



STUDYDADDY

**Get Homework Help
From Expert Tutor**

Get Help



Understanding Your Market

What It Means

In the contemporary marketplace, just like sales and distribution, marketing has gone online. Modern customers do their product research and make the majority of their purchases online. They are media savvy and connected through numerous online channels. Purchasing decisions have become social decisions, strongly influenced by the online communities to which customers belong. Today's digital environment is social, inclusive, mobile, global, and continually connected. The connectivity of the digital marketplace has been a game-changer; it affects every aspect of marketing and branding.

In this lecture, we explore the implications of the digital marketplace for B2C and B2B behavior and thus for marketing strategy. Smart marketers work hard to understand the behavior of today's savvy and connected online customers. They use this knowledge to portray their products or services in ways that appeal to prospective customers, induce them to explore the company's marketing content and become buyers, and enlist them as advocates to spread brand awareness via their online connections.

Why It Matters

- Social media and online communities have changed the way customers connect
- Marketers must understand their target market's core values and buying drivers
- Successful messaging connects products to what customers value the most

"Connectivity changes the key foundation of marketing: the market itself."

Kotler, Kartajaya & Setiawan



What Is a Market?

Historically, a **Market** was a place where people physically went, in order to buy, sell, barter, and haggle. Economists consider markets to be collections of buyers and sellers of various product types, such as the oil market, the stock market, or the housing market. Marketers refer to markets as groups of customers and prospects. Key markets include several different types: Business to Consumer (B2C), Business to Business (B2B), and Nonprofit Organizations.

Market Management

Companies deliver value to customers through the products and services that they offer. According to Kotler & Keller¹, companies create and deliver value in three phases: companies segment the market, select the appropriate target market, and position their offerings in the marketplace with their value proposition. The acronym STP (segment, target, position) captures this framework for the process of **market management**.

Marketers first size the Total Available Market (TAM), which is a term used to mean the entire revenue opportunity for a particular product, service, or category. Next, marketers size the Serviceable Available Market (SAM), which is defined as the size of the total available market that can actually be reached with your offerings. The Serviceable Obtainable Market (SOM) is a conservative, realistic estimate of the potential revenue of a particular product, service, or market category and the percentage that your company is likely to win, based on your competitive position and your capabilities.

Marketing Research

Marketers must first conduct **market research** to be able to size, segment, target and position their products and services accurately and effectively. Good marketers use a marketing research process with six steps, as listed below (Kotler & Keller, 2016):

- Define the problem and research objectives
- Develop the research plan
- Collect the information

¹ Kotler & Keller. 2016. *A Framework for Marketing Management*



- Analyze the information
- Present the findings
- Make the decision

Segmentation and Target Markets

Market Segmentation

To compete more effectively, companies select the markets where there is the most opportunity for their products and services. Effective marketing dictates that companies identify groups of buyers who have distinct wants and needs. They do this through a process called **market segmentation**.

Segmentation offers many benefits, particularly compared to mass marketing. Marketing messages can be specifically tailored to fit each segment, in terms of product design, packaging, price, and delivery method. A market segment consists of a group of customers, or prospective customers, who share a set of similar wants, needs, values, fears, or desires.

There are different ways to categorize buyers into segments, and these vary depending whether the company's business model is Business to Consumer (B2C) or Business to Business (B2B). Here are some of the most common ways marketers identify market segments:

Business to Consumer

- Geographic: Geographic Region, City, State, Country, Zip Code
- Demographic: Age, Life Stage, Gender, Income, Generation, Race, Ethnicity, Culture
- Psychographic: Lifestyle, Interests, Concerns, Personality, Values, Attitudes
- Behavioral: Needs and Benefits sought, Decision Roles, Occasions, User Status, Engagement

Business to Business

- Demographics: Industry, Company Size, Location
- Operating Variables: Technology, User Status, Customer Capabilities

© Strayer University. All Rights Reserved. This document contains Strayer University confidential and proprietary information and may not be copied, further distributed, or otherwise disclosed, in whole or in part, without the expressed written permission of Strayer University.



- Purchasing Approach: Centralized vs Decentralized, Nature of Existing Relationship
- Situational Factors: Urgency, Specific Application, Size of Order
- Personal Characteristics: Buyer Seller Similarity, Attitude towards Risk, Loyalty

Target Markets

According to Philip Kotler, “Segmentation and targeting are both fundamental aspects of a brand’s strategy”. Companies create their **target market** by selecting the market segments that have the highest propensity to buy, so they will have the highest likelihood of success. The more closely you can define a market segment to fit the profile of those customers most likely to buy your product, the greater the chance that your offer will get attention. By clearly defining your target audience, you can enhance your messages to resonate with them.

Once companies identify distinct market segments of potential buyers via demographic, psychographic, and behavioral characteristics, they then decide which market segment or segments represent the greatest opportunity. Depending on their strategy, they may target segments with the highest growth potential, the ones that are most profitable, or the ones that are most likely to advocate for them.

Positioning Your Product

For each market segment, companies develop offerings which can be specifically targeted to those customers’ needs, wants, and values. Marketers position these offerings in the minds of potential buyers to solve a problem or fulfill a desire. These products and services provide key benefits to the customer. Good brand positioning clarifies the brand’s essence, identifies how it benefits the customer, and shows how it is different from the competition or alternatives.

This is accomplished through the **Value Proposition**. Value propositions are compelling reasons why customers should buy your product over others. Deciding on a value proposition requires marketers to know how their products are different from their competition.

Differentiators

Understanding your **Points of Differentiation** (PoDs) is paramount. PoDs are those features that are relatively distinct from the offerings of similar competitors. PoDs make your brand



unique and they define your competitive advantage. Marketing managers must conduct competitive analysis research to better understand their competitors and substitutes. The questions below can help to clarify the key PoDs for your brand:

- What special capabilities, awards, accolades, or expertise set you apart?
- Are you faster / cheaper / smarter / better?
- Are you the most luxurious or the most exclusive?
- Is your service better? Are you the most reliable?
- Are you the most available in multiple distribution channels?

The Value Proposition

It is incumbent on marketers to truly understand the values that their customers and target audience hold dear. In previous weeks, we learned about the customer's worldview. Those worldviews are driven by the customers' underlying values and beliefs. These are deeply rooted ethical traits which have a significant effect on their purchasing decisions.

Understanding customers' values can help you uncover possible connections between your customer and your offering, so you can develop marketing messages that meets their needs and wants. A Value Proposition is a succinct paragraph that summarizes the value your product or service provides to the customer and why customers should buy your offering.

Your Value Proposition should describe how your product (or service) solves or addresses the customers' problems, what benefits customers will achieve, and why they should buy from you instead of your competitors. It should be expressed in terms of "what's in it for the customer."

Defining your terms and aligning messages with customer values and beliefs can help identify a clear connection between your target audience and your brand. Customers often develop a relationship with a particular brand that forms the basis for the loyalty and advocacy that digital marketers seek.

The key to selling a particular brand to the target market is the ability to deliver a brand with discernable, relevant, unique qualities that solve the consumer's problem more effectively than



another brand. And once those tangible features of a brand have been designed, tested and proven to be appealing and to perform the task needed, marketing executives seek to craft and *tell a compelling story* to the consumer and the retail or wholesale buyer that captures their imaginations and entices them to try and buy the branded product, service, program or event.

The Role of The CMO

The Chief Marketing Officer (CMO) is responsible for taking the company's strategy and applying it to new products and services offered by the company, while balancing the marketing promotions and outreach activities across traditional and new digital channels. A Chief Marketing Office is ultimately responsible for creating the story to build market share, increase revenue, and support or redefine a company's brand image.

CMOs oversee the entire marketing department, which typically consists of departments such as Marketing Insights, Data Analytics, Product Marketing, Campaign Marketing, Channel Marketing, Digital Marketing, Content Marketing, Event Marketing, and Marketing Operations.

Looking Ahead

In this lecture, we reviewed some marketing fundamentals. We explored what a market is and how to size it for a particular product, service or category. We learned how successful marketers use market research to help them segment the market, identify their target audience, and position their products and services. We discussed the role that the Chief Marketing Officer plays in a company and examined their leadership responsibilities.

In the next lecture we will review the differences between traditional and digital marketing and examine the implications of the online business environment for marketers. We will examine the traditional marketing mix and digital marketing tactics. You will learn how marketers strategize to achieve the right mix of traditional and digital marketing tactics, deployed in the right places to the right target audiences, so as to optimize the way customers and prospects interact with their company's brand.



STUDYDADDY

**Get Homework Help
From Expert Tutor**

Get Help