

2.2 Targeting markets

PRODUCT
DISTRIBUTION
PROMOTION
PEOPLE
FINANCE
RISK
GROWTH

- > *What is marketing?*
- > *The marketing mix*
- > *Market segmentation*

Knowing your market is a key factor in marketing—you must know your customers, competition, product and the environment that you are working in.

The market is not a big group of people just waiting for your product. In addition to this, you can not be all things to all people. It is important to work out who in the crowd really wants your product and is prepared to pay for it. This is called market segmentation (identification) and is a key strategy in developing a successful business.

What is marketing?

Marketing is based on the ability to identify, attract and satisfy customers. The aim of marketing is to have

- > The right product or service (Product)
- > At the right price (Price)
- > In the right place at the right time (Place)
- > Actively promoted to your chosen (target) market (Promotion)

These are often referred to as the '4 P's of the marketing mix'. These elements are intertwined and cannot be considered in isolation from each other. But always remember the fifth P, People. The 4 P's are useful in helping you to target individual people who might, for a variety of reasons, want to buy your product. In the end, every sale results from people connecting with people.

Product

'Product' is the 'goods and services' combination the business offers to the target market. This includes research, development and testing, the number of items to be included in the product mix, packaging, branding and product launch.

Price

'Price' is the amount of money customers have to pay to obtain the product. Pricing decisions will include assessment of the market conditions and competition, desired target returns on investment, product positioning and image through price/quality relationships.

Place

'Place' includes all business activities, such as distribution, that make the product available to the target market. Decisions must be made as to whether you retail or wholesale, how many participants there will be in the distribution process, and in which physical locations each of the type of the product will be made available.

Promotion

'Promotion' includes all activities that communicate the benefits of the product and persuade the target market to buy it. This is not just advertising—advertising is just one component of effective promotion. Trade shows and public relations are other examples.

Which market to select?

When looking at entering a market it will either be because you have identified a gap in the market that you think you fill by developing a specific product, or that you already have a product that you wish to find a market for. Either way you need to undertake the following:

- > Understanding the trends in the market
- > Identifying possible markets
- > Researching these markets
- > Understanding your chosen markets

A business must select a particular market that is:

- > measurable
- > accessible



- > large enough to make a profit from
- > reasonably homogeneous

Advantages of market segmentation

By undertaking the market segmentation process you will then be in the position to identify your target market; that is the portion of the market that you want to reach with your marketing and who are most likely to respond to your message and promotions. This will mean that any product development and promotions that you undertake will be aimed directly at the customers who are most likely to respond, thus ensuring that you get the best return on value of any investment made in product development and promotions.

- > You can identify and specify the market
- > You can estimate the market's potential size more accurately and evaluate its feasibility
- > You can identify the specific needs of the market
- > You can tailor the marketing mix exactly to fit the needs of the market
- > You can reduce marketing costs by being more effective and more efficient

It is important to note that your market segmentation will change over time, so it is worth redoing the process at least every 2-3 years.

By completing the tables on the next page you will identify your target markets. This information will then be used to further understand the target markets and develop your strategies for getting your product into those market segments.

Books

Peter Hingston, *Effective Marketing in Australia* (Dorling Kindersley, 2001)

Websites

www.acnielsen.com.au/issues.asp?issuesID=12

www.southaustralia.biz/Events_Calendar/Checklists/MarketingChecklist.pdf

Case studies

Wine Industry Outlook: Consumption Demographics, Market Segmentation, Trends and Opportunities
www.roymorgan.com/resources/pdf/papers/20041201.pdf

Identifying the Beef Cattle Market
www.dpi.qld.gov.au/beef/3487.html

Maximising Marketing Opportunities for Buffalo Products
www.rirdc.gov.au/reports/NAP/01-15sum.htm

www.abc.net.au/schoolstv/food/ep9.htm

'Frappé choice of chilled set' www.nzherald.co.nz/index.cfm?c_id=3&ObjectID=10009394

Have you selected the best possible market segments?

Segmentation parameters	Example of possible segments	Selected target market
Age	Toddler/Child/Teenager/Adult/Under 25/25-35/35-50/50-65/65+	
Sex	Male/Female	
Occupation	Professional/Tradesperson/Farmer/Student/Houseperson/Unemployed/Other	
Family life cycle	Single/Married/Divorced/Widowed <ul style="list-style-type: none"> - children under 6 years - children over 6 years - children left home - other 	
Income	Under \$30,000 \$30,000-\$60,000 \$60,000-\$100,000 Over \$100,000	
General industry type	Small, medium, large business Government, public, private sectors Industrial, consumer and other markets	
Occupation	Financial, Professional Services, Trades (Plumbing etc), Computer, Marine, Engineering, Transport, Agriculture, Manufacturing and Processing, Marketing and Sales, other	
Geographic	State in Australia, Urban/Regional/Rural Europe, Asia, Africa, North America, South America, Middle East etc, other	
Attitude	Any attitude toward life: Environmentally or politically disposed, concerned about the future, concerned about today, short term price conscious, looks at long term advantages, concerned with image, prestige, other.	
Lifestyle	Health conscious, active, adventurous, other	
Usage rates	High, medium, low users First time, existing users, other	
Benefits desired	Buys in terms of the benefits the product offers: technical performance, low price, quality, prestige, user friendliness, labour saving, durability, dependability, other	

Peter Hickey, *Business Planning* (1994)

***Your target market
Identified market segments***

<i>Key questions</i>	<i>Your strategy</i>
Which segments do I focus on?	
What are the opportunities in those segments?	
How do I reach those segments?	
What will be my sales approach	

Peter Hickey, *Business Planning* (1994)

Your target markets
Needs and purchasing behaviour

Key questions	Target market 1	Target market 2	Target market 3
Age			
What products are they likely to purchase?			
Why do they purchase?			
What are their needs?			
How will your product satisfy their needs?			
Who is the influencer?			
Who is the decision maker?			
How do they purchase?			
When do they purchase?			
Where do they purchase?			
How often?			

Peter Hickey, *Business Planning* (1994)

***Your target markets
Marketing mix strategies***

	<i>Your strategy</i>	<i>The competition's strategy</i>
<i>Product</i>		
<i>Price</i>		
<i>Place</i>		
<i>Promotion</i>		

Peter Hickey, *Business Planning* (1994)