

We are all Niche Marketers Now: The Process of Market Segmentation and Product Differentiation

Quentin S.W. Fong

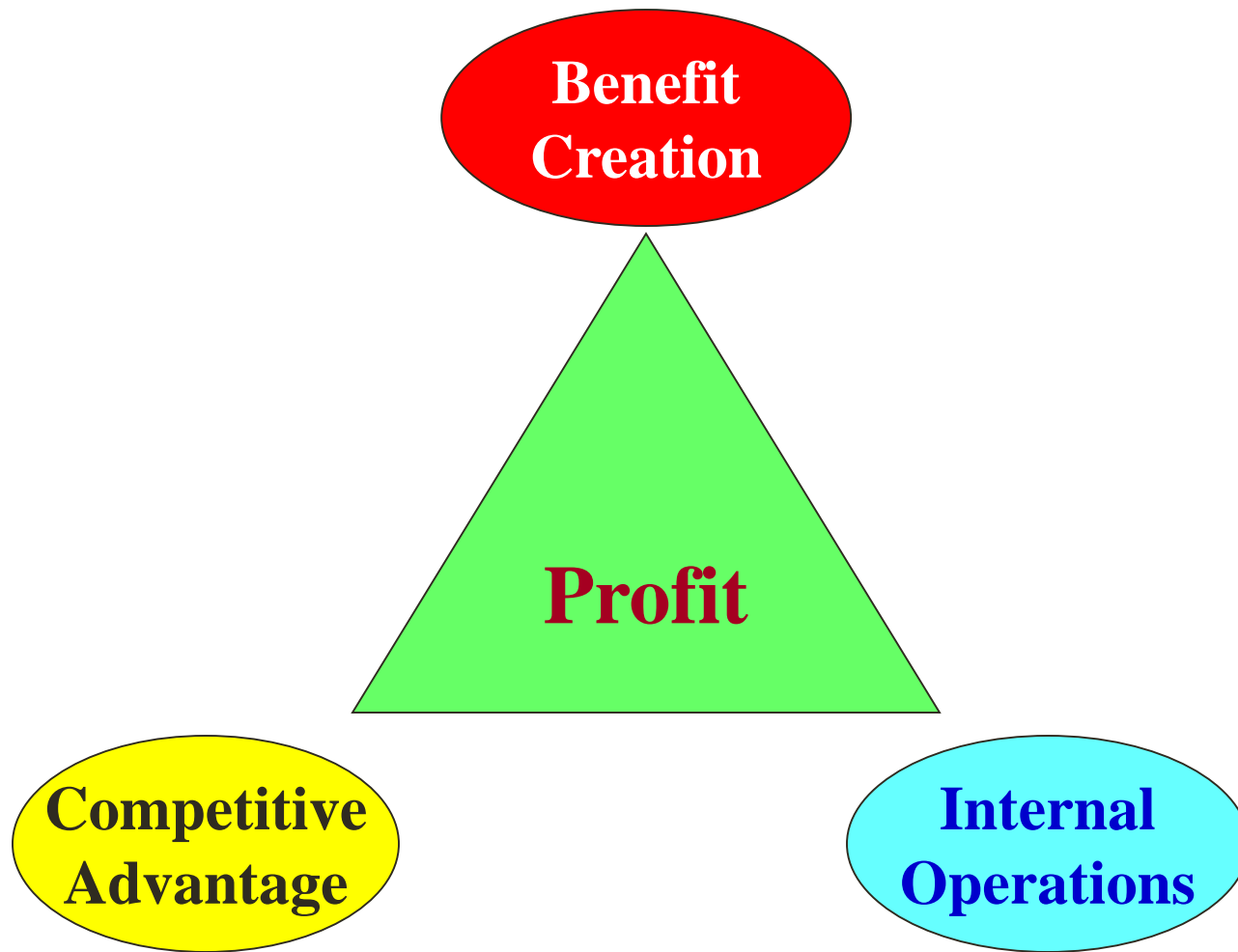
Kodiak Seafood & Marine Science Center

University of Alaska Fairbanks

Kodiak



The Profit Triangle



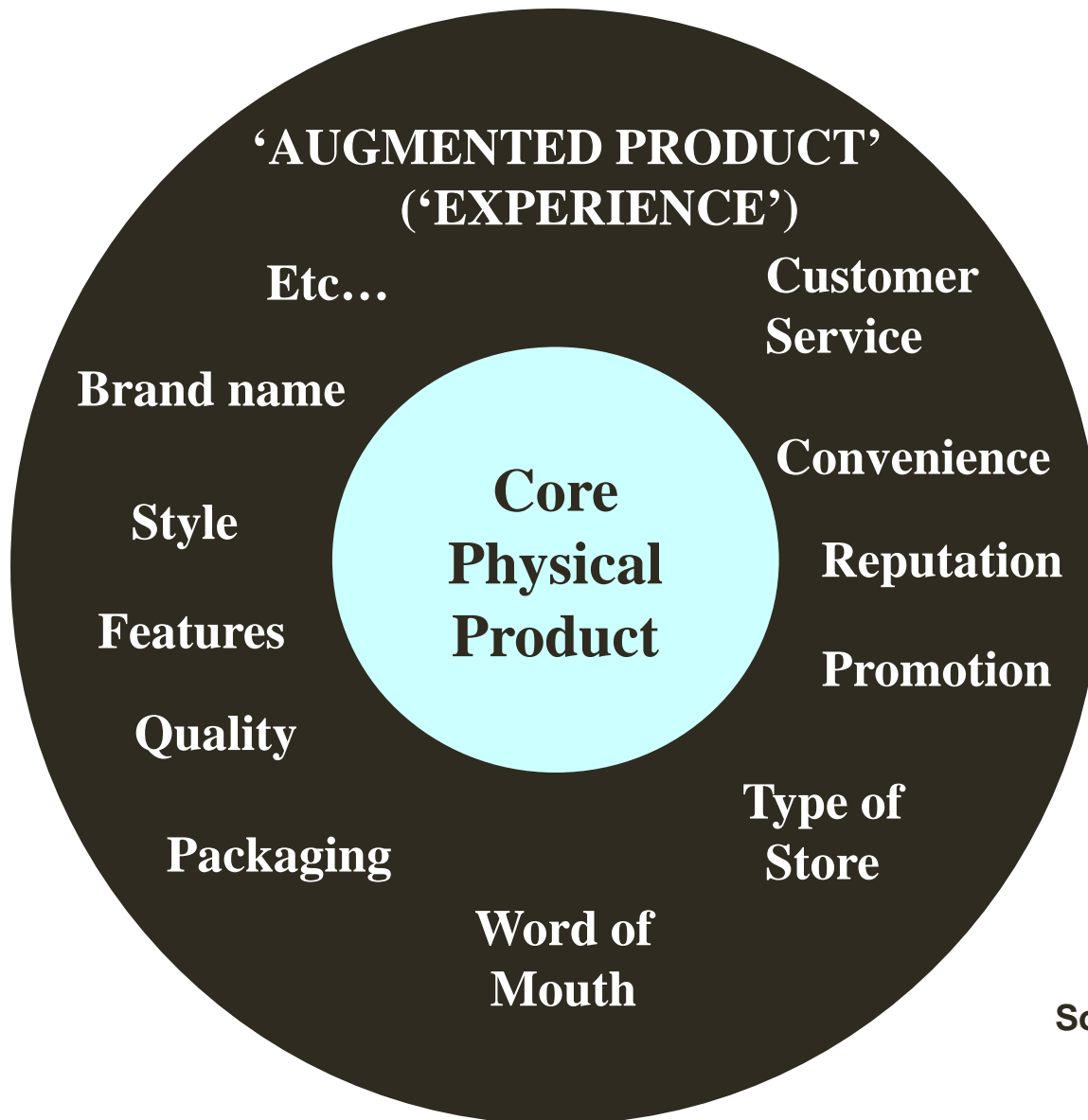
What is Marketing?

“It is the whole business seen from the point of view of the final result, that is, from the customer’s point of view....Business success is not determined by the producer but by the customer.”

-- *Peter Drucker*



'PRODUCT' IS NOT JUST THE PRODUCT... , RATHER IT IS THE WHOLE 'EXPERIENCE'



- Successful marketers provide customers a whole 'experience', not just the physical product itself.
- This is especially important for many natural, 'healthy' and 'touristy' products.

Source: Svoboda & Haws,
2005

The Marketing Management Process

- **Analyzing Market Opportunities**
- **Developing Marketing Strategies**
- **Planning Marketing Programs**
- **Managing the Marketing Effort**

Market Research

- **The most important phase of any marketing/product development**
- **Doesn't always have to be formal**
- **Visit, look and listen**
- **LISTEN to what the market is telling you**

Determinants of Customer Benefit

Product Benefit

Services Benefit

Personnel Benefit

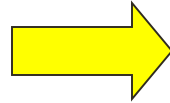
Image Benefit

Monetary Cost

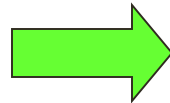
Time Cost

Energy Cost

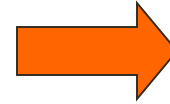
Psychic Cost



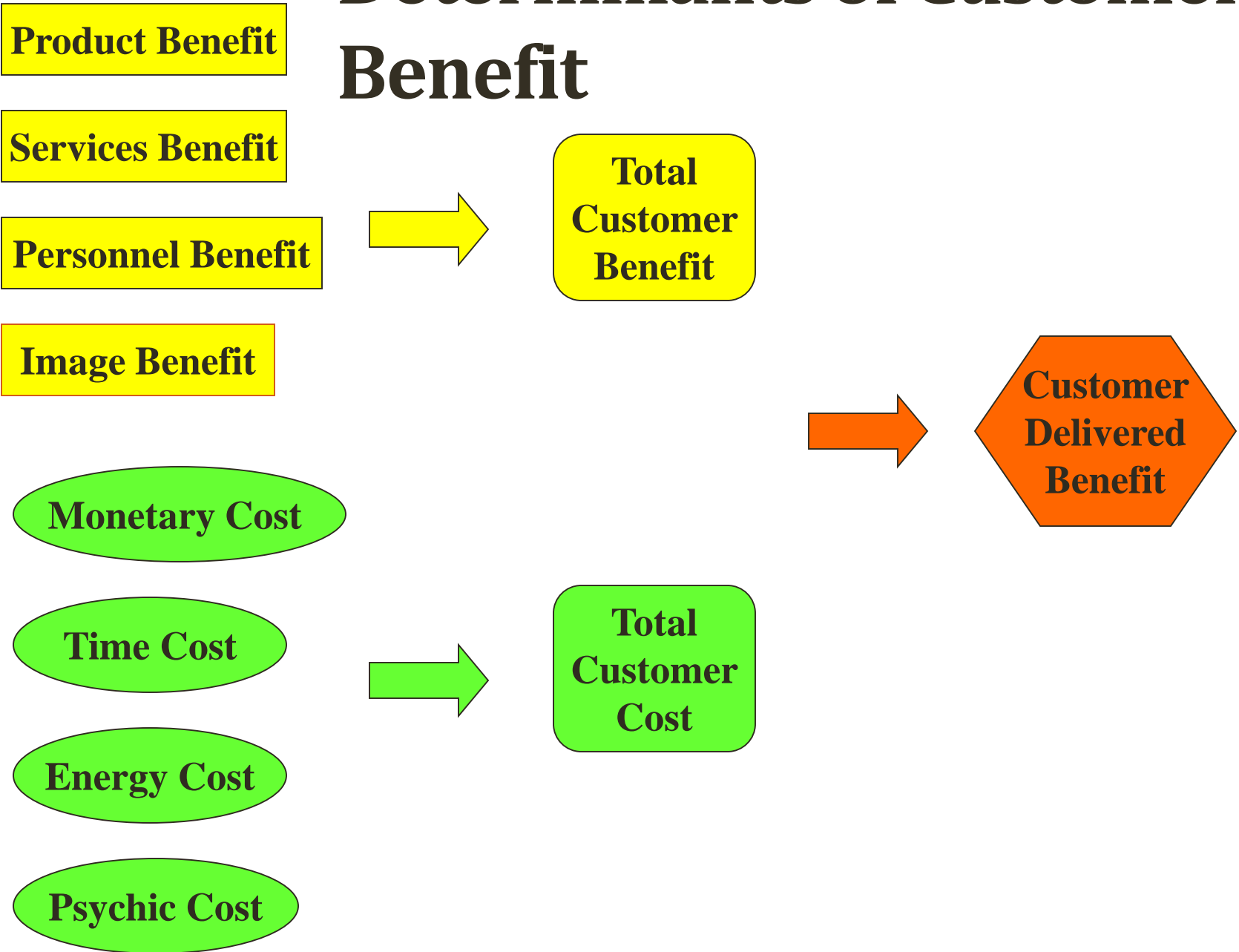
Total
Customer
Benefit



Total
Customer
Cost



Customer
Delivered
Benefit



Marketing Mix

```
graph TD; MM([Marketing Mix]) --> P[Product]; MM --> PL[Place]; MM --> PR[Price]; MM --> PROM[Promotion]; P --> TM([Target Market]); PL --> TM; PR --> TM; PROM --> TM;
```

Product

- *Quality*
- *Design*
- *Packaging*
- *Size*

Place

- *Channels*
- *Coverage*
- *Assortments*
- *Locations*
- *Inventory*
- *Transport*

Price

- *List Price*
- *Discounts*
- *Allowances*
- *Payment*
Period
- *Credit Terms*

Promotion

- *Sales*
-Promotion
- *Advertising*
- *Sales Force*
- *Public*
Relations

Target Market

Differentiation Strategies: Product Attributes

- **Chemical Composition**
- **Nutritional Value**
- **Sensory**
- **Convenience**
- **Form/Packaging**
- **Brand**



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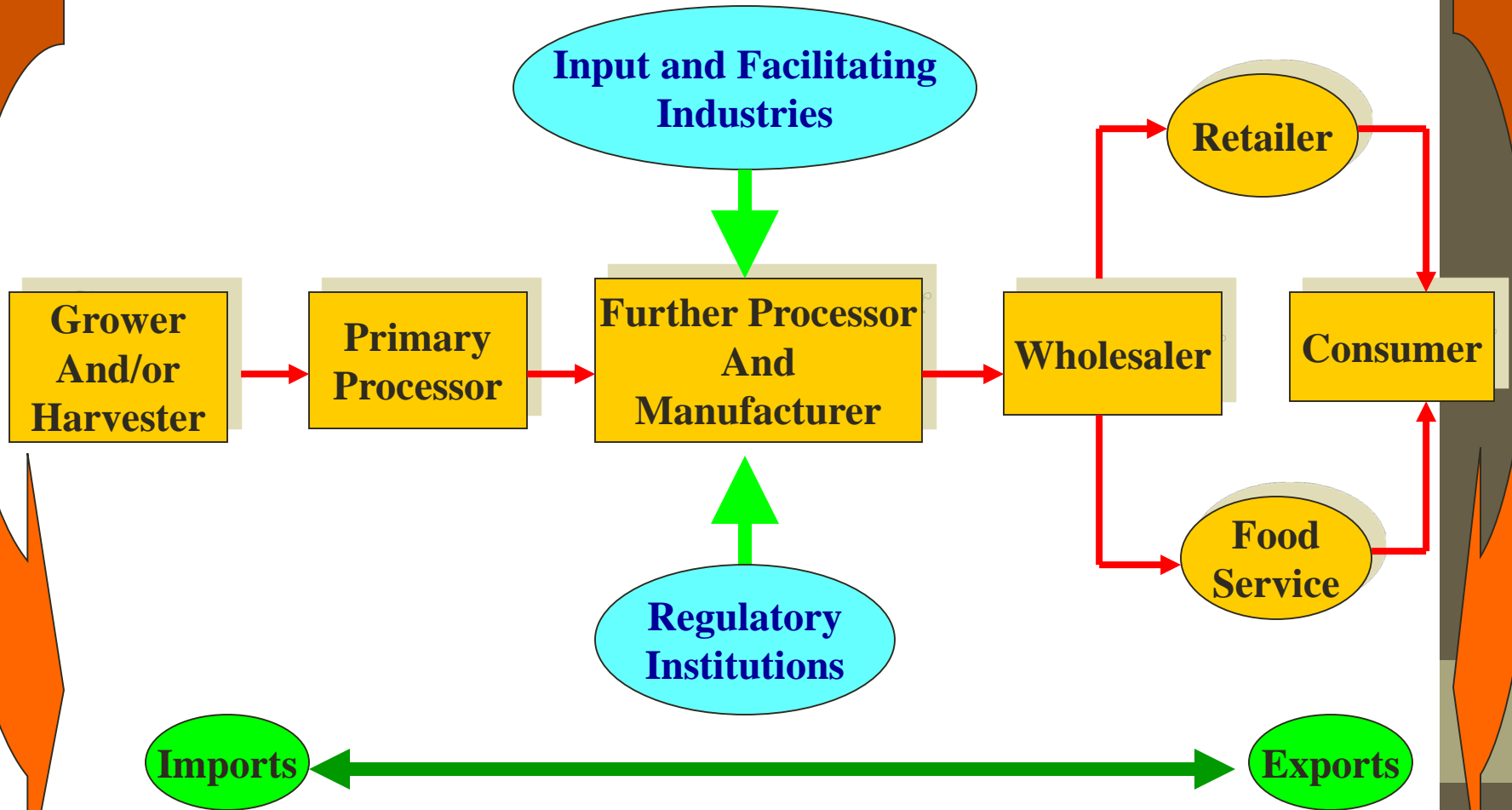
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- *Credit Terms*

Promotion

- *Sales Promotion*
- *Advertising*
- *Sales Force*
- *Public Relations*

**Target
Market**

Food Marketing System



Why Direct Marketing?

- **Control – Where to sell, how to sell, what to charge.**
- **Brand**
- **Total Commitment**



Why Use Indirect Channels?

- **Affordability**
- **Saves money by not doing own distribution**
- **Risk Transfer**



Why Customer would Buy from a Distributor?

- **Channel Efficiency - Convenience of one-stop shopping**
- **Prompt Customer Service and Technical Support for being local**



Placement

- Channels
- Coverage
- Assortments
- Locations
- Inventory
- Transport



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Target Market

Promotion:

The Art of Communication

- Personal Selling
- Sales Promotion
- Advertising
- Direct Promotion
- Public Relations and Publicity



Personal Selling & Customer Development: A Few Notes



Differentiation Strategies: Personnel

- **Competence**
- **Courtesy**
- **Credibility**
- **Reliability**
- **Responsiveness**
- **Communication**

Sales Messages

- **Should be consistent with marketing messages**
- **Should be monitored to ensure consistency**

Retaining Customers

- **Cost of Lost Customers**
- **Need for Customer Retention**
- **Relationship Marketing: The Key**



Sales Promotions

- **Use a variety of short-term incentives such as:**
 - free samples**
 - coupons**
 - rebates**
 - low-interest financing**

Publicity & Events

- **Have to create the story first, before you can tell it.**
- **Just like your product, it has to offer something new and different to the media.**
- **Product and editorial photos are key to great exposure.**

Marketing Tools Summary

Relative Importance of Promotional Mixes

Source: Schaffner, 1997; Kotler, 1998

	Consumer Market	Business-to-Business Market
Promotional Mix	<ol style="list-style-type: none">1. Advertising2. Sales Promotion3. Personal Selling4. Public Relations	<ol style="list-style-type: none">1. Personal Selling2. Sales Promotion3. Advertising4. Public Relations
Advertising Media	Television, radio, magazines, outdoor signs, Social, Websites	Trade journals, direct mail, directories, Social, Trade shows

Marketing Mix

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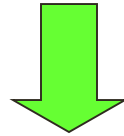
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Target Market

Setting Price

Set Pricing Objectives



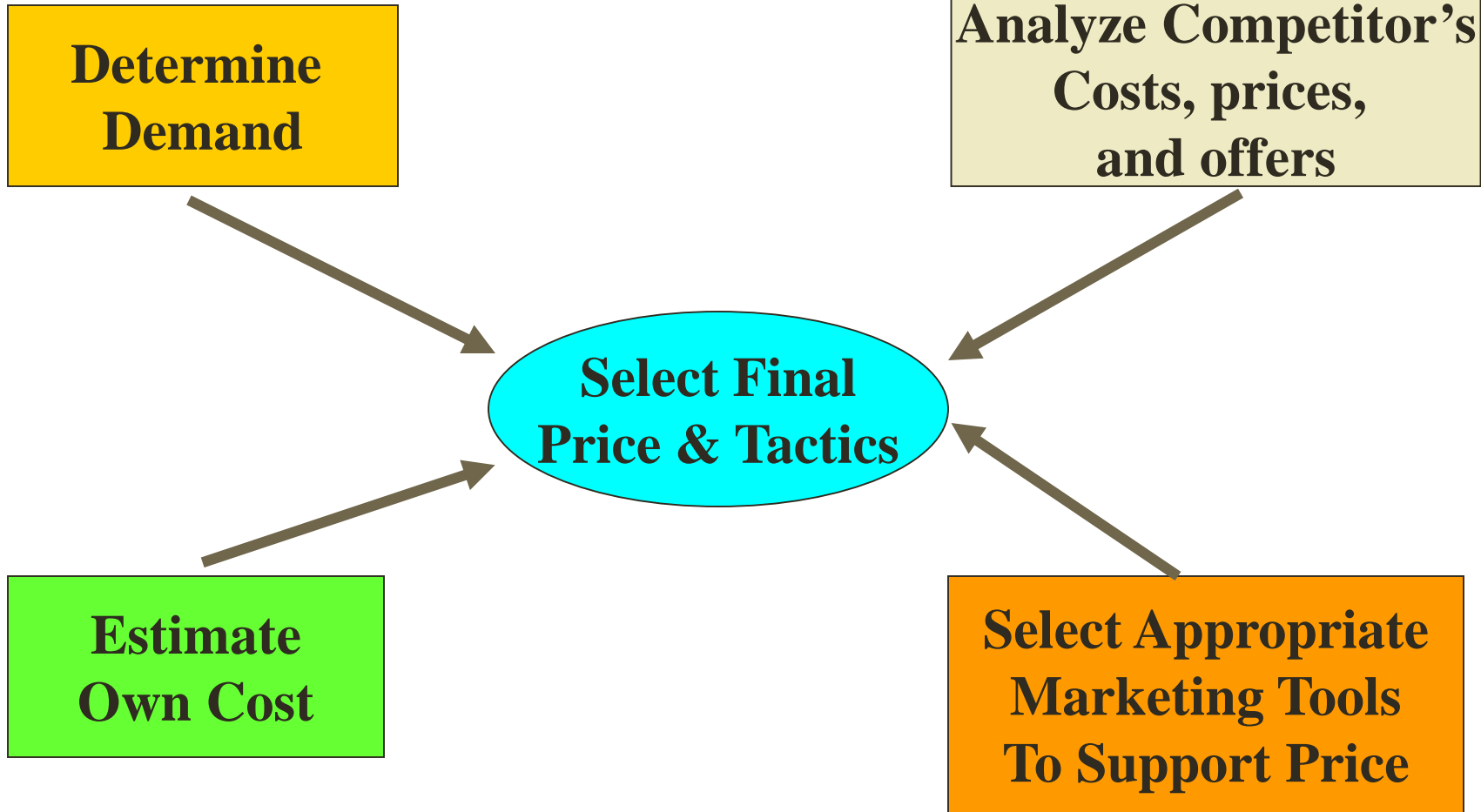
Determine Demand

Analyze Competitor's Costs, prices, and offers

Estimate Own Cost

Select Final Price & Tactics

Select Appropriate Marketing Tools To Support Price



Pricing Methods

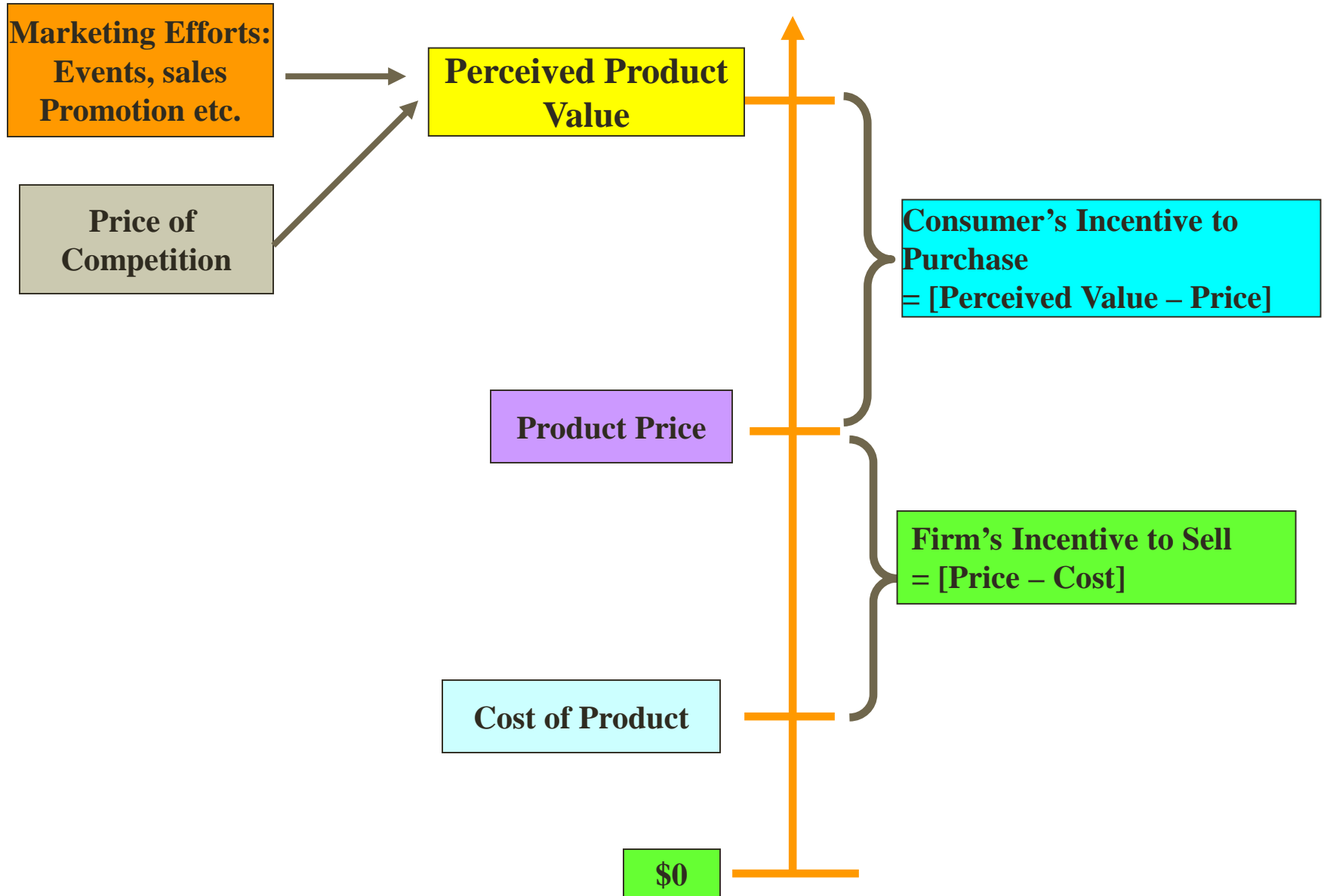
- **Markup pricing** – standard markup (e.g. 5 %) is added to the product's cost.
- **Target-return pricing** – charging a price that will provide a target rate of return on investment for a given period.
- **Value pricing** – a firm charges a low price for a high quality product.
- **Going-rate pricing** – a firm prices its products based on competitors' prices. It may price a product the same, at a slight premium (discount) to its competitors, and adjust accordingly when the competitors change their prices.
- **Perceived – value pricing** – Price is set according to customer's valuation of non-price variables such as image, product attributes, and services i.e. total product offering.

Pricing Tactics

- **List Price**
- **Discounts**
- **Payment Period**
- **Credit Terms**
- **Marketing Support**

Summary on Pricing

Source: Svoboda & Haws, 2005



Criteria for Developing a Differentiation Strategy

- **Important**: The difference delivers a highly valued benefit to a sufficient number of buyers.
- **Distinctive**: The difference either isn't offer by others or is offered in a more distinctive way by the company.
- **Superior**: The difference is superior to other ways of obtaining the same benefit.
- **Communicable**: The difference is communicable and visible to buyers.
- **Preemptive**: The difference cannot be easily copied by competitors.
- **Affordable**: The buyer can afford to pay the difference.
- **Profitable**: The company will find it profitable to introduce the difference.

Thank You!

