

Ch 4 Study Guide

A **market** is a group of potential customers with similar needs who are willing to exchange something of value with sellers offering various goods or services – that is, ways of satisfying those needs. Getting the firm to focus on specific target markets is vital.

A **generic market** is a market with broadly similar needs – and sellers offering various, often diverse, ways of satisfying those needs. Looks at markets broadly and from a customer's viewpoint.

A **product market** is a market with very similar needs and sellers offering various close substitute ways of satisfying those needs.

Quite different product types may compete with each other.

Too narrow definition limits a firm's opportunities – but too broad of a definition makes the company's efforts and resources seem to insignificant. The *relevant market for find opportunities* should be bigger than the firm's present product marker – but not so big that the firm couldn't expand and be an important competitor.

Complete product-market definition:

What: 1. Product type (type of good/service)

To meet what: 2. Customer needs

For whom: 3. Customer types

Where: 4. Geographic area

Product type describes the goods/services that customers want. *Customer needs* refer to the needs the product type satisfies for the customer. *Customer type* refers to the final consumer of a product type. *Geographic area* is where a firm competes, or plans to compete, for customers.

The manager's market definition sets the limits of the markets in which the firm will compete.

A generic market description *doesn't include any product-type terms*. It consists of only 3 parts of the product-market definition.

Market segmentation is a two-step process of (1) *naming* broad product-markets and (2) *segmenting* these broad product-markets in order to select target markets and develop suitable marketing mixes.

Marketers must break apart – disaggregate – all possible needs into some generic markets and broad product-markets in which the firm may be able to operate profitably. The naming – disaggregating – step involves brainstorming about very different solutions to various generic needs and selecting some – broad areas – broad product-markets – where the firm has some resources and experience.

Assuming that any broad product-market may consist of submarkets, picture a market as a rectangle with boxes that rep the smaller, more homogenous product-markets.

Marketing-oriented managers think of **segmenting** as an aggregating process – clustering people with similar needs into a “market segment” A **market segment** is a relatively homogenous group of customers who will respond to a marketing mix in a similar way. Look for similarities rather than the basic differences in needs.

The segmenter wants to aggregate individual customers into some workable number of relatively homogenous target markets and then treat each target market differently.

"Good" market segments:

1. *Homogenous within* - the customers in a market segment should be as similar as possible with respect to their likely responses to marketing mix variables and their segmenting dimensions
2. *Heterogeneous between* - the customers in diff segments should be as diff as possible with respect to their likely responses to marketing mix variables and their segmenting dimensions
3. *Substantial* - the segment should be big enough to be profitable
4. *Operational* - the segmenting dimensions should be useful for identifying customers and deciding on marketing mix variables

Operational - leads marketers to include demographic dimensions such as age, sex, income, location, and family size.

1. **Single target market approach** - segmenting the market and picking one of the homogenous segments as the firm's target market
2. **Multiple target market approach** - segmenting the market and choosing two or more segments, and then treating each as a separate target market needing a diff marketing mix
3. **Combined** - combining two or more submarkets into one larger target market as a basis for one strategy

Combiners try to increase the size of their target markets by combining two or more segments. They try to extend or modify their basic offering to appeal these "combined" customers with just one marketing mix. May help achieve some economies of scale. May also require less investment than developing diff marketing mixes for diff segments - making it especially attractive for firms with limited resources.

Segmenters aim at one or more homogenous segments and try to develop a diff marketing mix for each segment. Segmenters believe that aiming at one, or some, of these smaller markets makes it possible to provide superior value and satisfy them better. This then provides greater profit potential for the firm.

Usually safer to be a segmenter - try to satisfy some customers very well than just many fairly well.

Profit is the balancing point. It determines how unique a marketing mix the firm can afford to a particular market segment.

Behavioral, geographic, and demographic dimensions.

Qualifying dimensions are those relevant to including a customer type in a product market.

Determining dimensions are those that actually affect the customer's purchase of a specific product or brand in a product market. The more specific you want to be, the more particular the determining dimensions may be. The qualifying dimensions help identify the "core benefits" that must be offered to everyone in a product market. Each diff submarket within a broad product market may be motivated by a diff set of dimensions.

International - marketers segment by country or region - looking at demographic, cultural and other characteristics, including stage of economic development. They apply the same basic approaches presented before.

Computer-aided methods aid segmenting jobs. **Clustering techniques** try to find similar patterns within a set of data. Might include dimensions such as demographic characteristics, importance of diff needs, attitudes toward the product, and past buying behavior. **Customer relationship management** - seller fine tunes the marketing effort with info from a detailed customer database.

The ultimate personalization occurs when firms consider each customer his own segment. Business-to-business marketing, with very large customer, have typically treated customers individually as "segments of one."

By *differentiating* the marketing mix to do a better job meeting customers' needs, the firm builds competitive advantage. **Positioning** refers to how customers think about proposed or present brands in a market. The manager should know how they want target customers to think about the firm's marketing mix. Details of positioning techniques - *perceptual mapping*. Positioning maps are based on *customers' perceptions* - the actual characteristic of the products might be diff. Positioning analysis may lead a firm to *combing*- rather than segmenting. Helps managers understand how customers see their market. A *positioning statement* concisely identifies the firm's desired target market, product type, primary benefit or point of differentiation, and the main reasons a buyer should believe the firm's claims.

For (our target market), (our brand) of all (product type) delivers (key benefit or point of differentiation) because (our brand) is (reason to believe).

If customers treat diff products as substitutes, then a firm has to position itself against those products too. Purpose is to ensure that the whole marketing mix is positioned for competitive advantage.