SMstudy® Guide

MARKETING STRATEGY

2017 Edition

A Comprehensive Guide to Marketing Strategy
PREFACE

The SMstudy® Guide (also referred to as a Guide to the Sales and Marketing Body of Knowledge, or SMBOK® Guide) is a comprehensive process-oriented framework for the planning and execution of activities associated with all facets of Sales and Marketing. It can be used as a reference source for experienced Sales and Marketing professionals or as a detailed guide for individuals or students with little prior Sales and Marketing knowledge or experience. The SMstudy® Guide can be applied in any organization or industry—from small companies with only a few employees to large, complex organizations with numerous business units, multiple product lines, and thousands of employees across many countries.

The SMstudy® Guide series consists of six books for all the aspects of Sales and Marketing: Marketing Strategy, Marketing Research, Digital Marketing, Corporate Sales, Branding and Advertising, and Retail Marketing. Each book addresses a key component of Marketing and can be used as a standalone resource or as part of a more comprehensive program that utilizes any number of the six books as required by the business. In this way the SMstudy® Guide series offers a flexible framework that can be tailored to address the specific needs of each organization.

This first book, Marketing Strategy, provides a framework for use in the planning and execution of the Marketing Strategy for a company’s products, services, and brands. In addition to offering tools for identifying the core strengths of the organization, models are offered for pinpointing specific needs and marketing opportunities for business growth. Tools for defining market segments, analyzing the competitive landscape, and establishing a differentiated positioning are also provided. Finally, pricing and distribution strategies are discussed followed by guidelines for establishing marketing objectives and key metrics for performance, and setting budgets and targets for other marketing aspects. All processes are discussed with an eye toward integration to ensure the development of a Marketing Strategy that is both comprehensive in scope and aligned with overall corporate goals.

Effective use of the Marketing Strategy framework is expected to lead to greater thought and deliberation in the planning and execution of Sales and Marketing initiatives. Further consideration and practical use of the processes and tools detailed in the SMstudy® Guide will in turn contribute to expanding and enriching the Sales and Marketing body of knowledge and consequently lead to future additions and enhancements to this framework.

I would like to thank the 42 co-authors, subject matter experts, and reviewers who greatly contributed to the creation of this body of knowledge. Their combined efforts and collaborations have resulted in a comprehensive, highly effective, and unique approach to understanding, planning, and implementing Sales and Marketing initiatives.

Tridibesh Satpathy
Lead Author, SMstudy® Guide Book 1(Marketing Strategy)
# TABLE OF CONTENTS

1. INTRODUCTION .................................................................................................................. 1
   1.1 How to Use the SMstudy® Guide? ...................................................................................... 2
      1.1.1 Process-Oriented Approach with Defined Inputs, Tools, and Outputs ....................... 2
      1.1.2 Using SMstudy® Guide with SMstudy.com Website and VMEdu® Mobile App ............ 2
      1.1.3 Certification Schema for SMstudy® Certifications ..................................................... 3
   1.2 Why Use the SMstudy® Guide? ......................................................................................... 5
   1.3 Evolution of Sales and Marketing .................................................................................... 7
      1.3.1 Barter System ............................................................................................................. 7
      1.3.2 Traditional Marketplace .............................................................................................. 7
      1.3.3 Seller's Marketplace .................................................................................................. 8
      1.3.4 Conventional Mass Media Marketing ......................................................................... 9
      1.3.5 Fragmented New-Age Marketing ............................................................................... 10
      1.3.6 Innovative Internet-Enabled Business Models ............................................................ 12
      1.3.7 Sales and Marketing as a Continuum ......................................................................... 14
   1.4 Corporate Strategy and its Relationship to Sales and Marketing ....................................... 16
   1.5 Aspects of Sales and Marketing ....................................................................................... 19
   1.6 Levels of Sales and Marketing Strategy ........................................................................... 22
      1.6.1 Focus on Product or Brand Level Marketing Strategy ................................................. 25
   1.7 Marketing Strategy Overview .......................................................................................... 26
      1.7.1 Analyze Market Opportunity ...................................................................................... 27
      1.7.2 Define Competition, Targeting, and Positioning ......................................................... 28
      1.7.3 Determine Pricing and Distribution Strategies ............................................................ 29
      1.7.4 Determine Metrics, Objectives, Marketing Aspects, and Budget Allocation ................. 31
2. ANALYZE MARKET OPPORTUNITY ................................................................................ 33
   2.1 Determine Strengths and Weaknesses ............................................................................ 35
      2.1.1 Inputs ......................................................................................................................... 36
      2.1.2 Tools .......................................................................................................................... 39
      2.1.3 Outputs ...................................................................................................................... 48
   2.2 Determine Opportunities and Threats .............................................................................. 50
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2.1</td>
<td>Inputs</td>
<td>51</td>
</tr>
<tr>
<td>2.2.2</td>
<td>Tools</td>
<td>53</td>
</tr>
<tr>
<td>2.2.3</td>
<td>Outputs</td>
<td>64</td>
</tr>
<tr>
<td>2.3</td>
<td>Define Market and Identify Market Segments</td>
<td>65</td>
</tr>
<tr>
<td>2.3.1</td>
<td>Inputs</td>
<td>66</td>
</tr>
<tr>
<td>2.3.2</td>
<td>Tools</td>
<td>67</td>
</tr>
<tr>
<td>2.3.3</td>
<td>Outputs</td>
<td>73</td>
</tr>
<tr>
<td>3.1</td>
<td>Define Competition</td>
<td>77</td>
</tr>
<tr>
<td>3.1.1</td>
<td>Inputs</td>
<td>78</td>
</tr>
<tr>
<td>3.1.2</td>
<td>Tools</td>
<td>80</td>
</tr>
<tr>
<td>3.1.3</td>
<td>Outputs</td>
<td>84</td>
</tr>
<tr>
<td>3.2</td>
<td>Select Target Segments</td>
<td>86</td>
</tr>
<tr>
<td>3.2.1</td>
<td>Inputs</td>
<td>87</td>
</tr>
<tr>
<td>3.2.2</td>
<td>Tools</td>
<td>89</td>
</tr>
<tr>
<td>3.2.3</td>
<td>Outputs</td>
<td>98</td>
</tr>
<tr>
<td>3.3</td>
<td>Create Differentiated Positioning</td>
<td>99</td>
</tr>
<tr>
<td>3.3.1</td>
<td>Inputs</td>
<td>100</td>
</tr>
<tr>
<td>3.3.2</td>
<td>Tools</td>
<td>104</td>
</tr>
<tr>
<td>3.3.3</td>
<td>Outputs</td>
<td>109</td>
</tr>
<tr>
<td>4.1</td>
<td>Determine Pricing Strategy</td>
<td>113</td>
</tr>
<tr>
<td>4.1.1</td>
<td>Inputs</td>
<td>115</td>
</tr>
<tr>
<td>4.1.2</td>
<td>Tools</td>
<td>117</td>
</tr>
<tr>
<td>4.1.3</td>
<td>Outputs</td>
<td>121</td>
</tr>
<tr>
<td>4.2</td>
<td>Determine Distribution Strategy</td>
<td>139</td>
</tr>
<tr>
<td>4.2.1</td>
<td>Inputs</td>
<td>138</td>
</tr>
<tr>
<td>4.2.2</td>
<td>Tools</td>
<td>141</td>
</tr>
<tr>
<td>4.2.3</td>
<td>Outputs</td>
<td>142</td>
</tr>
<tr>
<td>5.1</td>
<td>Determine Metrics</td>
<td>151</td>
</tr>
<tr>
<td>5.1.1</td>
<td>Inputs</td>
<td>152</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td>Page</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
<td>------</td>
</tr>
<tr>
<td>5.1.2</td>
<td>Tools</td>
<td>157</td>
</tr>
<tr>
<td>5.1.3</td>
<td>Outputs</td>
<td>181</td>
</tr>
<tr>
<td>5.2</td>
<td>Determine Objectives</td>
<td>182</td>
</tr>
<tr>
<td>5.2.1</td>
<td>Inputs</td>
<td>183</td>
</tr>
<tr>
<td>5.2.2</td>
<td>Tools</td>
<td>185</td>
</tr>
<tr>
<td>5.2.3</td>
<td>Outputs</td>
<td>188</td>
</tr>
<tr>
<td>5.3</td>
<td>Decide Marketing Aspects and Allocate Budget</td>
<td>190</td>
</tr>
<tr>
<td>5.3.1</td>
<td>Inputs</td>
<td>192</td>
</tr>
<tr>
<td>5.3.2</td>
<td>Tools</td>
<td>193</td>
</tr>
<tr>
<td>5.3.3</td>
<td>Outputs</td>
<td>197</td>
</tr>
<tr>
<td>APPENDIX A</td>
<td>CORPORATE STRATEGY</td>
<td>199</td>
</tr>
<tr>
<td>APPENDIX B</td>
<td>AUTHORS AND REVIEWERS OF THE SMOBK® GUIDE</td>
<td>257</td>
</tr>
<tr>
<td>REFERENCES</td>
<td></td>
<td>260</td>
</tr>
<tr>
<td>GLOSSARY</td>
<td></td>
<td>262</td>
</tr>
<tr>
<td>INDEX</td>
<td></td>
<td>289</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

Figure 1-1: SMstudy® Certification Schema ................................................................. 3
Figure 1-2: Evolution of Sales and Marketing Timeline ............................................... 7
Figure 1-3: Components of Corporate Strategy ............................................................. 17
Figure 1-4: Levels of Strategy ......................................................................................... 18
Figure 1-5: Aspects of Sales and Marketing ................................................................. 19
Figure 1-6: Relationship between Levels of Sales and Marketing Strategy ................... 22
Figure 1-7: Summary of the Marketing Strategy Processes ........................................... 26
Figure 1-8: Analyze Market Opportunity Overview ...................................................... 27
Figure 1-9: Define Competition, Targeting, and Positioning Overview ......................... 28
Figure 1-10: Determine Pricing and Distribution Strategies Overview ......................... 30
Figure 1-11: Determine Metrics, Objectives, Marketing Aspects and Budget Allocation Overview ................................................................. 31
Figure 2-1: Analyze Market Opportunity Overview ...................................................... 34
Figure 2-2: Determine Strengths and Weaknesses—Inputs, Tools, and Outputs .......... 35
Figure 2-3: BCG Growth-Share Matrix ........................................................................... 44
Figure 2-4: Determine Opportunities and Threats—Inputs, Tools, and Outputs ............ 51
Figure 2-5: Porter's Five Forces Model ........................................................................... 57
Figure 2-6: Define Market and Identify Market Segments—Inputs, Tools, and Outputs ........................................................................................................... 65
Figure 3-1: Define Competition, Targeting, and Positioning Overview ......................... 77
Figure 3-2: Identify Competition—Inputs, Tools, and Outputs ....................................... 78
Figure 3-3: Select Target Segments—Inputs, Tools, and Outputs .................................. 86
Figure 3-4: Market Segment Attractiveness Matrix ....................................................... 89
Figure 3-5: Create Differentiated Positioning—Inputs, Tools, and Outputs ................. 99
Figure 4-1: Determine Pricing and Distribution Strategies Overview ............................ 114
Figure 4-2: Determine Pricing Strategy—Inputs, Tools, and Outputs ............................ 116
Figure 4-3: Example of an Experience/Learning Curve for a Product ......................... 127
Figure 4-4: Determine Distribution Strategy—Inputs, Tools, and Outputs ................. 139
Figure 4-5: Break-Even Analysis .................................................................................. 146
Figure 4-6: Comparing Profitability of Different Channels at Different Revenue Levels ........................................................................................................... 147
Figure 5-1: Determine Metrics, Objectives, and Budget Allocation Overview ............... 151
Figure 5-2: Metrics at Different Company Levels ......................................................... 154
Figure 5-3: Determine Metrics—Inputs, Tools, and Outputs ......................................... 154
Figure 5-4: Product Life Cycle ....................................................................................... 158
Figure 5-5: SMART Framework for Determining Metrics ........................................... 162
Figure 5-6: Determine Objectives—Inputs, Tools, and Outputs ................................... 182
Figure 5-7: SMART Framework for Determining Objectives ....................................... 187
Figure 5-8: Decide Marketing Aspects and Allocate Budget—Inputs, Tools, and Outputs ........................................................................................................... 191
Figure A-1: Levels of Strategy ...................................................................................... 200
Figure A-2: Corporate Strategy Overview ..................................................................... 202
Figure A-3: Senior Management Direction and Insights—Inputs, Tools, and Outputs ................................................................. 203
Figure A-4: Product Strategy vs. Innovation..................................................................................210
Figure A-5: Product Strategy—Inputs, Tools, and Outputs..........................................................211
Figure A-6: GE-McKinsey Matrix ...............................................................................................215
Figure A-7: BCG Advantage Matrix ............................................................................................217
Figure A-8: Marketing Strategy—Inputs, Tools, and Outputs ......................................................220
Figure A-9: Operations Strategy—Inputs, Tools, and Outputs.....................................................230
Figure A-10: Product–Process Matrix ..........................................................................................235
Figure A-11: Finance Strategy—Inputs, Tools, and Outputs ......................................................239
Figure A-12: Decision Tree Analysis ...........................................................................................245
Figure A-13: Human Resources Strategy—Inputs, Tools, and Outputs .....................................248
Figure A-14: Gap Analysis .........................................................................................................253
1. INTRODUCTION

A Guide to the SMstudy Sales and Marketing Body of Knowledge (SMBOK® Guide), also referred to as the “SMstudy® Guide,” is a series of books that provide guidelines for the Sales and Marketing of products and services. It offers a comprehensive framework that can be used to effectively manage Sales and Marketing efforts in any organization. The objective of the SMstudy® Guide is to provide a practical and process-oriented approach to Sales and Marketing that emphasizes how various elements of Sales and Marketing can be integrated to develop a comprehensive and effective organizational Sales and Marketing Plan.

The concepts in the SMstudy® Guide can be applied effectively to any company in any industry—from small companies with only a few employees to large, complex organizations with numerous business units, multiple product lines, and thousands of employees across many countries. The term “product” in the SMstudy® Guide may refer to either a product or a service of a company.

This introduction chapter includes definitions of key terms, the purpose and framework of the SMstudy® Guide, the SMstudy® certification schema, the evolution of Sales and Marketing, an overview of the Aspects of Sales and Marketing discussed throughout the SMstudy® Guide, and a general overview of the contents of this first book on Marketing Strategy. This chapter also briefly discusses Corporate Strategy and its relationship to Sales and Marketing. The appendix provides a more detailed description of Corporate Strategy and how Senior Management Direction and Insights integrates with five underlying corporate strategies, namely, Corporate Product Strategy, Corporate Marketing Strategy, Corporate Operations Strategy, Corporate Finance Strategy, and Corporate Human Resource Strategy.

This chapter is divided into the following sections—

1.1 How to Use the SMstudy® Guide?

1.2 Why Use the SMstudy® Guide?

1.3 Evolution of Sales and Marketing

1.4 Corporate Strategy and its Relationship to Sales and Marketing

1.5 Aspects of Sales and Marketing

1.6 Levels of Sales and Marketing Strategy

1.7 Marketing Strategy Overview
1.1 How to Use the SMstudy® Guide?

The SMstudy® Guide can be used as a reference and knowledge guide by experienced Sales and Marketing practitioners, as well as by persons with little prior knowledge or experience in Sales or Marketing roles. Because the SMstudy® Guide offers a comprehensive Sales and Marketing framework, many will find value in using this resource to guide decision making and planning across all facets of Sales and Marketing; however, the contents of the Guide are organized to enable quick and easy reference for individuals who may be interested in, or studying, only one or two specific facets of Sales or Marketing. Similarly, the SMstudy® Guide provides a valuable tool for individuals already in distinct Sales or Marketing roles (e.g., Digital Marketing Manager), as its design enables such individuals to focus on the specific Aspects that are most relevant to such roles.

1.1.1 Process-Oriented Approach with Defined Inputs, Tools, and Outputs

In order to facilitate the best application of the SMstudy® Guide framework, the SMstudy® Guide defines a process-oriented approach to Sales and Marketing, which provides specific guidance to Sales and Marketing professionals about how to most effectively and efficiently manage their sales and marketing activities. The SMstudy® Guide defines Sales and Marketing in terms of processes that comprise a series of actions that leads to a particular result. Each process requires specific inputs and then uses tools to create specific outputs. To cater to the needs of a diverse audience with varying levels of expertise in Sales and Marketing, the SMstudy® Guide has differentiated highly recommended inputs, tools, and outputs from recommended, but optional ones. Inputs, tools, and outputs denoted by asterisks (*) are highly recommended, while others with no asterisks are recommended, but optional. It is suggested that those individuals being introduced to Sales and Marketing focus primarily on the highly recommended inputs, tools, and outputs for each process, while more experienced practitioners should thoroughly understand all of the relevant inputs, tools, and outputs for each process.

1.1.2 Using SMstudy® Guide with SMstudy.com Website and VMEdu® Mobile App

The SMstudy.com website and the VMEdu® mobile app provide additional resources to help individuals better understand and apply the Sales and Marketing framework defined in the SMstudy® Guide. The website and app include the following—

- A certification schema, which helps students study marketing subjects in a structured manner, get tested on relevant concepts through proctored certification exams, and gain relevant certifications, which demonstrate their knowledge and experience in different areas of Sales and Marketing (see section 1.1.3 for a description of the certification schema)
- High-quality videos with relevant and interesting examples that help individuals gain a thorough understanding of specific concepts.

• Case studies that illustrate how the SMstudy® Guide framework can be used in real-life scenarios.
• Additional resources for students to obtain expert training through physical classrooms, virtual instructor-led sessions, and high-quality online courses.
• A glossary of terms, flashcards, study guides, and more.

### 1.1.3 Certification Schema for SMstudy® Certifications

The certifications related to the SMstudy® Guide are managed by SMstudy.com. The certification schema is outlined in Figure 1-1.

![Figure 1-1: SMstudy® Certification Schema](image)

The following is a brief description of each level of certification—

- **Associate Level Certifications**—The introduction modules are available at no charge to interested individuals. All Aspects of Sales and Marketing have an applicable Associate-level certification (e.g., “SMstudy® Certified Marketing Strategy Associate”). The certification exams are free and not proctored; and candidates have one hour to complete each exam. The prerequisite is an understanding of the highly recommended inputs, tools, and outputs for each process relevant to the particular Aspect of Sales and Marketing. There is no work experience requirement and no mandatory educational hours in addition to the recommended study.
• **Professional Level Certifications**—All Aspects of Sales and Marketing have an applicable Professional-level certification (e.g., “SMstudy® Certified Marketing Strategy Professional”). The certification exams are proctored and candidates have two hours to complete each exam. The prerequisite is a study of the relevant SMstudy® Guide book with more emphasis on the highly recommended inputs, tools, and outputs for each process relevant to the particular Marketing Aspect. There is no work experience requirement and no mandatory educational hours in addition to the recommended study. Individuals who pass the certification exams for three or more Professional modules are awarded an additional certification called “SMstudy® Certified Sales and Marketing Professional.”

• **Specialist Level Certifications**—All Aspects of Sales and Marketing have an associated Specialist-level certification (e.g., “SMstudy® Certified Marketing Strategy Specialist”). The certification exams are proctored and candidates have three hours to complete each exam. The prerequisites are a study of all of the relevant inputs, tools, and outputs for each process, three years of related work experience, and twenty mandatory educational hours. Individuals who pass the certification exams for three or more Specialist modules are awarded an additional certification called “SMstudy® Certified Sales and Marketing Specialist.”

• **Expert Level Certifications**—All Aspects of Sales and Marketing have an associated Expert-level certification (e.g., “SMstudy® Certified Marketing Strategy Expert”). The certification exams are proctored and candidates have four hours to complete each exam. The prerequisites are attaining the Specialist level certification for that specific Aspect, a study of all of the relevant inputs, tools, and outputs for each process, five years of related work experience, forty mandatory educational hours, and recommendations from two peers and a manager. Individuals who pass the certification exams for three or more Expert modules are awarded an additional certification called “SMstudy® Certified Sales and Marketing Expert.”

Other than the certifications mentioned above, SMstudy offers additional certifications in fields related to Sales and Marketing such as Affiliate Marketing, E-mail Marketing, Search Engine Optimization, Search Marketing, Social Media and Web Analytics. Information about these certifications is available in the SMstudy.com website.
1.2 Why Use the SMstudy® Guide?

Some of the key benefits of using the *SMstudy® Guide* are as follows—

1. **Consolidated Expertise**—The *SMstudy® Guide* is developed by VMEdu, Inc., a global certification course provider that has educated over 400,000 students world-wide in more than 3,500 companies. It provides practical, industry-proven best practices, rather than purely theoretical advice.

2. **Process-Oriented Approach**—The *SMstudy® Guide* explains Sales and Marketing concepts through a practical, process-oriented approach. This helps Sales and Marketing professionals understand the specific processes they should follow to be effective in their Sales and Marketing roles. Each process has associated inputs, tools, and outputs that are recommended for use. Highly recommended inputs, tools, and outputs are noted with an asterisk (*) beside the concept in each process box and then again when each process is discussed throughout that section.

3. **Applicable to All Industries**—The many authors, advisers, and reviewers of the *SMstudy® Guide* have worked in numerous Sales and Marketing areas and geographic regions across a variety of industries. Thus, insights provided by them make this body of knowledge industry independent.

4. **Applicable to Companies of All Sizes**—The *SMstudy® Guide* has been written to meet the needs of all companies regardless of size. Small start-up companies with fewer than ten employees, or large organizations with several thousand employees and multiple product lines and business units, can equally benefit from the information in this guide. Additionally, the content provided in the *SMstudy® Guide* is highly relevant to for-profit and non-profit organizations alike.

5. **Comprehensiveness**—The *SMstudy® Guide* is organized into six Sales and Marketing Aspects: Marketing Strategy (MS), Marketing Research (MR), Digital Marketing (DM), Corporate Sales (CS), Branding and Advertising (BA), and Retail Marketing (RM). Each Aspect is detailed in a separate book. Taken together, the series provides a comprehensive and complete understanding of Sales and Marketing. The concepts covered in the *SMstudy® Guide* are further reinforced through videos and case studies available at SMstudy.com.

6. **Applicable to Beginners and Experts**—The *SMstudy® Guide* presents recommended concepts that beginners should know and also highlights advanced concepts for individuals who have more experience and who are on their way to becoming experts in the field. Readers can decide which of the six Sales and Marketing Aspects are most relevant to them and select from the available books accordingly.

7. **Alignment with Job Roles**—The Aspects included in the *SMstudy® Guide* are organized to align with the most common or typical job roles or career fields of Sales and Marketing.
8. **Continuous Improvement**—Concepts related to Sales and Marketing continue to evolve; therefore, the *SMstudy® Guide* will be continuously reviewed and updated to ensure that it remains relevant.
1.3 Evolution of Sales and Marketing

Since Sales and Marketing has evolved significantly over time, it is important to present a high-level overview of the history of the subject in order to understand and appreciate its relevance in the world today.

Figure 1-2 depicts the timeline for the Evolution of Sales and Marketing.

![Figure 1-2: Evolution of Sales and Marketing Timeline]

### 1.3.1 Barter System

More than a thousand years ago, when coins and other forms of money were not yet popular, the typical and most common way people procured their products or services was through the barter system—the direct exchange of goods or services without the use of money. For example, a farmer might exchange some of his harvest with a carpenter for some wooden furniture. Sales and Marketing with the barter system is dependent on having access to the appropriate persons with whom things can be exchanged for mutual value to both parties.

Barter continues to be used today—people and countries still exchange some goods and services without the use of money. The barter system may replace money in times of monetary crisis, when the usual exchange currency is unavailable, or when currency is unstable (e.g., due to high inflation).

**Examples of Barter System:**

- A tradesperson, such as a carpenter or electrician, operating his or her own business, might provide services free of charge to his or her accountant in exchange for professional accounting services.

- Today, many websites provide a space for individuals to offer goods for bartering purposes. An individual planning to recolocate to a crowded downtown location might offer his or her car in exchange for a more appropriate vehicle for downtown transportation, such as a motorcycle or a scooter.
1.3.2 Traditional Marketplace

Five hundred to thousand years ago, coins and other forms of money started becoming popular as a medium of exchange between people. This led to the creation of the traditional marketplace where producers, such as farmers, craftsmen, and carpenters, create products, stay in their shop with their wares, and shout out to a crowd of potential customers in the marketplace in order to promote and sell their products.

Traditional marketplaces are usually small markets where price negotiations and other decisions related to sales are made quickly—often by one or two persons. There may be significant flexibility regarding discounts and additional product benefits. The focus is more on short-term gains and less on long-term transactions and relationships. There is negligible branding and advertising; rather the objective is to sell what has been produced.

Example of the Traditional Marketplace—

- The traditional marketplace is still in use today, in some cases, under unique labels such as the bazaars of Turkey, the haats of India, the floating markets in Thailand, the wet markets in Hong Kong, the flea markets in Germany, the souks of the Middle East, the farmers’ markets in the US, and the tianguis of Mexico.

1.3.3 Seller’s Marketplace

The Industrial Revolution in the eighteenth and nineteenth centuries marked a shift to mass production in factories (e.g., textile manufacturing). During this time, transportation infrastructure improved significantly with inventions such as the steam engine and more efficient ships. The banking system was further developed and the exchange of money became easier. Communication was also substantially improved through the development of the postal system and the use of telegraphs. Furthermore, goods were produced more efficiently and economically in factories and could be sold to a wider market. This created the seller’s marketplace.

The main objective of the seller’s marketplace is to establish a supply chain to procure products, and then establish a distribution channel to sell the products to a wide variety of customers, often referred to as “mass marketing.” Emphasis on branding and advertising is minimal in a seller’s marketplace.
1.3.4 Conventional Mass Media Marketing

In the twentieth century, as the number of manufacturers or industries for specific products grew, consumers had the option to buy from multiple manufacturers. Unlike a seller’s marketplace where sellers have the advantage over customers, mass media marketing features multiple manufacturers, thus shifting the balance of power in favor of consumers. Manufacturers created differentiated perceptions for their products by developing brands or names for their specific products or services with a specific message or positioning. They also began advertising their products or brands for a wider reach.

Primary channels used for mass media marketing are print advertising (newspapers, magazines, inserts, or run of paper), mass mailers (flyers, postcards), television (network, cable, or syndication), radio (national, local, satellite, or podcast), and outdoor advertising (billboards, bus shelters, stadiums). The viable channels for conventional mass media marketing may be restricted in some instances (i.e., some channels may be cost prohibitive or simply unavailable in some markets); however, a company can reach a wide segment of consumers using one or more channels effectively. For example, a business may choose to use only newspaper advertising and mass mailers to advertise the launch of a new business. It is also important to note that identifying the revenue generated from mass media marketing spend can help assess the success or failure of specific mass media marketing campaigns.

The objective of conventional mass media marketing is for organizations to create strong brands and differentiated brand perceptions so that consumers will desire and purchase their products rather than those available from competitors. Thus, mass media marketing usually uses cumulative repetition over time to influence consumer attitudes and purchase actions. Mass media marketing also involves creating distribution channels and appropriate pricing and positioning strategies to ensure that desirable products are available to customers at specific price points.
In recent years, some of these companies have decreased their budgets for conventional mass media marketing, and have in turn increased allocations towards fragmented new-age marketing and/or innovative Internet-enabled business models. One of the key drivers for this change is the fact that consumers generally spend significantly more time online (i.e., using computers, tablets, and cell phones) than they used to, so targeting them through conventional mass media marketing would be sub-optimal.

**Example of Conventional Mass Media Marketing**—
- Conventional mass media marketing continues to be used today, particularly by companies with established brands with relatively high marketing budgets and a broad target market. Companies such as PepsiCo, Coca-Cola, Procter & Gamble, Unilever, McDonald’s, and Walmart, continue to primarily use mass media marketing for marketing their products and brands.

### 1.3.5 Fragmented New-Age Marketing

In recent times, the media has become increasingly fragmented with several hundred television and radio channels, as well as a large variety of print media, including newspapers, magazines, and trade publications. Moreover, since the late nineteen nineties, with the increasing popularity of the Internet and, more recently, smartphones, many options now exist for advertisers to reach a global audience using digital media marketing methods such as cell phone apps, Google, Facebook, Twitter, LinkedIn, YouTube, QR codes, gamification, and proximity marketing (e.g., Foursquare). With all of these options, many marketers find it beneficial to use an integrated approach to marketing by leveraging the strengths of various types of media. Companies must evaluate all media in terms of who the target audience is and what media resonates with them best. In many cases, assumptions will need to be made and incorporated into the media-testing framework (e.g., for each planning period a company might allocate a certain amount of its marketing budget to test new methods).

Some characteristics of fragmented new-age marketing are as follows—

- It is a fact that people now spend more time on the Internet using smartphones, tablets, or computers than they spend through conventional mass media, such as television, radio, or newspapers. This is especially true for the thirty-year-old and younger market segment. Since Sales and Marketing is most successful when it meets the demands of consumers, this change in consumer preferences is significantly altering the Sales and Marketing landscape for established companies. Businesses are discovering that conventional mass media marketing has limited effectiveness and some customer segments are not even reachable using these traditional media forms.
• Fragmented new-age marketing generally supports new, small brands with much smaller budgets targeted directly to customers in a global marketplace. This represents a significant distinction from conventional mass media marketing, where achieving a global reach for a small company may have been prohibitively expensive.

• While mass media marketing is less targeted and primarily focused on affecting emotional attitudes about the brand, new-age marketing is data-driven and more focused on driving specific calls to action. Also, while mass media marketing typically involves interruption (e.g., people watching a television program which is "interrupted" by an advertisement), new-age marketing is about engagement (e.g., offering relevant content that is of value to people).

• Unlike older media options where Sales and Marketing communications were primarily uni-directional (i.e., from producers to end-consumers), communications have increasingly become multi-directional (i.e., from producers to consumers, consumers to producers, and consumers to consumers). For example, there are multiple rating websites available where customers can provide independent ratings of a company’s products or services, and others, including the company itself, can respond or elaborate on these ratings. Although generally a benefit to both producers and consumers, this trend can make brand management challenging for companies if actual or potential customers perceive that a product does not reflect the brand message intended by marketing efforts.

• Due to the nature of new-age marketing, consisting of multiple media forms and the ability to generate significant information, huge amounts of data (commonly referred to as “big data”) are now available to companies. The ability to process this data through proper marketing analytics, and assimilate such data to generate valuable insights, can become a significant differentiator for ensuring that companies engage in “smart marketing” (i.e., to generate greater revenues with relatively smaller marketing budgets).
Innovative Internet-Enabled Business Models

The growing popularity of the Internet, smartphones, and digital media provide opportunities for a company to not only use fragmented new-age marketing effectively to promote existing products, but also to come up with innovative business models where product demo, customer acquisition, and order fulfillment can also take place online.

Innovative business models may include the following—

- **Online Marketplaces**—Several e-commerce companies have created global online marketplaces for selling books, consumer goods, and other products. In such business models, customer acquisition is usually initiated through the company’s website. The company coordinates with its multiple suppliers to source products; samples, demos and product reviews are provided on the website; customers make their purchases online; and items are shipped directly to customers.
1 – INTRODUCTION

**Examples of Online Marketplaces**—

- Book publishing and retail businesses, which historically gained much success using traditional business models, have been significantly affected by the advent of online marketplaces such as Amazon, eBay, Alibaba, and Flipkart.
- Online payment processors such as PayPal, Stripe, Braintree, and Google Wallet have simplified the way in which payments can be processed by businesses, and have enabled even small start-up companies to sell their products globally.

**Online Services**—Online services have significantly impacted many traditional product and service industries by transforming existing business models and creating new ways to conduct business.

**Examples of Online Services**—

- Global Positioning Systems (GPS) and online maps have made physical maps redundant.
- Online learning tools have gained popularity and, at times, can complement or even replace physical classroom training.
- The gaming industry has transformed predominantly to the online community with options for participants to play against opponents from various locations.
- Many travel bookings are now made through online travel portals rather than through traditional travel agencies.

**Online Networking**—The Internet has made the world a smaller place. People can now have access to their networks at all times. These changes have significantly impacted the way in which people communicate with each other and, in turn, have created new possibilities for innovative business models.

**Examples of Online Networking**—

- Social media channels such as LinkedIn, Twitter, WhatsApp, Facebook, and Google+, have significantly changed the way in which people communicate with each other.
- Online search engines such as Google, Yahoo, and Bing make it easy to find information and locate businesses globally.
- Internet calling, messaging, and conferencing apps such as Skype, WhatsApp, Viber, and WebEx have made communicating across almost any location much easier and more economical than before.
- **Business Models Using Smartphones**—Smartphones are Internet-enabled cell phones that also allow people to have an ongoing connection to the Internet. Since individuals usually carry their smartphones with them, mobile apps are becoming increasingly popular. Innovative business models based on the use of smartphones can disrupt several existing business models—more so in industries that rely on other forms of communications and networking.

### Examples of Business Models Using Smartphones—

- Several airlines and travel portals have mobile apps to facilitate the ability to book flight tickets using smartphones.
- Social media channels such as Instagram, Twitter, Facebook, and LinkedIn provide mobile apps that enable users to easily share photos and updates, or chat with friends.
- Some mobile apps allow users to locate nearby restaurants, read reviews, and also post reviews based on their own experience.
- Banking mobile apps allow customers to view their bank account balances, transfer funds, pay bills, and complete other common banking activities.
- Smartphones can be used to scan QR codes used for various marketing purposes.

### 1.3.7 Sales and Marketing as a Continuum

It is important for us to note that the fact that we are in the twenty-first century does not make all the earlier avenues of Sales and Marketing obsolete. Some companies marketing consumer goods continue to spend a significant proportion of their marketing budget on conventional mass media marketing. In some cases a seller’s marketplace continues to be the reality for certain commodities that have a limited number of producers, or where the production is highly regulated by the government or controlled by monopolies or duopolies. Similarly, in some regions or countries, traditional marketplaces continue to flourish.

Rather than viewing the changes as completely replacing the earlier practices, Sales and Marketing approaches should be viewed as a continuum where recent innovations can co-exist with earlier practices. It is the responsibility of a company’s Sales and Marketing teams to make the strategic decisions that will work best to achieve the desired outcomes, given the reality of the markets and particular consumer preferences.

Sales and Marketing students, who read material on the subject, often find it confusing because authors offer varied perspectives that may be difficult to assimilate and comprehend in the present day. Each author’s perspective can also vary depending on when the material was written (i.e., where he or she was on the Sales and Marketing timeline), his or her individual or industry preferences and experiences, and other factors. Conversely, the concepts covered in this Sales and Marketing Body of Knowledge (SMstudy® Guide) are not limited to the perspective of any particular author or industry. The SMstudy® Guide was developed by VMEdu, Inc., a professional education provider which has educated over 400,000 students.
world-wide in more than 3,500 companies. The fifty plus authors, advisors, and reviewers of this book have worked in multiple marketing environments and geographic regions across an eclectic variety of industries. Thus, the insights provided in this book provide a comprehensive detail of the principles and concepts related to Sales and Marketing. It also articulates an action-oriented process approach that can be used by Sales and Marketing practitioners to gain a better understanding of the subject, and then construct a comprehensive and effective Sales and Marketing Strategy for the company, including all relevant Aspects of Sales and Marketing.
1.4 Corporate Strategy and its Relationship to Sales and Marketing

Corporate Strategy is the overall direction of the company (as defined by senior management) that takes into consideration an assessment of the existing capabilities of the company and external opportunities and threats. Corporate Strategy usually coincides with the immediate future fiscal period or it could be developed with a longer-term view (e.g., a three-year plan). It is important to understand the overall Corporate Strategy and its relationship to Sales and Marketing because the Marketing Strategy works within the direction provided by the overall Corporate Strategy of the company, and also interacts with other elements of the Corporate Strategy.

Corporate Strategy is a combination of the following—

1. **Senior Management Direction and Insights**—This is provided by senior management based on their experience and insights related to the business.

2. **Corporate Product Strategy**—This defines the products or services the company offers, and the research and development (R&D) efforts required to create them.

3. **Corporate Marketing Strategy**—This defines how the company will target, position, market, and sell the planned products, and defines metrics, targets, and budgets for all marketing activities.

4. **Corporate Operations Strategy**—This defines how the company will manage operational activities, manufacture its products (or provide services), and provide the corresponding customer support and warranty.

5. **Corporate Finance Strategy**—This defines how the company will manage its finances, attain funding, and financially sustain its operations. The Finance Strategy should include forecasts and projections and summarize costs, income, and investments.

6. **Corporate Human Resource Strategy**—This maps the human resource capabilities within the company and considers talent management and acquisition needs to sustain growth.
Figure 1-3 shows the components of Corporate Strategy.

![Diagram: Corporate Strategy Components](image)

Figure 1-3: Components of Corporate Strategy

Typically, companies have existing documentation regarding their Corporate Product Strategy, Corporate Marketing Strategy, Corporate Operations Strategy, Corporate Finance Strategy, and Corporate Human Resource Strategy; these must be considered in an integrated manner to define a coherent Corporate Strategy. The level and complexity of documentation for these strategies may vary depending on the size of the company and the breadth of its product portfolio and geographic reach. If formal documentation of these strategies is not available (e.g., as with a start-up company), the teams involved in strategic planning should consider the various strategies using the SMstudy® Guide framework and decide on an overall Corporate Strategy, which can then become a benchmark to execute future plans.

Finalizing the company’s Corporate Strategy can be a time-consuming and rigorous exercise that requires inputs from multiple stakeholders, particularly senior management. It is advisable to execute strategic planning exercises at appropriate and specific time intervals (e.g., once or twice a year), and then finalize a Corporate Strategy on which senior management and the heads of strategy teams agree. Following this process will help to ensure that the leadership team has coherently defined goals and strategies that align with the overall strategic goals of the organization.

Corporate Strategy can in turn be further divided into lower level strategies depending on the complexity of the organization. For example, the Corporate Strategy for an entire company can be divided into strategies for each business unit or geographic region (e.g., country, state, or city), and then subdivided further into a Product or Brand Strategy for each product or brand in a business unit or geographic region. The Product or Brand Strategy is the lowest level in this hierarchy.
Figure 1-4 illustrates the relationship between Corporate Strategy, Business Unit/Geographic Strategy, and Product/Brand Strategy.

![Figure 1-4: Levels of Strategy](image)

Additional information about Corporate Strategy is available in appendix A.
1.5 Aspects of Sales and Marketing

The SMstudy® Guide describes six Aspects of Sales and Marketing as follows—

1. Marketing Strategy (MS)
2. Marketing Research (MR)
3. Digital Marketing (DM)
4. Corporate Sales (CS)
5. Branding and Advertising (BA)
6. Retail Marketing (RM)

Since the SMstudy® Guide is geared towards Sales and Marketing professionals or those who desire to work in this field, the six Aspects are based on the six most common and often distinct career fields related to Sales and Marketing. Figure 1-5 illustrates the six Aspects of Sales and Marketing and how they interact with each other.

![Figure 1-5: Aspects of Sales and Marketing](image-url)
The two marketing Aspects that are shown in dotted lines at the top of Figure 1-5 (i.e., Marketing Strategy and Marketing Research) are referred to as “Essential Marketing Aspects.” Both of these Aspects are mandatory and should be used to define, measure, and provide direction for the overall marketing efforts of a company.

The four remaining Aspects (i.e., Digital Marketing, Corporate Sales, Branding and Advertising, and Retail Marketing) are referred to as “Optional Marketing Aspects” because one or more of them could be used by a company to reach its marketing goals and, in some instances, not all are applicable. For example, a small company creating phone apps or online games may decide to solely use Digital Marketing; another company manufacturing heavy equipment may use only Corporate Sales; and a large consumer goods company or global fashion chain may decide to use all four Optional Marketing Aspects to reach its marketing goals.

Marketing Strategy (MS), which is the focus of this book, describes how the Aspect of Marketing Strategy aligns with a company’s overall Corporate Strategy and acts as a unifying framework to define and analyze the other Aspects of Sales and Marketing. It also supports the alignment of all marketing resources among all Aspects. Marketing Strategy includes determining internal organizational strengths and weaknesses, as well as external opportunities and threats; identifying and segregating prospective buyers into market segments based on common needs; defining competitive positioning to satisfy specific customer needs; creating pricing and distribution strategies; and defining the metrics, objectives and corresponding budgets for implementation, evaluation, and improvement of all marketing activities.

Marketing Research (MR) explains the concepts of Marketing Research and provides a framework to conduct marketing research and to analyze Sales and Marketing data. It also demonstrates how marketing research findings can help the marketing team conceptualize and finalize product features and other components of a company’s Marketing Strategy. In addition, Marketing Research discusses assessment tools that can be used to measure factors that can help drive better corporate decision making, and in turn more decisive marketing actions. Marketing Research can be conducted for any other Aspect of Sales and Marketing. It is commonly used to test multiple marketing hypotheses in order to better understand consumer behavior, finalize product features, define metrics for measuring marketing efforts, and track and improve marketing activities.

Digital Marketing (DM) includes all marketing activities that use electronic devices connected to the Internet to engage with customers (e.g., computers, tablets, smartphones). These include activities related to creating and managing effective websites and mobile apps as well as promoting a company’s products and brand through various online channels that help meet marketing objectives. Some of the tools pertaining to Digital Marketing include Search Engine Optimization, Search Engine Marketing, Mobile Device Marketing, Social Media Marketing, and E-mail Marketing. This Aspect also demonstrates how an effective Digital Marketing Strategy can be a force multiplier for the other Sales and Marketing Aspects.
Corporate Sales (CS) outlines the best practices and processes to be followed for effective business-to-business (B2B) sales. It provides guidance on activities related to building strong business relationships; successfully working with other businesses to help them see the value in the company's products and services; understanding procurement management; conducting effective negotiations with other organizations; and ensuring leads generation, qualification, follow-up, and other related activities. It also emphasizes how corporate sales should interface with the other Sales and Marketing Aspects.

Branding and Advertising (BA) includes concepts of product branding, consumer behavior, marketing communication, and public relations. Branding is the process of creating a distinct image of a product or range of products in the customer's mind. This image communicates the promise of value the customer will receive from the product or products. Branding should remain consistent across all channels of communications with the customer. Advertising is defined in the SMstudy® Guide as any paid form of non-personal communications to existing and potential customers that promote the company's products through all types of media—such as radio, television, and print. Internet advertising is discussed in the book on Digital Marketing.

Retail Marketing (RM) presents concepts of all marketing activities related to persuading the end customer to purchase a company's products at a physical retail outlet or store, and efficiently managing the supply chain and distribution channels to improve the reach and sales for a company's products. This Aspect also discusses how Retail Marketing interfaces with the other Sales and Marketing Aspects.
1.6 Levels of Sales and Marketing Strategy

The Corporate Marketing Strategy, which is a component of the overall Corporate Strategy, is further divided into various Business Unit or Geographic Strategies, which in turn is further divided into particular Product or Brand Strategies for each product or brand. Figure 1-6 illustrates the relationship between Corporate Marketing Strategy, Business Unit/Geographic Marketing Strategy, and Product/Brand Marketing Strategy.

The Corporate Marketing Strategy is defined at a corporate level. It defines the overall marketing goals for the company. These general marketing goals drive more specific marketing strategies for each of the company’s business units or geographies. Each business unit or geography in turn defines its own goals, which are relevant inputs for each area’s particular Product or Brand Marketing Strategies. Each Product or Brand Marketing Strategy (also referred to as ‘Marketing Strategy’ in the SMstudy® Guide) defines Sales and Marketing objectives for each product or brand, which drive specific tactics that align with and often rely on other Marketing Aspects (i.e., Marketing Research, Digital Marketing, Corporate Sales, Branding and Advertising, and Retail Marketing).
Example of Levels of Sales and Marketing Strategy—

Global Automobile Company

- **Corporate Level**—A global automobile company specializing in manufacturing luxury automobiles has a corporate goal to grow the revenue of the company by 8% in the upcoming year by launching new models of cars in its existing locations and entering new market segments.

- **Business Unit/Geographic Level**—The automobile company has been organized into multiple business units based on geographies where it conducts business. Each business unit has business unit goals that contribute to the company’s overall corporate goals. The business unit goals for next year are 5% growth in revenue in the United States, 10% growth in China, 4% growth in the United Kingdom, 12% growth in India, and 6% growth in Germany.

- **Product/Brand Level**—To meet the 10% revenue growth target in China, the marketing team in China plans strategies for the three existing brands in the market (i.e., ‘Ceres,’ ‘Pallas,’ and ‘Vesta’) and also plans to launch a new brand, ‘Juno.’ Each brand targets a different customer segment. Ceres is an entry-level sedan, targeted at working professionals who aspire to have a luxury car; Pallas is a minivan, primarily targeted at families with children; Vesta is a four-wheel drive sport-utility vehicle for individuals who want both on- and off-road capability and to still be able to go on long drives; the new brand, Juno is a convertible that the Chinese business unit plans to target at young persons who want a stylish and fun car.

Each brand team creates a Marketing Strategy for its brand. When creating the Marketing Strategy, the team considers the strengths, weaknesses, opportunities, and threats for the brand; defines the market and identifies the different market segments; identifies the brand’s competition; finalizes the target market segment for the brand; analyzes the target market to create a differentiated positioning for the brand; and then finalizes the pricing and distribution strategies. Each team then determines the appropriate metrics and objectives that will help reach the team’s growth target, and a budget is allocated to each Marketing Aspect. Juno’s key metric is sales and its main objective is to sell 25,000 cars in the Chinese market the year after the vehicle is released. The Marketing Strategy team for Juno decides to use Digital Marketing, Branding and Advertising, and Retail Marketing to reach out to its target market segment. Juno’s product strategy team sets a budget of $1 million for Digital Marketing to sell 3,000 cars, $10 million for Branding and Advertising to sell 10,000 cars, and $15 million for Retail Marketing to sell 12,000 cars.

- **Marketing Aspect Level**—The metrics, objectives, and budgets allocated to each of the Marketing Aspects become inputs for those Aspects. For example, the Digital Marketing team may decide to create a high-quality website with their budget of $1 million with an objective of selling 3,000 cars.
Example of Levels of Sales and Marketing Strategy—

Land Development Company

- **Corporate Level**—A land development company wants to grow to be among the top three land development companies in its state.

- **Business Unit/Geographic Level**—The land development company operates two business units: Residential and Retail. A goal of the Residential Business Unit is to grow that unit by 12% within one year; a goal of the Retail Business Unit is to grow that unit by 10% within the same time period.

- **Product/Brand Level**—Within the Residential Business Unit, the company sells three products: Condominiums, Town homes, and Singles. The Singles Product Marketing Strategy identifies an objective to grow the sale of single units by 15%. To achieve this objective, the teams responsible for building strategy within the various Aspects of Marketing establish specific objectives that are designed to support the overall product objectives and to align with one another.

- **Marketing Aspect Level**—The Company’s greatest strength is the fact that it is an award-winning leader in ‘green’ sustainable development. Therefore, the Branding and Advertising team builds specific tactics that incorporate an increase in reach of its messaging around sustainable development. One specific tactic is to leverage billboard and newspaper advertising with the objective of increasing reach of ‘green’ messaging by 30%. The Digital Marketing team incorporates tactics to support the objective of increasing the ‘green’ sustainable development messaging, stressing the importance of this trend, and positioning the company as a leader in the industry, through the use of various social media channels. One specific tactic is to leverage blogs and online public relations with the objective of increasing the company’s rankings in online searches related to keywords, such as ‘sustainable development.’ The tactics of each Marketing Aspect are aimed at achieving their own specific objectives; however, both support the overall Singles Product Strategy objective of achieving a 15% growth in sales for this product line.
1.6.1 Focus on Product or Brand Level Marketing Strategy

Although the Corporate Marketing Strategy is discussed here and in the appendix at a corporate level, subsequent chapters of this book, and the other related books about the Aspects of Sales and Marketing (that together form the comprehensive SMstudy® Guide), primarily discuss Marketing Strategy and its related concepts at a product or brand level. The objective of this approach is to focus on learning these concepts and developing strategies at the most granular level. The concepts, however, can be extrapolated and the knowledge applied to develop strategies at higher levels (i.e., Business Unit/Geographic levels or Corporate levels).
1.7 Marketing Strategy Overview

All successful products or brands need well-planned marketing strategies in place to ensure that they satisfy the goals set by the corresponding Business Unit or Geographic level, and in turn the overall Corporate Marketing Strategy. Marketing Strategy is therefore one of the most crucial Aspects of Sales and Marketing. It defines a product or brand’s unique value proposition, target markets, and the specific strategies to be used to connect with defined audiences. It also specifies the pricing and distribution strategies for a product or brand, and outlines the specific metrics, objectives, and budgets for all its marketing activities.

The Marketing Strategy includes a set of outputs from the eleven Marketing Strategy processes described in this book. These outputs are incorporated throughout strategic planning to help provide an overall direction for the marketing initiatives designed to support the promotion of the company’s products or the brand.

Figure 1-7 provides an overview of the important processes and outputs related to Marketing Strategy.

Figure 1-7: Summary of the Marketing Strategy Processes
1.7.1 Analyze Market Opportunity

Analyze Market Opportunity is the second chapter of this book on Marketing Strategy. This chapter discusses the concepts related to analyzing the internal capabilities of a company as well as the factors of the external environment that impact the business. An analysis of market opportunities is important because businesses operate in dynamic and constantly evolving environments, so understanding the changing landscape and trends that are impacting the business helps in developing an effective Marketing Strategy. This chapter also explains the crucial factors to consider while analyzing market opportunity, such as defining the market within which a company intends to operate, and segmenting the market to identify potential customers for the company’s product portfolio.

The processes associated with Analyze Market Opportunity are: Determine Strengths and Weaknesses, Determine Opportunities and Threats, and Define Market and Identify Market Segments. Each process is explained in detail using its associated inputs, tools, and outputs. Analyze Market Opportunity helps an organization understand what it can deliver so that it can fulfill customer needs.

Figure 1-8 provides an overview of the processes pertaining to Analyze Market Opportunity, which is discussed in detail in Chapter 2.

<table>
<thead>
<tr>
<th>2.1 Determine Strengths and Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INPUTS</strong></td>
</tr>
<tr>
<td>1. Senior Management Direction and Insights*</td>
</tr>
<tr>
<td>2. Organizational Capabilities*</td>
</tr>
<tr>
<td>3. Assumptions and Constraints*</td>
</tr>
<tr>
<td>4. Existing Marketing Research Reports</td>
</tr>
<tr>
<td><strong>TOOLS</strong></td>
</tr>
<tr>
<td>1. Meetings and Discussions*</td>
</tr>
<tr>
<td>2. Product Portfolio Analysis*</td>
</tr>
<tr>
<td>3. BCG Growth-Share Matrix</td>
</tr>
<tr>
<td>4. Value Chain Analysis</td>
</tr>
<tr>
<td>5. Marketing Research</td>
</tr>
<tr>
<td><strong>OUTPUTS</strong></td>
</tr>
<tr>
<td>1. Strengths and Weaknesses*</td>
</tr>
<tr>
<td>2. Marketing Research Reports</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2.2 Determine Opportunities and Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INPUTS</strong></td>
</tr>
<tr>
<td>1. Senior Management Direction and Insights*</td>
</tr>
<tr>
<td>2. Assumptions and Constraints*</td>
</tr>
<tr>
<td>3. Existing Marketing Research Reports</td>
</tr>
<tr>
<td>4. Generic Reports</td>
</tr>
<tr>
<td><strong>TOOLS</strong></td>
</tr>
<tr>
<td>1. Meetings and Discussions*</td>
</tr>
<tr>
<td>2. Porter’s Five Forces for Industry Attractiveness</td>
</tr>
<tr>
<td>3. Market Analysis</td>
</tr>
<tr>
<td>4. Marketing Research</td>
</tr>
<tr>
<td>5. PESTEL Analysis*</td>
</tr>
<tr>
<td><strong>OUTPUTS</strong></td>
</tr>
<tr>
<td>1. Opportunities and Threats*</td>
</tr>
<tr>
<td>2. Market Attractiveness Report*</td>
</tr>
<tr>
<td>3. Marketing Research Reports</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2.3 Define Market and Identify Market Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INPUTS</strong></td>
</tr>
<tr>
<td>1. Strengths and Weaknesses*</td>
</tr>
<tr>
<td>2. Opportunities and Threats*</td>
</tr>
<tr>
<td>3. Market Attractiveness Report*</td>
</tr>
<tr>
<td>4. Market Segments*</td>
</tr>
</tbody>
</table>

Figure 1-8: Analyze Market Opportunity Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
1.7.2 Define Competition, Targeting, and Positioning

The third chapter of Marketing Strategy is Define Competition, Targeting, and Positioning. This chapter first explores identifying the competition, understanding industry trends, and creating future competitive scenarios that help in selecting target market segments. It then looks at creating a differentiated positioning statement for the company’s products or services for the target segments selected. Competitive positioning tools help define how a company can differentiate its product offerings to create value in the market by fully understanding its target segments and the competitive landscape.

There are three processes outlined that help an organization understand market competition, target appropriate market segments, and define product features that help create a differentiated positioning statement for the products or brands of the company. The processes discussed in this chapter are Identify Competition, Select Target Segments, and Create Differentiated Positioning.

Figure 1-9 provides an overview of the processes discussed in Chapter 3: Define Competition, Targeting, and Positioning.

<table>
<thead>
<tr>
<th>3.1 Identify Competition</th>
<th>3.2 Select Target Segments</th>
<th>3.3 Create Differentiated Positioning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INPUTS</strong></td>
<td><strong>INPUTS</strong></td>
<td><strong>INPUTS</strong></td>
</tr>
<tr>
<td>1. Senior Management Direction and Insights*</td>
<td>1. Strengths and Weaknesses*</td>
<td>1. Selected Target Segments*</td>
</tr>
<tr>
<td>2. Market Segments*</td>
<td>2. Opportunities and Threats*</td>
<td>2. Strengths and Weaknesses*</td>
</tr>
<tr>
<td>3. Existing Marketing Research Reports</td>
<td>3. Market Segments*</td>
<td>3. Opportunities and Threats*</td>
</tr>
<tr>
<td>4. Information Published by Competitors</td>
<td>4. List of Competitors*</td>
<td>4. List of Competitors</td>
</tr>
<tr>
<td><strong>TOOLS</strong></td>
<td><strong>TOOLS</strong></td>
<td><strong>TOOLS</strong></td>
</tr>
<tr>
<td>1. Competitor Selection Criteria*</td>
<td>1. Market Segment Attractiveness Matrix*</td>
<td>1. Selecting Points of Parity and Differentiation*</td>
</tr>
<tr>
<td>2. Future Competitive Analysis*</td>
<td>2. Undifferentiated Strategy</td>
<td>2. Perceptual Maps*</td>
</tr>
<tr>
<td><strong>OUTPUTS</strong></td>
<td><strong>OUTPUTS</strong></td>
<td><strong>OUTPUTS</strong></td>
</tr>
<tr>
<td>1. List of Competitors*</td>
<td>1. Selected Target Segments*</td>
<td>1. Positioning Statement*</td>
</tr>
<tr>
<td>2. Details of Competitive Products*</td>
<td>2. Product Features*</td>
<td>2. Updated Corporate Strategy</td>
</tr>
<tr>
<td>4. Future Competitive Scenarios</td>
<td>4. Marketing Research Reports</td>
<td></td>
</tr>
</tbody>
</table>
1.7.3 **Determine Pricing and Distribution Strategies**

Determine Pricing and Distribution Strategies is the fourth chapter of this book on Marketing Strategy. A Pricing Strategy properly prices a company’s products or services so that the company can sustain profitability while maintaining or growing its market share. Developing a Pricing Strategy involves assessing the value of the company’s products based on their features; analyzing the pricing and features of competitive products in the market; analyzing the consumer mindset, which takes into account demand and price expectations for the products; and considering anticipated unit costs, sales, and, in turn, profitability. A Distribution Strategy defines how a company moves a product from creation to consumption in a cost-efficient manner while focusing on end users’ needs. The Distribution Strategy is important because, understanding and addressing the needs of the entire distribution channel external to the company, ensures that products or services are delivered and sold to customers in the most efficient and effective manner possible for the business to succeed.

This chapter explains the two processes associated with Determine Pricing and Distribution Strategies. These are *Determine Pricing Strategy* and *Determine Distribution Strategy*. The Pricing Strategy is determined for the various products or services of a company. The end objective is sustainable profitability while growing or maintaining a healthy market share. The Distribution Strategy ensures the most efficient delivery of a company’s products or services to the customer and that the selected strategy is based on the company’s assessment of several alternative distribution channels. These processes are explained with the help of their associated inputs, tools, and outputs.
Figure 1-10 provides an overview of the processes described in Chapter 4: Determine Pricing and Distribution Strategies.

**Figure 1-10: Determine Pricing and Distribution Strategies Overview**

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
1.7.4 Determine Metrics, Objectives, Marketing Aspects, and Budget Allocation

This chapter discusses the various metrics and objectives used for Sales and Marketing such as reach, brand perception, product availability, sales, and profitability. It also provides an overview of various Sales and Marketing Aspects, including Marketing Research, Digital Marketing, Corporate Sales, Branding and Advertising, and Retail Marketing, and presents a framework for allocating targets and budget for each of these Aspects.

This chapter describes three processes using their corresponding inputs, tools, and outputs. The processes are Determine Metrics, Determine Objectives, and Decide Marketing Aspects and Allocate Budget. In the first process, Determine Metrics, various Sales and Marketing metrics such as reach, brand perception, product availability, sales, and profitability are determined. These metrics help to measure the success or failure of the Marketing Strategy. In Determine Objectives, attainable, quantifiable and time-based objectives are determined for all of the metrics selected in the previous process. In the final process, the Sales and Marketing teams select the Marketing Aspects that will help the company reach its overall Sales and Marketing objectives. Subsequently, specific objectives are determined for each Marketing Aspect, and a marketing budget is also allocated for each.

Figure 1-11 provides an overview of the processes discussed in Chapter 5, Determine Metrics, Objectives, Marketing Aspects, and Budget Allocation.

<table>
<thead>
<tr>
<th>5.1 Determine Metrics</th>
<th>5.2 Determine Objectives</th>
<th>5.3 Decide Marketing Aspects and Allocate Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INPUTS</strong></td>
<td><strong>INPUTS</strong></td>
<td><strong>INPUTS</strong></td>
</tr>
<tr>
<td>1. Positioning Statement*</td>
<td>1. Selected Metrics*</td>
<td>1. Selected Objectives*</td>
</tr>
<tr>
<td>2. Pricing Strategy*</td>
<td>2. Senior Management Direction and Insights*</td>
<td>2. Senior Management Direction and Insights*</td>
</tr>
<tr>
<td>5. High Level Goals</td>
<td>5. Future Competitive Scenarios</td>
<td>5. Details of Competitive Products</td>
</tr>
<tr>
<td><strong>TOOLS</strong></td>
<td><strong>TOOLS</strong></td>
<td><strong>TOOLS</strong></td>
</tr>
<tr>
<td>1. Meetings and Discussions*</td>
<td>1. Trend Analysis</td>
<td>1. Meetings and Discussions*</td>
</tr>
<tr>
<td>2. Product Life Cycle Analysis</td>
<td>2. SMART Framework*</td>
<td>2. ROI Comparison of Aspects*</td>
</tr>
<tr>
<td>3. SMART Framework*</td>
<td>3. Analysis of Competition's Marketing Aspects</td>
<td></td>
</tr>
<tr>
<td>4. Customer Reach Metrics*</td>
<td>4. Details of Competitive Products</td>
<td></td>
</tr>
<tr>
<td>5. Brand Perception Metrics*</td>
<td>5. Details of Competitive Products</td>
<td></td>
</tr>
<tr>
<td>6. Product Availability Metrics*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Sales and Profitability Metrics*</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OUTPUTS</strong></td>
<td><strong>OUTPUTS</strong></td>
<td><strong>OUTPUTS</strong></td>
</tr>
<tr>
<td>1. Selected Metrics*</td>
<td>1. Selected Objectives*</td>
<td>1. Selected Marketing Aspects and Targets*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Allocated Budget*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Updated Objectives</td>
</tr>
</tbody>
</table>

Figure 1-11: Determine Metrics, Objectives, Marketing Aspects, and Budget Allocation Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
2. ANALYZE MARKET OPPORTUNITY

This chapter reviews the external environmental factors and internal organizational capabilities that impact how a company operates to create a successful product or brand. Since companies operate in dynamic environments, understanding the changing landscape and current trends that are impacting the business helps to develop a sound Marketing Strategy.

An analysis of any market opportunity must include defining the market within which a company intends to operate, and then identifying segments within that market that include key customers for the company’s products. While developing the Marketing Strategy, it is important to account for possible risks that can impact the targeted strategic changes, and then pro-actively create response plans to ensure that the company maintains its competitive advantage and success.

Figure 2-1 provides an overview of the processes associated with Analyze Market Opportunity, which are explored in this chapter. These are as follows—

2.1 Determine Strengths and Weaknesses—In this process the company’s internal capabilities (i.e., strengths and weaknesses) that allow the company to compete in a market and fulfill customer expectations are identified.

2.2 Determine Opportunities and Threats—In this process the external factors that may impact fulfillment of a company’s corporate objectives are identified. The factors that help a company achieve its objectives are considered opportunities; those that can hinder its efforts are considered threats.

2.3 Define Market and Identify Market Segments—In this process a company defines the type of market (or business) in which it plans to operate and then identifies various segments within that market.
<table>
<thead>
<tr>
<th>2.1 Determine Strengths and Weaknesses</th>
<th>2.2 Determine Opportunities and Threats</th>
<th>2.3 Define Market and Identify Market Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INPUTS</strong></td>
<td><strong>INPUTS</strong></td>
<td><strong>INPUTS</strong></td>
</tr>
<tr>
<td>1. Senior Management Direction and</td>
<td>1. Senior Management Direction and</td>
<td>1. Strengths and Weaknesses*</td>
</tr>
<tr>
<td>Insights*</td>
<td>Insights*</td>
<td></td>
</tr>
<tr>
<td>2. Organizational Capabilities*</td>
<td>2. Assumptions and Constraints*</td>
<td>2. Opportunities and Threats*</td>
</tr>
<tr>
<td><strong>TOOLS</strong></td>
<td><strong>TOOLS</strong></td>
<td><strong>TOOLS</strong></td>
</tr>
<tr>
<td>1. Meetings and Discussions*</td>
<td>1. Meetings and Discussions*</td>
<td>1. Meetings and Discussions*</td>
</tr>
<tr>
<td>3. BCG Growth-Share Matrix</td>
<td>Attractiveness</td>
<td></td>
</tr>
<tr>
<td><strong>OUTPUTS</strong></td>
<td><strong>OUTPUTS</strong></td>
<td><strong>OUTPUTS</strong></td>
</tr>
<tr>
<td>1. Strengths and Weaknesses*</td>
<td>1. Opportunities and Threats*</td>
<td>1. Market Definition*</td>
</tr>
</tbody>
</table>

Figure 2-1: Analyze Market Opportunity Overview

*Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.*
2.1 Determine Strengths and Weaknesses

The strengths and weaknesses of a company determine its internal capabilities to compete in a market and to fulfill customer expectations. Strengths provide the company with a competitive advantage and can include factors such as skilled human resources, existing brands, patents, technology expertise, and distribution capabilities. Weaknesses place the company at a disadvantage, for example, factors such as unskilled resources, inflexible organizational structure, lack of updated technology, and inefficient operational processes.

Identifying strengths and weaknesses, together with opportunity and threats discussed in the next process, constitute what is commonly known as a SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis. Such an analysis provides a comprehensive overview of a company’s readiness to compete in a particular market and fulfill customer demands. Ultimately, the goal is to take the findings from the analysis and translate them into specific actions that will help the organization achieve success.

An organization should strive to identify and build on its strengths and address its weaknesses. An understanding of its strengths typically uncovers opportunities for the organization to consider exploiting. Examining weaknesses helps identify the threats to eliminate so the organization can successfully compete in the market. Without understanding the strengths and weaknesses, the Marketing Strategy team may end up creating strategies that the company is unable to implement. At the same time, the team may miss opportunities that can arise due to a unique combination of capabilities.

The primary objective of the Marketing Strategy is to fulfill customer needs. A key requirement for achieving that objective is an understanding of what the organization can deliver. Figure 2-2 shows the inputs, tools, and outputs for the Determine Strengths and Weaknesses process.

![Figure 2-2: Determine Strengths and Weaknesses—Inputs, Tools, and Outputs](image)

*Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.*
2.1.1 Inputs

2.1.1.1 Senior Management Direction and Insights*

Since the senior management team regularly receives information from the functional strategy teams, it acquires a comprehensive view of the company and, as a result, can provide insights into the strengths and weaknesses of the company as a whole. These insights allow the senior management team to provide an overall vision for the company, which individual functional teams may not be able to fully recognize. Given their industry knowledge and long-term view of the company’s vision, senior management may decide to support products that may be liabilities in the short term, but are expected to be beneficial in the long term. Without senior management’s perspective, the marketing team risks overlooking the strengths and weaknesses in other functional areas, may support or start developing capabilities that do not complement the corporate strategy, and/or may move in a direction that is not aligned with the overall corporate goals.

2.1.1.2 Organizational Capabilities*

Organizational capabilities in a company are those that allow a company to achieve its organizational goals and gain a competitive advantage. Capabilities can originate from any function or may already be fundamental to a company. They determine what a company can expect to achieve and, thus, are key determinants of a company’s Corporate Strategy, and in turn its Marketing Strategy. For example, a PC gaming company cannot expect to become a leader in the mobile gaming industry unless it develops the technological capabilities to create state-of-the-art mobile games.

Organizational capabilities need to be considered at each strategic level in the company—Corporate, Business Unit or Geographic, and Product or Brand. An example of organizational capabilities that might factor into each level of strategy for a business entering the video game industry is given below.
A company’s Marketing Strategy for a product or brand takes into account organizational capabilities in all areas of the business. These might include—

- Finance (e.g., obtaining credit at lower interest rates)
- Operations (e.g., achieving more efficient manufacturing and/or customer support processes)
- Human Resources (e.g., hiring skilled employees)
- Location (e.g., occupying a restaurant in a prime location on a busy road)
- Intellectual Property (e.g., owning patents and copyrights that help the company to create superior products)
- Organizational culture (e.g., having an entrepreneurial corporate culture)

Understanding an organization’s capabilities is one of the first steps in determining whether or not a company has the ability to fulfill customer demands. Having a thorough knowledge of the specific capabilities available in all functional areas is an important part of analyzing the organization’s internal environment. These capabilities may be derived from tangible assets (e.g., manufacturing facilities, machinery and other equipment, raw materials, and people) and intangible assets (e.g., brand image, corporate culture, and employee knowledge and skills). Other areas to consider when evaluating organizational capabilities include a company’s ability to develop new products and drive innovation, its ability to respond quickly to customer demands, the strength of customer relationships, and the overall knowledge and sustainability of the workforce. In addition, there may be some capabilities that do not give rise to competitive advantage; for example, if the organization consumes a lot of expensive resources just to sustain itself, these might be considered liabilities. Understanding which capabilities contribute to a company’s growth and which ones do not ensures that the company’s focus is on the capabilities it truly needs.
2.1.1.3 Assumptions and Constraints*

An assumption can be defined as anything that is considered to be true without proof. For example, there may be an assumption that all of the required skill sets for Sales and Marketing activities are available inside the company, or an assumption that a new product will capture ten percent market share in a particular market segment. Since strategic planning usually deals with inherent uncertainty about future events, it is necessary to make assumptions when considering strengths and weaknesses; however, assumptions related to Sales and Marketing should be clearly thought through and explicitly stated, validated, and agreed upon before deciding on any specific strategy or marketing plan.

A constraint is a limitation or restriction that creates certain boundaries or obstacles. For example, there may be a constraint of six months for launching a product, or creating a product may be contingent on the need for research and design activities. Constraints are particularly relevant when considering weaknesses during the market opportunity assessment as they generally limit the decisions and abilities of the Sales and Marketing team.

Assumptions and constraints can be defined at various levels of strategy. They should be verified and agreed to by the relevant stakeholders at each particular level.

Example of Assumptions and Constraints for a Company’s Growth Forecasts:

<table>
<thead>
<tr>
<th>Strategy Level</th>
<th>Assumption</th>
<th>Constraint</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate (Company)</td>
<td>Continued global revenue growth of 3% on core products, which has been a historical trend for the past five years</td>
<td>Global sales and marketing budget of $10 billion</td>
</tr>
<tr>
<td>Business Unit or Geographic</td>
<td>Less than 5% turnover among skilled Sales and Marketing team members</td>
<td>US marketing budget of $4 billion</td>
</tr>
<tr>
<td>Product or Brand</td>
<td>Launch of Version 2.0 of Product X, on schedule and on budget</td>
<td>Product marketing budget of $250 million for a specific product to be launched in the US</td>
</tr>
</tbody>
</table>
2.1.1.4 Existing Marketing Research Reports

There are two types of marketing research reports that can serve as inputs when analyzing the internal strengths and weaknesses of a company—

1. Industry Reports—These reports may contain industry benchmarks that are used to determine the metrics or parameters to measure a company’s strengths and weaknesses. They may also contain key success factors in the industry (i.e., areas in which companies need to excel to win customers) and the minimum level of performance a company must achieve in order to trigger customer purchases. Industry reports are typically published by consulting firms or by industry associations and are available to any company, generally at a price.

2. Company Commissioned Reports—These are research reports created or commissioned by a company to understand specific areas of the company’s strengths and weaknesses which may have significant impact on the decisions to be made by the marketing strategy teams. There may be differing views within the marketing team about the company’s capabilities; company-commissioned marketing research helps to test different marketing hypotheses based on a more objective view of the company’s strengths and weaknesses.

For additional information about how to effectively conduct marketing research, please refer to the Marketing Research book in the SMstudy® Guide series.

2.1.2 Tools

2.1.2.1 Meetings and Discussions*

Meetings and discussions are very useful for gathering insights about a company’s readiness to fulfill customer demands—not just from the marketing team, but also from senior management, other functional teams, external consultants, subject matter experts, stakeholders, and industry groups. Each of these entities has its own value—

- Senior management ensures that corporate goals are addressed.
- Other functional teams ensure that internal aspects affecting their respective functions are taken into consideration.
- External consultants may provide an independent, objective view of the company’s capabilities.
- Subject matter experts provide depth to the discussions as well as their perceptions on how specific capabilities of the company map to customer demands.
- Stakeholders (e.g., customers, shareholders, and members of the target market) provide unique perspectives, such as local market trend information or recommendations to be eco-friendly.
- Industry groups provide insights into industry issues, challenges, and opportunities.
Meetings and discussions also help the marketing team to synthesize the results of analyses done using one or more of the other tools discussed in this section. In addition, they help the team to compile a comprehensive report on the company’s strengths and weaknesses. A useful method suggested by Lehmann and Winer (2008)\(^1\) involves listing the strengths and weaknesses and arranging them into five key abilities—

1. Ability to conceive and design
2. Ability to produce
3. Ability to market
4. Ability to finance
5. Ability to manage

This approach also helps the team identify and compare the abilities of competitors along the same parameters while performing a competitive analysis in the Determine Opportunities and Threats process (section 2.2). While listing strengths, it is also useful to consider whether the strengths currently provide, or have the potential to provide, a competitive advantage that cannot be easily duplicated by the competition. A competitive advantage can result from a key point of differentiation. Identifying key points of differentiation (see section 3.3.2.1) is a component of the Create Differentiated Positioning process described in section 3.3. Points of differentiation can include the quality of raw materials, operational efficiencies, or superior customer service, among others. Such factors can provide a business with a substantial competitive advantage and can enable a company to compete in the long run.

### 2.1.2.2 Product Portfolio Analysis\(^*\)

Understanding the overall product portfolio of a company, and evaluating the current and future product lines is an important component of the Marketing Strategy. Peter Drucker (1973)\(^2\) proposed a classification method for analyzing a company’s product portfolio based on each product’s current and expected profitability. After the classification exercise, the marketing team is able to pinpoint products that contribute to the company’s strengths and those that do not. Accordingly, support and investment for each product can be decided.

Using Drucker’s method, products are classified into seven categories—

1. **Today’s Breadwinners**—These products are contributing the most to current profits. The company should support these products and, at the very least, maintain current investment levels.

2. **Tomorrow’s Breadwinners**—These products represent investments in the company’s future. They are not currently contributing significantly to profits, but they have the potential to do so in the future. The company should support these products and perhaps increase investments in them.

---


3. **Yesterday’s Breadwinners**—These products have supported the company in the past but do not currently contribute significantly to profits. A minimum level of support and investment should be maintained for these products until the time they resume generating substantial profits. Alternately, a decision may be made to discontinue such products.

4. **Developments**—These products are currently in development and may generate profits in the future, but greater investment is needed to achieve those profits. A decision on whether to invest more resources needs to be made after a thorough analysis of the market potential and Return on Investment (ROI) for these products.

5. **Sleepers**—These products have been around for some time but have failed to establish themselves. The company needs to analyze the reasons for their poor performance and then decide on a future course of action.

6. **Investments in Managerial Ego**—These products, backed by influential managers, have little proven demand in the market and typically waste many functional resources. It is up to senior management to ensure that all products created are viable and fulfill the demands of customers; otherwise such products should be discontinued.

7. **Failures**—These products have failed in the past and have no future in their current form. They should ideally be discontinued unless there is a way to successfully reposition them.

Products in the first three categories, “Today’s Breadwinners,” “Tomorrow’s Breadwinners,” and “Yesterday’s Breadwinners,” are strengths of the company while those in the last two categories, “Investments in Managerial Ego” and “Failures,” are weaknesses. The “Developments” and “Sleepers” need to be analyzed in greater detail to classify them as either strengths or weaknesses.
Categorizing all its products using product portfolio analysis helps a company identify its strengths and weaknesses, and in turn plan its Marketing Strategy.

### Examples of Product Portfolio Analysis:

A company in the soft drinks and beverage industry does a product portfolio analysis, and categorizes its products as follows—
- **Today's Breadwinners**: Regular sodas
- **Tomorrow's Breadwinners**: Zero-calorie beverages
- **Yesterday's Breadwinners**: Lemonades
- **Developments**: Juices and juice drinks
- **Sleepers**: Still and sparkling water
- **Failures**: Energy and sports drinks

A product portfolio analysis for a company in the phone manufacturing industry might look like this—
- **Today's Breadwinners**: Touch screen cell phones
- **Tomorrow's Breadwinners**: Hybrid tablet-cell phones
- **Yesterday's Breadwinners**: Home phone handsets
- **Developments**: Wearable technology
- **Sleepers**: Imbedded, bio-technology
- **Investments in Managerial Ego**: Extendable keyboards
- **Failures**: In-ear receivers

Categorizing all its products using product portfolio analysis helps a company identify its strengths and weaknesses, and in turn plan its Marketing Strategy.

### 2.1.2.3 BCG Growth-Share Matrix

The BCG Growth-Share Matrix\(^3\), originally conceptualized by the Boston Consulting Group (BCG) in the late 1960s to evaluate various business units, can be applied equally well to products or services. It consists of a two-by-two matrix containing four quadrants, with the vertical axis depicting market growth rate and the horizontal axis showing market share. The BCG Growth-Share Matrix helps companies evaluate the strengths and weaknesses of their product portfolio and then decide on a strategy for each product within it. It provides a way to determine the appeal of each business unit, which can in turn be used to determine the amount of investment, if any, that should be made in each product.

The matrix classifies products into four categories—

1. **Cash Cows**—These products have high market share, but the growth rate of their markets is low. These are typically market leaders in mature markets. Due to their commanding position in the market, they are profitable and are good sources of cash flow for the company. However, the market share for cash cows should be monitored closely to ensure they do not move from the category of cash cow to the category of products classified as “Dogs.”

2. **Stars**—These products have high market share in markets with high growth rates. These are typically market leaders in new and emerging markets. They generate cash flows, but require high investment to create the product and to manage the business operations and marketing activities that support the product. When their growth slows, they normally become “Cash Cows” and thus, are good for long-term survival.

3. **Dogs**—These products have low market share in stagnant or declining markets. At most, these products just break even. Sometimes they provide a benefit to the company, such as being loss leaders to attract new customers. However, if no such benefit is provided to the company, products classified as “Dogs” should be discontinued.

4. **Question Marks**—These products are in markets with high growth rates but currently have a low market share. If they do well, they can become “Stars,” and over time, once the market slows, become “Cash Cows.” However, if they continue to achieve a low market share, then once the market declines, they become “Dogs.” This product category represents a question mark for management because, at some point, a decision has to be made on whether to invest in the product or phase it out.
Figure 2-3 illustrates the four quadrants of the BCG Growth-Share Matrix.

- **Stars** (High Growth, High Market Share): These are the top performers in the portfolio. They are the engines of cash generation and are expected to continue growing. They require continued investment to maintain their market position and to ensure they remain top performers.
- **Cash Cows** (High Growth, Low Market Share): Despite their high growth, these products are not generating as much cash as desired. They may be candidates for reinvestment or divestiture to maintain profitability. Cash Cows provide a steady cash flow and are used to support the growth of other products in the portfolio.
- **Question Marks** (Low Growth, Low Market Share): These products have low sales and market share, indicating they are not performing well. They require additional investment to determine if they can become stars or cash cows. Question Marks are often considered riskier due to their uncertain future.
- **Dogs** (Low Growth, High Market Share): These products have low growth rates but maintain a high market share. They are often cash drains and can be considered candidates for divestiture or focus on maintaining their market position without investing further.

The Cash Cows and Stars clearly contribute to the strength of the company, while the Dogs are generally weaknesses. The Question Marks need to be analyzed in more detail to determine their classification as either strengths or weaknesses.

**Advantages**—
- The matrix is easy to understand and provides a good overview of the state of the product portfolio.
- It reveals the sources of cash flow generation and loss and thus aids in difficult decisions such as discontinuing a product line.
- It helps evaluate which products to invest in.

**Disadvantages**—
- Both market share and market growth rate can be difficult to ascertain accurately in many industries, and especially in new industries.
- Products classified as Dogs are not necessarily bad for the company. They can be loss leaders or they can force a competitor to maintain low prices, which will affect its profitability and reduce its ability to compete on other fronts. Dogs can also be transformed into Cash Cows in certain cases.
• The correlation between high market share and high profitability is not universal. There are many situations where a company with a low market share can still be highly profitable, or alternatively, a company can have a high market share but still suffer losses.
• The progression of a Star into a Cash Cow, or a Cash Cow into a Dog is also far from certain. For example, some companies with strong brands or significant competitive advantage can continue to be market leaders for sustained periods of time without their products becoming Dogs.

<table>
<thead>
<tr>
<th>Examples of BCG Growth-Share Matrix:</th>
</tr>
</thead>
<tbody>
<tr>
<td>For a leading electronics company, a BCG Growth-Share Matrix is used to categorize products as follows—</td>
</tr>
<tr>
<td>• <strong>Cash Cows</strong>: Laptops that have high market share but low growth rate</td>
</tr>
<tr>
<td>• <strong>Stars</strong>: Smartphones and tablets with high growth rate and high market share</td>
</tr>
<tr>
<td>• <strong>Dogs</strong>: Music players and desktop computers with a low or declining market share</td>
</tr>
<tr>
<td>• <strong>Question Marks</strong>: Televisions and home theatre systems that have a low market share, but have the potential to achieve high market share in the future</td>
</tr>
</tbody>
</table>

A small regional airline categorizes its offerings using the BCG Growth-Share Matrix as follows—

| • **Cash Cows**: Regularly scheduled regional travel between select destinations |
| • **Stars**: A few seasonal/holiday tropical destinations promoted heavily during the winter season |
| • **Dogs**: All-inclusive vacation packages operated by partner airlines and resorts; little revenue is generated but these packages increase the profile of the airline by increasing its visible offerings |
| • **Question Marks**: Transcontinental flights in a large potential growth market but requiring major investment |

### 2.1.2.4 Value Chain Analysis

Value Chain Analysis is used to analyze the value created by a company’s current activities. It explores where more value can be added, as well as where value is not being added throughout the chain of activities. It is a useful tool for internal analysis of strengths (activities that add value) and weaknesses (activities that do not add value).
Value Chain Analysis is a three-step process as follows—

1. **Analyze Activities**—This step consists of identifying all key activities of a company that are involved in delivering the final product or service to its customers. A popular way to do this is to classify activities as either primary activities or support activities.

   Michael Porter, who coined the term “value chain”, identified five primary company activities (explained in detail in section 2.2)—Inbound Logistics, Operations, Outbound Logistics, Marketing and Sales, and Service (Porter, 1985). Primary activities are reinforced by support activities such as procurement, human resource development, technological development, and infrastructure. The list of activities and each activity’s classification may be adjusted by the company, if necessary. For example, for purely online businesses, inbound and outbound logistics may not be relevant.

   After all activities are identified, the links between the activities need to be specified. For example, the service function, which supports customers, will have links to the operations function, which fulfills customer support requests, and the marketing and sales function, which analyzes customer feedback to improve offerings. The activities, together with the links between them, form the structure of the value chain.

2. **Analyze Value Created by Those Activities**—This step involves identifying where value is created throughout the chain, and in what form and how much. Value should always be explored from a customer’s viewpoint. A product feature or service component that does not benefit the customer does not add any value. Such an activity represents an opportunity for freeing up resources that could otherwise contribute to adding value through some other activity. For example, in a manufacturing environment, each manufacturing process that is involved in changing raw materials into finished product adds value by ensuring that the final product is functional. Quality assurance activities add value by ensuring that the products meet the standards required by customers. The sales team’s efforts add value by encouraging more customers to purchase the products. The customer support activities add value by addressing customer questions and concerns and maintaining a high level of customer satisfaction.

3. **Determine How to Create Additional Value**—This step involves generating a number of ideas to add additional value to activities across the value chain and evaluating each of them to determine which are feasible and should be implemented. Brainstorming is a popular tool that can be used to generate ideas for increasing the value of activities. Both improving an activity and lowering its costs can increase value. Thus, evaluating ideas for activity improvements should involve considering whether these actions represent a trade-off, or whether improving an activity and lowering its cost can be accomplished.

---

2.1.2.5 Marketing Research

When existing marketing research reports are insufficient for understanding a company’s internal environment, the company may choose to conduct new marketing research to fill any gaps in market intelligence. Such marketing research projects generally fall into two categories—primary research and secondary research. Primary and secondary research can be further categorized as being quantitative (i.e., data collected from a sample set of the target population using questionnaires or surveys with scales or rating systems, and then analyzed using statistical techniques to identify trends, conditions, and opinions) or qualitative (i.e., data collected from a small group of participants and not analyzed with statistical techniques but used to define a problem, generate or validate hypotheses, explore an issue, and/or reveal insights or motives).

1. **Primary Marketing Research** about a company’s strengths and weaknesses involves developing a broader understanding of the perceptions and attitudes toward the company’s products, by using tools such as interviews, focus groups, and survey questionnaires. These research projects are not limited to learning only about customer perceptions and behavior; they may also involve understanding the perceptions of suppliers toward the company’s policies and products, conducting an employee survey to better understand existing capabilities and potential training needs, and/or evaluating technology that is being used in the marketplace. The means to gather data on a variety of areas where a company needs to know more is available, but the focus should be on discovering areas of improvement and consolidating areas of strength.

2. **Secondary Marketing Research** involves the use of content and information that is currently available within the company or in the market through primary research that has already been conducted and is readily obtainable through company reports, trade journals, industry publications, and/or the Internet. Secondary research involves gathering this existing information to better understand the company’s strengths and weaknesses.
2.1.3 Outputs

2.1.3.1 Strengths and Weaknesses*

Understanding a company’s strengths and weaknesses with respect to its ability to meet its customers’ demands and to face competition helps the Marketing Strategy team determine the competitive positioning of the company’s products. A detailed list of strengths and weaknesses should be documented so it can be used as an input to other processes within Marketing Strategy and other functional strategies. The document may also contain a plan on how to address any weaknesses and capitalize on strengths.

Example of Marketing Research:

A medical supply company is looking to extend its product line in the area of Diabetes testing devices. The company has made an assumption that the average age of onset of Type 2 Diabetes is decreasing from the past average of 55 years and plans to conduct primary market research, as well as gather existing secondary market research, to validate or disprove this assumption.

- Primary market research may include holding a conference and inviting a cross section of family doctors in the area. Information provided by the doctors can help them understand the current trends.
- The company can also consider existing secondary market research by reviewing current medical journals to see if there are recorded trends and statistical analyses supporting the theory of a younger population developing Type 2 Diabetes.

If the research collected suggests that the population is indeed demonstrating an increase in onset of Type 2 Diabetes at a younger age, the new product line could include products that will be marketed to a younger age group through the use of technology more suited to a younger demographic. Cell phone apps, cloud storage databases, and the like may be useful and desired by this emerging group.
Example of Strengths and Weaknesses—

- A general overview of strengths and weaknesses of an established local print shop might be as follows—
  - **Strengths:** Brand recognition, good knowledge of local market, technology, qualified staff in place, experienced management, and good operational procedures
  - **Weaknesses:** Limited ability to support customer requirements for same-day print-on-demand and small-run printing, and lack of infrastructure for online sales and marketing

- The strengths and weaknesses of a retail clothing store might be as follows—
  - **Strengths:** Loyal customer base, exceptional customer service, and differentiated products
  - **Weaknesses:** Weak brand image (as compared to competitors’ branding), high costs associated with supply chain, and lack of e-commerce capability

### 2.1.3.2 Marketing Research Reports

Marketing research reports may be created by the Sales and Marketing team if specific primary or secondary market research is gathered by the company to obtain a better understanding of the company’s strengths and weaknesses.
2.2 Determine Opportunities and Threats

A company needs to identify the external factors that may impact fulfillment of its corporate goals. Those external factors that help the company achieve its goals are considered opportunities, while those that hinder the company’s efforts are considered threats. Identifying opportunities and threats, together with strengths and weaknesses discussed in the previous process, constitute what is commonly known as a SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis. Such an analysis provides a comprehensive overview of a company’s readiness to compete in a particular market and fulfill customer demands. Ultimately, the goal is not only to conduct a SWOT analysis but to take the findings from the analysis and translate them into specific actions that will help the organization achieve success. Organizations should strive to build on their strengths, address their weaknesses, capitalize on opportunities, and avoid or mitigate threats.

A company’s ability to build a sustainable competitive advantage depends not only on developing, creating, and delivering products and services as per customer demands, but also on managing and exploiting external factors to its advantage. The external environments within which the factors are classified are the macro-environment and the micro-environment.

Macro-environment

Macro-environmental factors are those over which a company does not have much control or influence. Some of these include political, economic, social, technological, environmental, and legal factors. Together these factors make up the PESTEL Analysis framework, which is discussed in detail in section 2.2.2.5. Companies should consider all of these factors while developing the Marketing Strategy. Although it may be hard to influence these factors, market trend reports and secondary research generally help companies predict the effect they may have on the company’s Marketing Strategy.

Micro-environment

The micro-environment of a company consists of environmental factors that have a more direct impact on the operations and success of the business. Some of these factors pertain to customers, distributors, suppliers, and other stakeholders. Companies usually possess a significant amount of control and influence over these entities and should exploit these relationships in order to successfully compete in the market.
Figure 2-4 shows the inputs, tools, and outputs for the Determine Opportunities and Threats process.

**Figure 2-4: Determine Opportunities and Threats—Inputs, Tools, and Outputs**

- **Inputs**
  1. Senior Management Direction and Insights*
  2. Assumptions and Constraints*
  3. Existing Marketing Research Reports
  4. Generic Reports

- **Tools**
  1. Meetings and Discussions*
  2. Porter’s Five Forces for Industry Attractiveness
  3. Market Analysis
  4. Marketing Research
  5. PESTEL Analysis*

- **Outputs**
  1. Opportunities and Threats*
  2. Market Attractiveness Report*
  3. Marketing Research Reports

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

### 2.2.1 Inputs

#### 2.2.1.1 Senior Management Direction and Insights*

Senior management has a comprehensive understanding of a company’s business, and this knowledge helps in identifying market opportunities and threats. Senior management may also be able to identify attractive market segments for the company.

#### 2.2.1.2 Assumptions and Constraints*

An assumption can be defined as anything that is considered to be true without proof. Since Sales and Marketing usually deal with inherent uncertainty about future events, it is necessary to make assumptions when considering opportunities and threats.

A constraint is a limitation or restriction that creates certain boundaries or obstacles. Constraints are particularly relevant when considering threats during the market opportunity assessment as they generally limit the decisions and abilities of a Sales and Marketing team.
Examples of Assumptions and Constraints—

- Assumptions—When assessing opportunities and threats, the Marketing Strategy team usually makes assumptions related to the size of the market, the ability of the product to capture a certain percentage of a market segment, competitor’s’ products and their growth potential, consumer behavior for a target market segment, customer perceptions about any newly released product in the market, and so on.

- Constraints—When determining opportunities and threats, the Marketing Strategy team needs to consider constraints such as limited number of suppliers or raw materials for manufacturing, or a limited market size or demand for a particular product. The Marketing Strategy teams must identify and be able to work within these constraints in order to ensure overall goals are achieved despite such limitations.

Additional information related to assumptions and constraints is available in section 2.1.1.3.

### 2.2.1.3 Existing Marketing Research Reports

There are two types of marketing research reports that can serve as inputs for determining opportunities and threats—

1. **Industry Reports**—These reports are specific to a company’s industry and may contain current industry trends, present difficulties, legal and regulatory norms, and promising future developments. Industry reports are typically published by consulting firms or by industry associations and are available to any company, generally at a price.

2. **Company Commissioned Reports**—These are reports that have been created or commissioned by a company in the past to understand its competition, distributors, suppliers, and customers. They may consist of collated and summarized feedback forms or derived from various internal sources such as customer data or financial reports.

### 2.2.1.4 Generic Reports

These are research reports that are not specific to a company or its industry. They contain information about political, economic, social, technological, regulatory, and environmental trends that could impact the company’s Marketing Strategy. These are generally found in magazines, newspapers, government publications (e.g., census reports), and/or research journals.
2.2.2 Tools

2.2.2.1 Meetings and Discussions*

Meetings and discussions are useful for identifying and discussing external factors and their relative impact on a company. As in the previous process, Determine Strengths and Weaknesses (section 2.1), many entities could be involved in these discussions as each of them provides additional value. Such entities include the following—

- Senior management who ensures that corporate objectives are addressed.
- Other functional teams who ensure that the external factors affecting their respective functions are taken into consideration.
- External consultants who provide an independent view of the most important external factors that the company needs to consider.
- Subject matter experts who provide depth to the discussions as well as their perceptions on specific external factors.
- Stakeholders (e.g., customers, shareholders, and members of the target market) who provide unique perspectives, such as the impact that the state of the local infrastructure might have on the company’s operations.
- Industry groups who provide insights into industry-related areas such as supply chain, distribution, and regulations.

2.2.2.2 Porter’s Five Forces for Industry Attractiveness

Porter’s Five Forces model⁵ is used to analyze the long-term attractiveness of an industry. Understanding the interaction of these forces with the existing competing organizations helps explain the differences in profitability amongst industries. It also helps a company decide whether or not to enter an industry. If it already has a presence in a particular industry, then using this model enables a company to devise strategies to achieve and maintain profitability. A company should be capable of applying its core competencies, business model, or channel network to achieve a competitive advantage in its industry.

The five forces are described below—

1. Threat of New Entrants—New entrants in an industry increase the level of competition as existing players try to defend their market share against them. The higher the threat of new entrants, the lower the attractiveness of an industry. Highly profitable markets tend to attract many new players. However, for new entrants to an industry where established players are taking advantage of economies of scale and high product differentiation, several additional obstacles make entering the industry unattractive,

---

including high upfront investment requirements and the time and cost of establishing distribution channels.

Examples of Threat of New Entrants:

Low threat of new entrants—
- Natural monopolies (e.g., utility services and mining associations) pose high entry barriers for new players to venture into the industry. Such industries require substantial upfront investment, skilled manpower, long gestation periods, and the capability to adapt to local geo-political circumstances.

High threat of new entrants—
- The restaurant industry typically has low entry barriers because it is relatively easy and economical to open a new restaurant. Therefore, new entrants are a significant threat in this industry.
- Companies that succeed in opening up new markets are faced with almost immediate competition. For example, the massive success of the game “Settlers of Catan” rapidly brought dozens of similar puzzle-style board games into the market. Likewise, WebCrawler was one of the first search engines to index all web pages; however, within a year of its release, at least three other major search engines were competing in the same space.

2. Threat of Substitutes—Substitutes are those products or services that meet the same need as another product but which belong to different industries or product categories. Substitutes provide consumers with choice in industries where demand exceeds supply and, as a result, limit profitability within the industry. If substitutes offer equal or greater benefits at a lower cost, they can make an entire industry obsolete. Conversely, factors such as high conversion costs and low value perception result in a low buyer willingness to convert, and consequently a low threat of substitutes.

Examples of Threat of Substitutes—
- Aluminum cans and plastic bottles are substitutes for each other as they fulfill the need for packaging, but are manufactured by industries that have completely different raw materials and manufacturing processes. It is important to note from this example that substitutes can belong to different industries or product categories.
- Cell phones with more benefits and cost effectiveness eliminated the pager industry.

3. Bargaining Power of Customers—Customers generally demand high product quality, low costs, quick delivery, and personalized customer support, among other things. As a result, competition is created in the industry as players in the market try to satisfy these demands. Customers use this competition to obtain the best value. Conversely, a number of factors can reduce the bargaining power of customers,
for example, high cost of switching to another supplier, low number of suppliers, fragmented customer segments, lack of substitute products, and low threat of backward integration (a situation in which a customer performs the functions of a supplier, eliminating the need for the supplier).

<table>
<thead>
<tr>
<th>Examples of Bargaining Power of Customers—</th>
</tr>
</thead>
<tbody>
<tr>
<td>• In the food and beverage industry, customers usually have higher bargaining power because they have the choice of easily selecting competitors’ products or substitutes. For example, customers may have the option to substitute coffee with tea. Therefore, a significant increase in the price of coffee could result in a decrease in the demand for coffee and, in turn, an increase in the consumption of tea.</td>
</tr>
<tr>
<td>• In the manufacturing industry, there are several companies that manufacture nuts, bolts, and studs. Therefore, companies procuring such products have more bargaining power as they can negotiate terms with multiple suppliers to get the best price.</td>
</tr>
<tr>
<td>• The low cost of delivery and relative ease of access makes online services particularly susceptible to the bargaining power of consumers. The best example is the music industry, which saw the value in its product plummet with the inception of free music sharing services such as Napster. The perceived value of a song essentially dropped to zero. Copyright laws and the stability offered by services such as iTunes have increased the value perception, but the industry is still struggling to overcome this new consumer-driven marketplace.</td>
</tr>
<tr>
<td>• In the same way, legal advice, which was once a controlled and expensive service, has begun to have its value eroded through online legal services. The preparation of wills, personal tax services, and corporate documentation, can all be done online. The ease of comparative shopping has resulted in more choice to the consumer and, in turn, lower prices for these services.</td>
</tr>
</tbody>
</table>

4. **Bargaining Power of Suppliers**—Suppliers can impact the cost of production by changing the prices of raw materials or intermediate goods. A significant increase in raw material prices can force smaller businesses or less profitable firms to exit the market, as they are not as well positioned as larger, more established and more profitable firms to absorb such drastic price changes. In addition, a number of factors can result in low bargaining power of suppliers, for example, availability of low-cost substitutes, low cost of switching to another supplier, low threat of forward integration (a situation in which a supplier directly reaches out to the end customer), and a low necessity for the supplier’s product in the organization’s final product.
5. **Competitive Rivalry**—This concept refers to the intensity of competition among existing organizations in an industry. A high degree of competition reduces industry profitability, thereby making the industry less attractive for potential new entrants. There are some factors that can result in a low level of competition, for example, high fixed costs, high level of product differentiation, high customer conversion costs, and the existence of a monopoly, duopoly, or oligopoly.

### Examples of Bargaining Power of Suppliers—

- Historically, newspapers with a significant distribution reach had a lot of bargaining power to fix prices for classified advertising. However, with the advent of the Internet, this bargaining power has been decreasing over time because customers have the flexibility to post classified advertisements online at much lower prices, or even free of charge.

- Silicon is required for many high-demand products such as semiconductors and solar cells. Although the base element for silicon, sand, is abundant, it must be refined to be usable. Due to the limited number of refineries and the high cost of building new plants, silicon remains a resource that greatly impacts the price of products.

- Fuel is a resource that significantly impacts the price of many services to consumers. The airline industry is particularly at the mercy of fuel price changes; therefore, oil-producing countries have significant bargaining power when fixing the price and quantity of oil supplied in the global market. Increases in the cost of fuel force airlines to increase seat prices and/or add additional surcharges. Since there are no alternative options to replace this commodity, airlines must use other means if they desire to keep costs low for the consumer.
Figure 2-5 illustrates Porter’s Five Forces model.

- **Threat of New Entrants:**
  - Time and cost of entry
  - Specialist knowledge
  - Economies of scale
  - Cost advantages
  - Technology protection
  - Barriers to entry

- **Competitive Rivalry:**
  - Number of competitors
  - Quality differences
  - Other differences
  - Switching costs
  - Customer loyalty
  - Costs of leaving market

- **Supplier Power:**
  - Number of suppliers
  - Size of suppliers
  - Uniqueness of service
  - Ability to substitute
  - Cost of switching

- **Threat of Substitution:**
  - Substitute performance
  - Cost of switching

- **Buyer Power:**
  - Number of customers
  - Size of each order
  - Differences between competitors
  - Price sensitivity
  - Ability to substitute
  - Cost of switching

**Figure 2-5: Porter’s Five Forces Model**
2.2.2.3 Market Analysis

Market analysis involves analyzing market data to identify patterns and predict future events. The purpose of performing a market analysis is to understand the attractiveness of a market. David Aaker\(^6\) outlined the following dimensions of a market analysis—

1. **Market Size**—This dimension defines the size and potential of the markets under consideration. Market size is calculated on the basis of current sales volume for the market. Another important consideration for measuring market size is its future growth potential, so appropriate assumptions need to be made regarding market growth rates.

   - **Examples of Market Size**—
     - The smartphone market has presented a good opportunity for product development companies and electronic firms. Some key parameters used to gauge the market potential include the existing number of cell phone users, the frequency with which users change their cell phones, and the increase in the purchasing power of consumers from different geographies.
     - The growth of the taxi aggregator industry can be largely attributed to the growing global demand for taxis and possibilities to innovate using smartphones and the Internet.
     - The market for sports equipment typically varies from region to region. In areas with longer summers, the demand for tennis and golf equipment is generally higher. In mountainous regions there is a larger demand for skiing and hiking apparel. The population in regions may be similar, but the market size of each region may vary greatly for each specific product line.

2. **Market Trends**—Trends show the overall growth or decline of a market, competitor activities, and customer behavior over time. Current market trends can also help in predicting future market trends.

---

3. **Market Growth Rate and Profitability**—Market growth rate forecasts use previous data and future trend indications to predict the future growth rate of markets. Product diffusion curves are used to predict inflection points in growth projections. Market profitability is evaluated using Porter’s Five Forces model (see section 2.2.2.2).

**Examples of Market Growth Rate and Profitability**—

- Market growth rate and profitability are significant factors considered by energy conglomerates when deciding to enter new business opportunities. Most energy companies are now investing in developing non-renewable sources of energy, which have started becoming economically viable. Extraction of shale gas has become economically viable and profitable because of technical innovations in hydraulic fracturing (fracking) and horizontal drilling.
- As international trade and growth in developing countries increase, it is possible to evaluate the potential acceptance rate of hi-tech features on bicycles in markets traditionally dominated by low-cost versions. For example, observing the patterns of user adoption of ceramic disk brakes in France, may lead to an understanding of similar patterns in other countries such as China.

4. **Industry Cost Structure**—Value Chain Analysis (see section 2.1.2.4) can be used alongside industry cost structure to identify value-adding activities and reduce costs by eliminating those activities that do not add value. Focusing on activities that are critical to the company can help develop a competitive advantage and prevent wastage of resources.
5. Distribution Channels—Analyzing the effectiveness of existing distribution channels and identifying emerging channels help a company understand its ability to reach customers and identify new opportunities to gain a competitive advantage. Companies with existing distribution channels may find it easier to launch similar types of products targeted at similar market segments.

Examples of Distribution Channels—

- A global Fast-Moving Consumer Goods (FMCG) firm identified that its distribution channel could be used to launch new lines of food and personal care products. The company that started as a food and beverage company was able to launch new products such as toiletries, batteries, and even packaging material to its customers, using its existing distribution channel.

- As with most other industries, online sales and distribution have greatly impacted the marketing and sale of sporting goods. Online representation of the value of the product is crucial to ensure the customer is comfortable enough with the product to purchase it without actually being able to touch it. Relationships with shipping companies become equally important as the customer expects quick and reliable delivery.

6. Key Success Factors—Identifying key success factors helps an organization focus on existing strengths that have contributed to success and seize opportunities that can give it a competitive advantage. Such factors might include accessibility to essential resources, distribution channels, patents, operational efficiencies, technological superiority, and so on.
2.2.2.4 Marketing Research

When existing industry reports, internal company reports, or generic reports are insufficient for understanding the external factors that can impact a company, the company may choose to conduct primary marketing research in order to improve knowledge of the marketplace, reduce risk, and improve marketing decisions. Such marketing research projects generally involve understanding the perceptions of various entities that are knowledgeable about various external factors that may impact the company, through tools such as interviews, group discussions, and survey questionnaires. New markets often require research above and beyond what is available through existing marketing reports.

**Examples of Marketing Research—**

- When reviewing the feasibility of launching an electric car, it may be necessary to conduct primary research on the quantity and locations of service stations equipped to recharge electric vehicles. The market size may be reduced to geographies with existing or planned electric charging stations.
- Oil field supply companies often use an “oil rig count” to understand the volume of drilling activity in any given geography. The data on rig counts is published by service companies, publicly available and easily accessible. The findings are often updated and can assist in determining trends and anticipating demand levels.
2.2.2.5 PESTEL Analysis*

The PESTEL Analysis (also referred to as ‘PESTLE Analysis’) framework is used to analyze macro-environmental factors that are sources of opportunities and threats, and therefore positively or negatively impact the organization, its customers, and/or its suppliers.

The six factors of the PESTEL Analysis framework are as follows—

1. **Political Factors**—These factors describe how the government and the political system may influence the company’s Corporate Strategy.

   **Examples of Political Factors**—
   - Government incentives for industrial development in certain regions may impact decisions related to location of factories.
   - The annual financial budget of the government may significantly impact a company financially. For example, a parts supplier in the rapid transit industry setting revenue projections for a particular geographic region must consider the current political position and the expected government financial support for transportation and infrastructure improvements.

2. **Economic Factors**—These factors are related to the economic structure and policies of an economy and its interaction with other economies. They influence how businesses operate and grow.

   **Examples of Economic Factors**—
   - Interest rates for borrowing may impact funding and investment decisions of a company.
   - Inflation rates impact input costs (e.g., salaries, cost of raw materials, property costs) and should be considered when planning the Marketing Strategy.

3. **Social Factors**—These factors reflect the social and cultural state, attitudes, and behaviors prevalent in a market. Changes in these factors may impact the demand for a particular product or product category.

   **Examples of Social Factors**—
   - An aging population creates a growing market for products targeting senior citizens.
   - A growing trend toward nuclear families necessitates services such as daycare facilities for children.

---

4. **Technological Factors**—These factors describe the technologies and R&D efforts that are relevant to a company and the ecosystem within which such technologies function. They may help the company gain sustainable advantage in its market through product or process innovation.

**Examples of Technological Factors**—
- A faster mobile network enables real-time video conferencing with the company’s field sales force.
- A more fuel-efficient jet turbine engine decreases the cost of air travel.
- An increase in Internet availability and the growth and efficiency of e-commerce and its distribution channels enable more people to shop online.

5. **Environmental Factors**—These factors are related to the ecological environment and include aspects such as climate change, deforestation, and pollution, among others, which may affect how some companies function.

**Examples of Environmental Factors**—
- The appliance industry manufactures CFC-free refrigerators to prevent further damage to the ozone.
- Automobile manufacturers reduce vehicle emissions in order to decrease air pollution.

6. **Legal Factors**—These factors are related to the legal and regulatory framework of the market in which a company operates, or is planning to enter. Companies need to adhere to the laws and regulations that exist in their markets, irrespective of how restrictive they may be. At the same time, the legal framework may also give rise to additional opportunities.

**Examples of Legal Factors**—
- Laws that mandate the use of bike helmets provide a boost to helmet manufacturers.
- In several countries, anti-monopoly laws make it difficult for large companies to acquire competitors.
2.2.3 Outputs

2.2.3.1 Opportunities and Threats*

It is important to understand a company’s opportunities and threats with respect to its external environment and competition. The objective is to first identify the key strategy-related factors that affect the company and then build on key strengths, address weaknesses, exploit important opportunities, and avert or mitigate threats, and then ultimately create a competitive position that is sustainable in the long term. A detailed list of opportunities and threats should be documented and used as an input to other processes involved in creating the Marketing Strategy as well as other functional strategies. This document may also contain specific plans to exploit opportunities and mitigate threats.

Example of Opportunities and Threats—

- The technology shift to flat-screen TVs opened up an opportunity to produce and sell wall brackets and display mounts. This also presented a threat to the traditional entertainment units for storage. A furniture manufacturer aware of this shift can plan a new product line around this most recent demand.

2.2.3.2 Market Attractiveness Report*

The Market Attractiveness Report contains detailed information on potential markets and their relative attractiveness. It also provides a starting point for the next process, Define Market and Identify Market Segments (section 2.3), in which market segments are identified. Some factors that may be identified in the Market Attractiveness Report include market size, market trends, market growth rate and profitability, and key success factors for the market. The Market Attractiveness Report should also include information gathered from the PESTEL Analysis and Porter’s Five Forces model.

2.2.3.3 Marketing Research Reports

Marketing research reports may be created by the Sales and Marketing team if specific primary or secondary market research is commissioned or gathered by the company to obtain a better understanding of the company’s opportunities and threats.
2.3 Define Market and Identify Market Segments

After a company has analyzed its internal capabilities and the external environmental factors affecting it, it then needs to broadly define the type of market in which it plans to operate. This process includes identifying the type of customers a company plans to target and specific product categories it wishes to explore. This step is essential for defining the scope of the company’s marketing activities, determining unmet or underserved customer needs, and creating the boundaries within which the company can search for new opportunities. It is also important to consider how a market may change in the future and create a market definition that is applicable in the long term. If goals are already defined for the company (at a Corporate level or at a Business Unit or Geographic level), then such goals will help in defining the market for underlying products or brands (see section 1.4, Corporate Strategy and its Relationship to Sales and Marketing for more details).

Once the market has been defined, the company can then divide the market into various segments based on carefully chosen segmentation criteria. Customer segmentation should be used to help a company tailor specific offerings to segments that provide a distinct competitive advantage. This information is also helpful for determining the allocation of resources for product development, marketing, and other functions throughout the organization. Furthermore, this step facilitates the targeting of only those segments of the market to which the company can profitably sell its products. A discussion of various types of segmentation methods, as well as an explanation of how segmentation differs between consumer markets and business markets, is also included in this section.

Figure 2-6 shows the inputs, tools, and outputs for the Define Market and Identify Market Segments process.
2.3.1 Inputs

2.3.1.1 Strengths and Weaknesses*

The strengths and weaknesses of a company are outputs of the Determine Strengths and Weaknesses process (discussed in section 2.1). They are important inputs for segmentation and targeting because a company typically seeks to target market segments where it can leverage and build on its strengths and perhaps avoid entering those where it has weaknesses. Strengths and weaknesses can also provide the basis for segmentation, as a company can classify customers according to their alignment with the company’s strengths.

2.3.1.2 Opportunities and Threats*

The opportunities and threats of a company are outputs of the Determine Opportunities and Threats process (discussed in section 2.2). A company typically seeks to target market segments where it has opportunities for growth and may avoid those where the threats outweigh the potential benefits. Opportunities and threats can also provide the basis for segmentation, as a company can classify customers according to their alignment with the opportunities that have been identified.

2.3.1.3 Market Attractiveness Report*

The Market Attractiveness Report is another output of the Determine Opportunities and Threats process (discussed in section 2.2). It is a key document that helps a company determine which of the market segments it should target. The Market Attractiveness Report contains information on the potential of various market segments, including market size, market trends, projected growth rates and profitability, and key success factors for the market. A company should ideally target those segments with the most potential, provided that other factors related to those segments are also favorable.

2.3.1.4 Existing Goals

The Corporate Marketing Strategy (which is a component of the overall Corporate Strategy) is further divided into Business Unit or Geographic Strategy, which in turn is further divided into Product or Brand Strategy for each product or brand. Section 1.4 illustrates the relationships between Corporate Marketing Strategy, Business Unit/Geographic Marketing Strategy, and Product/Brand Marketing Strategy.

For some companies, goals may already be defined at a corporate level, or at a business unit or geographic level. Such goals (if available) form valid inputs for defining the market for a product or brand.
Examples of Existing Goals—

- An automobile company located in Germany has a goal to become the market leader for luxury automobiles in the Asia-Pacific region. This goal is relevant information for all of the product and/or brand teams involved with defining the Marketing Strategy for the products to be launched in specific Asia-Pacific countries, such as China, Japan, India, Thailand, and Indonesia.
- A soft-drinks market leader defines its corporate goal to launch several brands targeted at customers who prefer healthy drinks with low sugar content. This overall corporate goal is important information needed by the brand managers responsible for defining the market segments for each brand.

2.3.1.5 Existing Marketing Research Reports

There are two types of marketing research reports that can serve as inputs for market segmentation—

- **Industry Reports**—These reports are related to the various market segments a company is considering and may contain a wide range of information about those segments—from financial attractiveness to distribution structure. The industry reports are generally published by consulting firms or by industry associations and are available to any company, generally at a price.

- **Company Commissioned Reports**—These are research reports that have been created or commissioned in the past by the company to understand specific information about the markets under consideration that the company is not able to understand adequately through other sources.

Both types of reports are used to understand the various market segments being considered by the company and how they may have changed, which can help the company determine the ideal market segments to consider.

2.3.2 Tools

2.3.2.1 Meetings and Discussions*

Meetings and discussions can be very useful for determining segmentation criteria and identifying the ideal segments for the strategy teams to consider. They bring a variety of perspectives not just from the marketing team, but also from other internal teams (e.g., product team and senior management team) that can add value to the discussions. Meetings and discussions also help to analyze information from various inputs mentioned in the previous section (section 2.3.1). In addition, the marketing team uses meetings to collate
the results of analyses conducted using other tools outlined in this section, and also to finalize the market segments to be targeted.

### 2.3.2.2 Demographic Segmentation

This tool is primarily used for consumer markets. It involves segmenting the market along one or more demographic variables including, but not limited to, the following—

- Age
- Gender
- Religion
- Location
- Ethnicity
- Language
- Occupation
- Income
- Education
- Marital Status
- Family Size
- Family Structure (e.g., single parent, extended family members)
- Presence of Children
- Nationality

Demographic segmentation helps organizations understand customers and satisfy their needs. Because the information can be easily obtained and measured, is objective in nature, and correlates well with customer needs, it is popular among marketing professionals. In addition, using a combination of demographic variables can provide the marketing team with niche segments that can be developed.

**Examples of Demographic Segmentation**—

- A designer of expensive women's casual shoes segments the market based on gender and income to identify an economically viable segment for a newly designed comfort shoe.
- An automobile manufacturer planning to launch a minivan, segments customers on the basis of income and family size, as it believes that its minivans are more suited for a middle-income family of up to five members.
2.3.2.3 Psychographic Segmentation

This tool is primarily used for consumer markets and involves segmenting buyers along one or more psychological variables including, but not limited to, the following—

- Attitude
- Personality
- Values
- Fears
- Lifestyle
- Lifestage (e.g., early childhood, youth, young adult, newly married, married with young children, married with teens, empty nester, elderly and retired)

Because these variables are subjective in nature, a company generally needs to create categories or labels for each of these on its own, depending on the specific situation.

<table>
<thead>
<tr>
<th>Examples of Psychographic Segmentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- A company planning to launch a social media app might define and segment the market on the basis of potential customers’ level of extroversion since the company believes that extroverts are more likely to use the app.</td>
</tr>
<tr>
<td>- A premium bicycle maker might define and segment its market on the basis of how adventurous and sports-minded individuals are at different lifestages.</td>
</tr>
<tr>
<td>- A superstore chain might analyze geo-demographic segmentation data created using cluster analysis. This statistical technique aggregates demographic and socio-economic consumer data based on particular locations (e.g., by zip or postal code). Geo-demographic clustering assumes that individuals living in the same neighborhood are more likely to have similar characteristics.</td>
</tr>
</tbody>
</table>

2.3.2.4 Behavioral Segmentation

This tool involves segmenting customers on the basis of their consumption behavior or attitude towards a product and also takes into account their lifestyles and patterns of buying and/or using the product. This is a more objective method of segmentation than psychographic segmentation. It is used for both the consumer and business markets. It may also be helpful to consider purchase behavior using RFM segmentation, which looks at the recency (i.e., how recent the last purchase of a particular item was made), frequency (i.e., how often consumers make a particular purchase), and monetary value (i.e., how much consumers spend on a particular purchase).
There are five variables that can be used for behavioral segmentation—

1. **Needs**—Users are segmented on the basis of their needs related to a product. Here it is important to understand the users’ category and brand purchasing motives, their value systems, and their perceptions in order to draw a composite image of each user and his or her needs.

   **Examples of Segmentation Based on Needs**—

   - In a consumer market, a face cream can satisfy diverse needs by providing different benefits, such as moisturizing, UV protection, blemish removal, and cleansing. A face cream provider therefore segments the market on the basis of these needs.
   - In a business market, paints can provide various benefits such as decoration, rust protection, or moisture or mold protection. The paint industry generally classifies paints at a high level as either “decorative” (used with craft projects) or “industrial” (used with machines) depending on the benefits they provide.

2. **Consumption Behavior**—Purchasers may not be the direct consumers, or may not be the only consumers for a variety of products. Therefore, consumption patterns for these products should be considered separately.

   **Examples of Segmentation Based on Consumption Behavior**—

   Consumption behavior may be segmented on the basis of patterns of usage as described below:

   - **Daily Consumption**: Consumer market—baby food; business market—staples
   - **Intermittent Consumption**: Consumer market—expensive perfumes; business market—video conferencing facilities
   - **Rare Consumption**: Consumer market—life-saving medicines; business market—backup data disks

3. **Purchase Behavior**—Users are segmented on the basis of their purchasing patterns. Some of the patterns are non-user, potential user, first-time user, one-time user (also referred to as “one and done purchasing”), repeat user, former user, product/brand loyalty-based user, and early adopter.

   **Example of Segmentation Based on Purchase Behavior**—

   - A retail chain that plans to introduce a points-based loyalty program segments the market on the basis of purchasing patterns. The loyalty program provides various levels of points and special offers to customers based on whether they make a one-time purchase, intermittent purchases (e.g., once every few months), or regular purchases.
4. **Communication Behavior**—Users are segmented on the basis of how much they communicate about the product with others before, during, and after purchasing. In this respect, opinion leaders are particularly influential as they are knowledgeable about, or are regular users of, particular products; are very vocal about their views regarding such products; and command the attention of other potential customers. In addition to examining how these users communicate, it is also important to understand how they prefer to receive communication. For example, what types of media do they consume?

**Examples of Segmentation Based on Communication Behavior**—

- In the fashion industry, some designers provide their latest line of clothing and accessories complimentary to celebrities and encourage them to provide their opinion about the products. These celebrities can act as influencers and generate word-of-mouth publicity for the designer.
- Movies are commonly reviewed and discussed among peers. Consumer opinions expressed on peer-review websites may be more influential than critical opinion from celebrity reviewers. Consumers also champion movies on their own social media sites, or in personal interactions with friends and family.

5. **Consumer Purchasing Roles**—Consumers can be categorized based on their roles in the purchasing process. Individuals take on one, several, or all of the following roles in the purchasing process: initiator, influencer, decider, buyer, and user. When segmenting based on consumer purchasing roles, businesses will often target influencers rather than buyers in an effort to connect with those with the most influence on the purchasing behavior of the group.

**Example of Consumer Targeting Model**—

- For children’s toys, while parents or others would be the decider and buyer, the children themselves would be the initiator, influencer, and user. Thus toy companies usually target their advertising at children rather than parents, grandparents, and others who actually make the purchase.

2.3.2.5 **Company Characteristics-Based Segmentation**

This tool is analogous to the demographic segmentation for consumer markets. Here, the business market can be segmented on the basis of various company characteristics including, but not limited to, the following—

- Industry Type
- Company Size
- Company Location
• Technology
• Level of Centralization
• How Purchasing Decisions are Made

A combination of criteria may also be used to target niche segments. In addition to looking at company characteristics, it is also important for marketers to examine individuals within the company to identify whether they are users, influencers, buyers, deciders, or gatekeepers (e.g., an executive assistant who has the authority to filter information to executives). Marketers should also understand people’s positions in the company, decision-making power, career ambitions, fears about their careers, and what would help them advance their careers.

**Examples of Company Characteristics-Based Segmentation—**

- A manufacturer of office furniture might prefer to target companies whose power structure is decentralized. In such companies, regional offices generally have the authority to buy their own furniture, making it easier for the manufacturer to reach the decision makers in those regional offices.
- A software company that develops customized sales-reporting software may target businesses that have offices in multiple locations with a distributed sales team. The customized software might, for example, allow individual sales persons to record their daily activities, which would be tracked by the centrally located management team—a feature which would be appealing to the target given the company’s specific operational needs.
- Multi-national corporations may have multiple divisions requiring businesses to segment such target companies in a way that treats the divisions as though they operate as virtually separate entities. For example, being on the approved vendor list for the engineering department may not result in being on the vendor list for the R&D division. Understanding the corporate hierarchy and targeting management groups at relevant and decision-making levels can help avoid having to reach out multiple times to the same corporation.

2.3.2.6 Evaluation of Future Market Scenarios*

The definition of market and market segments should not be restricted to the present, but should also take into account the most probable future market scenarios, which may be significantly different from the present scenario. Changes might arise due to factors such as structural changes in the market, which might include consolidation of market share among a few players, changes in market demand depending on the lifecycle of the product category, and/or technological innovations that may move the entire market demand to new product categories. A company needs to proactively evaluate all such possible scenarios and create a response plan for the most likely scenarios.
2.3.3 Outputs

2.3.3.1 Market Definition

A market is defined as the set of potential customers who have a demand for the product category that includes the company’s product. Thus, the definition of market at this stage is not at a specific product level, but at a product category level. It sets the boundaries within which segmentation is carried out. The definition should be broad enough so that the company can reasonably hope to acquire a share of the market within a timeframe that generates revenues commensurate with its corporate objectives. The market definition should also take into account the most likely future market scenarios so that the definition continues to stay valid in the long term.

Examples of Future Market Scenarios—

- The banking industry offers a constantly changing range of options; thus, financial institutions are always considering future market scenarios and market services that reflect and predict consumer trends.
- Stock and bond purchases shifted from brokerage houses to individuals as online banking became more trusted.
- Easier access to foreign markets has increased the need for small businesses to conduct transactions in multiple countries and convert funds from one currency to another. Banks can tailor their services to meet this emerging need and market themselves as international, through lower exchange service charges and greater global reach.
- Several forms of virtual currency and online payments may become commonplace in the future. Financial institutions can evaluate this potential trend and expand services and update their marketing strategies to capture this potentially new market.
Examples of Market Definition—

- At the turn of the twentieth century, horse-drawn carriages dominated the personal transportation industry. Companies who had defined their market as customers who wanted horse-drawn carriages were at a disadvantage when automobiles started replacing the carriages, unlike companies who had defined their market as customers who wanted convenient personal transportation. The latter market definition has the strength of including the future possibility of automobiles.

- For many years, the best way to access the latest news was through local newspapers. Many local newspapers were very profitable as consumers purchased daily newspapers for the latest news on their local communities, and marketers, targeting the same audience, used the paper for advertising. However, in the early 1990s the world began to change with the introduction of the Internet. Over time, consumers began to have the ability to quickly access a variety of content and information online. Many newspaper publishers did not prepare themselves for the digital revolution, and soon subscriptions and advertising revenues of these newspapers declined as they lost readers to new electronic publications. Some newspaper publishers defined their market and market segments properly, and proactively addressed the change in consumer habits and technology. With the advent of digital publications, they changed the way they did business, by adapting their business model and embracing technology. Consequently, such publishers have a sustainable business model today.

- A manufacturer of cell phones that wants to sell low-priced smartphones, may define its market as all potential customers of cell phones in the early stages, rather than limiting the target market to low-priced smartphones. This approach allows the company to explore the entire cell phone market for potential opportunities. The company may realize during the market segmenting and targeting process that it can profitably target customers who want smartphones priced higher than the low-priced models. If the company had narrowed its definition of the market in the early stages, such opportunities might have been missed. At the same time, by excluding phones that are not smartphones, the company sets boundaries to ensure product development and marketing efforts are not spread too thin.

2.3.3.2 Market Segments*

The output of using any of the segmentation tools is a description of the various market segments a company wants to consider. The descriptions should contain the characteristics of each segment that differentiate one segment from another. Segments that do not differ significantly from each other may need to be merged or have different segmentation criteria applied to them. It is common practice to display the segments on a graph showing the different criteria on the axes to help understand the differences across all segments.
Example of Market Segments:

A consulting firm wishes to target the Oil and Gas industry in a specific geography. Within each location, there are discrete units with different needs. The chart below illustrates the similarities and differences among these units.

<table>
<thead>
<tr>
<th>Major</th>
<th>Mid-Sized</th>
<th>Junior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development of plays</td>
<td>Maximizing existing assets</td>
<td>Development of low-cost plays</td>
</tr>
<tr>
<td>Acquisition of new plays</td>
<td>Sale of plays to majors</td>
<td>Uncovering potential of new plays</td>
</tr>
<tr>
<td>Business Development Budget</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; $10,000,000</td>
<td>&gt; $1,000,000</td>
<td>&lt; $1,000,000</td>
</tr>
<tr>
<td>Internal Resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Established business units</td>
<td>Established business units</td>
<td>Exploration knowledge;</td>
</tr>
<tr>
<td>Formal Business Analysts</td>
<td>Some Business Analysts</td>
<td>Few Business Analysts</td>
</tr>
</tbody>
</table>

Based on this segmentation analysis the consulting firm decides it is desirable to focus on the Junior companies. They have a greater need for consulting on corporate direction. Despite the smaller budgets, the Junior companies provide a better opportunity.
3. DEFINE COMPETITION, TARGETING, AND POSITIONING

This chapter first discusses the factors involved in identifying the competition, understanding industry trends, and considering future competitive scenarios that help in selecting target market segments. It then looks at creating a differentiated positioning statement for the company’s products or services for those target segments selected. Competitive positioning tools help a company explore how it can differentiate its product or service offerings in order to create a value proposition for those products or services in the market.

Figure 3-1 provides an overview of the processes reviewed in this chapter, which are as follows—

3.1 Identify Competition—In this process, a detailed competitive analysis is conducted.

3.2 Select Target Segments—In this process, appropriate market segments are selected based on their attractiveness.

3.3 Create Differentiated Positioning—In this process, product features that help create a differentiated positioning statement for the products of the company are defined.

![Figure 3-1: Define Competition, Targeting, and Positioning Overview](image)

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
3.1 Identify Competition

The first step in defining the competitive positioning for a company’s products or services is to identify the main competitors for those products or services. This entails creating a list of all potential competitors and then analyzing their strengths, key product features, operational excellence, and market share information to best identify the closest rivals from the customer’s viewpoint. This information is used to focus the company’s energies on competing against only one or a few competitors, rather than trying to compete against all of them.

After identifying the competitors, a list of key and potential future competitive products, including their characteristics, is created. This information is a vital input in developing a product’s positioning because it helps in defining a value proposition that offers a sustainable competitive advantage and can, in turn, attract customers from competitors.

While identifying the main competitors and competitive products, a company should also consider product substitutes, potential new entrants, and technological changes that may pose a threat in the future. Companies focusing solely on current rivals in their own industry may fail to react to emerging competition from other areas, and thus lose out in the long run. A future competitive analysis that identifies competitive scenarios is therefore important when identifying the competition.

Figure 3-2 shows the inputs, tools, and outputs for the Identify Competition process.

![Figure 3-2: Identify Competition—Inputs, Tools, and Outputs](image-url)

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
3.1.1 Inputs

3.1.1.1 Senior Management Direction and Insights*

Senior Management has a comprehensive understanding of a company’s competitors and markets. This knowledge helps in identifying current and potential future competition. Through their understanding of the industry and connections in the market, Senior Management is generally aware of the relative strengths of various competitors and can identify those that pose a threat to the company. Senior management may also be able to identify substitutes, potential new entrants, and technological developments that threaten the success of a company’s products.

3.1.1.2 Market Segments*

Market segments are an output of the Define Market and Identify Market Segments process discussed in section 2.3. A company need only be concerned with competitors in the market segments that it is considering targeting; therefore, knowing the market segments helps narrow down the list of potential competitors. As discussed in Section 2.3.2, segmentation can be done on the basis of demographics (e.g., age, gender, income level), psychographics (e.g., lifestyles, values, attitudes), behavioral (e.g., needs, consumption behavior, purchase behavior, communication behavior), and/or company characteristics (e.g., industry type, company size, company location, technology). However, it is also important to thoroughly understand the products the target markets are currently using and the benefits that are derived from those products. Understanding the needs of the various segments further allows a company to analyze which of the players in an industry are fulfilling those needs, thus identifying competitors and competitive intensity in each segment.

3.1.1.3 Existing Marketing Research Reports

There are two types of existing marketing research reports that can serve as inputs for identifying the competition—

1. **Industry Reports**—A company can utilize research conducted by external agencies on its target segments to identify current and potential customers and key information about them. These reports are generally published by consulting firms or industry associations, and are available to any company, generally at a price.

2. **Company Commissioned Reports**—A company may have already conducted marketing research on particular target segments in the past. It can utilize that research or commission new primary research in order to understand who the competitors are and review their product portfolios. If
research on previously identified segments is conducted on a regular basis, the company can also identify trends and changes in the competitive environment.

3.1.1.4 Information Published by Competitors

Many companies reach out to their customers through promotional channels that are accessible to the general public, such as television, radio, newspapers, public directories, and company-controlled outlets like their own websites, social media sites, and booths at trade shows. Such information can be used to identify competitors because it presents how others have differentiated and positioned similar products in the target market segments.

3.1.2 Tools

3.1.2.1 Competitor Selection Criteria*

This tool involves selecting and evaluating potential competitors and their competing products through the use of specific objective criteria. The criteria are generally the critical success factors in the industry. Each criterion is given a relative weight to indicate its significance in the typical customer's mind. All competing products are then scored on each criterion, and each score is then multiplied by its assigned weight. The competing products with the highest total weighted scores are the biggest competitors for a company's products.
3.1.2.2 Future Competitive Analysis*

Performing a future competitive analysis involves actively scanning the industry (or other industries) for new entrants, emerging technologies, and other developments that pose a serious competitive threat to a company or its products in the future. This exercise is critical for the long-term success of the company because the greatest competition could come from outside the industry and, in extreme cases, could make an entire industry obsolete.
Future competitive analysis should be performed in a structured manner. One possible method is to create a Probability and Impact Matrix to assess future competitive risk events. In this approach, all possible future scenarios are listed, with a probability of occurrence and a degree of expected impact assigned to each scenario (on a numeric scale—the higher the impact, the greater the number). Multiplying the probability of occurrence with the degree of impact results in a number that indicates the potential threat of that scenario or event to a company—the higher the number, the greater the threat. The threat level is assessed and then categorized as “high,” “moderate,” or “low” for ease of reference and to narrow the focus (e.g., to only “high” threat events). For example, a competitor’s newly released product may threaten to reduce company revenues by five percent. This may be an event with a high probability but low degree of impact, so the overall threat would likely be categorized as “moderate.” However, the commercialization of a proven new technology that is costly to implement, but may threaten the very existence of a company’s main products, would be an event of moderate probability with a high degree of impact; so the overall threat would likely be categorized as “high.”
It is important to note that the effectiveness of future competitive analysis as a tool depends greatly on the knowledge and experience of the team conducting the analysis. A mature team with a well-developed perception of what is happening in the external and company environment can usually envision more realistic scenarios and make better predictions of future possibilities. Senior management may also be asked to provide their suggestions and views during this analysis.

### Example of Future Competitive Analysis using a Probability and Impact Matrix:

An example of how this tool can be used is shown in the table below.

<table>
<thead>
<tr>
<th>Possible Future Competitive Event</th>
<th>Probability of Occurrence (P)</th>
<th>Degree of Impact (Scale of 1–5, 5 being the highest) (I)</th>
<th>Threat Level = P x I</th>
<th>Threat Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry of Company A</td>
<td>0.8</td>
<td>2</td>
<td>1.6</td>
<td>Moderate</td>
</tr>
<tr>
<td>Commercialization of Technology B</td>
<td>0.6</td>
<td>5</td>
<td>3.0</td>
<td>High</td>
</tr>
<tr>
<td>Launch of Product C in Another Industry</td>
<td>0.4</td>
<td>1</td>
<td>0.4</td>
<td>Low</td>
</tr>
</tbody>
</table>

According to this data, the second event, commercialization of technology B, is the event that the company should try to avoid or mitigate as it is in the “high” threat category. The company may also create a response plan for those events or scenarios in the “moderate” threat category, particularly if those in the “high” category are already addressed. Those in the “low” category are often accepted threats since they pose little threat to the company.

It is important to note that the effectiveness of future competitive analysis as a tool depends greatly on the knowledge and experience of the team conducting the analysis. A mature team with a well-developed perception of what is happening in the external and company environment can usually envision more realistic scenarios and make better predictions of future possibilities. Senior management may also be asked to provide their suggestions and views during this analysis.

### 3.1.2.3 Marketing Research

Marketing research is a common tool for providing companies with specific competitor information. For example, a company can carry out a marketing research exercise in which it surveys potential customers about products they would most likely choose in order to satisfy the needs that the company is planning to address with its own products. Internet searches of other products in the same product category can also help a company determine which products are its biggest competitors. Marketing research can also be used to identify the specific criteria that customers use to make their purchase decisions. This information is used with the Competitor Selection Criteria tool described in section 3.1.2.1.
3.1.2.4 Meetings and Discussions*

Meetings and discussions can be very useful for identifying appropriate competitor selection criteria, short-listing the competitors of a company, and then determining which competitors should be closely monitored. They may also be valuable for gaining insight from experts on the probability and impact values of future competitive scenarios. Involving senior management in these discussions is highly recommended as the choice of competitors may influence, or be influenced by the Corporate Strategy of the company as a whole.

3.1.3 Outputs

3.1.3.1 List of Competitors*

Every company should identify and monitor its competitors. A list of competitors is useful for determining and tracking how the company is faring against its competition. With the exception of markets in which a company has a monopoly on the market, all markets have multiple competitors; therefore a gain for a particular company (e.g., increase in revenues, market share, profitability) could be at the expense of its competitors. Smart companies usually identify all their competitors and keep a close watch on competition; for example, they should be aware of whether or not their competitors are consolidating (through mergers and acquisitions), expanding into new markets, retreating from other markets, launching new products, or phasing out certain product lines.

3.1.3.2 Details of Competitive Products*

Other than creating a list of competitors as defined in section 3.1.3.1, companies should also explicitly identify and elaborate on all the competitive products associated with their competitors. Thus, a document containing details of competitive products within the various market segments under consideration is created when considering the competition. Details include the performance of competitive products on selected criteria, as well as their target segments; positioning statements; product pricing; and sales volume. Estimates may be used if accurate figures are not available. This information also identifies which products pose the greatest competitive threat and, therefore, need to be monitored more diligently.

3.1.3.3 Industry Benchmarks and KPIs

Industry benchmarking is the process of comparing an organization’s business processes and performance metrics to those of leading companies in the industry. Key Performance Indicators (KPIs) are used to assess and compare current performance levels. KPIs are metrics that reveal how an organization is performing on certain critical aspects that are key to success in its industry. Dimensions typically measured include quality, time, and cost. To establish a benchmark, management identifies the best companies in the industry or in
another industry where similar processes exist. It then compares the company’s own practices and processes to the best practices and processes of those leading organizations studied. In this process, organizations learn how well the target companies perform and, more importantly, the business processes that contribute to the success of these companies. Industry benchmarks and KPIs are created as a result of the marketing research performed as described in section 3.1.2.3 and competitor selection criteria as described in section 3.1.2.1.

Examples of Industry Benchmarks and KPIs—

- Continuing the example mentioned in section 3.1.2.1, the three criteria—Variety of Shoes, Quality of Service, and Convenience of Location—may be considered industry KPIs for the shoe retailer industry in that city, and the weighted total score for Competitor 2 may be considered the industry benchmark for overall performance.
- In a call centre, KPIs may include average hold time, average handle time, and customer satisfaction ratings.

3.1.3.4 Future Competitive Scenarios

This output identifies the future events or scenarios that pose a serious competitive threat to the company. These events are those that have been labeled as “high” or “moderate” threats as part of the future competitive analysis carried out in section 3.1.2.2. All relevant information related to these events, such as the dates of expected occurrences and factors that might mitigate or favor these events, should also be documented. The details of the scenarios should be monitored and updated on a regular basis to reflect changes in the competitive environment.

3.1.3.5 Marketing Research Reports

Marketing research reports may be created by the Sales and Marketing team if specific primary or secondary market research is commissioned or gathered by the company to gain a better understanding of the company’s competition.
3.2 Select Target Segments

Once a company has identified all market segments, explored the competition, and then compiled the details of competitive products, it should then analyze the various segments and the strengths, weaknesses, opportunities, and threats faced by the company in order to identify the target segments in which the business would be most competitive. This process involves identifying the type of customers a company plans to target and the product categories under which it intends to create products. It is also important to consider how the market scenarios may change in the future.

After the market segments have been identified, the company conducts a market attractiveness analysis to identify the relative attractiveness of each segment. The marketing team should also create “personas” of ideal customers in each segment. Then, depending on the market size of each segment and the ability of the company to build products for each persona, the target segments are selected.

Figure 3-3 shows the inputs, tools, and outputs for the Select Target Segments process.

<table>
<thead>
<tr>
<th>INPUTS</th>
<th>TOOLS</th>
<th>OUTPUTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strengths and Weaknesses*</td>
<td>1. Market Segment Attractiveness Matrix*</td>
<td>1. Selected Target Segments*</td>
</tr>
<tr>
<td>2. Opportunities and Threats*</td>
<td>2. Undifferentiated Strategy</td>
<td></td>
</tr>
<tr>
<td>3. Market Segments*</td>
<td>3. Focused or Concentrated Strategy</td>
<td></td>
</tr>
<tr>
<td>4. List of Competitors*</td>
<td>4. Differentiated Strategy</td>
<td></td>
</tr>
<tr>
<td>5. Details of Competitive Products*</td>
<td>5. Market-Product Grid</td>
<td></td>
</tr>
<tr>
<td>7. Future Competitive Scenarios</td>
<td>7. Meetings and Discussions*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>8. Marketing Research</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3-3: Select Target Segments—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
3.2.1 Inputs

3.2.1.1 Strengths and Weaknesses*

Strengths and weaknesses (identified during the Determine Strengths and Weaknesses process) enable a company to identify its internal capabilities and those processes that the company can execute better than its competition. Senior Management can refer to the organization’s strengths and weaknesses when considering the types of products that provide the company with a competitive advantage, and thus identify the market segments that the company can target. If the company has already decided to target a specific market, then strengths and weaknesses can also help identify the capabilities and processes that the company needs to build in order to successfully compete within that target segment.

3.2.1.2 Opportunities and Threats*

Opportunities and threats (identified during the Determine Opportunities and Threats process) help a company reflect on any changes in market demands or other external factors, in order to highlight ways to benefit from these changing needs. A company should consider areas of potential growth, which can be exploited, as well as potential threats, which should be mitigated or avoided. For a business to remain successful, it must constantly be aware of market opportunities and threats, and may at times need to re-invent itself to stay relevant to changing market needs. Both the external analyses, which identify opportunities and threats, and the internal analyses, which examine strengths and weaknesses, allow a company to make educated decisions concerning the most attractive market segments that best match its capabilities.

3.2.1.3 Market Segments*

Market segments, obtained as an output of the Define Market and Identify Market Segments process, contain a description of the various market segments a company should consider when selecting its target segments. The description of each market segment contains those characteristics that differentiate it from other segments. Because this input is an exhaustive list of all market segments, it is used as a reference point for any analysis on the relative attractiveness of each segment for the company. Excluding details of all market segments could result in a company missing a viable opportunity when choosing target segments (i.e., because it did not consider all possible market segments).
3.2.1.4 List of Competitors*

A list of competitors is obtained as a result of the Identify Competition process. This list identifies the important competitors for a company, so it is a valuable input to help the company determine the target segments for its products or services.

3.2.1.5 Details of Competitive Products*

A list with details of competitive products is obtained as a result of the Identify Competition process. This list identifies the products that a company finds most similar to its own product in fulfilling customer needs. Each competing product is explained in depth with details of its characteristics, targeted customer segments, pricing, and sales information. The company thoroughly analyses this information to help identify the right target segments for its own products. If the details of competitive products are not included as an input to this process, the company may target a segment in which a competitive product provides a better value proposition to customers, leading to non-optimal sales and consequently little profitability for the company.

3.2.1.6 Industry Benchmarks and KPIs

Industry benchmarks represent the typical performance levels in an industry for specific measurable criteria that are important in that particular industry. Key Performance Indicators (KPIs) are metrics that reveal how a company is performing on certain critical factors that are important to success in its industry. They are created as a result of marketing research and evaluation of competitive products. Industry Benchmarks and KPIs help identify the company’s relative strengths and weaknesses, which are then considered when determining the optimal target segments for the company.

3.2.1.7 Future Competitive Scenarios

Future competitive scenarios are potential future events that pose a serious competitive threat to a company or its products. These events are those that are categorized as “high” or “moderate” threats as part of the future competitive analysis discussed in section 3.1.2.2. Because competitive scenarios are considered for all market segments, this is an important input that helps the company analyze whether or not a particular segment has a serious competitive threat that may affect its profitability in the long term.
3.2.2 Tools

3.2.2.1 Market Segment Attractiveness Matrix

After segmenting the market, a company needs to identify the most attractive segments to target. This tool primarily involves mapping a company’s strengths against the attractiveness of each market segment, and then selecting only those segments that provide the best prospects for growth of the company.

A two by two matrix like the one in Figure 3-4 is a good way to map organizational strengths with market segment attractiveness.

<table>
<thead>
<tr>
<th>Market Segment Attractiveness</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Best Prospects</td>
<td>Poor Prospects</td>
</tr>
<tr>
<td></td>
<td>Segment aligns well with organizational strengths—target this segment</td>
<td>Think before pursuing this segment</td>
</tr>
<tr>
<td>Low</td>
<td>Possibly Good Prospects</td>
<td>Worst Prospects</td>
</tr>
<tr>
<td></td>
<td>Segment has the potential to align well—build strengths first, then target this segment</td>
<td>Avoid this segment</td>
</tr>
</tbody>
</table>

Figure 3-4: Market Segment Attractiveness Matrix

Using this matrix involves classifying each market segment into one of the four cells. For each of the cells in the matrix, the suggested action related to targeting is indicated and can be summarized as follows—

- **Best Prospects**—The best market segments are clearly those where the organizational strengths and market segment attractiveness are both considered high. These segments should definitely be targeted.

- **Worst Prospects**—Segments where market segment attractiveness is low and organizational strengths are also low should be avoided.

- **Poor Prospects**—Segments where the organization has the necessary strengths, but market attractiveness is low, are generally poor prospects due to low expectations for profitability. If a company has secondary objectives, such as creating a loss-leader product, it may consider targeting these segments.
• **Possibly Good Prospects**—Segments where organizational strengths are low but market segment attractiveness is high need to be investigated further. These segments should be exploited only if the company first builds its strengths to competitive levels.

It is quite common for a company to target multiple segments at the same time, if it has the necessary resources or has a product range that can appeal to multiple segments.

**Examples of Market Segment Attractiveness Matrix**:

- An attractiveness matrix for a boutique women’s clothing designer with a store front in a popular shopping district of Brooklyn, New York might look like this:

<table>
<thead>
<tr>
<th></th>
<th>Market Segment Attractiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
</tr>
<tr>
<td><strong>Organizational Strengths</strong></td>
<td>Best Prospects</td>
</tr>
<tr>
<td>o Trendy</td>
<td>20–45-year-old tourists, and local professional women</td>
</tr>
<tr>
<td>o Competitive Pricing</td>
<td>Possibly Good Prospects</td>
</tr>
<tr>
<td>o Brand Loyalty</td>
<td>18–25-year-old students</td>
</tr>
<tr>
<td>o Good Quality</td>
<td></td>
</tr>
<tr>
<td>o Reliable Manufacturing</td>
<td></td>
</tr>
</tbody>
</table>
Examples of Market Segment Attractiveness Matrix:

A well-known pharmaceutical company has an internal competency in the area of drug formulation. The four market segments that the company is exploring are high-end cancer treatment drugs, over-the-counter (OTC) drugs for curing the common cold, prosthetic limbs, and medical cosmetics. The four segments can be categorized based on the Market Segment Attractiveness Matrix as follows—

- **Best Prospect**—The market for cancer treatment drugs is a very attractive segment with global demand which may also allow the company to charge a premium. Based on market research, the company may decide to place cancer drugs in the best prospects category because the company has the organizational strengths to develop the drugs and the market attractiveness is also very high.

- **Poor Prospect**—OTC drugs for the common cold are relatively quick to develop and have low R&D expenditures. OTC could be considered a poor prospect because the company has the necessary organizational strengths but the market attractiveness is low due to high competition.

- **Possibly Good Prospect**—Medical cosmetic products have high market attractiveness given the increasing demand for such products; however, the company does not have the organizational capabilities in this area. The company should first aim to build internal capabilities in the development of medical cosmetics if it wants to pursue this market.

- **Worst Prospect**—Prosthetic limbs are difficult to synthesize and require specific capabilities to manufacture. The existing technological capabilities of the company are insufficient to develop prosthetic limbs. The market attractiveness of the segment is also low as it is a niche market.
3.2.2.2 Undifferentiated Strategy

If an organization selects an entire market as its target segment for a particular product, it is said to be using an undifferentiated targeting strategy. In an undifferentiated targeting strategy, the company assumes that all customers in the target market for a specific product have similar wants and needs that can therefore be satisfied with a single marketing mix.

In order to utilize an undifferentiated targeting strategy, an organization must ensure that the following two conditions are satisfied—

1. The market must be homogeneous—that is, a large proportion of customers in the entire market have similar wants and needs for the product.

2. The organization must be able to create and execute a single marketing mix that fulfills customer needs, and must, therefore, be able to address the entire market through a single product, pricing, promotion, and distribution strategy.

For most products, customers are generally heterogeneous—their wants and needs differ from each other based on characteristics such as geography, age, income, and other demographic and lifestyle variables. In such cases, a company should use a differentiated or focused targeting strategy.

3.2.2.3 Focused or Concentrated Strategy

When a company directs its entire marketing efforts toward a single market segment using single marketing mix, it is said to be using a focused or concentrated strategy. The main advantage of this strategy is that it allows the organization to specialize and focus all of its energies on satisfying the demands of that one market segment in order to generate large sales volumes. The success of this strategy depends on an organization’s ability to identify a single target segment that has sufficient demand for its product, is large enough for the company to concentrate its marketing efforts on, and is also homogeneous in that the entire segment has a similar demand.
In order to select a focused strategy, an organization must ensure that the following two conditions are satisfied—

1. The market is heterogeneous—that is, it is made up of customers with diverse product wants and needs. However, the identified target market segment is homogeneous, so all the customers in that segment generally have similar wants and needs for the product.

2. The organization must be able to reach the chosen segment with a particular marketing mix.

### Examples of Focused or Concentrated Strategy—

- Yoga videos for office-going people above 30 years of age who are health conscious but may not have the time or money to take yoga classes, is an example of a demography-based focused strategy.
- Winter tires are generally sold with a very focused strategy. Seasonal television ads are primarily used to remind prospective customers of the value and need for that commodity. The segment is focused on car owners over 30 years of age living in very cold climates because this demographic is typically more safety conscious than younger drivers.
- A term life insurance product may be targeted toward working parents between the ages of 30 and 50 with an annual income of $50,000 to $100,000.

### 3.2.2.4 Differentiated Strategy

In a differentiated targeting strategy, a company directs its marketing efforts towards two or more segments by creating a different marketing mix for each segment. Each marketing mix for this strategy typically varies depending on product features, distribution methods, promotion methods, and pricing. After successfully using a focused strategy in one market segment, an organization might expand into other segments, therefore switching to a differentiated strategy.

An organization with excess production capacity may find a differentiated targeting strategy beneficial as its product sales to additional segments will help in absorbing the excess capacity. On the other hand,
operating under this strategy may demand more processes, people, and materials, thereby increasing overall costs that may not be beneficial in the long run.

**Examples of Differentiated Strategy**—

- Car manufacturers tend to develop different brands of cars targeting different income segments. Thus, they may choose a differentiated marketing strategy with two market segments based on income.
- A film studio generally uses a differentiated strategy by branding specific genres that appeal to different consumer segments (e.g., romantic, comedy, or action-oriented movies).
- Energy drinks were initially marketed with a strategy focused on youth, primarily through sponsorship of extreme sports events. To increase distribution and market reach, both broad television advertising and nightclub sponsorship campaigns were added. Energy drinks, which were once most prevalently distributed in convenience stores, are now available in large grocery stores, liquor stores, and bars. Furthermore, the household and drinking-age market segments are now being directly targeted.

### 3.2.2.5 Market-Product Grid

A Market-Product Grid\(^8\) is a tool that is used to relate the potential buyers’ market segments to product offerings or potential marketing actions. It is particularly useful when a differentiated targeting strategy is being used in a heterogeneous market. A matrix is created with the different market segments indicated on the vertical axis and the various product offerings or options being considered represented on the horizontal axis.

Creating a Market-Product Grid involves the following steps—

1. Identify potential market segments and the products or other options being considered. This information can be derived from the outputs of the *Define Market and Identify Market Segments* and *Identify Competition* processes discussed in sections 2.3 and 3.1.

2. List the various market segments on the vertical axis and the products or options on the horizontal axis.

3. Evaluate each market-product combination and categorize its size as large, medium, small, or insignificant. This categorization can also be represented in numeric terms (0 for insignificant to 3 for large).

---

The Market-Product Grid, once created, helps the company quantify the most attractive target segments for its products or services.

Example of Market-Product Grid:

A real-estate developer has decided to build an entertainment complex. The complex will include two entertainment concepts to be chosen from several possible options: Movie Theatre, Theme Park, Cultural Theatre, Fitness Centre, Shopping Mall, and Basketball Court. The market segments are divided into Children less than 16 years of age, Males 16–30, Females 16–30, Males 31–55, Females 31–55, Males 56+, and Females 56+. Based on research, the developer analyzes the demand for the various entertainment options in each market segment, and categorizes those market-product combinations on a scale of 0–3 with 0 representing insignificant, 1 representing small, 2 representing medium, and 3 representing large.

Below table illustrates the real-estate developer’s Market-Product Grid.

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Entertainment Options</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Movie Theatre</td>
</tr>
<tr>
<td>Children &lt;16</td>
<td>2</td>
</tr>
<tr>
<td>Males 16–30</td>
<td>2</td>
</tr>
<tr>
<td>Females 16–30</td>
<td>3</td>
</tr>
<tr>
<td>Males 31–55</td>
<td>1</td>
</tr>
<tr>
<td>Females 31–55</td>
<td>2</td>
</tr>
<tr>
<td>Males 56+</td>
<td>3</td>
</tr>
<tr>
<td>Females 56+</td>
<td>2</td>
</tr>
<tr>
<td>TOTALS</td>
<td>15</td>
</tr>
</tbody>
</table>

Based on the possible market-product combinations, the developer may decide to go ahead with the two most attractive entertainment options (i.e., Movie Theatre and Shopping Mall).

3.2.2.6 Customer Personas*

Personas are highly detailed fictional characters, representative of particular types of users in a market segment. They are created to help the marketing team identify who the potential buyers are, what they are trying to achieve, what they think, what drives their behaviors, how they buy, and why they take certain decisions. In a corporate environment, a persona could include job title, tasks, responsibilities, job requirements, conferences attended, and types of media consumed. With detailed personas, users become more personal and real to the team, so they are better able to understand the particular requirements and goals of a market segment. A market segment can be effectively selected once detailed personas are understood.
Creating a persona involves assigning a fictional name and preferably a picture to a character. The persona should be research based and include highly specific demographic and lifestyle attributes such as age, gender, education, environment, interests, and goals. A quote illustrating the persona’s requirements can also be included.

**Examples of Customer Personas**—

- **A persona created for a travel website**—

  Vanessa is a 39-year-old resident of San Francisco. She is pursuing her passion for traveling after having a highly successful career as an attorney. She likes to have options when choosing air travel and accommodation services so that she can select those that are the best and most affordable. Vanessa gets frustrated with slow and cluttered websites.

  "My backpack is always ready for me to pick up so I can jet off and explore the world."

- **A bank launching a mortgage insurance product has identified this persona**—

  Adam is 35 years old, has been married for five years, and has two children, ages 3 and 1. He owns a two-story, three-bedroom home in a middle class suburb. Following the birth of their second child, Adam’s wife gave up her full-time job, making Adam the primary breadwinner. Adam is concerned about the security of his job as a computer programmer as his employer has been reducing staff as part of ongoing cost-cutting measures. While Adam and his wife have a fairly limited budget, they have prioritized mortgage insurance as a necessary expenditure due to concerns about their lack of available savings to manage their mortgage payments in the event of a job loss or illness.

- **A business-to-business workforce management software company has identified this persona**—

  Julia is a 45-year-old vice president of human resources for a large accounting firm. She is the final decision maker of all software purchases for her department. Her technical knowledge is adequate for her role but she does not consider herself a very technical person and therefore her software purchase decisions are heavily influenced by the IT department and by HR managers who report to her and who are the users of the systems. In shortlisting software programs for purchase considerations, Julia also attends HR conferences and regularly reads trade magazines to stay updated on new technology.
3.2.7 Meetings and Discussions*

After identifying all market segments as part of the Define Market and Identify Market Segments process, the marketing team meets to analyze the data obtained on consumer behavior patterns derived from internal information and marketing research. The marketing team also decides if the market is homogeneous or heterogeneous and, based on that information, decides whether the company will proceed with an undifferentiated strategy, a focused strategy, or a differentiated strategy. Relevant stakeholders in the organization meet and discuss the attractiveness of all market segments and, based on the strengths, weaknesses, opportunities and threats, select the target segments.

3.2.8 Marketing Research

Besides the Market Attractiveness Report, which provides information on the growth potential of the entire market, marketing research is also conducted to clearly identify the target segments and their associated characteristics. For example, variables such as specific preferences, age group, income level, and geographic representation need to be detailed for the various market segments. Marketing research also helps identify the purchasing behavior and purchasing criteria of customers in the various segments. Once the purchasing criteria are identified, the company can then analyze how well it meets those criteria. Marketing research also helps identify the size of the product-market combinations in the Market-Product Grid.
3.2.3 Outputs

3.2.3.1 Selected Target Segments*

Understanding the target segments is a key factor in determining the positioning strategy and possible changes in the marketing mix for a product. The marketing strategy team should create a document that contains the identified target segments and all relevant information on those segments. The document should include the following—

- the specific needs of each target segment that a product aims to satisfy
- all relevant characteristics of each target segment which differentiates them from other segments; these may be taken from the segmentation exercise carried out in section 2.3, Define Market and Identify Market Segments
- market attractiveness attributes for each segment such as size and growth rate
- the personas of typical customers in each target segment
- organizational strengths that help the company compete successfully in each segment
- any of the company’s existing products that are most suitable for the various target segments

For consumer market segments, additional information about demographics, geography, disposable income, psychographics, and purchasing behavior may also be included. For business market segments, additional information about locations, revenues, decision-making hierarchy, and stage of technology adoption for the companies in the targeted segments may also be included.

Clearly defining target market segments enables a company to focus its marketing efforts on only those relevant segments and, in turn, helps the company achieve its marketing objectives.
3.3 Create Differentiated Positioning

This process involves creating a positioning statement that clearly articulates, in a succinct sentence, how the company wants the customers in its selected target markets to perceive its products. This exercise helps the company maintain focus on each product and its value proposition while developing the key elements of its marketing mix, pricing, and distribution strategy. In addition, a list of the product features that are most important in helping customers make their purchasing decision is also created during this process.

While creating the positioning statement, it is important for a company to determine how its products are placed with respect to those of the competition in the customers’ minds, and also how various target segments differ in their preferences. Taking into account the selected target segments, strengths, weaknesses, opportunities, threats, competitive products, industry benchmarks, and customer feedback, the Create Differentiated Positioning process is critical for developing the Marketing Strategy and in turn the Corporate Strategy as a whole.

Figure 3-5 shows the inputs, tools, and outputs for the Create Differentiated Positioning process.

Figure 3-5: Create Differentiated Positioning—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
3.3.1 Inputs

3.3.1.1 Selected Target Segments*

The target segments are determined in the Select Target Segments process, discussed in section 3.2. Detailed information about the chosen target segments, such as specific wants and needs, customer personas, segment size, and so forth are described.

A company analyzes the target segment information to determine areas where it has, or can, create a competitive advantage when positioning its products.

3.3.1.2 Strengths and Weaknesses*

Strengths and weaknesses of a company are an output of the Determine Strengths and Weaknesses process, described in section 2.1. Internal capabilities can provide a company with key differentiators that help it position its products successfully. At the same time, any internal weaknesses should be avoided, or strengthened, if they are important for positioning the company’s products.

Examples of Strengths and Weaknesses—

- A fast food company with strong logistics capabilities may highlight its quick home delivery service as part of its positioning strategy. A competitor to this company cannot guarantee quick delivery but has invested in a wider variety of products, so this company may highlight that it provides more choice to its customers as its positioning strategy. Both these companies may succeed if their positioning strategies highlight their own strengths, rather than trying to mimic the other company’s strengths, which could instead expose their weaknesses.
- Camera store chains have the strength of physical locations where customers can see and touch their products, and expert staff can assist customers with selection. With the prevalence of online shopping, the physical location of the traditional store has become a weakness relative to online competitors, since online stores do not have the burden of leasing and staffing costs. In order to remain successful, camera stores have switched their focus to mainly high-end products where customer service and expertise are considered more valuable than price.

3.3.1.3 Opportunities and Threats*

Opportunities and threats of a company are an output of the Determine Opportunities and Threats process, described in section 2.2. Taking opportunities and threats into account while positioning products helps the company take advantage of future opportunities and ward off threats. The positioning statement should be
applicable to probable future market scenarios, so it is not usually too specific to the current market situation. Companies may also turn a threat into an opportunity through appropriate positioning.

**Examples of Opportunities and Threats**—

- A cosmetics company has identified a growing trend that customers are becoming more conscious of protecting the environment. The company sees this as an opportunity rather than a threat and consequently decides to reposition its products as being natural and created from raw materials sourced through eco-friendly practices (of course, this is possible only after the company has implemented any necessary changes in its production processes). It decides to stop animal testing with its products and includes that fact in its new positioning strategy. By seeing a potential threat as an opportunity, the company created a new positioning strategy that is relevant for future customer demands.
- There is an opportunity for companies to capitalize on a celebrity's positive public image when marketing their products. Smart companies will seek public figures with rising popularity and positively perceived character traits. However, there is a correlating threat that the celebrity's success or image may decline before or after the marketing campaign concludes. Careful selection of endorsements can help to maximize the opportunity and mitigate the threat.
- A textile manufacturing company may see an opportunity to capitalize on government incentives to expand its operations and open new manufacturing plants in other countries. However, when operating overseas, the company may see currency fluctuations as a threat.

### 3.3.1.4 List of Competitors

A list of competitors is an output of the *Identify Competition* process, described in section 3.1. Information about competitors helps a business establish its positioning relative to competitors, and can provide helpful insights that can be reflected in the company's Marketing Strategy, such as pricing and target markets. Most importantly, a good understanding of the competitive landscape enables a company to determine key differentiators and, specifically, a differentiated positioning statement for the business among its competitors.

### 3.3.1.5 Details of Competitive Products

Details of competitive products are an output of the *Identify Competition* process, described in section 3.1. Information about competitive products helps a company understand the current positioning of its competitors so it can create a unique positioning that is appropriately aligned with the company's selected target segments. Details such as pricing, product features, sales, and performance on certain key parameters are some examples of competitive product information that are useful to consider during this process. The company can also analyze information about competitive products to assess any additional
differentiation criteria that competitors might have missed, or decide on any parameters it wants to match or surpass, thus negating the competitors’ advantage. Furthermore, if a competitor is marketing a product with a positioning statement that it is not living up to, the company may see this gap between what is promised and what is delivered as an opportunity to create a similar positioning strategy focused on fulfilling that promise.

Examples of Details of Competitive Products—

- Opening a new restaurant is a business venture often first defined by competitive products. Existing competition in any locality is reviewed and compared to the proposed establishment. Factors such as menu options, target demographics, and pricing must be considered. A franchise focused on promoting healthy options may decide to lease in a shopping mall, if the competing franchises are predominantly offering high-calorie fast food, despite the pricing and demographic similarities.

- A retail chain looking to enter a market identifies two main competitors, one with a positioning strategy focused on offering products at the lowest prices, and the other with a positioning strategy that highlights its range of premium products. The retail chain should create a positioning that is different from the other two, perhaps focusing on superior and personalized customer service. Or, if the retail chain has a better cost structure than the competitor claiming to offer the lowest prices, it may instead position the business as offering even lower prices than those of the competitor.

- A consumer electronics manufacturer may decide that its newest smartphone cannot compete on the basis of lowest price given its knowledge of its competitor’s positioning. However, since the smartphone is more feature-rich than its competitors, it may differentiate based on functionality.

3.3.1.6 Industry Benchmarks and KPIs

Industry Benchmarks and KPIs are an output of the Identify Competition process, described in section 3.1. These can be valuable in creating a positioning strategy focused on the key factors that are important for succeeding in a particular industry. Comparing the company’s performance against industry benchmarks and KPIs helps prevent a company from focusing its positioning efforts on creating differentiators that are of little importance to customers in the industry. In addition, industry benchmarks provide indicators of the current standards in the industry, and therefore offer a means by which the company can determine whether it can match or exceed those standards. If it can exceed them, then the company can create additional competitive differentiators.

3.3.1.7 Existing Marketing Research Reports

A company may have conducted marketing research in the past about customers’ attitudes and behaviors toward its own products and/or those of its competitors. This research can help identify the best possible
product features and associated product positioning based on how purchase intentions vary with changes to particular product characteristics. Furthermore, analyzing customers’ attitudes toward competitors’ products provides additional insights into how well the positioning strategies of competitors are working, and whether there are some gaps in their positioning that the company can exploit.

**Example of Existing Marketing Research Reports—**

- A manufacturer of formal shirts might have carried out research in the past on which attributes in a shirt customers value the most and the premium they are willing to pay for the most desired attributes. If customers are willing to pay a premium for wrinkle-free shirts, but the manufacturer does not have the technology to manufacture such shirts, it can reconsider including this attribute when the technology becomes available, and can then create a new positioning around wrinkle-free shirts.

### 3.3.1.8 Customer Feedback

Understanding the customer experience and obtaining customer feedback about a company’s existing products (a concept referred to as the “Voice of the Customer”) helps a company to determine the positioning of its products. Such customer feedback includes improvement suggestions, compliments, and complaints. Complaints and improvement suggestions highlight areas where a company needs to make changes and adjustments and where its current positioning might not be working as desired. Compliments highlight areas where a company is doing well. If these areas are part of its existing positioning strategy, then the past positioning process is validated and a good baseline for creating new positioning is set. If these areas are not part of its existing positioning, then the company may consider including them in the updated positioning statement.
3.3.2 Tools

3.3.2.1 Selecting Points of Parity and Differentiation*

Points of parity for a product are those characteristics of a company’s product that are not unique but are rather on par with competing products. Points of differentiation are those areas on which a company’s product outperforms competing products. The company needs to decide which product features and benefits it wants to match with competing products, and those it wants to differentiate from competing products. It is simply not feasible or advisable for a company to differentiate its product on all aspects.

Though points of differentiation provide a company with its competitive edge over the competition, choosing points of parity carefully is also important. Customers should be able to relate the company’s product with a certain product category, so they can understand at a broad level the type of need that the product satisfies. Therefore, some basic characteristics of the product must be similar to other products in its category. If the product fails to meet the basic characteristics that customers expect from all products in the product category, then customers may not consider it for purchase, irrespective of how well the product is differentiated on other characteristics. For example, a manufacturer of bottled water needs to ensure that it packs water in transparent plastic bottles as bottled water is predominantly sold in that packaging form. If it packs water in opaque bottles instead, like other liquids, then some customers may not realize that the bottles contain water, even if the water is better than its competing products.

In addition, a company may choose to match a competing product on a point of differentiation, effectively softening that product’s edge. Thus, if the company achieves parity on all the basic characteristics and blunts the competition’s competitive advantage by targeting its point of differentiation, then even a relatively minor point of differentiation can provide the company with a competitive advantage.

In product categories where there are many differentiation options (such as in the software industry), it makes sense to focus on creating sustainable differentiators rather than on blunting the competition’s points of differentiation. Thus, efforts could be better utilized in creating profound points of differentiation. Additionally, differentiation is not always accomplished through product characteristics. It can be created by offering better services or unique packaging, or by implementing more efficient processes that provide a cost advantage.
Perceptual Maps*

Perceptual mapping is a technique used to visually display the perceptions of customers and examine the positioning of a company’s product relative to those of the competition. These maps are two-dimensional, with the axes being two parameters on which customer perceptions of different products are measured. Customer segments are plotted on the same map according to the degree of preference for each of the two parameters. Both parameters are represented on the same map, so that a company can see which brands are closest to meeting the needs of each segment. If a segment’s needs are not being adequately met by existing products, an opportunity exists for a differentiated positioning. There may also be segments where a number of products are close to one another on the map, representing a high degree of competition for that segment. In such a situation, the company may choose to differentiate itself on additional parameters that are important for those segments and on which competing products are not focusing.
Examples of Perceptual Maps—

- A car manufacturer planning to launch a new car has identified four target segments; A, B, C, and D. It has also identified that the main competitors are cars X, Y, and Z. Its current car, which addresses the needs of the four segments, is W. Two of the key decision parameters for the customers in the target segments are “Design” (Traditional versus Contemporary) and “Image” (Powerful versus Fuel Efficient). The perceptual map for the segments and products on these two parameters is shown below.

As shown in the perceptual map, segment D’s needs are not being adequately met by any of the current cars in the market, so this represents an opportunity that should be explored. The car manufacturer can consider bringing in a variant of W, or a new car model, with a more traditional design and with a powerful engine, to move close to segment D’s needs on the graph. At the same time, segment A sees a lot of competition between cars X and Y. Targeting segment A would require creating a variant that has a more traditional design and that is more fuel efficient than W, and then positioning it accordingly. This approach may also require additional marketing expenditures due to the higher level of competition already existing with cars X and Y. Segment B can be addressed by launching a variant with a more contemporary design and a more powerful engine. In some cases, the company may not choose to launch new variants but can instead focus on re-positioning its existing products through appropriate marketing communication. For example, to appeal to segment A, the company could highlight the fuel efficiency test results if they are on par or better than the competition.
A perceptual map can also be used to understand the consumer’s ideal mix within each marketing segment. The data points on the grid below show clusters of the desired mix between curative and preventative medicine, and scientific and homeopathic methods. By observing and categorizing the customer mix most dominant in each cluster, the perceptual map can give insight to the marketing message required to attract customers with similar requirements.

A chain of chiropractic clinics wants to determine how to best position their marketing message. They review the perceptual map and decide to focus on a marketing strategy that emphasizes the scientific aspects of chiropractic treatment. They may want to further focus their positioning by highlighting the curative aspects if they believe the sports injury segment is an under-addressed market.

3.3.2.3 Product Categories

It is useful for a company to identify an appropriate product category for each product when defining a positioning statement. Identifying an appropriate product category also helps the company determine its brand message and clearly articulates the value proposition of the company’s products.
3.3.2.4 Meetings and Discussions*

Meetings and discussions are useful when determining the positioning of products. After multiple options for product positioning are explored, positioning meetings can help in deciding the best positioning to use from among the available options. In addition, they can also be used to consider the strengths, weaknesses, opportunities, and threats so the company is able to deliver on the promises inherent in a positioning statement. Furthermore, meetings help determine the benchmarks underlying a positioning statement that a company intends to uphold. For example, a company with a “best-in-class quality” positioning statement needs to ensure that it actually does offer products and services with minimum standards that are better than the existing benchmarks in the industry. Positioning meetings and discussions help in deciding what those minimum standards should be.

3.3.2.5 Marketing Research

If past marketing research reports do not exist or are outdated, then a company may decide to carry out new research on customer perceptions of its existing products and those of competitors’ products. This research can be used with the other tools discussed in this section, such as when selecting points of parity and differentiation and creating perceptual maps. The research tools that are generally used for positioning include factor analysis to condense a large number of variables into key parameters (which can then be used on the axes of a perceptual map), and cluster analysis to group customers into different segments (which can then be plotted on a perceptual map). These tools are discussed in detail in the Marketing Research book.
3.3.3 Outputs

3.3.3.1 Positioning Statement*

The positioning statement is the main output of the Create Differentiated Positioning process. It is generally a short sentence or phrase that captures the essence of the value a company's products offer to its target customers. The positioning statement should create an image of the products, highlighting the most important benefits that differentiate them from competitor products and that offer the most value. It should be specific enough that it conveys the key benefits to target customers, yet broad enough that it stays relevant for product variants and for future market scenarios. A well-defined positioning statement should reflect the following—

- the specific product category
- the target segments for which products are positioned, as well as key characteristics of the segments
- the points of parity and points of differentiation for products
- perceptual maps for the product
- marketing research reports which provide additional understanding of customer behavior and perceptions
- the specific benefits of the products as compared to competitive offerings, and particularly those benefits that differentiate the company’s products from other products
- any guarantees or warranties with regard to product qualities
3 – DEFINE COMPETITION, TARGETING, AND POSITIONING

Examples of Positioning Statement—

- If a manufacturer of premium kitchen cutlery wants to launch a range of kitchen knives targeted at customers who love experimenting in the kitchen at home, it may choose to adopt the positioning statement: “XYZ’s amazingly sharp knives help kitchen-savvy consumers, who enjoy cooking or preparing food using precision tools, create exotic cuisines in their own homes.” Such a positioning statement highlights the most important feature that customers want in any knife, a sharp edge, and uses a superlative word, “amazingly,” to emphasize that the knives are much sharper than normal, thus showcasing this as a premium feature. In addition, the positioning statement creates an image of the customer creating various exotic cuisines at home using the sharp knives, thus addressing the specific needs of the target segment. This statement is specific enough to convey very sharp-edged knives suited to exotic cuisines as the key benefit, but it is also generic enough that it does not mention specific knife sharpening technology or a specific cuisine.

- A supplier of educational toys for children may chose a short positioning statement such as, “Kids are curious—let them play their way.” This statement identifies the target market, the general type of product and the key differentiator, without being limiting.

- A commercial carpeting company might craft its positioning statement to define the target audience, category of product, value proposition, and promise to deliver. The resulting statement is: “For busy, high-traffic offices, XYZ Carpeting provides aesthetically pleasing, durable carpet products in a variety of colors. Unlike other carpet companies, XYZ Carpeting warranties its product for ten years.”

- Resort hotels generally focus on offering a high level of quality or a low price. The following positioning statements focus on the same overall demographic—middle to upper income customers who take annual vacations. The focus of each statement provides the potential customer with different expectations, and an understanding of the expense level of the hotel.
  - “Our resort offers all the amenities your heart desires. Live like a king on vacation. Treat yourself to beachfront activities during the day, and fine dining at night.”
  - “Get the most out of your vacation. Stay with us and you’ll get the value you deserve. Our affordable suites deliver comfort and reliability within walking distance to the beach.”

Both statements reinforce the hotel’s vacation destination appeal, but the first promises luxury and the second economy.

3.3.3.2 Product Features*

The positioning exercise identifies the product features that are most desired by target customers. These features are revealed during the creation of perceptual maps and while selecting points of parity and differentiation. Perceptual maps show the combination of key parameters that a product must have to appeal to a specific target segment. Points of parity and differentiation show the features that a product must have
to be identified as part of a product category, and those that it must possess in order to differentiate itself from the competition. These features are the most important inputs for designing the final product.

Example of Product Features—

- After reviewing the competition and the customer’s ideal expectations, a chiropractic chain revising their marketing strategy reaches the conclusion that there is a niche in the market for chiropractic clinics serving athletic and active adults. This group is currently being served primarily by physiotherapists and sport clinics. The chiropractic chain will need to reinforce the idea that their service provides all the scientific and results-oriented features of a physiotherapist but, in addition, provides health features to prevent future injuries. They decide to highlight features such as reduced chronic back strain, increased flexibility, and a proven methodology for addressing damage to the body caused by over exertion and injury. These features will also help to differentiate the clinic’s chain from other chiropractic clinics that focus primarily on maintenance and general health.

3.3.3.3 Updated Corporate Strategy

The creation of a positioning statement for a company’s products and the identification of product features are critical steps for the creation and delivery of products or services to customers. Hence, the positioning statement contributes significantly to the overall Corporate Strategy and, more specifically, impacts the Product Strategy, Operations Strategy, and Finance Strategy.

- **Product Strategy**—Product features are key inputs for the product development and research teams, whose activities are guided by a company’s Product Strategy. Therefore, the Product Strategy needs to be updated to reflect any product feature modifications for existing products, or additional features for new products added. In addition, the creation of new products may necessitate retiring existing products, which will in turn change a company’s product portfolio. Thus, the product portfolio also needs to be updated in the Product Strategy.

- **Operations Strategy**—Modification or addition of new services that differentiate a company’s offerings from its competitors usually necessitates changes to a company’s service operations. Also, modification or addition of product features generally requires changes to the manufacturing and customer support processes. Such changes need to be updated in the Operations Strategy.

- **Finance Strategy**—Positioning decisions may impact what customers are willing to pay for a product. Any subsequent price changes to a product will directly impact the financial aspects of that product. Furthermore, any change in expected profits affects the company’s financial projections and these projections need to be updated in the Finance Strategy. There may be other associated product costs such as costs for developing and testing new product prototypes, implementing operational process changes, or executing a broad range of marketing research to better understand customer perceptions.
3.3.3.4 Marketing Research Reports

As part of the process of establishing a positioning statement, companies often identify a need for additional research. Among the outputs of the Create Differentiated Positioning process, therefore, are the Marketing Research reports that document the knowledge gained through such research. Marketing Research reports can provide critical insights that should be reflected in the product positioning statement. Such details include identified points of parity, established points of differentiation, key target segment characteristics and behavior trends, among others. Gathering such information ensures that the marketing team incorporates key components of the target market and the competitive landscape in crafting the positioning statement, and such reports can serve as inputs to future product development and marketing strategies.
The SMstudy® Guide series is developed by VM Edu, Inc., a global education and certification course provider that has educated over 400,000 students world-wide in more than 3,500 companies. It is the result of a collaborative effort from a large number of Sales and Marketing experts with extensive experience, knowledge, and insights from a variety of industries and disciplines.

This first book in the SMstudy® Guide series focuses on Marketing Strategy, providing a unique process-oriented framework that, when effectively used, ensures a thoughtful and methodical approach to building and implementing marketing initiatives, and yields a Marketing Strategy that is comprehensive, aligned across all departments and functions of the business, and designed for success.

Marketing Strategy is one book in a series of six. Others in the SMstudy® Guide series that can be used to complement the initiatives and tools detailed in this book are Marketing Research (MR), Digital Marketing (DM), Corporate Sales (CS), Branding and Advertising (BA), and Retail Marketing (RM).