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

Benefit Creation

 Profit

Competitive Advantage

Internal Operations
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

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
Marketing Mix

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

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

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

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

**Target Market**
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
**Marketing Mix**

- **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**
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

<table>
<thead>
<tr>
<th>Promotional Mix</th>
<th>Consumer Market</th>
<th>Business-to-Business Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Advertising</td>
<td>1. Personal Selling</td>
<td></td>
</tr>
<tr>
<td>2. Sales Promotion</td>
<td>2. Sales Promotion</td>
<td></td>
</tr>
<tr>
<td>3. Personal Selling</td>
<td>3. Advertising</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Advertising Media</th>
<th>Television, radio, magazines, outdoor signs, Social, Websites</th>
<th>Trade journals, direct mail, directories, Social, Trade shows</th>
</tr>
</thead>
</table>
The marketing mix is divided into four main sections: Product, Place, Price, and Promotion.

**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

All these elements converge to target the market.
Setting Price

Set Pricing Objectives

Determine Demand

Analyze Competitor’s Costs, prices, and offers

Select Final Price & Tactics

Estimate Own Cost

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

Marketing Efforts: Events, sales Promotion etc.

Perceived Product Value

Consumer’s Incentive to Purchase = [Perceived Value – Price]

Product Price

Firm’s Incentive to Sell = [Price – Cost]

Cost of Product

$0
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!