

## Sections

- 3.1 Identifying the Market
- 3.2 Evaluating the Competition

## Reading Prep

### College and Career Readiness



Before reading this chapter, read the Learning Outcomes for each of the two sections. Keep these in mind as you read. Afterward, consider whether the information was presented in a way to help you achieve the Learning Outcomes.

## Real-World Connection

### Cuisinart

When deciding on a target market, there are many factors to consider, such as the wants and needs of the customers, the customers' economic resources, and their willingness to buy the product. Cuisinart is a company that has been successful in target marketing for over 50 years by continually keeping all these factors in mind.

Carl Sontheimer was first introduced to the concept of a food processor in the early 1970s. While on a trip to France, Sontheimer discovered a very early version of a food processor. He signed a deal to modify and distribute it in the United States. After several refinements and improvements, Sontheimer released the Cuisinart, which dramatically reduced food preparation time. At the time, the Cuisinart food processor was relatively expensive compared to other kitchen gadgets such as the blender and stand mixer. However, Sontheimer thought the pricing was in line with his target market—American cooks with a passion for fine cuisine. He also limited the number of distributors to mostly high-end retailers to help promote a luxury image.

As the food processor business expanded, so did the number of competitors. Cuisinart's target market also evolved over time. To keep its competitive edge and to meet the needs of its target market, Cuisinart expanded its product line to include other top-quality appliances, cookware, bakeware, cutlery, tools, gadgets, and cookbooks that can be purchased online and in stores. It is now a full-service culinary resource for its customers.

### Critical Thinking

1. How do you think the wants and needs of Cuisinart's target market have changed since the early 1970s?
2. Why do you think Cuisinart has remained in business for over 50 years?



## Essential Question

What might people in a target market have in common?

# Identifying the Market

## Learning Outcomes

- 3.1-1 Differentiate between mass marketing and target marketing.
- 3.1-2 Define variables used for market segmentation.
- 3.1-3 Explain the importance of a customer profile.

## Key Terms

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

### 3.1-1 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 are willing and able to 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. These are the customers that companies want to reach in order to increase sales, earn profits, and stay in business.

#### Mass Market

A **mass market** is a large group of undifferentiated customers who might buy a good or service. Products that are needed by or 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 who has a driver's license and a source of income.

*Mass marketing* uses one marketing mix of product, price, place, and promotion to reach a majority of customers in 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. Customers are unique. There are many groups of customers with differing wants and needs. Sending everyone the same message may prove to be inefficient because you can 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 to whom a company aims its products and services.



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Marketers often use a mass marketing strategy for staple products such as bread. **When might a company try to identify a target market for a product such as bread?**

These are the people whose wants and needs are fulfilled by the products a business offers. They are also the people most likely to buy the products. In simple terms, a company's target market is its first and best customer group. An accurately identified target market has four characteristics:

- clearly defined wants and needs that the business can meet
- enough money to buy the product
- willingness and ability to buy the product
- 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. Marketing budgets and marketing efforts 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 an SUV to haul 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 professionals. 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.

## 3.1-2 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 a target market 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 come from 20 percent of its customers. Spending marketing dollars on customers who are most likely to buy rather than a larger group of people who may or may not be interested can save money in the budget.

Research has found that customers in the same market segments have similar buying patterns and behaviors. This creates an advantage because promotions can be customized for the people receiving them. However, this also creates a disadvantage. Creating targeted promotions that focus on specific consumer wants can take more time and money. Getting contact information for the market segment receiving the promotion can also take more time and money than sending the promotion 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

Customers' 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 location, climate, or population density.

### Location

Customers in one geographic location often need different products than those in other areas. Locations may be towns, states, regions, countries, and 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 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



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Geographic segmentation based on location may be used for products such as surfboards. **What are some other products for which marketers would use geographic segmentation?**

never gets colder than 60°F (15.6°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 characteristics of a specific group of people, including their age, gender, income, ethnicity, education level, occupation, marital status, family size, and family life cycle.

**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 taken by the government on a regular basis. Some of the census data collected includes demographics. 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 3-1. 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 cultural trends.

## Generations

Generation	Born Between	Common Traits
<b>Greatest Generation</b>	1910–1924	<ul style="list-style-type: none"> <li>• Loyal</li> <li>• Moralistic</li> <li>• Team players</li> </ul>
<b>Silent Generation</b>	1925–1945	<ul style="list-style-type: none"> <li>• Cautious</li> <li>• Disciplined</li> <li>• Tendency to conform</li> </ul>
<b>Baby Boomers</b>	1946–1964	<ul style="list-style-type: none"> <li>• Ambitious</li> <li>• Hardworking</li> <li>• Multitaskers</li> </ul>
<b>Generation X</b>	1965–1979	<ul style="list-style-type: none"> <li>• Pragmatic</li> <li>• Self-sufficient</li> <li>• Skeptical</li> </ul>
<b>Millennials (Generation Y)</b>	1980–1994	<ul style="list-style-type: none"> <li>• Confident and social</li> <li>• Technologically savvy</li> <li>• Validation seekers</li> </ul>
<b>Generation Z</b>	1995–2012	<ul style="list-style-type: none"> <li>• Raised with technology</li> <li>• Independent and entrepreneurial</li> <li>• Influenced by trends</li> </ul>
<b>Gen Alpha</b>	2013 and beyond	<ul style="list-style-type: none"> <li>• Fluent with technology</li> <li>• Increased brand awareness</li> <li>• Instant gratification</li> </ul>

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**Figure 3-1** A generation is a group of people born during a certain time in history.

One of the largest generations is Generation Y, also called the *Millennial* generation. These people were born between 1980 and 1994 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 Great Recession of 2008, the digital revolution, and the COVID-19 pandemic. 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 their product needs and wants.

## Gender

Customers are often grouped by gender because men and women tend to have different needs and wants. Certain goods and services may be preferred by men or by women, so marketers focus their efforts accordingly to appeal to their defined target market. Today many businesses are taking a gender-neutral marketing approach. For example, skincare products, which historically have targeted women primarily, are now being marketed to men also. Marketers must continuously be aware of shifts in cultural norms to better serve their customers.

## Income

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



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Generation Z is made up of people born between 1995 and 2012. **What characteristics do you think you share with others in your generation?**



## You Do the Math

### Discretionary Income

Companies compete for consumers' income. Disposable income is the take-home pay a person has available to spend after paying income taxes. Generally, disposable income is used for the necessities of life, such as food, clothing, shelter, and transportation. Discretionary income is the money left after paying expenses related to life necessities.

#### Solve the following problems.

1. Your monthly take-home pay and expenses are as listed. What is your monthly discretionary income?
2. What is the percentage of discretionary income as it relates to disposable income?
3. Create a pie chart to demonstrate the relationship of discretionary to disposable income.

- Monthly take-home pay: \$2,250
- Rent (including utilities): \$1,200
- Food: \$300
- Bus fare: \$110
- Phone: \$50
- Internet: \$65
- Entertainment: \$100
- Gym membership: \$40

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

## 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 than 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 different wants or needs than someone with a doctoral degree.

## Occupation

People 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 skills and knowledge acquired in higher education. A person's job may affect 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.

## Family Life Cycle

The family life cycle is a set of stages through which a typical family may progress over time. Common stages of the family life cycle include:

- single young adult
- married without children
- married with young children
- married with older children
- empty-nesters
- solitary survivor

The stage a family is currently in has a strong influence on the goods and services they need and want. For example, a family with young children may need to purchase baby products, while empty-nest families may spend their money on luxury items or medical care. As a result, marketers may segment the market based on the family life cycle to meet the needs of consumers at each stage.

## Psychographic Segmentation

**Psychographics** are data about the preferences or lifestyle 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 consumer 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 an electric vehicle over a high-performance sports car.

### 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. The market segment of people who enjoy cultural events may spend their money on concert or museum tickets.

## Behavioral Segmentation

Customers differ in how they use products. **Behavioral segmentation** divides a market based



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Consumers who enjoy the same activities can have similar buying habits. **Think of one of your favorite activities. What are some of the purchases you make specifically related to this activity?**

on how a customer interacts with a good or service. Behavioral variables include benefits sought, usage rate, user status, and brand loyalty.

### 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 frequently a customer uses a good or service. Usage rates are classified as light, moderate, or heavy. A light usage rate means the customer rarely uses the product. A heavy usage rate means the customer uses the product often. A moderate usage rate falls somewhere between heavy and light usage. Marketers send different messages to people based on how often they use the product. For example, business travelers stay at hotels frequently. As such, this is a market segment that hotels are likely to target.

Usage rate segmentation may also group customers by how long they use the product or by which product features they use the most. For example, a business that provides a gaming app may classify its customers by how long they play the game or by which features they use most often.





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Customers who frequently use a good or service may be part of the same target market. **Why might a business segment its customers by their usage rate?**

## User Status

**User status** describes a customer's buying relationship with the product. The most common categories are nonuser, prospect, first-time customer, repeat customer, brand evangelist, and defector. Marketing messages can vary depending on a customer's user status.

- A *nonuser* is someone who has not bought the product and is not thinking about doing so. Marketers should make nonusers aware that they have a problem that can be solved by the product.
- A *prospect* is someone who has not bought the product but is thinking about it. Marketers should reach out to prospects to explain why the product will meet their needs.
- A *first-time customer* is someone who has bought the product once. Marketers should follow up with first-time customers after the purchase to reinforce the customer's decision, ensure satisfaction, and provide product usage guidance.
- A *repeat customer* is someone who buys the product on a regular basis. Marketers should show repeat customers appreciation and provide complimentary rewards on occasion.
- A *brand evangelist* is someone who is loyal to the product and shares positive product experiences with others regularly. This can result in new customers for the business. Marketers can encourage brand evangelists to share their experiences by offering rewards.

- A *defector* is someone who once purchased the product but now uses a competitor's product instead. Marketers should attempt to address problems identified by defectors and gain back their business.

## 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 their 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.

## 3.1-3 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 3-2.

For example, some businesses may decide to sell luxury items that appeal to people with high incomes who value high quality. 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. Instead of hoping that mass marketing efforts will reach potential customers, promotions for goods and services can be directed at target markets. By knowing who is most interested in a company's products, promotional dollars can be spent wisely.

## Customer Profile: Video Gamer



antoniodiaz/Shutterstock.com

### Geographics

Location: All geographic areas

### Demographics

Age: 18–30 years old

Gender: Any

Income: \$35,000–\$75,000

Ethnicity: Any

Education level: High school diploma or bachelor degree

Occupation: Any

Marital status: Any

Family size: Small (1 or 2 people)

Family life cycle: Single adult or married without children

### Psychographics

Values: Entertainment, social interaction with friends and family, accomplishment

Attitudes: Video games are a way to connect and spend time with other people. Playing together promotes teamwork and communication. Video games provide mental stimulation or education. Money spent on video games is a better value than other forms of entertainment.

Interests: Movies, social media, sports, technology, television

### Behavioral

Benefits sought: Entertainment, value, social connection

Usage rate: Moderate to heavy usage

User status: Brand evangelist

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**Figure 3-2** A customer profile lists geographic, demographic, psychographic, and behavioral characteristics about consumers in the market segment.

## Section 3.1 Review

### Check Your Understanding

1. List an advantage and a disadvantage of mass marketing. (3.1-1)
2. List four criteria that an accurately identified target market meets. (3.1-1)
3. Why is market segmentation important? (3.1-2)
4. How do various generations influence marketing activities? (3.1-2)
5. Explain how accurate customer profiles can help lead to marketing success. (3.1-3)

### 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 definitions for all the following terms and add them to your personal glossary.

attitude

behavioral segmentation

customer profile

demographics

demographic segmentation

discretionary income

disposable income

generation

geographic segmentation

market segmentation

mass market

niche market

psychographics

psychographic segmentation

usage rate

user status

values

## SECTION 3.2

### Essential Question

How does competition influence a marketing plan?

# Evaluating the Competition

## Learning Outcomes

- 3.2-1 Identify types of competition that businesses encounter.
- 3.2-2 Describe a competitive analysis.
- 3.2-3 Define *product positioning*.
- 3.2-4 Discuss steps taken to create a sales analysis.

## Key Terms

competition	trade show
direct competitor	competitive advantage
indirect competitor	product positioning
feature	repositioning
benefit	market potential
unique selling proposition (USP)	market share
value proposition	market size
competitive analysis	market share leaders

### 3.2-1 Competition

**Competition** is when a business attempts to attract the same customers as other businesses. 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** are companies that 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 its products. For example, all the businesses that

offer entertainment options within a community are indirect competitors. There may be a movie theater, miniature golf course, laser tag arena, and video arcade in the same town. Each of these businesses competes indirectly for the same customers.



2p2play/Shutterstock.com

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?**

## Price or Nonprice Competition

*Price competition* occurs when a lower price is the main reason customers buy from one business instead of 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 be loyal to a specific gas station brand without considering the price per gallon.

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 high-quality products 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. Nonprice features of a smartphone may include 256 GB of storage and a telephoto camera lens. The benefits of the smartphone are higher storage capabilities and better photos.

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 customers that a specific product is the only one that can satisfy their needs. An example of a USP might be, "Our conditioning shampoo contains coconut oil that makes your hair shiny and manageable." The feature is that the shampoo has a coconut oil conditioner. The benefit is gaining shiny, manageable hair. Consumers know right away why they should use this product instead of a competing product. Coconut oil makes this product unique from competitors' shampoos.

While the USP focuses on a product's competitive advantage, the value proposition outlines the primary reason a customer purchases a product. The **value proposition** is a statement that describes how the customer's life will improve by using the product. Its purpose is to communicate the value of a product by describing how it can meet customer needs or solve a problem. An example of a value proposition might be, "Our fresh meal kits help busy parents save time by providing a nutritious home-cooked dinner that can be ready in less



QualityHD/Shutterstock.com

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?**

than 15 minutes." Busy parents who desire to cook at home are the target market. The product will improve customers' lives by saving them time.

### 3.2-2 Competitive Analysis

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. Understanding the competition is an important part of marketing research. Marketers first need to know what products competitors are selling and at what prices. They also need to determine what features and benefits competing products offer and how and where 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.

A **competitive analysis** is a tool used to compare the strengths and weaknesses of a product or company with its competitors. As part of the analysis, competitors are compared in a grid using elements of the marketing mix and other relevant data. From this information, marketers can determine how the company will compete with others to gain its share of sales in the market.

There are many ways for a company to find information about competitors, including websites and social media, competitors' products, trade shows, and the company's own sales team.



## 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 consumer 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 operations specialist*.

Some examples of tasks that market analysts perform include:

- Gather information about selected products and product ideas using a variety of methods, such as interviews, surveys, public opinion polls, and customer reviews
- 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 statistical software. A bachelor degree is required for most of the jobs in this field.

The job outlook for market analysts is expected to grow by 22 percent through 2030. The median annual wage for market analysts in 2021 was \$63,920. For more information, access the *Occupational Outlook Handbook* online.

- *Websites and social media.* Competitor websites are a good source of information about their products. A competitor's social media pages or accounts provide insight on customer strategies and promotional campaigns.
- *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 large 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 own sales team is one of the most important sources of competitive information. Salespeople 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 the competitive analysis. An example of a competitive analysis for a clothing company is shown in Figure 3-3. When performing an analysis, first identify the names of the primary competitors. Then record information for variables related to the marketing mix such as price, features, benefits, customer services, location, and other relevant data for each competitor. As seen in Figure 3-3, the variables listed in a competitive analysis matrix vary depending on the market and the types of companies that are competing.

Information obtained during a competitive analysis can help a business develop the strategies necessary to maintain its current market share or to take business away from the competition. Through analysis of the competition, a business can evaluate its own goods or services and determine where it excels or where it needs to improve.

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 Matrix

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

### 3.2-3 Product Positioning

Evaluating competitive advantages helps a business decide how to present a product, or position a 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 *positions* the product as better than the competition in some specific way. To do this, a company determines the needs and wants of its customers and positions its product in a way that appeals to those needs and wants.

For example, Southwest Airlines positions itself as the low-cost airline with no hidden or unexpected fees. This product positioning is supported by the company's Transfarency campaign: "Low fares. No hidden



Felipe I Santiago/Shutterstock.com

Southwest Airlines positions itself as an air travel option that is affordable with no hidden fees. **How do you think product positioning influences customers?**

fees. That's Transfarency." In this case, Southwest determined 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 its 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 emphasize high quality, prestige, or luxury. A low-priced product can be positioned as a good value or budget friendly, but it may be perceived to be lower in quality.
- **Competitive positioning.** Businesses regularly evaluate their competition 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.

There are instances in which the original positioning strategy failed and adjustments become necessary. **Repositioning** is making calculated adjustments in a product's marketing strategy with the goal of changing customer perception to increase sales.



BLACKDAY/Shutterstock.com

A feature of this mountain bike is its durable tires that provide better traction, making it well suited for off-road biking. **When have you purchased a product to obtain the benefits of owning it?**

## 3.2-4 Sales Analysis

A sales analysis helps a business forecast future sales. As discussed in Chapter 2, the sales analysis begins with a review of 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 sales that can be generated from a specific market segment in a defined time period. Determining the market potential will confirm whether the market segment selected will be profitable. 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 competing businesses. Sales can be measured in a number of ways, such as in dollars earned or number of products 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 3-4. 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. Assume three companies make them.

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

Market share is useful for comparing the companies within a market, as shown in Figure 3-5.

**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  
 Granola General Sales = \$75 million  
 Country Choice Sales = \$20 million  
 Grainy Snacks Sales = \$5 million

**Granola General**

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

**Country Choice**

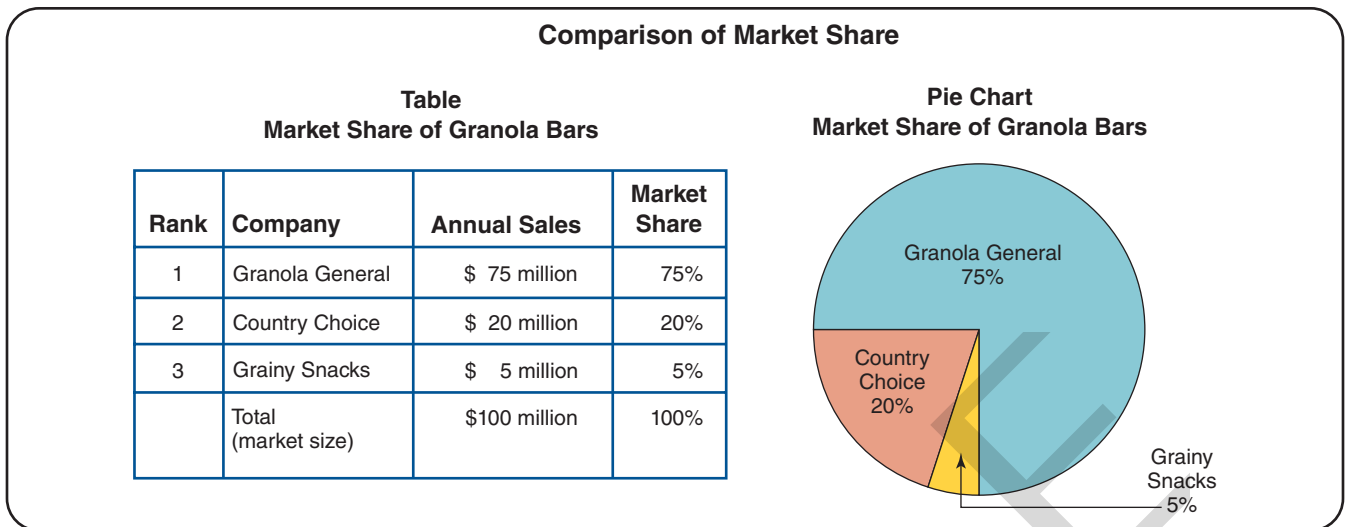
$$\frac{\$20 \text{ million}}{\$100 \text{ million}} \times 100 = 20\%$$

**Grainy Snacks**

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

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**Figure 3-4** This simplified example shows how market share is calculated.



**Figure 3-5** Market share can be shown as tables or charts that illustrate the competitive relationship of companies within a market.

**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, Granola General 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.

## Section 3.2 Review

### Check Your Understanding

1. What is nonprice competition? (3.2-1)
2. What is a unique selling proposition (USP)? (3.2-1)
3. List ways marketers can find information about competitors when conducting a competitive analysis. (3.2-2)
4. Identify three common ways businesses position their products in the marketplace. (3.2-3)
5. State the market share formula. (3.2-4)

### 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 definitions for all the following terms and add them to your personal glossary.

benefit

competition

competitive advantage

competitive analysis

direct competitor

feature

indirect competitor

market potential

market share

market share leaders

market size

product positioning

repositioning

trade show

unique selling proposition (USP)

value proposition



# Chapter 3 Review and Assessment

## Chapter Summary

### Section 3.1 Identifying the Market

#### 3.1-1 Differentiate between mass marketing and target marketing.

A mass market is a large group of undifferentiated customers who might buy a good or service. A target market is the specific group of customers to whom a company aims to sell its goods and services.

#### 3.1-2 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 based on how a customer interacts with a good or service.

#### 3.1-3 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 3.2 Evaluating the Competition

#### 3.2-1 Identify types of competition that businesses encounter.

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 instead of another. Nonprice competition is a competitive advantage based on factors other than price.

#### 3.2-2 Describe a competitive analysis.

A competitive analysis is a tool used to compare the strengths and weaknesses of a product or company with its competitors. Information obtained during a competitive analysis can help a business develop the strategies necessary to maintain its current market share or to take business away from the competition. The competitive advantage of a product or business is offering better value, features, or service than the competition.

#### 3.2-3 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 *positions* the product as better than the competition in some specific way.

#### 3.2-4 Discuss steps taken to create a sales analysis.

The sales analysis begins with a review of current and past sales to help determine the market potential. Determining the market potential will confirm whether the market segment selected will be profitable. If the market potential exists, the business will forecast its portion of the market share in comparison to its competitors.

## Review Your Knowledge

1. Explain how the concept of a market applies to marketing products. (3.1-1)
  2. Differentiate between mass marketing and target marketing. (3.1-1)
  3. Explain the concept of market segmentation. (3.1-2)
  4. Define variables used for market segmentation. (3.1-2)
  5. Explain the importance of a customer profile. (3.1-3)
  6. Identify types of competition that businesses encounter. (3.2-1)
  7. Differentiate between price and nonprice competition. (3.2-1)
  8. Explain the importance of having a competitive advantage. (3.2-2)
  9. Define *product positioning*. (3.2-3)
  10. Discuss steps taken to create a sales analysis. (3.2-4)
7. Develop a unique selling proposition (USP) statement for the product you selected in the previous question. (3.2-1)
  8. Select a well-known company. Create a competitive analysis matrix for the company using two of its direct competitors. After conducting the competitive analysis, determine at least one competitive advantage for the company. (3.2-2)
  9. Using the Internet, find an example of a product that had to be repositioned in the marketplace to be successful. Analyze the product positioning strategy before and after the repositioning. In your opinion, why did the repositioning of the product renew company growth? (3.2-3)
  10. Research the carbonated soft drink market. Compile a list of the current top three market share leaders. What is the market share percentage for each of the companies? (3.2-4)

## Apply Your Knowledge

1. Find an example of a product that is promoted using mass marketing. Explain why a mass marketing strategy is appropriate for the product. (3.1-1)
2. Describe the target market for a product of your choice. Be sure to incorporate demographic, geographic, psychographic, and behavioral factors in your description. (3.1-2)
3. Think about each of the generational cohorts described in Figure 3-1. If you were going to launch a new digital marketing firm, determine which of the generational cohorts you would target as customers. Explain your decision. (3.1-2)
4. The 80/20 rule states that 80 percent of the sales for a business come from 20 percent of its customers who are brand loyal. Develop a new loyalty program for a business in your community. Provide an overview of how it will work. (3.1-2)
5. Find a customer profile online. Conduct an Internet search for customer profile examples. (*Hint: Search the Internet for images of customer profiles.*) Determine the promotional strategies you would use to best reach this target market if you were in charge of the marketing campaign. (3.1-3)
6. Select a product that is located in your classroom. Construct a list of features and consumer benefits for the product. (3.2-1)

## Apply Your Math Skills

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. The market share formula is as follows.

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

Assume that total sales for bottled water for the year are \$50 million. The three top sellers of bottled water are shown in the table below. Apply your math skills to solve the following problems.

Rank	Company	Annual Sales
1	Mineral Water Company	\$30 million
2	Sparkling Springs	\$15 million
3	Mineral Choice	\$ 5 million

1. What is the market share for Mineral Water Company?
2. What is the market share for Sparkling Springs?
3. What is the market share for Mineral Choice?

# Communication Skills

College  
and Career  
Readiness



**Reading** After you read this chapter, select one topic you would like to investigate further. Using the Internet, find a credible article that discusses the topic you selected. After reading, write the central theme of

the article in one sentence. Next, summarize the additional knowledge you have gained about your selected topic.

**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. Select a common product with which you are familiar. Prepare a persuasive speech for marketing your selected product using either a mass marketing or target marketing approach. Provide evidence to justify why you selected either mass marketing or target marketing. Be prepared to share your speech with the class.

## Internet Research

**Generational Cohorts** Select two of the generations in Figure 3-1 that interest you and conduct Internet research on your selections.

First, identify common characteristics of each generational group you selected. What significant historical events shaped each generation and in what ways? How do you think this shaped or shapes their buying preferences? Next, compare and contrast your selected generational groups. Are there any similarities in their buying preferences? How are their buying preferences different?

**Targeting a Market** Search 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?

**Niche Marketing** 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. Use the Internet to find an example of a product that serves a niche market. Explain why the product you selected can be classified as meeting the needs or wants of a niche market.

## 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.

# DECA Emerging Leaders

## College and Career Connection

**Career Cluster:** Marketing

**Instructional Area:** Market Planning

### Performance Indicators

- Identify ways to segment markets for marketing communications.
- Describe the nature of target marketing in marketing communications.

### Purpose

This activity helps individuals to understand opportunities available through DECA to connect to college and careers in marketing, finance, hospitality, and management. DECA's Comprehensive Learning Program consists of all DECA activities by category and supports programs of study in the four career clusters.

- **Challenges** are highly engaging, relevant activities that encourage creativity and innovation.
- **Chapter Campaigns** engage members to develop chapter leadership and build lasting partnerships.
- **Competitive Events Program** provides authentic situations relating to current business practices.
- **DECA Direct Online** is a resource for news, tips on career insights, chapter strategy, college success, conferences, leadership advice, partner opportunities, and more.
- **Educational Conferences** provide targeted, highly focused learning experiences for members and advisors while connecting with corporate professionals.
- **Emerging Leaders Series** strives to empower DECA members to provide effective leadership through goal setting, consensus building, and project implementation.
- **Partnerships** with DECA's partners provide scholarships, classroom presentations and career guidance, internships, work experience, and community service activities.

- **Recognition** to its members is provided through a variety of recognition programs for distinguished achievement.
- **Scholarships** from DECA's scholarship program provide more than \$200,000 to DECA members each year.
- **School-Based Enterprises** reinforce and enhance career preparation through an entrepreneurial operation in a school setting that provides goods/services to meet the market needs.

### Procedure

1. Use the following activities to learn about DECA, identify membership benefits, and apply DECA's connection to college and career preparation.
2. Visit the DECA website at [www.deca.org](http://www.deca.org) to become familiar with the activities and opportunities available to you as a student and DECA member. Select the tab called High School. Then select High School Programs and click on Challenges.
3. Review the DECA Challenges described in the Challenges Overview.

### Critical Thinking

1. Each DECA challenge addresses a unique market focus. Select one of the challenges that interests you. Review one of the winning presentations in the selected challenge.
2. Define the target market in the winning presentation.
3. What is the market segmentation in the winning presentation? What additional segmentations are relevant for success in the challenge?
4. What type of competition might an individual or chapter encounter conducting this challenge?
5. Share with your class how participating in a DECA challenge enhances your college and career preparation.

Visit [www.deca.org](http://www.deca.org) for more information.

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## Building the Marketing Plan

The best companies in the world make plans. They plan their marketing efforts, strategies for growth, and roadmaps for profitability. As a future marketing professional, you will need to learn the skill of planning. One way to begin planning is to assume the role of marketing manager for a company that interests you.

### Part 1 Introduction

#### Objectives

- Review the marketing plan template.
- Review the marketing plan writing checklist.

#### Directions

In this textbook, you will be exploring the world of marketing. As you learn about marketing and progress through the chapters, you will write a marketing plan. Step one of the process is to become acquainted with the marketing plan template and writing checklist you will use. Access the *Marketing Dynamics* companion website at [www.g-wlearning.com/marketing/3144](http://www.g-wlearning.com/marketing/3144). Complete the following.

1. **Marketing Plan Template** Download the activity file called Marketing Plan Template. Preview each section of the template in this file.
2. **Marketing Plan Writing Checklist** To become familiar with the marketing plan content, download the Marketing Plan Writing Checklist and read the instructions and questions that will guide you throughout the writing process. The checklist is also available in the back of the text. As you progress through each unit of this text, you will be directed to complete each section of the Marketing Plan Template using the Marketing Plan Writing Checklist as a guide. Keep in mind that the executive summary section of the marketing plan will be completed last since it provides an overview of all other sections.
3. Ask your instructor where to save your documents. Save the marketing plan template as your own document to use for creating your marketing plan.

### Part 2 Identify Your Company/ Write Business Description

In this activity, you will research potential companies and select one for which you will act as

a marketing manager. Spend time now selecting a company that interests you and for which you will feel comfortable playing the marketing manager role. As you progress through this text, it will be your assignment to create a marketing plan for a product your company produces. For example, if you choose The Coca-Cola Company, you may write a marketing plan for its Powerade product line.

#### Objectives

- Identify a company for which you will assume the role as marketing manager.
- Research the selected company in depth.
- Create a title page for your marketing plan.
- Gather information about the company's vision, mission, and goals to complete the business description section of your marketing plan.

#### Directions

1. **MP Unit Activity 1-1—Research Company** Identify a company and product for which you will write a marketing plan. Using credible sources, research your selected company in depth by answering the questions in MP Unit Activity 1-1. You will also perform research to find the business plan for the company you have chosen. Much of the information found in the business plan will be helpful when completing the marketing plan.
2. Open the Marketing Plan Template you saved in Part 1. Locate the title page of the marketing plan. Complete the title page using the information you gathered in MP Unit Activity 1-1. Key your company name, selected product, and your name. Leave the date blank until the marketing plan is completed.
3. Locate the business description section of the marketing plan. The business description provides an overview of the company as described in the company's business plan. Using the instructions in the Marketing Plan Writing Checklist, provide an overview of your

company and selected product. Then describe the vision statement, mission statement, and company goals. This will be a short section that is no longer than one page. It is permissible to

condense this information. However, it is not acceptable to rewrite or recreate it.

4. Proofread and save your marketing plan according to your instructor's directions.



## PBL: Project-Based Learning

### Hitting the Target

You will assume the role of a product marketing manager for the Wrigley Company, more commonly known as Wrigley's, which is a subsidiary of Mars, Incorporated. The CEO of Wrigley's has asked you and your team to develop a new, innovative type of chewing gum that will appeal to a specific target market and generate a profit for the company. Utilize your understanding of the marketing concept and market planning to develop the marketing mix strategies that will appeal to the target market for the new chewing gum.

To complete this project, access the *Marketing Dynamics* companion website at [www.g-wlearning.com/marketing/3144](http://www.g-wlearning.com/marketing/3144). Download the activity files as indicated in the instructions below.

#### Part 1 Research and Market Planning

##### Objective

- Conduct a SWOT Analysis to make an informed business decision.

##### Directions

Using the Internet, conduct a SWOT Analysis for Wrigley's. Use PBL Unit Activity 1-1 to complete this step.

#### Part 2 Market Segmentation

##### Objective

- Apply market segmentation topics to a real-world scenario.

##### Directions

Now that you have completed your research and are more familiar with Wrigley's and the chewing gum market, it is time to create a new, innovative chewing gum that meets the needs and wants of a specific target market. The CEO of Wrigley's is allowing you to select the target market you wish to serve. Use PBL Unit Activity 1-2 to complete this step.

#### Part 3 Marketing Mix

##### Objective

- Develop the marketing mix for a new product.

##### Directions

Each of the four Ps of the marketing mix are interdependent and must work together cohesively to be successful. In this step, you will determine the product, price, place, and promotion strategies for your new chewing gum that will appeal to your target market. Use PBL Unit Activity 1-3 to complete this step.

#### Part 4 The Marketing Pitch

##### Objectives

- Present a marketing pitch.
- Demonstrate understanding of the marketing concept.

##### Directions

It is now time to pitch your new chewing gum idea to the CEO of Wrigley's. A *pitch* is a presentation designed to persuade the audience to take action. In marketing, a pitch may be used to sell a product or an idea, gain new clients, promote a product or business, or promote yourself. During your presentation, you will showcase your new chewing gum and explain why it appeals to your target market. Next, outline your marketing mix strategies for product, price, place, and promotion. To persuade the CEO to bring this new chewing gum to market, close the pitch by explaining how this product launch will support the marketing concept for Wrigley's.