

- Objective 3.04 A
- Select a target market appropriate for venture/product to obtain the best return on marketing investment

How Product Competition is Used to Define a Market

Competition is becoming much more intense for most businesses.

Businesses need to gather information about competitors' products and marketing activities in order to determine their strengths and weaknesses in order to help them to determine what they need to do to be more competitive.

How Product Competition is Used to Define a Market

•Terms:

•**MARKETING:** An organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relations in ways that benefit the organization and its stakeholders.

•**PRODUCT(S):** Marketing element referring to what goods, services, or ideas a business will offer its customers

•**COMPETITION:** The rivalry between two or more businesses to attract scarce customer dollars.

•**MARKET:** A customer or a potential customer who has an unfulfilled desire and is financially able and willing to satisfy that desire. Any circumstances under which buyers and sellers exchange goods or services for a price

How Types of Customers Can be Used to Define a Market

- **CUSTOMERS:** The people who buy goods and services. **CONSUMER:** Anyone who uses goods and services.

- "Customer market" is a term for the portion of available customers who currently patronize a business, usually for a product or service.

How Types of Customers Can be Used to Define a Market

- A customer market can grow and shrink due to changes in the business environment.
- Maintaining a stable or growing customer market ultimately depends on keeping the existing paying customers of the business happy.

How Types of Customers Can be Used to Define a Market

- A customer market includes many types of customers.
- Types of customers who make up a customer market include loyal customers, customers who shop at a discount, customers who buy things for fun and customers who shop to browse.
- A customer base can also include employees who use the product or service they make, as well as indirect customers who use the product or service although someone else purchased the product at the store.

Use of Production-Distribution Systems in Market Definition

- A distribution center is a facility used to accumulate products from several sources and then regroup, repackage, and send them as quickly as possible to the locations where they will be used.
- Marketing is Distribution
- Distribution involves making decisions about where to sell your product. It also includes deciding on the method of transportation (truck, rail, ship, or air). How and where products are stored adds to the distribution decision making.

Purpose of Developing a Target-Market Profile

- **TARGET MARKET:** The particular group of customers a business seeks to attract
- Targeting your market is simply defining who your primary customer will be. The market should be measurable, sufficiently large, and reachable.

Purpose of Developing a Target-Market Profile

- In order to be an effective target market, it must meet four criteria:
 1. The people in the target market must have common important needs and respond in a similar way to marketing activities designed to satisfy those needs.
 2. The people outside of the target market should have enough differences from those in the market that they will not find the marketing activities satisfying,
 3. There should be adequate innovation about the people in the target market so they can be identified and located.
 4. There should be enough information about the consumers' needs and how they make purchasing decisions that an effective marketing mix can be developed.

Purpose of Developing a Target-Market Profile

• **CHECKLIST For Identifying Your Market**

- ___ *Determine why a customer would want to buy your product/service.*
- ___ *Identify your products'/services' benefits and features.*
- ___ *Decide which segmentation criteria will best segment your target market: geographic, demographic, psychographic or behavioral.*
- ___ *Segment your market.*
- ___ *Divide larger target market segments into smaller segments.*
- ___ *Decide if it would be profitable and feasible for you to pursue each segment.*

Objective Terms That Can be Used to Profile a Target Market

- Here are three steps to follow when identifying your market:

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1. Identify Why A Customer Would Want To Buy Your Product/Service
2. Segment Your Overall Market
3. Research Your Market

Step One

.Identify Why A Customer Would Want To Buy Your Product/Service

- The first step in identifying your target market is understanding what your products/services have to offer to a group of people or businesses.
- To do this, identify your product or service's features and benefits. A feature is a characteristic of a product/service that automatically comes with it.

Step Two

.Segment Your Overall Market

- It is a natural instinct to want to target as many people and groups as possible. However, by doing this your promotional strategy will never talk specifically to any one group, and you will most likely turn many potential customers off. Your promotional budget will be much more cost effective if you promote to one type of customer and speak directly to them. This allows you to create a highly focused campaign that will directly meet the needs and desires of a specific group. Again, this is called market segmentation.

Step Three

.Research Your Market

- Some or all these reference tools can be found in the reference collection of any public library or college library that supports local business or a business school:
- Federal Government Data
- Commercial Sources of Demographic Statistics
- Demographic Publications

•<http://edwardlowe.org/erc/?ercID=6378>

Market Research Techniques That Can be Used to Obtain Target Market Information

- While there are many ways to perform market research, most businesses use one or more of five basic methods: surveys, focus groups, personal interviews, observation, and field trials.

Market Research Techniques That Can be Used to Obtain Target Market Information

• **1. Surveys.**

- In-person surveys are one-on-one interviews
- Telephone surveys are less expensive than in-person surveys, but costlier than mail.
- Mail surveys are a relatively inexpensive way to reach a broad audience.
- Online surveys

• **2. Focus groups.** In focus groups, a moderator uses a scripted series of questions or topics to lead a discussion among a group of people.

Market Research Techniques That Can be Used to Obtain Target Market Information

- **3. Personal interviews.** Like focus groups, personal interviews include unstructured, open-ended questions.

- **4. Observation.** When you observe consumers in action by videotaping them in stores, at work, or at home, you can observe how they buy or use a product. This gives you a more accurate picture of customers' usage habits and shopping patterns.

- **5. Field trials.** Placing a new product in selected stores to test customer response under real-life selling conditions can help make product modifications, adjust prices, or improve packaging.

Source: <http://www.allbusiness.com/marketing/market-research/1287-1.html#ixzz26lOJGGu5>

Sources That Can be Accessed to Obtain Target-Market Information

- Some Major Sources of Market Research Information:

- Census Bureau
- Chamber of Commerce
- Department of Commerce
- Librarians
- Trade and Professional Organizations
- Trade and Professional Publications

- <http://managementhelp.org/marketing/market-research.htm>

END

How Types of Customers Can be Used to Define a Market

• Types of Markets

- A market is simply any group of actual or potential buyers of a product. There are three major types of markets.

- 1. The consumer market. Individuals and households who buy goods for their own use or benefit are part of the consumer market. Drug and grocery items are the most common types of consumer products.

- 2. The industrial market. Individuals, groups or organizations that purchase your product or service for direct use in producing other products or for use in their day-to-day operations.

- 3. The reseller market. Middlemen or intermediaries, such as wholesalers and retailers, who buy finished goods and resell them for a profit.

How Types of Customers Can be Used to Define a Market

- **MARKET SEGMENTATION:** The division of a total market into smaller, more specific groups.
- The value of this technique lies in allowing businesses to customize their product offerings and their marketing strategies. There are four ways to segment a market:
 1. geographics
 2. demographics
 3. psychographics
 4. behavioral

The Use of Geography to Define a Market

- **GEOGRAPHIC SEGMENTATION:** The division of a market on the basis of where consumers are located.
- When segmenting a market geographically, this usually refers to local, regional, national, or even global markets.

The Use of Geography to Define a Market

- Some businesses use geographics to decide on new locations.
- Geographics is the study of the market based on where customers live. This includes region, state, county, city, and/or area
- Geographic segmentation is based on the concept that for certain products, people who live in the same area might have the same wants and needs.

A Target-Market Profile

. The target market process allows us to break down these groups of people so we can better understand how to reach them. One way to do this is to create a target market profile. Here is an example of a target market profile:

- Geographics
- Demographics
- Psychographics
- Behaviors

A Target-Market Profile

- **Geographics:**

- Lives within the ZIP codes 97401, 97402 and 97405.

- **Demographics:**

- Married.
- Between the ages of 21-35.
- At least one child.
- Condominium or home owner.
- Education experiences beyond high school.
- Earning a combined annual family income of \$50,000 or greater.

A Target-Market Profile

. Psychographics:

- Values time and considers it their single most limited resource.
- Excited about accepting and using innovative ideas and products.
- Consistent Web users. Prefer the Internet over magazines and newspapers for information they trust.
- Increasing resources invested into safety and security issues.
- Beginning to plan for their future.

A Target-Market Profile

- **Behaviors:**

- They are leaders in product selection and respond to the opinions of the “industry experts” when making purchase decisions.
- This group will first look to the Internet to acquire this information.
- They defend these decisions under most any circumstance and will adamantly “sell” those that ask why they use the product or service and why they made the choice they did.
- This group can be a powerful, unpaid sales force resulting from the referral network they build and use.

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• The more detail you know about your “ideal” customers and clients, the better you will be able to make them aware of your products and services, and how to purchase them through you.

• <http://articles.bplans.com/business/target-marketing/94>

Procedures For Identifying Market Segments

- Market Segmentation Procedure: - Steps involved are:
 - 1.Survey/Research market.
 - 2.Analysis of data.
 - 3.Profiling customers into segments.