

CHAPTER 9

Targeting a Market

Sections

9.1 Identify the Market

9.2 Evaluate the Competition



College
and Career
Readiness

Reading Prep

Before reading this chapter, read the objectives for each of the two sections. Keep these in mind as you read. Focus on the structure of the author's writing. Was the information presented in a way that was clear and engaging?

Check Your Marketing IQ

Before you begin the chapter, see what you already know about marketing by taking the chapter pretest. The pretest is available at www.g-wlearning.com/marketing/.

DECA Emerging Leaders

Creative Marketing Project, Part 1

Career Cluster and **Instructional Area** are not identified for this event.

Knowledge and Skills Developed

The chapter representatives will demonstrate knowledge and skills needed to address the components of the project as described in the content outline and evaluation forms. Participants will develop many 21st century skills desired by today's employers in the following categories:

- communication and collaboration
- creativity and innovation
- critical thinking and problem solving
- flexibility and adaptability
- information literacy
- initiative and self-direction
- leadership and responsibility
- media literacy
- productivity and accountability
- social and cross-cultural skills

Purpose

Designed for one to three chapter representatives, the project is a research study in the marketing field, planned, conducted, and reported by a DECA chapter, the use of which will measurably improve the marketing activities of an individual company, a group of companies (such as a shopping mall), an organization, a club, or the business community. All chapter members are encouraged to participate. The project may begin at any time after the close of the previous chartered association conference and run to the beginning of the next chartered association conference.

Procedure, Part 1

1. For Part 1 in this text, read the skills developed and purpose of the event. Discuss these with your chapter members.
2. The written document will account for 60 points, and the oral presentation will account for the remaining 40 of the total 100 points.
3. The body of the written entry must be limited to 30 numbered pages, including the appendix (if an appendix is attached), but excluding the title page and the table of contents.
4. The Written Event Statement of Assurances must be signed and submitted with the entry. Do not include it in the page numbering.
5. Prior to the presentation, the judge will evaluate the written portion of the entry. The major emphasis of the written entry is on the content. Drawings, illustrations, and graphic presentations (where allowed) will be judged for clarity.
6. The chapter representatives will present the project to the judge in a 15-minute presentation worth 40 points.
7. If there are any questions, ask your instructor to clarify.

Critical Thinking

1. How can your chapter benefit from participating in this project?
2. What strategy will be used to identify the chapter representatives?

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Section 9.1



What might people in a target market have in common?

Identify the Market

Learning Objectives

- LO 9.1-1 Differentiate between mass marketing and target marketing.
- LO 9.1-2 Define variables used for market segmentation.
- LO 9.1-3 Explain the importance of a customer profile.

Key Terms

mass market	psychographic segmentation
niche market	values
geographic segmentation	attitude
demographic segmentation	Likert scale
generation	behavioral segmentation
disposable income	usage rate
discretionary income	buying status
psychographics	customer profile

LO
9.1-1

Market

The term *market* can mean a number of different things. In the world of marketing, a *market* is all the people and organizations that might purchase a product. Markets are the focus of all marketing efforts. Markets can be large or small, broad or narrow. What they all have in common is the inclusion of particular types of customers most likely to buy certain goods or services. This includes the groups of people that companies want to reach in order to increase sales, earn profits, and stay in business.

Mass Market

A **mass market** is the overall group of people who might buy a good or service. Products that appeal to nearly everyone have mass markets. For example, everyone who wants a car and can afford to buy one is part of the mass market for cars. This means the mass market for cars is nearly everyone old enough to drive and who has a source of income.

Mass marketing uses one marketing mix of product, price, place, and promotion for a market. Mass marketing ignores differences among customers. The market is viewed as one large group. Everyone is assumed to have exactly the same wants and needs for the product. When using mass marketing tools, such as television, everyone in the larger group gets the same promotional message.

The advantage of mass marketing is that it saves time and money because all people receive the same promotional message. A disadvantage is that mass marketing ignores differences among customers. The market assumes that everyone has exactly the same wants and needs for a product.

However, customers are unique. There are many groups of customers with differing wants and needs. Sending everyone the same message may prove to be inefficient, miss the best customer, and waste marketing funds.

Target Market

The opposite of a mass market is a target market. A *target market* is the specific group of customers whose needs and wants a company will



Exploring Marketing Careers

Market Analyst

A profitable product or service is one that customers want to buy. Companies rely on market analysts to find out what products or services people want and how much they are willing to pay for them. Market analysts research market conditions, including public interest, potential competitors, current sales, and prices. Their information helps company executives make decisions about which products or services to offer. Typical job titles for these positions include *market analyst*, *market research analyst*, *market research consultant*, and *business development specialist*.

Some examples of tasks that market analysts perform include:

- Gather information about selected products and product ideas
- Analyze data about customer preferences and buying habits to identify potential markets
- Monitor related industries and businesses
- Forecast trends in sales and marketing

Market analysts need to be able to analyze large amounts of data to find trends and other information so company executives can make good product decisions. They must evaluate not only the data, but also the reliability of the data sources. A strong background in statistics is necessary, as well as the ability to use information-retrieval software. A bachelor degree is required for about 70 percent of the jobs in this field. For more information, access the *Occupational Outlook Handbook* online.

focus on satisfying. These are the people at whom a company aims to sell its goods and services. They are also the people most likely to buy the products. An accurately identified target market meets these four criteria:

- clearly defined wants and needs that the business can meet;
- enough money to buy the product;
- willingness and ability to buy the product; and
- includes enough customers to be profitable.

Consumer markets are diverse. Marketing professionals spend much time, effort, and money determining the best markets for the products or businesses they promote. They do not want to waste marketing dollars on an audience who does not want or need their products. Target marketing uses unique marketing mixes of product, price, place, and promotion for a product. Marketing budgets and energy are used where sales are most likely to happen, which is in the target market.

For example, the target markets for specific cars are different from the mass market for cars. Can you imagine a car manufacturer making one car that would meet the needs of every person in the mass market? Think about the many different needs customers have for their cars. One group wants a sports car for enjoyment driving. Another group wants a minivan to hold a team of kids

and all their sports gear. Yet another group wants a pickup truck for business purposes. In other words, the mass market consists of many customer groups with different needs, wants, and product preferences.

A business may have more than one target market. Correctly choosing the best target market is one of the most important decisions made by marketing. In fact, selecting the wrong target market means the business loses an opportunity for success in the right market. This also means the business will probably not meet its sales goals.

LO
9.1-2

Market Segmentation

Target marketing can be challenging. If the target market turns out to be too small, there may not be enough customers to make a profit. If the wrong target market is chosen, the opportunity to make a profit from a different market is lost. *Market segmentation* is the process of dividing a large market into smaller groups. Segmenting the market can help in accurately identifying a target market.

The people in a target market are a company's most likely customers. Accurately identifying

target market customers supports the 80/20 rule of business. The *80/20 rule* is a basic guideline that states 80 percent of the sales for a business comes from 20 percent of its customers. This can also save money in the budget when marketing dollars are spent focusing on customers who are most likely to buy rather than a larger group of people who may or may not be interested.

Research has found that customers in the same market segments have similar buying patterns and behaviors. This creates an advantage because the promotion can be customized for the people receiving it. However, targeting certain market segments can also be a disadvantage because the promotion pieces may require more time to focus the message on what the market segment wants. It may also cost more money to get contact information for a small segment of the market rather than sending the promotion out to the mass market.

A **niche market** is a portion of a market segment that is very narrow and specific. For example, the market for high-performance, exotic sports cars is a specific portion, or niche, of the sports car target market. Niche markets are often identified by businesses looking for customers whose needs or wants are not being met. Niche markets can be small or large, but they are very specific and can be very profitable.

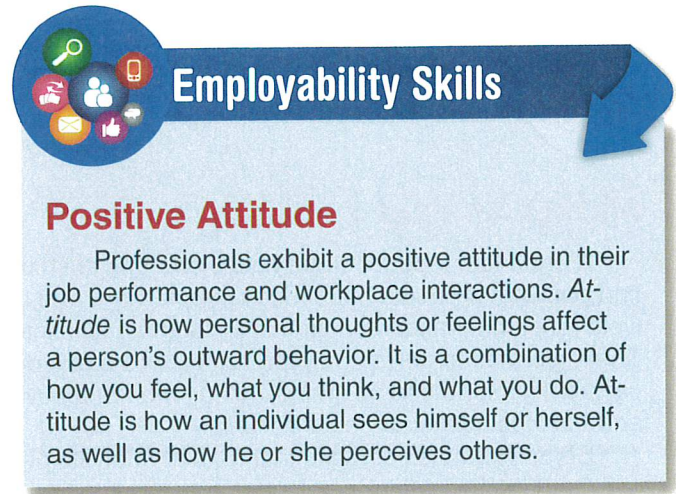
The segments of a market are determined by certain variables. The variables used for market segmentation are geographic, demographic, psychographic, and behavioral. Within those groups, customer types can be refined even further by using additional variables.

Geographic Segmentation

Customer product needs can vary based on where they live. Segmenting a market based on where customers live is **geographic segmentation**. This also includes how far customers will travel to make purchases or conduct business. Customers can be segmented by region, climate, or population density.

Region

Customers in one region often need different products from those in other areas. For example, people in countries who drive on the right side of the road must have cars with steering wheels on the left side of the vehicle. Vehicles sold in countries where people drive on the left side must have steering wheels on the right. Therefore, a company



Employability Skills

Positive Attitude

Professionals exhibit a positive attitude in their job performance and workplace interactions. *Attitude* is how personal thoughts or feelings affect a person's outward behavior. It is a combination of how you feel, what you think, and what you do. Attitude is how an individual sees himself or herself, as well as how he or she perceives others.

producing cars for the global market would segment it by countries needing left-side and right-side steering wheels.

Climate

Climate has a large impact on what customers need. Customers who live in climates where it never gets colder than 60°F (15.5°C) do not need thick, warm coats. Customers who live in areas where the average winter temperature is 20°F (-6.7°C) do need warmer coats. Therefore, a coat manufacturer might segment its market based on average winter temperatures.

Population Density

Customers may be grouped according to the population density of the area in which they live. These geographic segments are *urban*, *suburban*, and *rural*. If a product appeals to people working on a ranch, the target market may be rural. If a product appeals to people who live in larger cities, the target market is likely urban.

Demographic Segmentation

Demographics are the qualities, such as age, gender, and income, of a specific group of people. **Demographic segmentation** is dividing the market of potential customers by their personal statistics. The United States conducts a population census every ten years. A *census* is a count of the people in a country made by the government on a regular basis. Some of the census data collected includes age, gender, income, ethnicity, education level, occupation, marital status, and family size. The governmental agency that performs the census is the *US Census Bureau*.

Age

Age is a common segmentation variable because people of different ages have different needs and wants. For example, babies require special food. To meet the need of this age group, a number of companies specialize in making baby food. Clothing is another area affected by the age of the target market. Different age groups often like or want different products.

An important age variable is generation. A **generation** is a group of people who were born and lived during the same time period. People within the same generation are often called *cohorts*. Common generational categories are listed in Figure 9-1. A *multigenerational population* is made up of people who represent multiple age groups and generations.

The period of history in which a group of people grew up has a major effect on their attitudes, wants, and needs. For example, people in Generation Z have a high interest in electronic products, information technology, and on-demand buying.

One of the largest generations is Generation Y, also called the *Millennial* generation. These people were born between 1981 and 2000 and came of age at the turn of the 21st century. The number of Americans in this generation is estimated to be over 80 million. Millennial consumers have been influenced by the September 11th attacks, the Great Recession, and the digital revolution. The *digital revolution* is the continuing expansion of technical, economic, and cultural changes resulting from advances in computer technology. The shared experiences of a generation affect not only their attitudes and perspectives, but also the product demands of the people within each generation.

Gender

Customers are often grouped by gender because men and women tend to have different

Generations		
Generation	Born Between	Common Traits
Greatest Generation	1901–1926	• Loyal • Moralistic • Team players
Silent Generation	1927–1945	• Cautious • Disciplined • Tendency to conform
Baby Boomers	1946–1964	• Ambitious • Hardworking • Multitaskers
Generation X	1965–1980	• Pragmatic • Self-sufficient • Skeptical
Millennials (Generation Y)	1981–2000	• Confident and social • Technologically savvy • Validation seekers
Generation Z	2001 and beyond	• Raised with technology • Independent and entrepreneurial • Influenced by trends

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Figure 9-1 A generation is a group of people born during a certain time in history.

needs and wants. Certain goods and services are preferred by men, by women, or by both genders. For example, spa services are more popular with women, while more men buy hand tools. However, if a company is selling hand tools or spa services,



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Generation Z is made up of people born in 2001 and beyond. *What characteristics do you think you share with others in your generation?*



Marketing Ethics

Responsible CRM

Marketing uses customer relationship management (CRM) software in which contact information is recorded about each customer. This information has been given to the company by the customer for its specific use. It is unethical and irresponsible for a marketer to sell this information to another company unless every single customer has given permission to have his or her information sold.

this does not mean it should ignore women or men as potential customers. In fact, there is a market for hand tools targeted at women, just as there is a market for men's spa services.

Income

People with similar income levels often buy similar types of products. The two categories of income in which marketers are interested in are disposable and discretionary.

Disposable income is the take-home pay a person has available to spend. Usually, disposable income is used for the necessities of life, such as food, clothing, shelter, and transportation.

Discretionary income is the remaining take-home pay after life necessities are paid for. Discretionary income is the money people can spend at their *discretion*, or however they want. Discretionary income is often spent on wants instead of needs, such as entertainment, vacations, and dining out.

Ethnicity

The United States is composed of people from many ethnic backgrounds. The needs for products may vary with ethnic heritage. People of the same ethnic background may have similar preferences, which can lead to similar buying patterns for several types of goods and services. Preferences in certain foods, types of entertainment, and clothing styles might be more prevalent with specific ethnic groups and not with others.

Education Level

Education level is another way to segment a market. A person with a high school education

may have very different wants or needs than someone with a bachelor degree. Somebody with a bachelor degree may have very different wants or needs than someone with a doctoral degree.

Occupation

People in certain jobs often have similar wants or needs based on their job type. The terms blue collar and white collar are commonly used in describing types of jobs. *Blue collar* generally refers to a job that involves physical labor in which a person typically wears work clothes or protective gear. *White collar* usually refers to a job in an office environment in which workers primarily use mental abilities and knowledge acquired in higher education. A person's job may affect his or her buying behavior.

Marital Status

Common marital status categories are married, single, widowed, and divorced. Marital status can influence purchases, such as houses, vacations, and food. A single person, for example, may purchase a smaller house and travel more often than a married couple.

Family Size

Marketing research has shown that the needs and wants of a one-person household differ from households with multiple people. As a result, marketers often segment the market based on family size. For example, many convenience food manufacturers have developed both family-size and single-serving packaging to meet the needs of various household sizes.

Psychographic Segmentation

Psychographics are data about the preferences or choices of a group of people. Customers have psychological and emotional characteristics that affect their buying habits. **Psychographic segmentation** is dividing the market by certain preferences or lifestyle choices. When targeting markets, it is crucial to know psychographic characteristics that affect purchases, such as values, attitudes, activities, and interests. Psychographic information about target markets is very useful when planning a marketing mix.

Values and Attitudes

Customers can be segmented by their values and attitudes. **Values** are the principles and beliefs that

an individual considers important. An **attitude** is how a person feels about something. For example, customers who feel fashionable clothing is important may shop at high-end, name-brand stores. However, customers who place a higher importance on saving money may be more likely to shop at discount stores. Customers who value the environment may choose to buy a hybrid vehicle over a high-performance sports car.

Consumer values, attitudes, and lifestyles can be difficult to measure. In order to group people in this way, marketing researchers can conduct surveys. One well-known consumer-behavior research tool is the VALS™ survey. This survey was developed by the Strategic Business Insights (SBI) research company. It asks respondents to rate statements using a Likert scale. A **Likert scale**, pronounced “LICK-ert,” asks survey respondents how strongly they agree or disagree with a given statement. The dozens of statements in the survey are designed to measure the attitudes, interests, and opinions of survey takers. The following statements are from the VALS™ survey.

- “I follow the latest trends and fashions.”
- “I would rather make something than buy it.”
- “I consider myself an intellectual.”

After taking the survey, each person is assigned a VALS™ type based on his or her responses to statements measuring their resources and innovation plus their ideals, achievements, and self-expression. The eight VALS™ types are as follows:

- Innovators
- Thinkers
- Believers

- Achievers
- Strivers
- Experiencers
- Makers
- Survivors

According to SBI, each of the VALS™ types has specific characteristics and behaviors. For example, the Achievers are concerned about status, have a mid-level income, buy premium products, and watch an average amount of television. Survivors are concerned with safety, have a lower income, tend to be loyal, and watch an above-average amount of television.

The VALS™ survey results show what motivates people to buy. Results can also predict different consumer buying behaviors. These results can be quite useful when businesses make marketing decisions.

Activities and Interests

People who like the same activities or have the same interests or hobbies tend to have similar buying patterns. Activities and interests can include sports, hobbies, traveling, or attending cultural events, to name a few. For example, the market segment of people who enjoy basketball tend to buy basketball-related items and attend basketball games.

Behavioral Segmentation

Customers differ in how they use products. **Behavioral segmentation** divides a market by the relationships between customers and a good or service. Behavioral variables include benefits sought, usage rate, buying status, and brand loyalty.



Case in Point

Spanish Television

Demographics are important when targeting a market. By dividing larger markets into smaller, more targeted markets, companies can better meet the needs of those customers and earn a profit. Recent research shows the need for Hispanic media is growing rapidly in the United States. The US Census Bureau reveals that the Hispanic population has increased by more than 40 percent in the last century. The US Latino population is made up of American-born Latinos and immigrants.

This mix of generations looks for Spanish-language programming that preserves their culture and incorporates some aspects of American culture. Latinos want quality entertainment and news programs. They also want a variety of programming choices. Media providers have jumped at the opportunity to appeal to the Hispanic target market. Telemundo, Univision, and Fox offer Spanish television programming, some with English subtitles. The media providers are constantly researching the audience to determine which type of shows are preferred. This growing Latino market is inspiring competition for quality amongst the media providers.

Benefits Sought

Many customers choose the same products, but often for entirely different reasons. One customer may want a computer with high processing capabilities for gaming. A second customer may want a computer with a large amount of RAM to edit videos. A third customer may only want a computer to check e-mail and social media. All of these customers are buying a computer, but each seeks a different benefit from the product.

Usage Rate

The **usage rate** is how often a customer buys or uses a good or service. Usage rates are classified as heavy, moderate, light, and nonuser.

- A *heavy usage rate* means the person buys the product often.
- A *moderate usage rate* falls somewhere between heavy and light.
- A *light usage rate* means the person rarely buys the product.
- A *nonuser usage rate* means the person never buys the product.

Marketers send different messages to people based on how often they buy the product.

Buying Status

Buying status describes when a customer will buy a good or service. The most common categories are potential, first-time, occasional, and regular.

- A *potential customer* is one who has not bought the product, but is thinking about it.
- A *first-time customer* is one who has bought the product once.
- An *occasional customer* is one who rarely buys the product.
- A *regular customer* is one who buys the product often or on a predictable basis.

Marketing messages can vary depending on a customer's buying status.

Brand Loyalty

Loyal customers are generally the source of most sales for a business. Following the 80/20

rule, 80 percent of total sales for many businesses tend to come from 20 percent of the customers. As a result, marketers often segment the market based on degree of loyalty. For example, airlines have frequent-flyer programs to reward customers who often fly on that airline. These programs give customers free tickets or other merchandise after flying a certain number of miles with an airline. Many businesses, both large and small, use loyalty programs to increase sales.

LO
9.1-3

Customer Profile

Once marketers have divided a market into segments, they choose which segments to target for marketing purposes. The segments are analyzed to determine which ones have the most sales potential. One or more segments are selected and a customer profile is created for each segment. A **customer profile** is a detailed description of the typical consumer in a market segment. The profile includes geographic, demographic, psychographic, and behavioral characteristics about the typical customer. An example of a customer profile is shown in Figure 9-2.

For example, some businesses may decide to sell luxury items that appeal to people with high incomes and specific values. Marketing research can determine which areas of the country have the highest average incomes. It can also determine other traits of the people likely to buy luxury goods, such as their attitudes, values, occupations, or education level. The customer profile developed for luxury items would reflect all of these variables.

Accurate customer profiles help determine the best promotional strategies. By knowing who is most interested in a company's products, promotional dollars can be used wisely. Instead of hoping that mass marketing efforts will reach likely customers, the good or service can be promoted specifically to those within the target markets.



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Figure 9-2 A customer profile lists demographic, psychographic, and behavioral characteristics about consumers in the market segment.

Section 9.1 Review

Check Your Understanding

1. List an advantage and a disadvantage of mass marketing.
2. Identify four criteria that an accurately identified target market meets.
3. Why is market segmentation important?
4. How do various generations influence marketing activities?
5. Explain how accurate customer profiles can help lead to marketing success.

Build Your Vocabulary

As you progress through this text, develop a personal glossary of key terms. This will help you build your vocabulary and prepare you for a career. Write a definition for each of the following terms and add them to your personal glossary.

attitude
 behavioral segmentation
 buying status
 customer profile
 demographic segmentation
 discretionary income
 disposable income
 generation

geographic segmentation
 Likert scale
 mass market
 niche market
 psychographics
 psychographic segmentation
 usage rate
 values

Section 9.2



Essential
Question

How does competition for customers influence a marketing plan?

Evaluate the Competition

Learning Objectives

- LO 9.2-1 Identify types of competition that a business encounters.
- LO 9.2-2 Identify components of a market analysis.
- LO 9.2-3 Define *product positioning*.
- LO 9.2-4 Discuss steps taken to create a sales analysis.

Key Terms

direct competitor
indirect competitor
feature
benefit
unique selling proposition (USP)

trade show
competitive advantage
repositioning
market-share leader

LO
9.2-1

Competition

Knowing exactly what the competition is doing helps marketers make decisions about how to market their products or companies. Identifying competitors helps in market planning efforts, which is one of the functions of marketing. Competition is either direct or indirect. It is also based on price and nonprice factors.

Direct or Indirect Competition

Direct competitors are companies that sell identical or very similar goods or services. For example, if your business provides carpet cleaning services, the other businesses that provide the same services compete directly with yours.

Indirect competitors offer different, but similar, goods or services that meet customer needs. The products sold by a company's indirect competitors might be acceptable substitutes for the products that a specific company sells. For example, all of the businesses that offer entertainment options within a community are indirect competitors. There may be a movie theater,



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Direct competitors are companies that sell identical or very similar goods or services. *What products or companies can you name that are in direct competition with each other?*

miniature golf course, laser tag arena, and arcade in a town. Each of these businesses competes indirectly for the same customers.

Price or Nonprice Competition

Price competition occurs when a lower price is the main reason for customers to buy from one business over another. The focus of businesses engaged in price competition is to make more sales by offering the lowest prices. For example, many gas stations compete through their pricing. Customers often make their fuel-buying decisions based on price alone. However, some consumers may think it is not worth driving around to find the lowest price.

Although price is important, many companies, especially smaller ones, cannot afford to compete using price alone. A competitive advantage based on factors other than price is called *nonprice competition*. Some businesses choose to provide notably better service or exclusive brands to beat their competition. For example, the department store Nordstrom is known for its excellent customer service, which is a great advantage for the retailer's customers.

Nonprice competition may also focus more on the features and benefits of a product, rather than the price. **Features** are facts about a product. **Benefits** are the traits of a product that serve as an advantage for the customer. A **unique selling proposition (USP)** is a statement that summarizes the special features or benefits of a product or business. Its purpose is to convince the customer that their product is the only one that can satisfy their needs. An example of a USP might be, "Our



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Nordstrom is known for its excellent customer service, which is an example of nonprice competition. *Why would a marketing plan include strategies for nonprice competition?*

conditioning shampoo makes your hair shiny and manageable in half the time." The feature is that the shampoo has a conditioner. The benefit is gaining shiny, manageable hair in half the time. The consumer knows right away why he or she should use the product.

Nonprice features of a business may include extended hours, gift wrapping, or custom orders. The benefits of these services are that they save time and are convenient.

LO
9.2-2

Market Analysis

A *market analysis* is the process of gathering information on the market in which a business is competing. A market analysis is completed as a part of the process of developing a marketing plan. However, it should be updated regularly so that a business can evaluate its sales, products, and promotions compared to current competition in the market. By completing and evaluating a competitive analysis, a SWOT analysis, and an environmental scan, the business can better position itself in the marketplace.

Competitive Analysis

A marketing manager must know what the competition is offering and their pricing models, as well as product features and benefits. In other words, the marketing mix for the competition must be identified. A *competitive analysis* is a tool used to compare the strengths and weaknesses of a product or company with its competitors.

Just like sports teams study their competition, it is important for businesses to analyze their competitors. This helps them learn the best way to compete with each one. Marketers first need to know what products competitors are selling and at what prices. They also need to determine the features and benefits of competing products and how they are sold. It is also important to monitor the promotions of the competition. In other words, marketers need to know the competition's marketing mix to be able to compete with them.

There are many ways to find information about competitors, including websites, competitor's products, trade shows, and the company's sales team.

- **Websites.** Competitor websites are a good source for information about their products and social media comments that discuss customer strategies.

- *Competitor's product.* One of the most efficient ways to evaluate a competitor's product is to buy it. After a product is obtained, the price and packaging can be reviewed as well as its features and benefits.
- *Trade shows.* A **trade show** is a large gathering of businesses for the purpose of displaying products for sale. A great number and variety of businesses typically attend trade shows. The competition will probably have catalogs, brochures, marketing pieces, and other information available at their exhibits. Listening to customers interacting with the competition can provide valuable information.
- *Sales team.* A company's sales team is one of the most important sources of competitive information. Sales people develop relationships with their customers and will likely hear comments about the competition's products and sales strategies.

It is important to make ethical decisions when investigating the competition. The tactics used should not put customers in an uncomfortable position to provide you with information about a competitor.

Each company uses its own format for this analysis. An example is shown in Figure 9-3. The analysis can be completed by first identifying the names of the primary competitors. Information about price, features, benefits, and other information about each company is recorded in the analysis. Once the analysis is complete, it can be used to evaluate each competitor and determine if they pose a threat to take business from the company and why. A competitive analysis is an important component of a marketing plan.



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A trade show is a great way to find information about the competition. **How does information about the competition help marketing efforts?**

After the competitive analysis is complete, information about the competition can help a business develop strategies necessary to maintain its current market share or take away business from the competition. Through evaluation of the competition, a business can analyze its own company's goods or services and determine where it excels or lacks in features and benefits.

The **competitive advantage** of a product or business is offering better value, features, or service than the competition. The competitive advantage is the answer to the question: "Why will customers want to buy the product from *this* business instead of from a competitor?" Having an advantage over competitors tends to increase sales, which is necessary for most companies to make a profit.

Competitive Analysis				
Variables	Your Company	Competing Company A	Competing Company B	Competing Company C
Price	\$28–\$50	\$40–\$100	\$30–\$60	\$20–\$80
Sizes	S–XL	S–XL	S–XXL	XS–XXL
Designers	Well known	High end	Knockoff	Well known and knockoff
Monogramming	Yes	Yes	No	No
Special order	No	Yes	No	Yes
Continental US shipping	\$0	\$4–\$6	\$5.00 flat fee	\$2.99–\$4.99
Physical stores	Yes	Yes	No	No

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Figure 9-3 A competitive analysis is a tool used to compare the strengths and weaknesses of a product or company with its competitors.

SWOT Analysis

As you will recall, a *SWOT analysis* lists company strengths, weaknesses, opportunities, and threats faced by the business.

- *Strengths* are internal factors that give a company a competitive advantage.
- *Weaknesses* are internal factors that place a company at a disadvantage relative to competitors.
- *Opportunities* are external factors that provide chances for a company to increase profits.
- *Threats* are external factors, such as the economy, that can potentially jeopardize a company's growth or ability to make profits.

A SWOT analysis helps determine marketing and product development strategies. An example of a SWOT analysis is shown in Figure 9-4.

Environmental Scan

Recall that an *environmental scan* is an analysis of the external factors that affect the success of business. A *PEST analysis* is a type of

environmental scan that evaluates the political, economic, social, and technological factors that may impact the success of a business.

- *Political factors* affect the stability of the government and the success of the businesses that operate within it.
- *Economic factors* affect the ability of consumers to purchase products, as well as the cost of doing business.
- *Social factors* are the cultural aspects within a business environment and the personal qualities of its customers, such as age, gender, income, ethnicity, education level, occupation, marital status, and family size.
- *Technological factors* affect the ease with which a business can operate within a market or region, as well as the level of productivity possible once the business is in operation.

Conducting a PEST analysis helps identify potential opportunities and threats to a company's business plans and strategies. An example of a PEST analysis is shown in Figure 9-5.

SWOT Analysis			
Strengths	Weaknesses	Opportunities	Threats
• Well-known designers • Competitive pricing • Monogramming option • Free shipping to continental United States	• Designers do not offer XS or XXL • Cannot take special orders • Lacking promotional plan • Current inventory is limited	• Find designers offering XS and XXL • Take special orders • Partner with local organizations for increased brand presence • Expand product line to offer more customization options	• Continued growth of on-line retail clothing stores • Rumored that Company A will also go into lower-priced market • Designer knockoffs sold by Companies B and C are priced competitively

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Figure 9-4 A SWOT analysis lists company strengths, weaknesses, opportunities, and threats faced by the business.

PEST Analysis			
Political	Economic	Social	Technological
• Local, state, and national governments currently stable • Country not engaged in military conflict • Presidential election coming up	• Value of US dollar is rising • International suppliers are raising prices in response to US dollar rising • Unemployment is down, meaning target customer has more discretionary money to spend	• Casual clothing styles are currently trendy • Fashion trends have changed, making a new set of colors popular for clothing • Holiday shopping season is a few months away	• New website design is needed • E-commerce interface is slow and needs updating • International suppliers often report delays due to machines needing repair

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Figure 9-5 A PEST analysis is a type of environmental scan that evaluates the political, economic, social, and technological factors that may impact the success of a business.

LO
9.2-3

Product Positioning

Evaluating competitive advantages helps in deciding how to present the product, or position the product, in a way that appeals to the target market. *Product positioning* is the process used to influence the customer's perception of a brand or product in relation to the competition. It is a marketing strategy that focuses on influencing the perception of a product in the minds of consumers. To do this, a company determines the needs and wants of its customers and positions its product to be appealing.

For example, Southwest Airlines positions themselves as the low-cost airline with no hidden or unexpected fees. This product positioning is supported by the company's Transfarency campaign: "Low fares. Nothing to hide. That's Transfarency." In this case, Southwest identified that airline customers wanted reasonable, honest, straightforward pricing without unexpected or hidden fees. The company's marketing team positioned the product to satisfy customers in their market.

Products are commonly positioned using features and benefits, price and quality, and competitive positioning.

- **Features and benefits.** Products may be positioned based on key features and benefits that a product offers the customer. Promotions based on features and benefits highlight a unique attribute of the product and emphasize its value to customers.
- **Price and quality.** Businesses may position their products on the basis of price, which often is seen as an indication of quality. The high price of a product can be used to



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Southwest Airlines positions itself as an affordable option for cost-conscious consumers. *How do you think product positioning influences customers?*

emphasize high quality, prestige, or luxury. A low-priced product can be positioned as a good value or budget-conscious product, but may be perceived to be lower in quality.

- **Competitive positioning.** Businesses regularly evaluate their competition in order to keep a competitive advantage. In promotions based on competitive positioning, a company may directly compare its product to that of a competitor. Many cell phone carriers use competitive positioning in their promotions by showing maps that compare coverage areas or graphics that illustrate the service reliability of competing carriers.

Repositioning is changing the marketing strategy used to influence consumer perception of a product in comparison to the competition with the goal of increasing sales. There are instances in which the original positioning strategy failed and adjustments become necessary.



You Do the Math

Mean, Median, and Mode

There are three measures of the center of a data set. The *mean* is the average of all values in the data set. Mean is calculated by adding all values and dividing that sum by the total number of values. The *median* is the middle number in a data set. To find the median, the numbers must be listed in numerical order. The *mode* is the value that occurs most frequently in the data set.

Solve the following problems.

1. A recent survey of gasoline prices for a region reported these prices per gallon: \$3.49, \$3.67, \$3.52, \$3.58, and \$2.56. What is the mean price per gallon?
2. An online electronics retailer sold merchandise at the following prices during one hour: \$99, \$105, \$75, \$116, \$99, \$105, \$105, and \$116.
 - A. What is the mode price?
 - B. What is the mean price?



Radu Razvan/Shutterstock.com

A feature of this road bicycle is its titanium frame, which provides the benefit of a lighter weight for faster speed. *When have you purchased a product to obtain the benefits of owning it?*

LO
9.2-4

Sales Analysis

After the market segment has been identified and market analysis completed, a sales analysis can be performed. A sales analysis helps a business forecast future sales.

The sales analysis begins with reviewing current and past sales. A business typically evaluates number of units sold and dollars generated in sales for the current year and up to five previous years. By evaluating current and past sales, conclusions can be made about whether sales are increasing or decreasing. Businesses can identify any trends that may affect the profitability of the company. This helps the sales team create sales goals for the current year.

An important part of analyzing sales is to determine what market potential is available in the current environment. *Market potential* is the maximum number of customers and amount of sales that can be generated from a specific segment in a defined time period. Determining the market potential will confirm that sales can be generated from the group of customers in the identified market segment. It must be verified that the marketing decisions made will be profitable before moving forward with the marketing plan.

If market potential exists, the business will forecast its portion of the market share in comparison to its competitors. *Market share* is the percentage of the total sales that one business has

in a specific market. Market share is based on the size of the market. *Market size* is the total sales per year for a specific product held by all the competition. Sales can be measured in a number of ways, such as in dollars or number of items sold.

Most businesses look at market share in terms of total sales dollars. The market share formula is as follows.

$$(\text{company sales} \div \text{total sales in market}) \times 100 = \text{percent market share}$$

An example of calculating market share is shown in Figure 9-6. For example, assume the market size for granola bars is \$100 million. This means that in one year, total sales of granola bars equal \$100 million. Three companies make them.

- General Foods, a big company, sells \$75 million of granola bars each year; its market share is 75 percent.
- Country Choice, a medium company, sells \$20 million; its market share is 20 percent.
- Grainy Snacks, a small company, sells \$5 million; its market share is 5 percent.

Calculating Market Share

Formula

$$\frac{\text{company sales}}{\text{total sales in market}} \times 100 = \text{percent market share}$$

Data

Total Sales in Market = \$100 million

General Foods Sales = \$75 million

Country Choice Sales = \$20 million

Grainy Snacks Sales = \$5 million

General Foods

$$\frac{\$75 \text{ million}}{\$100 \text{ million}} \times 100 = 75\%$$

Country Choice

$$\frac{\$20 \text{ million}}{\$100 \text{ million}} \times 100 = 20\%$$

Grainy Snacks

$$\frac{\$5 \text{ million}}{\$100 \text{ million}} \times 100 = 5\%$$

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Figure 9-6 This simplified example shows how market share is calculated.

Market share is useful for comparing the companies within a market to each other and showing the relationships among the companies, as shown in Figure 9-7. **Market-share leaders** are the companies with the largest combined market share. Some research shows that market-share leaders are more profitable and successful

than companies with smaller market shares. For example, the two market-share leaders in the previous example, General Foods and Country Choice, have a 95 percent market share when combined. A business goal of many companies is to increase market share, which makes it a marketing goal as well.

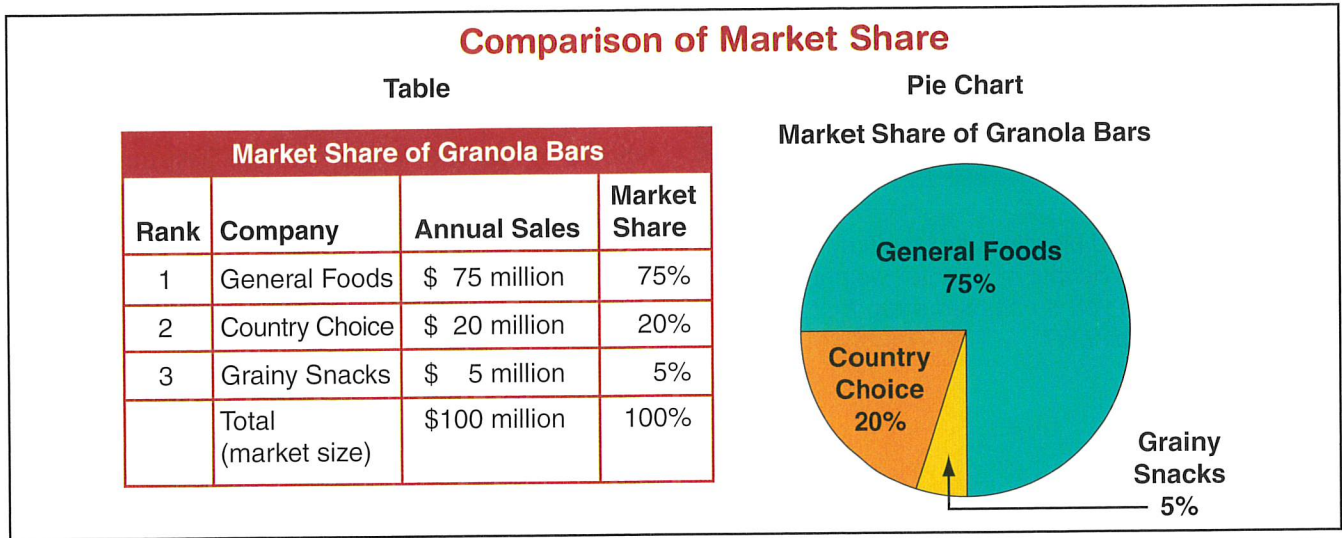


Figure 9-7 Market share can be shown as tables or charts that illustrate the competitive relationship of companies within a market.

Section 9.2 Review

Check Your Understanding

1. What is nonprice competition?
2. What is a unique selling proposition (USP)?
3. List examples of information that is evaluated for a competitive analysis.
4. How does a SWOT analysis contribute to a market analysis?
5. State the market share formula.

Build Your Vocabulary

As you progress through this text, develop a personal glossary of key terms. This will help you build your vocabulary and prepare you for a career. Write a definition for each of the following terms and add them to your personal glossary.

benefit
competitive advantage
direct competitor
feature
indirect competitor

market-share leader
repositioning
trade show
unique selling proposition (USP)

Chapter Summary

Section 9.1 Identify the Market

LO 9.1-1 Differentiate between mass marketing and target marketing.

A mass market is the overall market or group of people who might buy a good or service. A target market is the specific group of customers at which a company aims its goods and services.

LO 9.1-2 Define variables used for market segmentation.

Market segmentation is the process of dividing a large market into smaller groups, which can help in accurately selecting a target market. Segmenting a market based on where customers live is geographic segmentation. Demographic segmentation is dividing the market of potential customers by their personal statistics. Psychographic segmentation is dividing the market by certain preferences or lifestyle choices. Behavioral segmentation divides a market by the relationships between customers and a good or service.

LO 9.1-3 Explain the importance of a customer profile.

A customer profile is a detailed description of the typical consumer in a market segment. Accurate customer profiles help determine the best promotional strategies. This allows goods or services to be promoted specifically to those within the target markets.

Section 9.2 Evaluate the Competition

LO 9.2-1 Identify types of competition that a business encounters.

Direct competitors are companies that sell identical or very similar goods or services.

Indirect competitors offer different, but similar, goods or services that meet customer needs. Price competition occurs when a lower price is the main reason for customers to buy from one business over another. Nonprice competition is a competitive advantage based on factors other than price.

LO 9.2-2 Identify components of a market analysis.

A market analysis is the process of gathering information on the market in which a business is competing and is completed as a part of the process of developing a marketing plan. Market analysis includes a competitive analysis, SWOT analysis, and environmental scan.

LO 9.2-3 Define product positioning.

Product positioning is the process used to influence the customer's perception of a brand or product in relation to the competition. It is a marketing strategy that focuses on influencing the perception of a product in the minds of consumers.

LO 9.2-4 Discuss steps taken to create a sales analysis.

The sales analysis begins with reviewing current and past sales and determines the market potential. Determining the market potential will confirm that sales can be generated from the group of customers in the identified market segment. If the market potential exists, the business will forecast its portion of the market share in comparison to its competitors.

Check Your Marketing IQ

Now that you have completed the chapter, see what you have learned about marketing by taking the chapter posttest. The posttest is available at www.g-wlearning.com/marketing/.

Review Your Knowledge

1. Explain how the concept of a market applies to marketing products.
2. Differentiate between mass marketing and target marketing.
3. Explain the concept of market segmentation.
4. Define variables used for market segmentation.
5. Explain the importance of a customer profile.
6. Identify types of competition that a business encounters.
7. Differentiate between price and nonprice competition.
8. Identify the components of a market analysis.
9. Define *product positioning*.
10. Discuss steps taken to create a sales analysis.

Apply Your Knowledge

1. In an earlier chapter, you identified the business for which you are creating a marketing plan. Describe the mass market for the products sold by this business.
2. Identify a potential niche market for the products you will be marketing.
3. Describe the target market for the marketing plan you are writing. Which demographic, geographic, psychographic, and behavioral factors will you use to identify the target market?
4. Summarize the wants or needs fulfilled by the products you are marketing.
5. List three direct competitors and three indirect competitors that you will evaluate for your marketing plan.
6. List and describe three competitive advantages of the products you will market.
7. Describe nonprice competition factors for the products included in your marketing plan.

8. Write a unique selling proposition (USP) for the products included in your marketing plan.
9. List three strengths and three weaknesses of the products you will market.
10. Create a competitive analysis by evaluating the competition you will encounter in the market.

Apply Your Math Skills

The 80/20 rule and the market share formula can both be helpful when evaluating the marketing opportunities for a business. Apply your math skills to solve the following problems.

1. Jason's Italian Restaurant recently ran a promotion to gather customer data. After the promotion, Jason compiled a database of current restaurant customers with 1,200 entries. Following the 80/20 rule, how many of his customers are responsible for 80 percent of the restaurant's sales?
2. The total market size for Italian restaurants in a suburban city is \$5,400,000. Jason's Italian Restaurant makes \$945,000 per year in sales. Use the market share formula to calculate the market share of this restaurant.

Communication Skills



**College
and Career
Readiness**

Reading After you read this chapter, analyze how the author unfolds a series of ideas, including the order in which the points are made, how they are introduced and developed, and the connections drawn between them.

Writing Write a narrative to develop the steps you would take in identifying a target market. Focus on your writing style and tone while selecting the right words to express your thoughts. Use well-chosen details and structure the events in a logical sequence.

Speaking Many situations will require you to persuade a listener. When you persuade, you convince a person to take a course of action or adopt a viewpoint you propose. Marketing

messages attempt to persuade and change the behavior of customers. Write a persuasive message about why mass marketing is a waste of money. Deliver your message to a classmate. Ask your classmate for feedback on whether your persuasive message was successful.

Internet Research

Generational Cohorts Select one of the generations in Figure 9-1 that interests you and conduct Internet research on your selection. Identify common characteristics about this group, as well as any alternative names for it. What significant historical events shaped this generation and in what ways? How do you think this shaped or shapes their buying preferences?

VALS™ Survey Using the Internet, navigate to the Strategic Business Insights VALS™ Survey website. Follow the prompts on the website to take the VALS™ Survey. What is your VALS™ type: Innovator, Thinker, Believer, Achiever, Striver, Experienter, Maker, or Survivor? Did your result surprise you? Conduct further Internet research to learn what your type says about your buying preferences.

Targeting a Market Use the Internet to locate recent examples of mass marketing used to market a product. Select an example that interests you. How might the mass market for this product be segmented using geographic, demographic, psychographic, and behavioral segmentation? Why do you think the company chose to use a mass marketing strategy instead of a target marketing strategy?

Teamwork

Working in a team, choose a product that all team members know well. Collaborate to create a customer profile using geographic, demographic, psychographic, and behavioral variables for market segmentation. Describe the experience of creating a customer profile and the amount of work that is required.

Portfolio Development



College and Career Readiness

Certificates Exhibiting certificates you have received in your portfolio reflects your accomplishments. For example, a certificate might show that you have completed a training class. Another one might show that you can key at a certain speed.

Include any certificates that show tasks completed or your skills or talents. Remember that this is an ongoing project. Plan to update when you have new certificates to add.

1. Scan the certificates that will be in your portfolio.
2. Name the files appropriately and save in a folder or subfolder.
3. Place the hard-copy certificates in a container for future reference.
4. Record these documents on your master spreadsheet that you started earlier to record hard-copy items. You may list each document alphabetically, by category, date, or other convention that helps you keep track of each document that you are including.