

Unit 7

Marketing Basics

Subject: Business I

Professor: Rocío Cortés Grao



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Strategic Marketing. Definition and Functions

- 1 Define the potential market in which to compete
- 2 Segment the potential market
- 3 Quantify the demand and its evolution
- 4 Analyze competition
- 5 Select the target segment or market
- 6 Positionate in the segment or market

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What is Marketing?



Business function that links the business with the market, and to do so it:

- Finds out which are the **needs** of its customers.
- Contributes to developing **products** that meet those needs.
- Builds up a **communication plan** to create demand for the products.
- Designs the way to **distribute** the products.

Two dimensions: **strategic** (needs) and **operational** (product, price, communication and distribution), result in two types of marketing.



```
graph LR; A[Strategic Planning] --> B[Strategic Marketing (Needs)]; B --> C[Operational Marketing (decide the 4P's)];
```



STRATEGIC MARKETING

Its aim is the study of the **market needs** and their evolution, in order to detect **opportunities and threats** which, in combination with the business' **resources and capabilities**, allow us to establish a strategy representing a **competitive advantage** that is sustainable in the long term as well as coherent with the **mission** and the general **strategy** of the business.

It helps us to reflect on the values of the company, know where we are and where we want to go.

Eg.: Differentiation from the competition in product quality.

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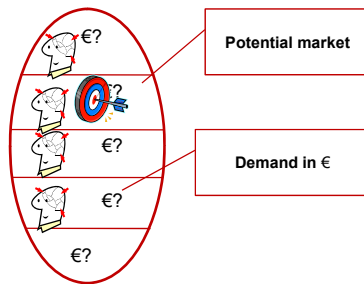
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- The diagram illustrates the Strategic Marketing process. At the top, the words "STRATEGIC MARKETING" are written in a blue, stylized font next to a target icon with three blue arrows hitting the bullseye. Below this, a list of functions is provided. At the bottom, there is an image of three apples (green, yellow, and red) with a pencil passing through them.
- STRATEGIC MARKETING
- Functions:
1. Define the **potential market** where to compete
 2. **Segment** the potential market
 3. Quantify the **demand** and its evolution
 4. Analyze the **competition**
 5. Select the **target segment(s)**
 6. **Set a position** in the segment/market
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1 Define the potential market where to compete.

What is the **Potential Market** ?

Set of individuals or companies with the ability to use or buy a product which fills a **need**.



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Example:

1. Define the potential market where to compet.

Need: communication.

Potential market: Mobile phone users

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2 Segmentation of the potential market

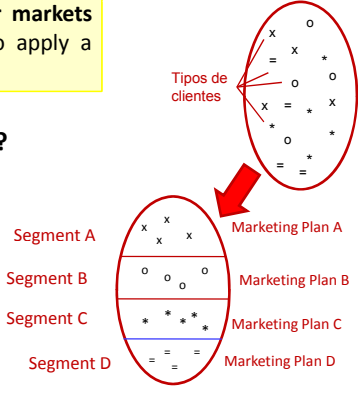
What is segmentation?

Division of a potential market into **other smaller markets** with a different commercial behavior in order to apply a **specific marketing plan** to each one of them.

What characteristics do these segments have?

- **Homogeneous:** Grouping similar customers.
- **Substantial:** Having enough sales potential.
- **Accessible:** Being able to reach them with reasonable effort (in terms of cost/results ratio) regarding communication and sales.





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2 Segmentation of the potential market


Why segment?


It enables a more efficient use of the business' **resources** (especially Small and Medium-sized Enterprises, ie SMEs), since it becomes possible to concentrate them in one (or part of a) segment (**niche market**).

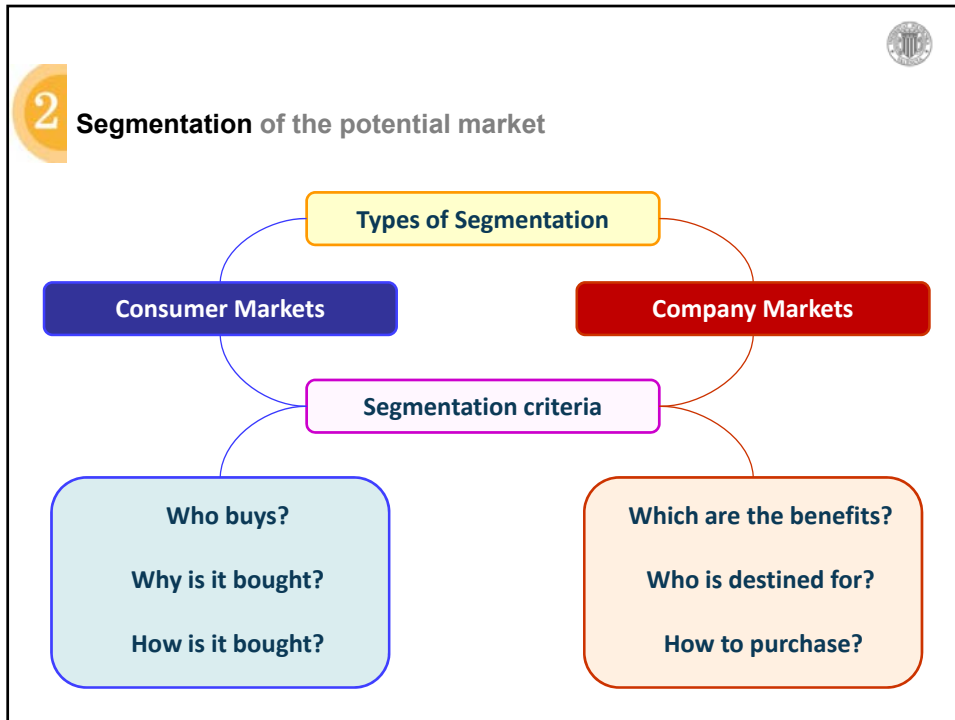
How to segment?

Using **Criteria or usual segmentation bases**.

- Are defined by the business. It is its way of "**envisaging**" the market.
- There are markets with very well-defined segments. For instance, the automobile market (of the habitual use type): urban, small, family, sedan cars, etc.
- Anticipation in the use of new bases in a market will give a competitive advantage in creating a new segment or category. Examples: minivans, luxury off-rovers.









2 Segmentation of the potential market

Consumer Markets

Variables in order to segment the Consumer Markets:

<p>Who buys? Characteristics of the purchaser or user</p>	<ul style="list-style-type: none"> ■ Demographic variables: age, sex, family size ... <i>Examples: toys, clothes, perfumes, food products (large or individual packages).</i> ■ Geographical variables: countries, regions, city quarters... <i>Examples: newspapers (local editions), typical food (adapted).</i> ■ Socioeconomic variables: income level, education... <i>Examples: hotels (stars), books (encyclopaedias, novels).</i>
<p>Why they buy? Reasons to buy</p>	<ul style="list-style-type: none"> ■ Benefits that the purchaser seek for: functionality, symbol, quality, etc. <i>Examples: watches, cars, mobile phones.</i>
<p>How they buy? Purchasing and usage behaviour</p>	<ul style="list-style-type: none"> ■ Faithfulness to the brand: strong, changing, none. <i>Examples: beer, toothpaste.</i> ■ Frequency of use: high, medium, low. <i>Example: flights, Internet, mobile phones.</i>

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Example:

1. Define the potential market where to compet.

Need: communication.
Potential market: Mobile phone users

2. Segmentation of the potential market


Segmentation criteria:

1. Frequency of use:
 - Low usage: Per-minute Plan
 - High Usage: Unlimited Plans
2. Features: data, sms, ..

We get various segments:

1. Low Usage and few functionalities
2. Low usage and many features
3. High usage and few functionalities
4. High usage, many features

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Segmentation of the potential market

Business Markets

Variables to segment Business Markets:

<p>What benefits? Segmentation by target advantages</p>	<p>■ Operation or performance needs that the product must meet. <i>Eg.: applications of an electrical motor.</i></p>
<p>To whom? Descriptive segmentation</p>	<p>■ According to the profile of the business customer. <i>Eg.: industrial branch to which it belongs, geographical location, size.</i></p>
<p>How do they buy? Segmentation according to the purchasing behaviour</p>	<p>■ According to the structure and functioning of the business. <i>Eg.: centralized / decentralized purchasing; sensitivity to price, quality or service.</i></p>

2 Segmentation of the potential market

Example of **segmentation**

The market of airliner aircraft

Functional segmentation with two criteria

Number of passengers	500		B 747 SR		B 747-100	B 747-200
	400					
	300	A300 B2	A300 B4	L-1011 DC 10-10	DC 10 30/40	B 747 SP L-1011-500
	200	DC 9-980	B 727		B 707	
	100	B 737				
		1	2	3	4	5
		Range (thousand miles)				

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3 Demand analysis and forecast

Demand	is the part of real demand that corresponds to a particular business.
Foreseen Demand	is the demand in a current time period.
Real Demand	is the volume of acquisitions of a product in a market within a period of time.
Market Share	is the demand in a future time period.
Potencial Demand	Maximum amount that a market can buy before getting saturated.

Example:


- Real Demand: 1.6 Mill cars sold in Spain in 2010.
- Foreseen Demand: 2 Mill Cars expects to sell in 2011.
- Potential Demand: Up to 3.5 Mill car at most could be sold in 2011
- Market share: A dealership sells 50 cars usually per year.

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3 Demand analysis and forecast

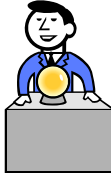
Demand Forecast




We determined the forecast sales of the company in the near future. Depends on factors in the economic environment (expansion or recession) and marketing effort.

Methods to calculate the demand forecast:


- **Statistical analysis** of historical data (time series)
- **Correlated indexes** (eg.: births/diapers)
- **Chain proportion** (multiplication of percentages)
- **Construction of the market** (adding the demand of several segments)
- **Others**




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STRATEGIC MARKETING






Example:

3. Quantify the demand and its forecast.


We analyze the previous segments demand:

1. Low Usage and few functionalities: **1 mill users and tends to go down**
2. Low usage and many features: **1'5 mill users and tends to grow**
3. High usage and few functionalities :**1'5 mill users and tends to drop**
4. High usage, many features: **2'5 mill users and tends to grow**

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4 Analyze competition




1. What is the number of **direct competitors**?
2. How many competitors supports **the town**?
3. What **percentage of the market** have the major competitors?
4. What is the **service image** that people have of the main competitors?
5. What basic **advantages** do main competitors have?
6. Do there competitors have **cost advantage**?
7. Are there competitors with **differentiation** advantage? What type of differentiation?
8. Are there **barriers to entry** for new competitors?
9. What are the main ones? Will I be able to enter to compete? What are the substitutes and what level of threat do they represent?

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Example:



4. Analyze competition

We analyse the competence of the following businesses: *Low usage: Plan per-minute; High usage: Unlimited Plan*

		Per-minute Plans			Unlimited Plans	
		simyo	tuenti	MÁSMÓV.L	yoigo	amena
		Tarifa 0/5	Tarifa 9€	Tarifa Minúscula	Infinita 20	Infinita 25
Coverage		Orange	Movistar	Orange	Yoigo	Yoigo
Fee		0,00 €	9,00 €	0,00 €	20,00 €	25,00 €
Minimum intake		6,99 €	0,00 €	5,00 €	0,00 €	0,00 €
Included Min		0	75	0	ilimitados	ilimitados
Destination numbers		-	-	-	300	300
Price per min		5	3	3,8	-	-
SMS price		9	8	7	10	10
Mb		750	1000	500	500	1000
Passed limit speed		3	3	3	128 kbps	128 kbps
						64 kbps



5 Select the target segment(s)

How do we select? → *According to the strategy, capacity and resources*

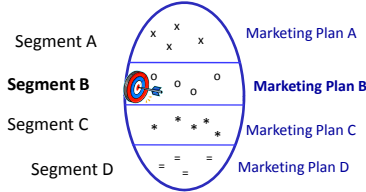
Assessing the attractiveness of each segment:

- Current size of the demand (TAD)
- Growth rate of the expected demand (TCDE)
- Competition in the segment (CS)

Seg.	TAD	TCDE	CS
A	++	+	+
B	-	+++	++
C	+++	+	--
D	++	++	---


What Type of Coverage is the most suitable?


- **Undifferentiated Marketing** : the same marketing plan for all the segments (segmentation is not used).
- **Focused differentiated marketing**: specialization in one (eg.: B) or in a few segments.
- **Broad differentiated marketing**: different marketing plan for each segment.




Segment A Marketing Plan A
 Segment B Marketing Plan B
 Segment C Marketing Plan C
 Segment D Marketing Plan D

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Example:

4. Analyze the competition


We analyse the competence of the following businesses: *Low usage: Plan per-minute; High usage: Unlimited Plan*

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5. Select the target segment(s)

Decision: Segment of **high usage and many facilities**
Focused differentiated marketing Why?

- More users (2.5 mill users) and tends to increase
- Less competition (Only Yoigo and Amena)




6 Set a position in the segment/market

Once the business decided the segment or market it needs to set a position there.

What is to set a position?

Achieve in the client's mind a "position" (**mental image**) for the product, brand or business that distinguishes it from the competition and is coherent with the strategy and the mission.

The products are created in the factory, but brands are created in the mind.



Steps to take:

- Identify
- Choose
- Develop
- Communicate



Apple manages to be the most valuable brand in the world.


Apple manages to dethrone Coca-Cola in ranking of world's most valuable brands.

1/10/2013

2011 Rank	2012 Rank	Brand
1	2	Apple
2	4	Google
3	1	Coca-Cola
4	3	IBM
5	5	Microsoft
6	6	GE
7	7	McDonalds
8	9	SAMSUNG
9	8	Intel
10	10	TOYOTA

1. Apple – Value of 98.316 millions of dollars
2. Google – Value of 93.291 millions of dollars
3. Coca-Cola – Value of 79.213 millions of dollars
4. IBM – Value of 78.808 millions of dollars
5. Microsoft – Value of 59.546 millions of dollars
6. GE – Value of 46.947 millions of dollars
7. McDonalds – Value of 41.992 millions of dollars
8. Samsung – Value of 39.610 millions of dollars
9. Intel – Value of 37.257 millions of dollars
10. Toyota – Value of 35.346 millions of dollars

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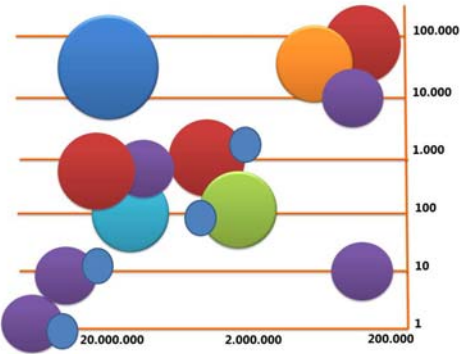


6 Set a position in the segment/market


Consumers position products with or without the help of marketing, however marketing should not leave the position of their products at random; must **plan** the positions that confer to their products the best possible advantage in markets

MAPS OF POSITIONING

When planning your positioning strategies, marketing prepares maps with perceptual positioning, which shows the perceptions that consumers have, in important dimensions of purchase, of their brands compared to competition products.

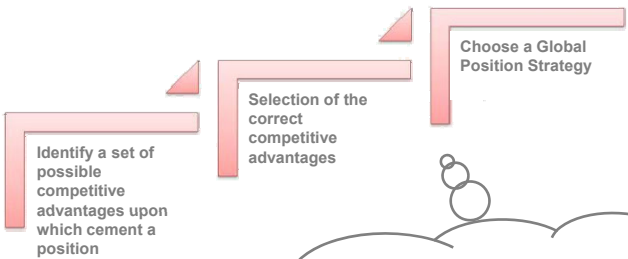


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6 Set a position in the segment/market

SELECTION OF A POSITION STRATEGY



Tips:

- Don't set several positions simultaneously.
- Maintain and get a position is difficult.
- Allows you to create competitive advantage and helps define marketing mix.

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6 Set a position in the segment/market


Examples of Position Strategies

	Advantages or benefits provided to the client "Audi automatic transmission"		Client characteristics "For those who like to drive" (BMW) "
	Product Features "German Technology (Opel)"		Against another competitor

MARKETING IS NOT PUBLICITY
PUBLICITY is part of the MARKETING

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STRATEGIC MARKETING 

happy móvil 

Example:

6. Set a position in the segment/market

Position of amena:

amena.com
sin límites, sin compromisos

	Per-minute Plans			Unlimited Plans		
	simyo	tuentí	MÁSMÓV L	yoigo	yoigo	amena
	Tarifa 0/s	Tarifa 9€	Tarifa Minúscula	Infinita 20	Infinita 25	Ilimitada 25
Coverage	Orange	Movistar	Orange	Yoigo	Yoigo	Orange
Fee	0,00 €	9,00 €	0,00 €	20,00 €	25,00 €	25,00 €
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Included Min	0	75	0	ilimitados	ilimitados	ilimitados
Destination numbers	-	-	-	300	300	150
Price per min	5	3	3,8	-	-	-
SMS price	9	8	7	10	10	0 (1.000)
Mb	750	1000	500	500	1000	2000
Passed limit speed	3	3	3	128 kbps	128 kbps	64 kbps

Position of happy móvil:

HABLA Y NAVEGA PLUS 0 A TODOS CENT/MIN : 1,5 GB 9 €/MES	HABLA Y NAVEGA 1GB 0 A TODOS CENT/MIN : 1 GB 3,45 €/MES	DON'T WORRY 0 A HAPPY CENT/MIN : 3,9 RESTO CENT/MIN 850 REGALO 8,8 €/MES	TARIFA FELIZ 0 A HAPPY CENT/MIN : 3,5 RESTO CENT/MIN 300 REGALO 4,9 €/MES
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*Price applied to the first 10 minutes. From the 10th minute 0,8cent / min

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Business Plan– 3rd Entrega. Exercises Unit 7 and 8

Fill in the word you have in Task 3 with the exercise we propose here about what you just studied :

4. Tactical level and functional areas implications

4.2 Marketing Policy

A solid Marketing Plan is considered to be the key to the success of companies.

a. Marketing Strategies

Define the potential market; make the segmentation indicating the criteria used to select the target segment composed by people who we consider our customers. Also determine the appropriate positioning for the product. (Unit 7)

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**Thank you very much
for your attention**

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