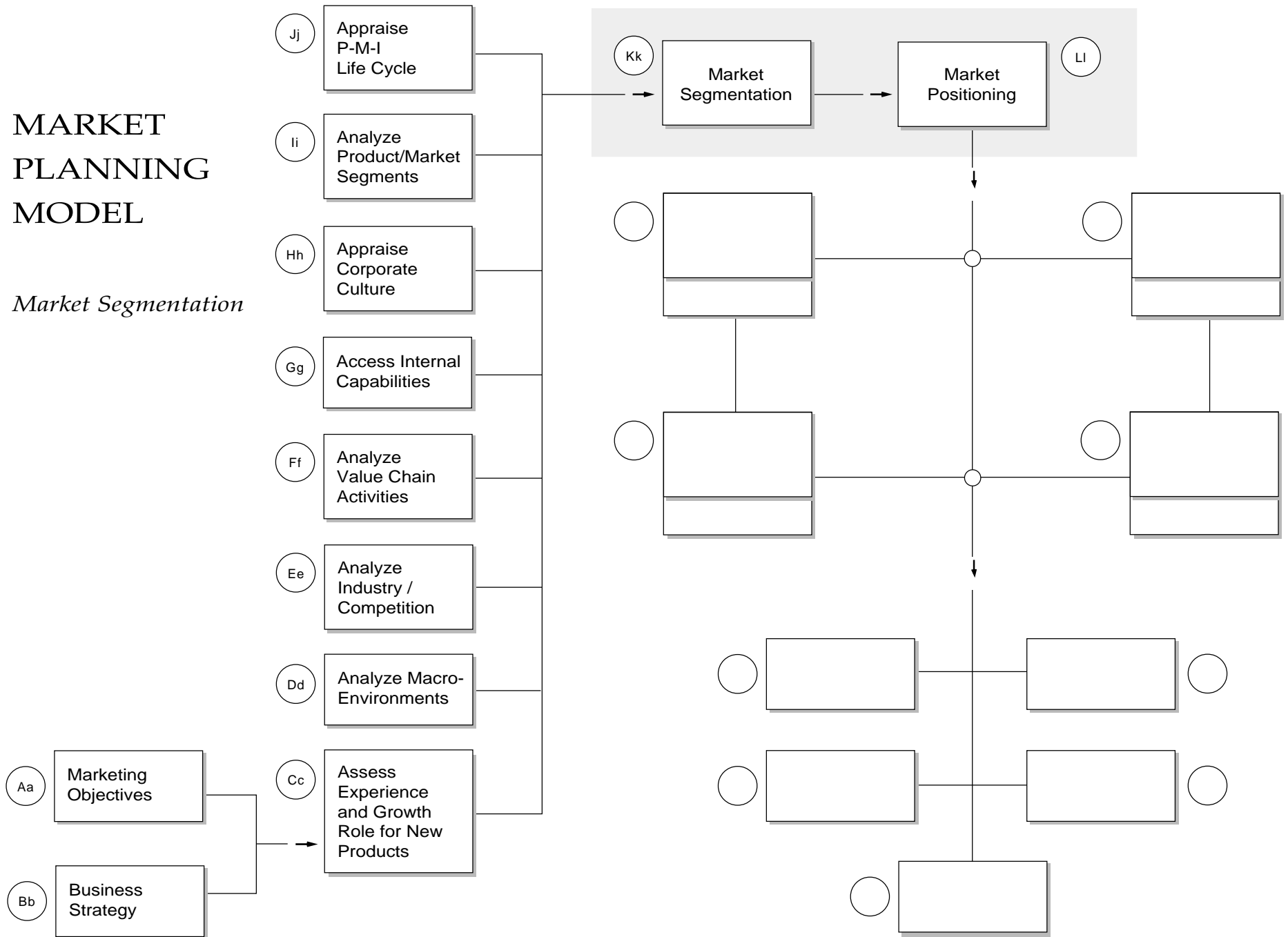
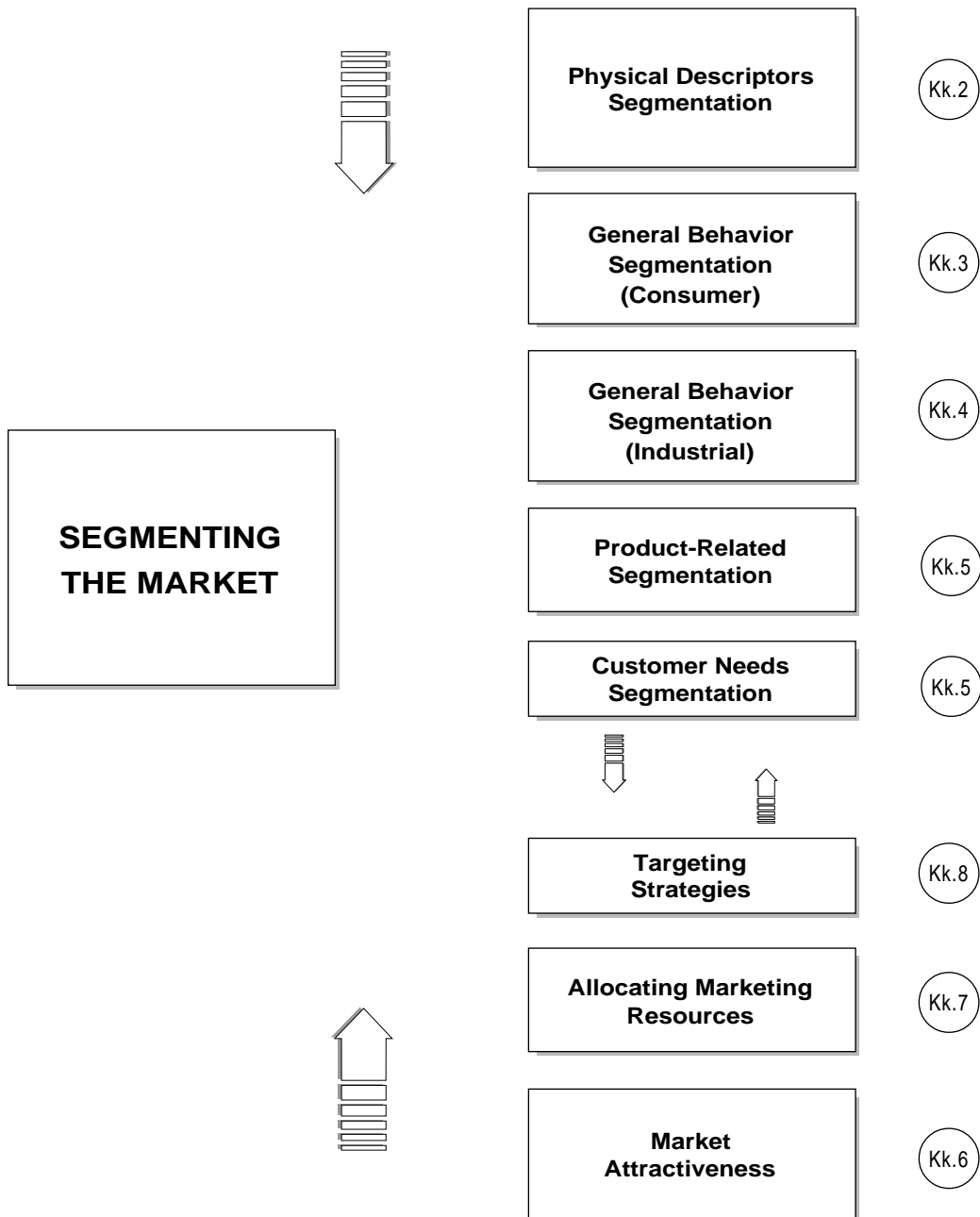


# MARKET PLANNING MODEL

## Market Segmentation







### Physical Descriptors Industrial Segmentation

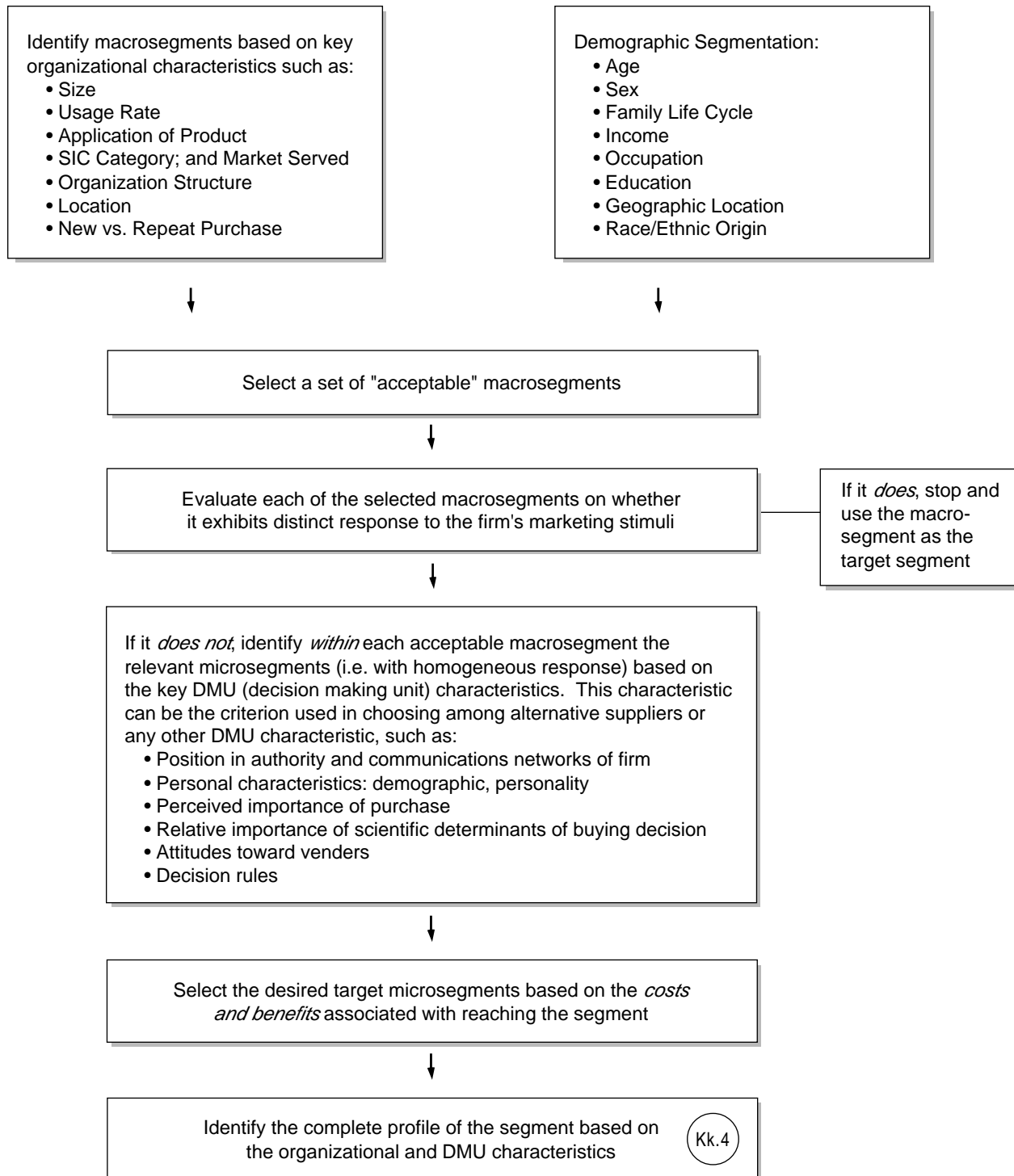
Identify macrosegments based on key organizational characteristics such as:

- Size
- Usage Rate
- Application of Product
- SIC Category; and Market Served
- Organization Structure
- Location
- New vs. Repeat Purchase

### Physical Descriptors Consumer Segmentation

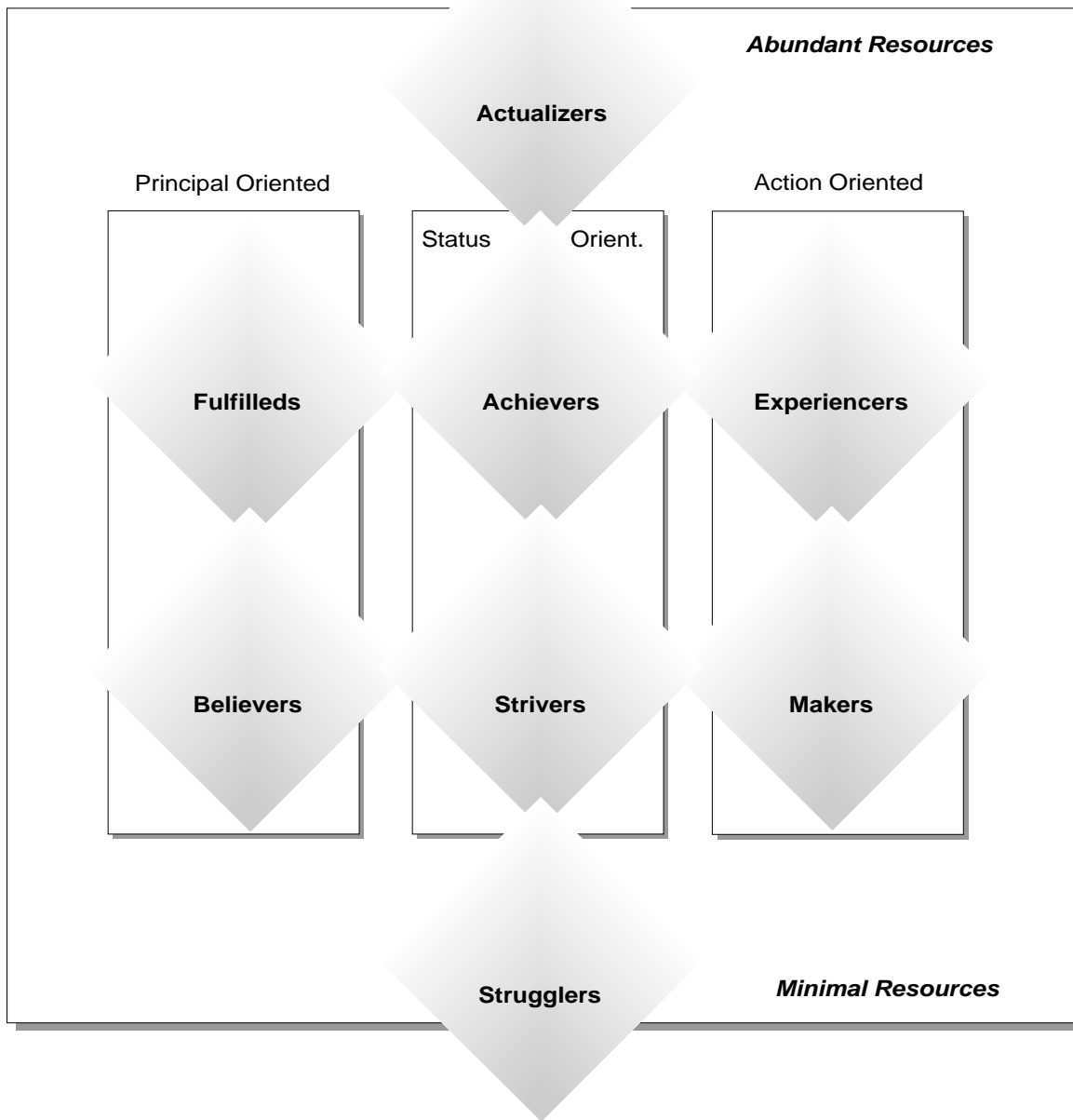
Demographic Segmentation:

- Age
- Sex
- Family Life Cycle
- Income
- Occupation
- Education
- Geographic Location
- Race/Ethnic Origin



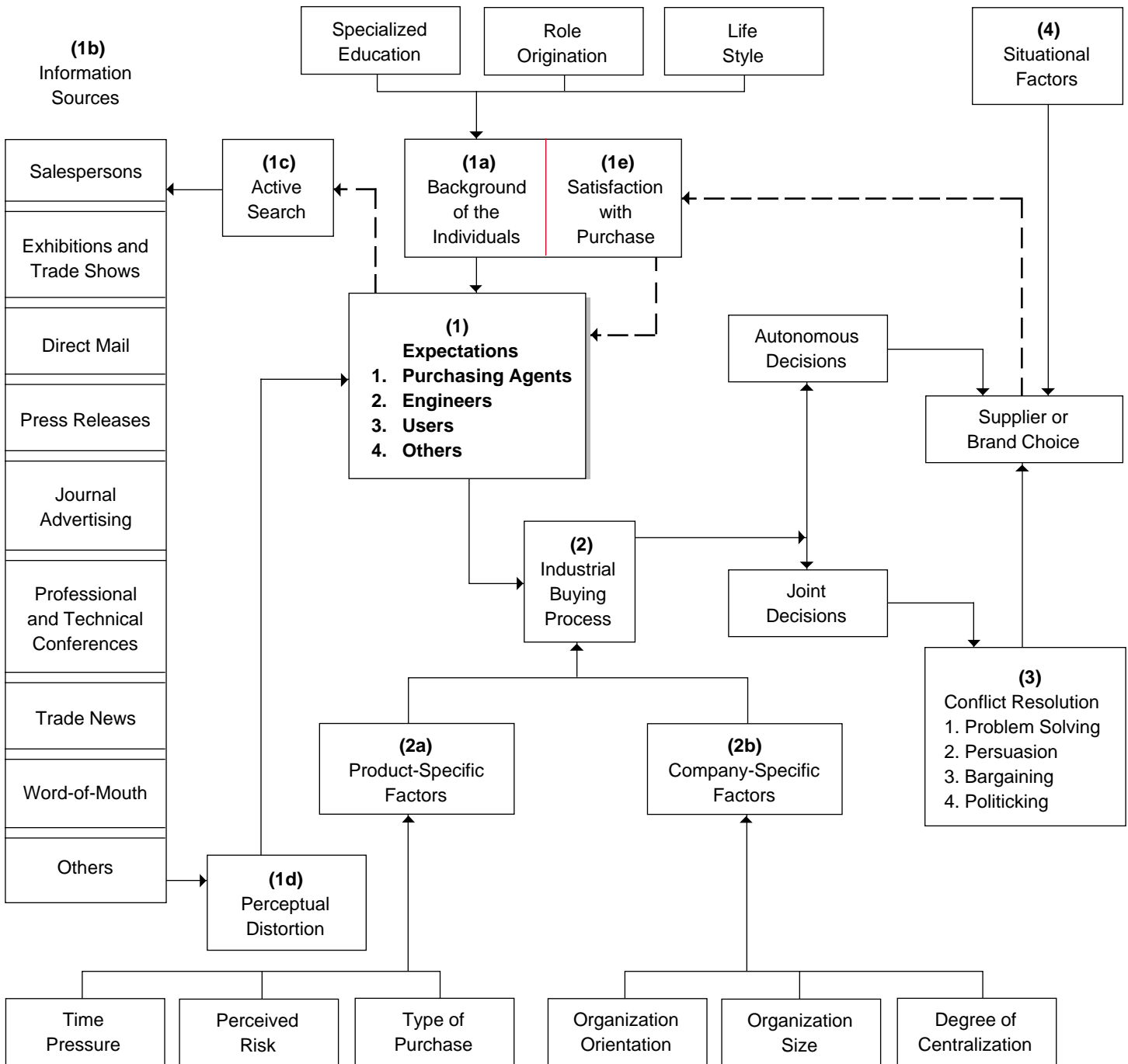


**General Behavior  
Segmentation**  
—  
**Consumer Life-Style  
(Psychographics)**





## General Behavior Segmentation Industrial Buying Situation





**Product-Related  
Behavioral  
Descriptors**

**Product  
Usage**  
*key accounts*

**Loyalty**

**Purchase  
Predisposition**  
*are they aware*

**Purchase  
Influence**  
*i.e. children*

**Customer Needs**

**Benefits  
Sought**

**Choice  
Criteria**



**Market  
Attractiveness  
Factors**

**MARKET —**

- Size
- Growth including stage in product life cycle
- Market gaps
- Differentiation possibilities
- Bargaining power of customers
- Cyclical and seasonality
- Distribution

**ECONOMIC AND TECHNOLOGICAL —**

- Investment intensity
- Industry capacity
- Technology
- Barriers to entry and exit
- Access to supplies

Dd.1

**COMPETITIVE —**

- Competitive structure
- Competitive groupings
- Substitute products
- Price
- Individual competitor analysis

Ee.1

**ENVIRONMENTAL**

Dd.1



**Market Attractiveness /  
Resource Allocation  
Matrix**

**Competitive Position**

		Strong	Medium	Weak
<b>Market Attractiveness</b>	High	<p><b>DESIRABLE POTENTIAL TARGET</b></p> <p><b>Protect Position</b></p> <ul style="list-style-type: none"> <li>• Invest to grow at maximum digestible rate</li> <li>• Concentrate on maintaining strength</li> </ul>	<p><b>DESIRABLE POTENTIAL TARGET</b></p> <p><b>Invest to Build</b></p> <ul style="list-style-type: none"> <li>• Challenge for leadership</li> <li>• Build selectively on strengths</li> <li>• Reinforce vulnerable areas</li> </ul>	<p><b>Build Selectively</b></p> <ul style="list-style-type: none"> <li>• Specialize around limited strengths</li> <li>• Seek ways to overcome weaknesses</li> <li>• Withdraw if indications of sustainable growth are lacking</li> </ul>
	Medium	<p><b>DESIRABLE POTENTIAL TARGET</b></p> <p><b>Build selectively</b></p> <ul style="list-style-type: none"> <li>• Emphasize profitability by increasing productively</li> <li>• Build up ability to counter competition</li> </ul>	<p><b>Manage for Earnings</b></p> <ul style="list-style-type: none"> <li>• Protect existing strengths</li> <li>• Invest to improve position only in areas where risk is low</li> </ul>	<p><b>Limited Expansion or Harvest</b></p> <ul style="list-style-type: none"> <li>• Look for ways to expand without high risk; otherwise, minimize investment and focus operations</li> </ul>
	Low	<p><b>Protect and Refocus</b></p> <ul style="list-style-type: none"> <li>• Defend strengths</li> <li>• Seek ways to increase current earnings without speeding market's decline</li> </ul>	<p><b>Manage for Earnings</b></p> <ul style="list-style-type: none"> <li>• Protect position</li> <li>• Minimize investment</li> </ul>	<p><b>Divest</b></p> <ul style="list-style-type: none"> <li>• Seal when possible to maximize cash value</li> <li>• Meantime, cut fixed costs and avoid further investment</li> </ul>





**Targeting  
Strategies**

**Mass-Market  
Strategy**

- *undifferentiated*
- *differentiated*

**Niche-Market  
Strategy**

**Growth-Market  
Strategy**



## References

- Page Kk.2:            *Marketing in the 80s*  
                              *American Marketing Association: 1980*
- Page Kk.3:            VALS 2  
  
                              *Contemporary Advertising*  
                              *Richard D. Irwin, Inc.: 1992*  
                              *Bovee / Arens*
- Page Kk.4:            *Marketing in the 80s*  
                              *American Marketing Association: 1980*
- Page Kk.5:            *Marketing Strategy: Pages 178-79*  
                              *Richard D. Irwin: 1992*  
                              *Walker • Boyd • Larreche*  
  
                              *Contemporary Advertising: Page 158*  
                              *Richard D. Irwin, Inc.: 1992*  
                              *Bovee / Arens*
- Page Kk.6:            *Marketing Strategy: Pages 182-89*  
                              *Richard D. Irwin: 1992*  
                              *Walker • Boyd • Larreche*
- Page Kk.7:            *Ibid. Pages 197*
- Page Kk.8:            *Ibid. Pages 198-99*





**Physical Product  
Positioning**

LI.2

**Perceptual Product  
Positioning**

**Step (1):** Identify relevant set of competitive products

LI.3

**Step (2):** Identify the set of determinant attributes that define the "product space" in which positions of current offerings are located

LI.4

**Step (3):** Collect information from a sample of customers about perceptions of each product on the determinant attributes

LI.6

**Step (4):** Analyze intensity of a product's current position in customers' minds

LI.14

**Step (5):** Determine product's current location in the product space (*product positioning*)

LI.15

**Step (6):** Determine customers' most preferred combination of determinant attributes

LI.2

**Step (7):** Examine the fit between preferences of market segments and current position of product (*market positioning*)

LI.2

**Step (8):** Select positioning or repositioning strategy

LI.2



## **Physical Product Positioning**

**Product-line  
Filling**

Filling an internal gap within the existing line.

**Product-line  
Stretching**

Adding new items at either end of the existing product line.

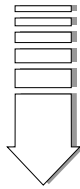
**Product-line  
Extensions**

Introducing new products that differ significantly from those in the existing line.



## Physical Product Positioning

**Step (1):** Identify relevant set of competitive products



*First by* **PRODUCT CATEGORY**

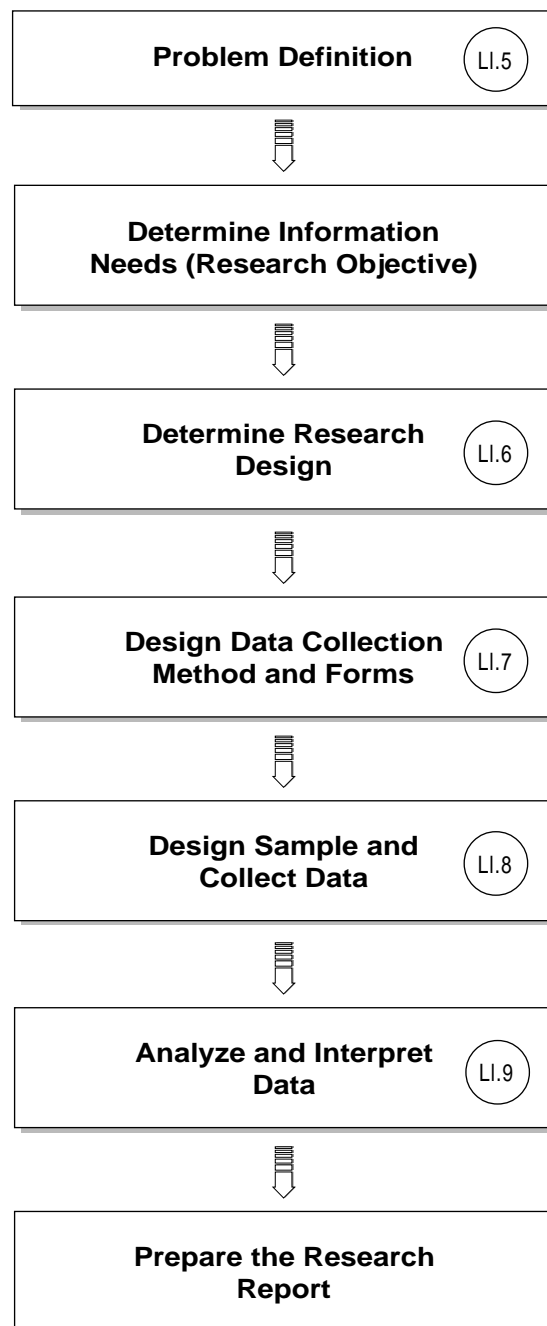
*Second by* **BRAND LEVEL**

Look for likely substitutes to  
Ascertain Strengths / Weaknesses



**Step (2):** Identify the set of determinant attributes that define the "product space" in which positions of current offerings are located

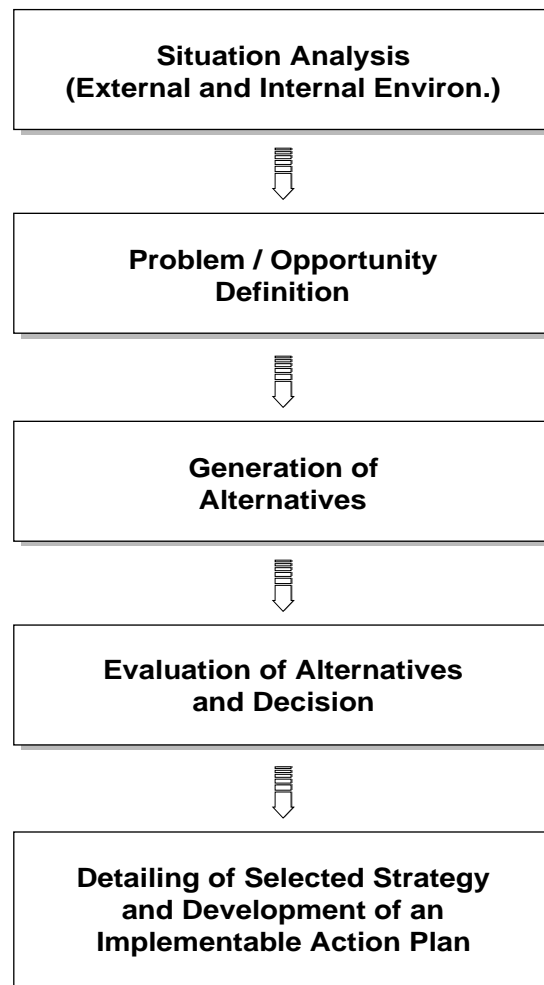
**The Marketing Research Process**





**Process of Problem Definition**

---





Research Design: Measurement Scales Summary

Type of Scale	Property	Quantitative Representation of Construct	Ease on Respondent	Ease on Researcher	Personal	Telephone	Mail
Rank Order	Ordinal	# schools Ranked Higher					
Paired Comparison	Ordinal	#Times A > B					
Semantic Differential	Interval	Mean Value on Scale					
Likert	Interval	Mean Value on Scale					
Category Adjective	Interval	Mean Value on Scale					
Constant Sum	Ratio	# Points Allocated					
Constant Sum Paired Comparison	Ratio	Total Points Allocated					

Questionnaire Samples



Questionnaire Design







**Rank Order Measurement**

_____	<u>2</u>
_____	<u>4</u>
_____	<u>1</u>
_____	<u>3</u>

**Semantic Differential**

	Every day Dining	Special Occasion
_____	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
_____	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
_____	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
_____	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

**Category (Likert) Scale**

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Category Adjective Scale**





	Adj.	Adj.	Adj.	Adj.	Adj.
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Constant Sum Scale**

_____	_____
_____	_____
_____	_____
_____	_____

**Total = 100**

**Paired Comparison**

_____ 	_____
_____	_____ 
_____	_____ 
_____ 	_____

**Constant Sum Paired Comparison**

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____



**QUESTIONNAIRE DESIGN**

**Problem**

**Information Needed**

**Research Design**

**Objectives**

**Type of Research**

**Plan of Data Collection**

**Secondary**

**Primary**

**Type of Survey**

**Questionnaire Design**

**Divide into Sections**

**List Questions**

**Write Questions**

**Pretest**

**Cover Letter, Screening, Etc.**

**Sampling**

**Plan of Analysis**

**Budget**



**Step (3):** Collect information from a sample of customers about perceptions of each product on the determinant attributes

## Means, Frequencies, and Cross-Tabulations

### **Why use these methodologies?**

- First Step in deriving meaning from your data
- Provides initial insights on positioning and segmentation

### **Level of Measurement:**

- Interval or ratio for means (binary variables will provide proportions)
- No restrictions for frequencies, although defining value levels is needed to restrict the number of categories
- No restrictions for cross-tabs, although defining value levels is needed in order to reduce the "sparse data" problem

### **Hypotheses to test:**

- Is the sample mean different from (or greater/less than) some value
- Are two sample means different from each other
- Is there relationship between two or more variables

### **Advantages of Means and Frequencies:**

- Can give you an initial "feel" for your data
- Calculate means on continuous data (interval or ratio scaled)
- Calculate frequencies on nominal and ordinal data

### **Advantages of Cross-tabs:**

- Easy to communicate
- No assumptions are made about the form of the data
- They can start to help you learn about the product's positioning, market segmentation or point out relationships between two or more variables

### **Disadvantages:**

- High disaggregated data
- Best suited for looking at two variables at a time
- More than two variables will quickly use up the sample size
- The number of potential cross-tabulations can be astronomical



**Step (3):** Collect information from a sample of customers about perceptions of each product on the determinant attributes

## Factor Analysis

### **Factor analysis is a data reduction technique:**

- Goal is to reduce a large number of independent variables to a smaller number of "factors"
- This is a method of *interdependence*

### **How many factors:**

- Eigenvalue > 1 rule
- Percent of total variation explained
- Scree plot
- Interpretation of factors

### **Name that factor:**

- Look for similarities among high loading variables
- Factor rotation aids in interpretation

### **Why use Factor Analysis?**

- Positioning
- Identifying important variables
- Substantive interpretation
- Eliminates collinearity in regression analysis

### **Level of Measurement**

- Interval or ratio scale independent variables

### **Hypothesis to Test:**

- Which factor is most important?

### **Abuses:**

- Can predetermine factor analysis outcome
- Using factor scores in a regression compounds errors
- Naming factors can hide or distort the meaning of data



**Step (3):** Collect information from a sample of customers about perceptions of each product on the determinant attributes

## **Discriminant Analysis**

### **Why use this methodology?**

- Predict group membership
- Market segmentation

### **Analysis of dependence**

### **Level of Measurement:**

- Dependent variable is nominally scaled
- Independent variables are intervally scaled

### **Hypotheses to test:**

- Which variable is the best predictor of group membership
- Is the overall discriminant function statistically and practically significant

### **Test of statistical significance:**

- Standardized discriminant function coefficients for determining best predictor
- Wilkes lambda, and t-test comparison with benchmarks for overall statistical and practical significance

### **Characteristics of a "good" market segmentation:**

- Measurability
- Substantiability
- Accessability
- Actionability

### **Hypothesis to Test:**

- Which factor is most important?

### **Abuses:**

- Can predetermine factor analysis outcome
- Using factor scores in a regression compounds errors
- Naming factors can hide or distort the meaning of data



**Step (3):** Collect information from a sample of customers about perceptions of each product on the determinant attributes

## **Conjoint Analysis**

### **A 6-step process:**

- Identify attributes and attribute levels
- Design product profiles
- Rank order the profiles
- Prepare data
- Obtain conjoint model for each respondent
- Interpret the conjoint models

### **Benefits of conjoint analysis:**

- Rigorous, good data
- Intuitively appealing, can identify important trade-offs
- Can simulate market shares for new products
- Use with cluster analysis to find benefit segments (describe segments using discriminant analysis with segment identification as dependent variable)

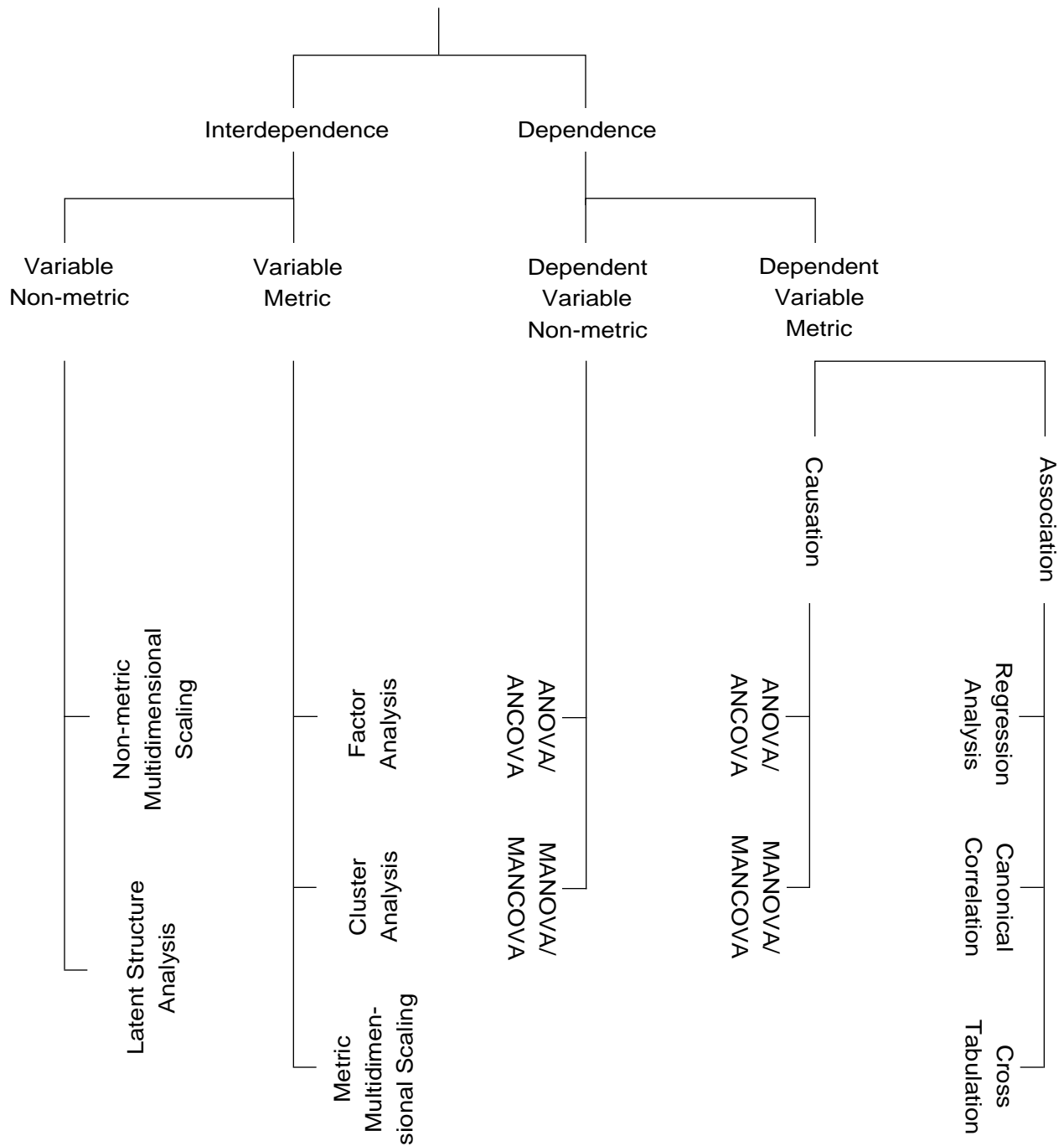
### **Limitation of conjoint analysis:**

- Purchase intent translation is difficult
- Difficult for respondents to provide rankings if there are a large number of attributes/attribute levels (this limits the size of problems which are amenable to conjoint analysis)
- Respondents may sort on one variable, and then provide a "random" assortment on all remaining attributes
- Doesn't take into account competitive retaliation



**Step (3):** Collect information from a sample of customers about perceptions of each product on the determinant attributes

### Summary of Marketing Research Methods





**Step (4):** Analyzing the Intensity of a Product's Current Position

**Unaided Brand Recall**

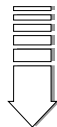
naming the brands under limited and controlled time conditions.

**Aided Brand Recall**

submitting a list of brands from a given product class

**Spontaneity of Brand Recall**

first brand name in unaided brand recall has strongest product position



**Association between a Brand and Product Class**

association made by a consumer between a product class, usage situation, or a specific problem, and a given brand

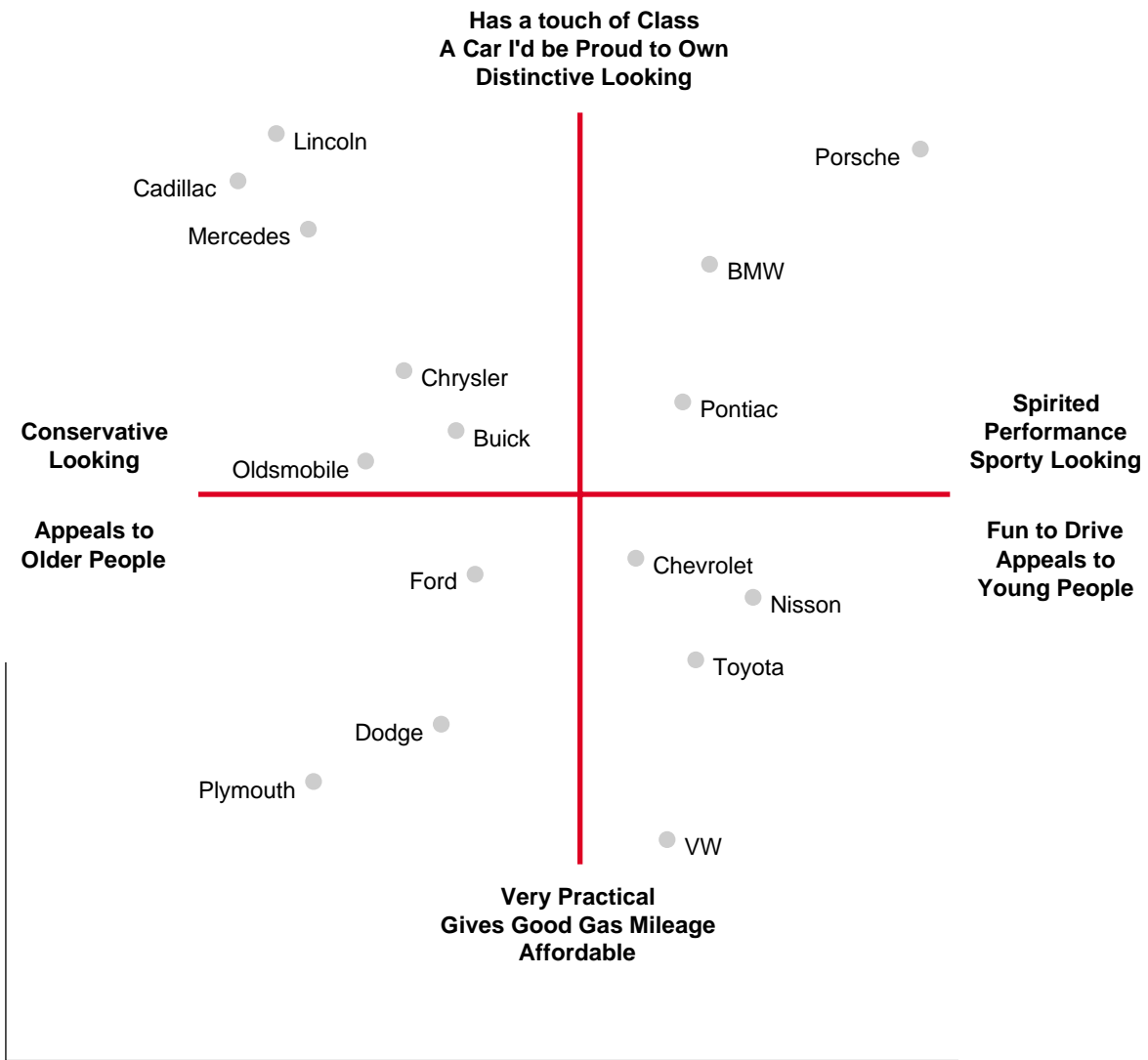
**Association between a Brand and Specific Attribute**

association with properties that are relevant in a purchasing situation.





**Step (5):** Analyzing the Product's Current Relative Position (Product Positioning).



Look for Competitive Gaps



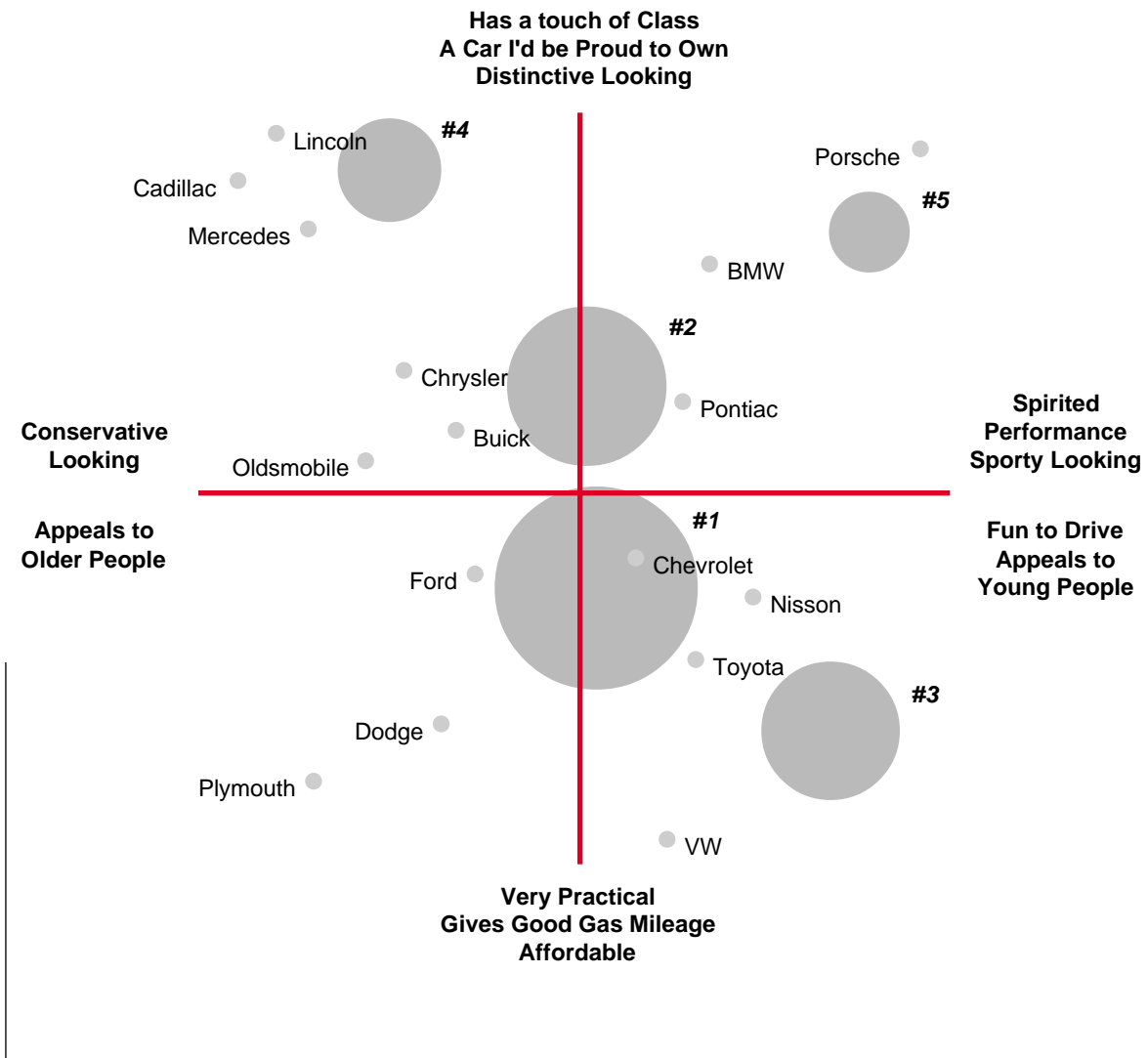
**Step (6):** Determine Customers' Most Preferred Combination of Determinant Attributes



Look for Clusters of a Segment of Customers Preferred Attributes



**Step (7):** Examine the fit Between Preferences of Market Segments and Current Position of Product (Market Positioning)



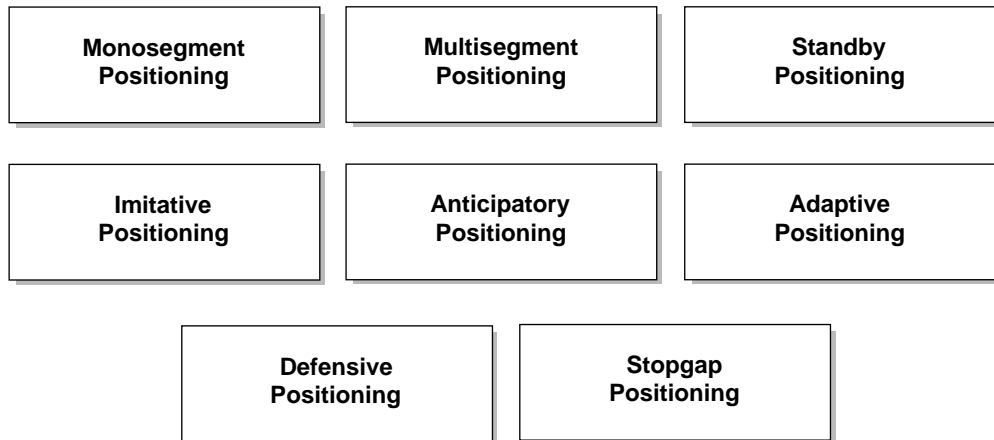
- 1) Clusters in Two or More Locations can be Considered as a Distinct Market Segment.
- 2) The Size of the Circle Reflects the Relative Proportion of Customers within a Particular Segment.
- 3) Mapping Shows the Competitive Strength of Different Brands in Different Segments.
- 4) Mapping Shows the Intensity of the Rivalry between Brands in a given Segment.
- 5) Mapping Shows the Opportunities for Gaining a Differentiated Position within a Target Segment.





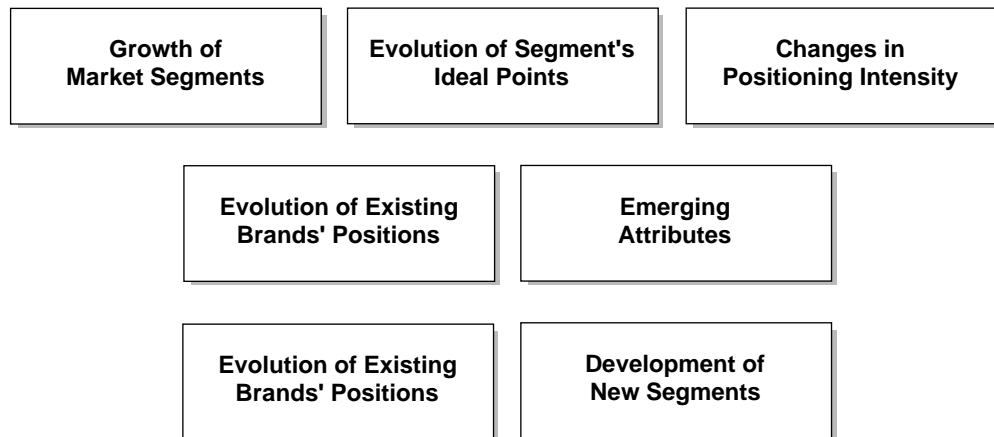
**Step (8):** Select Positioning or Repositioning Strategy

**Market  
Positioning  
Strategies**



See Strategy Sections Mn1 - Pp1

**Sales  
Potential of  
Market  
Positioning  
Strategies**





**References**

- Page L1.2:            *Marketing Strategy: Pages 208*  
                             *Richard D. Irwin: 1992*  
                             *Walker • Boyd • Larreche*
- Page L1.2:            *Ibid. Pages 203-205*  
Page L1.3:            *Ibid. Pages 209-210*  
Page L1.4:            *Ibid. Pages 210-211*  
                             *Author's Marketing Research Notes*
- Page L1.5-12:        *Author's Marketing Research Notes*
- Page L1.13:          *Marketing Strategy: Pages 212*  
                             *Richard D. Irwin: 1992*  
                             *Walker • Boyd • Larreche*  
                             *Marketing Research Notes*
- Page L1.14:          *Ibid. Pages 212-215*  
Page L1.15:          *Ibid. Pages 215-218*  
Page L1.16:          *Ibid. Page 218*  
Page L1.17:          *Ibid. Page 218-221*  
Page L1.18:          *Ibid. Page 221-226*

