure*: Should we serve companies that are engineering dominated, financially dominated, and so on?
- 9. *Nature of existing relationship*: Should we serve companies with which we have strong relationship or simply go after the most desirable companies?
- 10. *General purchasing policies*: Should we serve companies that prefer leasing? Service contract? Systems purchases? Sealed bidding?
- 11. *Purchasing criteria*: Should we serve companies that are seeking quality? Service? Price?

- ***Situational Factors***

- 12. *Urgency*: Should we serve companies that need quick and sudden delivery or service?
- 13. *Specific application*: Should we focus on certain application of our product rather than all applications?
- 14. *Size of order*: Should we focus on large or small orders?

- ***Marketing Approaches***

- 15. *Buyer-seller similarity*: Should we serve companies whose people and values are similar to ours?
- 16. *Attitude toward risk*: Should we serve risk-taking or risk-avoiding customers?
- 17. *Loyalty*: Should we serve companies that show high loyalty to their suppliers?

Evaluating segments

- Growth and size of each segment
- Structural attractiveness
- Company objectives and resources



Targeting

- A target market is a segment or segments of buyers that share common needs or characteristics that a company seeks to cater to (Kotler and Armstrong, 2013). Four way companies can go about target marketing are:
 - Undifferentiated (mass marketing) – Goes after the entire market.
 - Differentiated (segmented marketing) – Goes after a number of segments.
 - Concentrated (niche) – Focuses on one or two very small market segments
 - Micromarketing (local and individual) – Caters to a particular location/community and personal preferences.

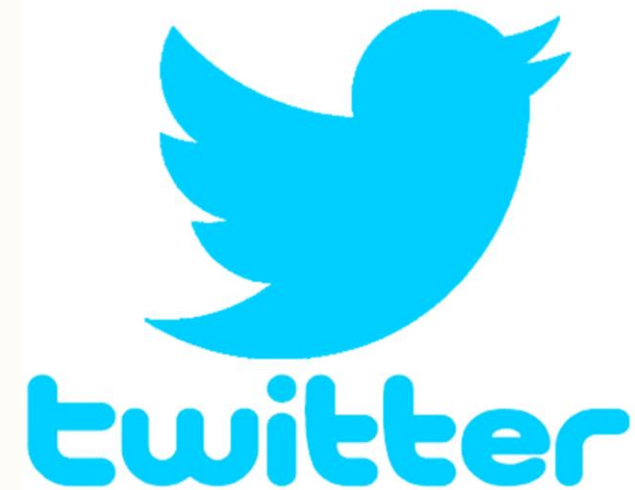
Undifferentiated Targeting

Mass marketing, also called undifferentiated marketing, involves marketing to the entire market the same way. Mass marketing effectively ignores segmentation and instead generates a single offer and marketing mix for everyone. The market is treated as a homogeneous aggregate. Mass marketing aims to reach the largest audience possible, and exposure to the product is maximized.

Mass marketing tries to spread a marketing message to anyone and everyone willing to listen. Communication tends to be less personal, as evidenced. The success of mass-marketing depends on whether it is possible to reach enough people, through mass-communication techniques and one universal product offer, to keep them interested in the product and make the strategy worthwhile. While mass-marketing tactics tend to be costly because they operate on a large scale, this approach yields efficiencies and cost savings for companies because it requires the marketing team to execute only one product offer and marketing mix.

- ✓ Ignoring segment differences
- ✓ Target whole market with one offer
- ✓ Common in the needs
- ✓ Satisfying all consumers

Undifferentiated Targeting



Differentiated Targeting

- A differentiated marketing strategy is one in which the company decides to provide separate offerings to each different market segment that it targets. It is also called multi-segment marketing. Each segment is targeted in a particular way, as the company provides unique benefits to different segments. The goal is to help the company increase sales and market share across each segment it targets. Proctor and Gamble, for example, segments some of its markets by gender, and it has separate product offerings and marketing plans for each:
 - ✓ Several segments
 - ✓ Separate market offer for each segment
 - ✓ Increasing cost
 - ✓ Extra research, planning, promotion
 - ✓ Cannibalization/ Brand erosion



Niche/Concentrated marketing

- Niche marketing (also called concentrated marketing) is a strategy that targets only one or a few very defined and specific segments of the consumer population. An organization that adopts a niche strategy gains an advantage by focusing all efforts on only one or a small handful of segments. All of their market analysis, product development, marketing strategy, and tactics concentrate on serving that select part of the market. When they do it well, this approach can provide a differential advantage over other organizations that don't concentrate all their efforts on the "niche" segment(s). Niche targeting is particularly effective for small companies with limited resources, as it does not require the use of mass production, mass distribution, or mass advertising. When a company is highly successful in desirable "niche" market segments, it can be very profitable.
- The primary disadvantage of niche marketing is that it makes companies vulnerable to demand in the narrow market segments they serve. As long as demand is robust, the organization's financial position will be strong. But if something changes and demand drops off, the company has nothing to cushion it from financial hardship. Since the company has focused all efforts on one market (essentially putting all their eggs in one basket), the firm is always somewhat at risk.

Niche/Concentrated marketing



Micromarketing/One to One marketing/Personalizing Marketing

- Micromarketing is a targeting strategy that focuses even more narrowly than niche marketing. It caters to the needs of individuals (“individual marketing”) or very small segments in a targeted geography (“local marketing”). Micromarketing can be very powerful by giving consumers exactly what they want, when they want it. However, to achieve large-scale success with this approach, companies must figure out how to meet highly individualized needs efficiently and profitably. **Individual marketing** is sometimes referred to as “mass customization” or “one-to-one marketing.” With this approach, companies offer consumers a product created to their individual specifications.

Micromarketing/One to One marketing/Pesonalizing Marketing

