

We are all Niche Marketers Now: The Process of Market Segmentation and Product Differentiation

Quentin S.W. Fong

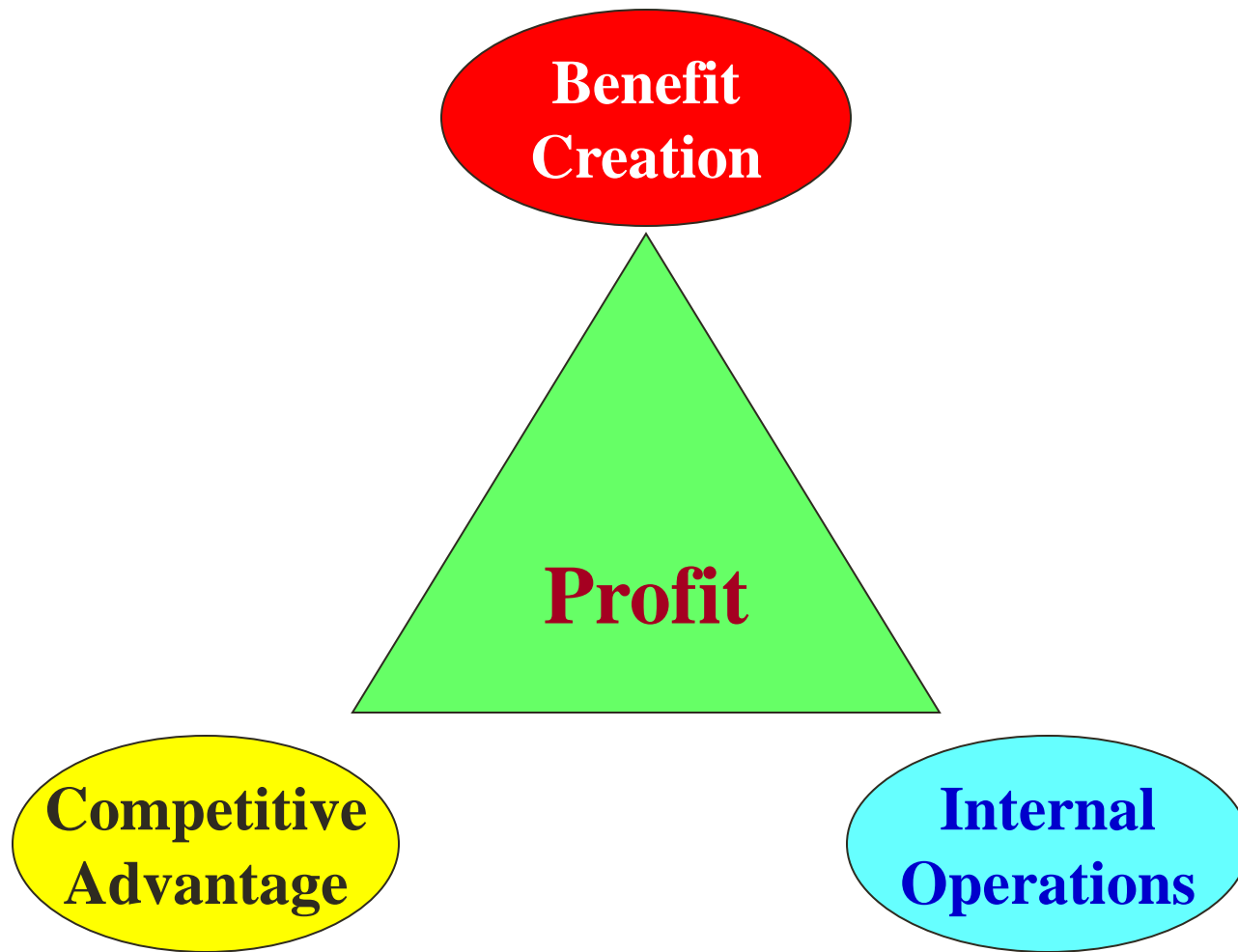
Alaska Sea Grant Marine Advisory Program

University of Alaska Fairbanks

Kodiak



The Profit Triangle

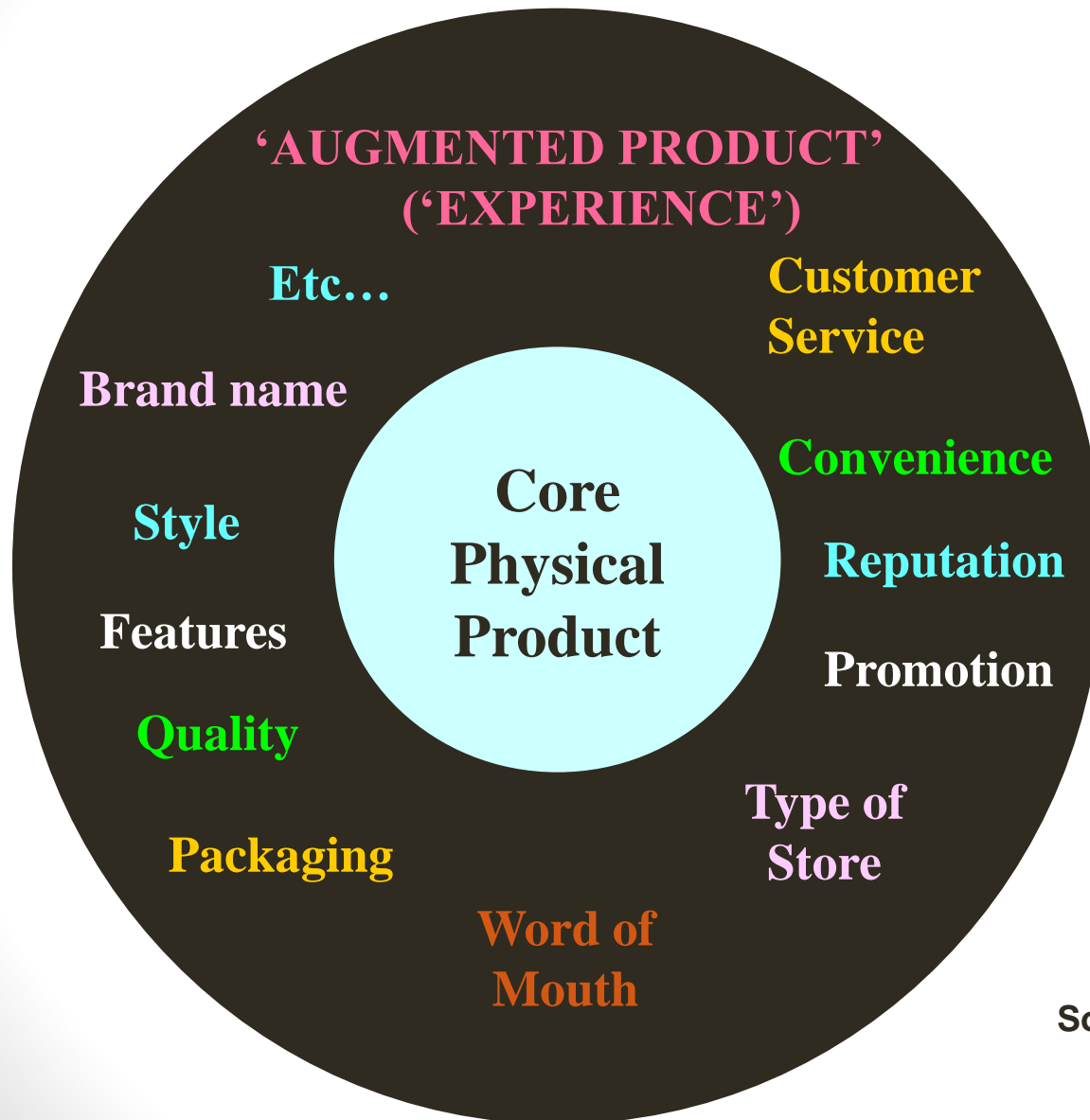


What is Marketing?

“It is the whole business seen from the point of view of the final result, that is, from the customer’s point of view...Business success is not determined by the producer but by the customer.”

-- *Peter Drucker*

'PRODUCT' IS NOT JUST THE PRODUCT... , RATHER IT IS THE WHOLE 'EXPERIENCE'



- Successful marketers provide customers a whole 'experience', not just the physical product itself.
- This is especially important for many natural, 'healthy' and 'touristy' products.

Source: Svoboda & Haws,
2005

Market Research

- **The most important phase of any marketing**
- **Doesn't always have to be formal**
- **Visit, look and listen**
- **LISTEN to what the market is telling you**

Market Research Questions

- **What does the market want?**
- **What needs are not being fulfilled?**
- **Is there market demand for what we want to produce?**
- **Who buys our product and who make those decisions?**
- **Where do they go and when do they buy?**
- **What is current pricing?**
- **What are other producers doing that make them successful?**

Determinants of Customer Benefit

Product Benefit

Services Benefit

Personnel Benefit

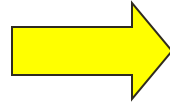
Image Benefit

Monetary Cost

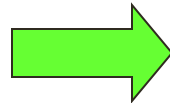
Time Cost

Energy Cost

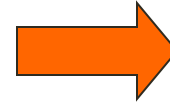
Psychic Cost



Total
Customer
Benefit

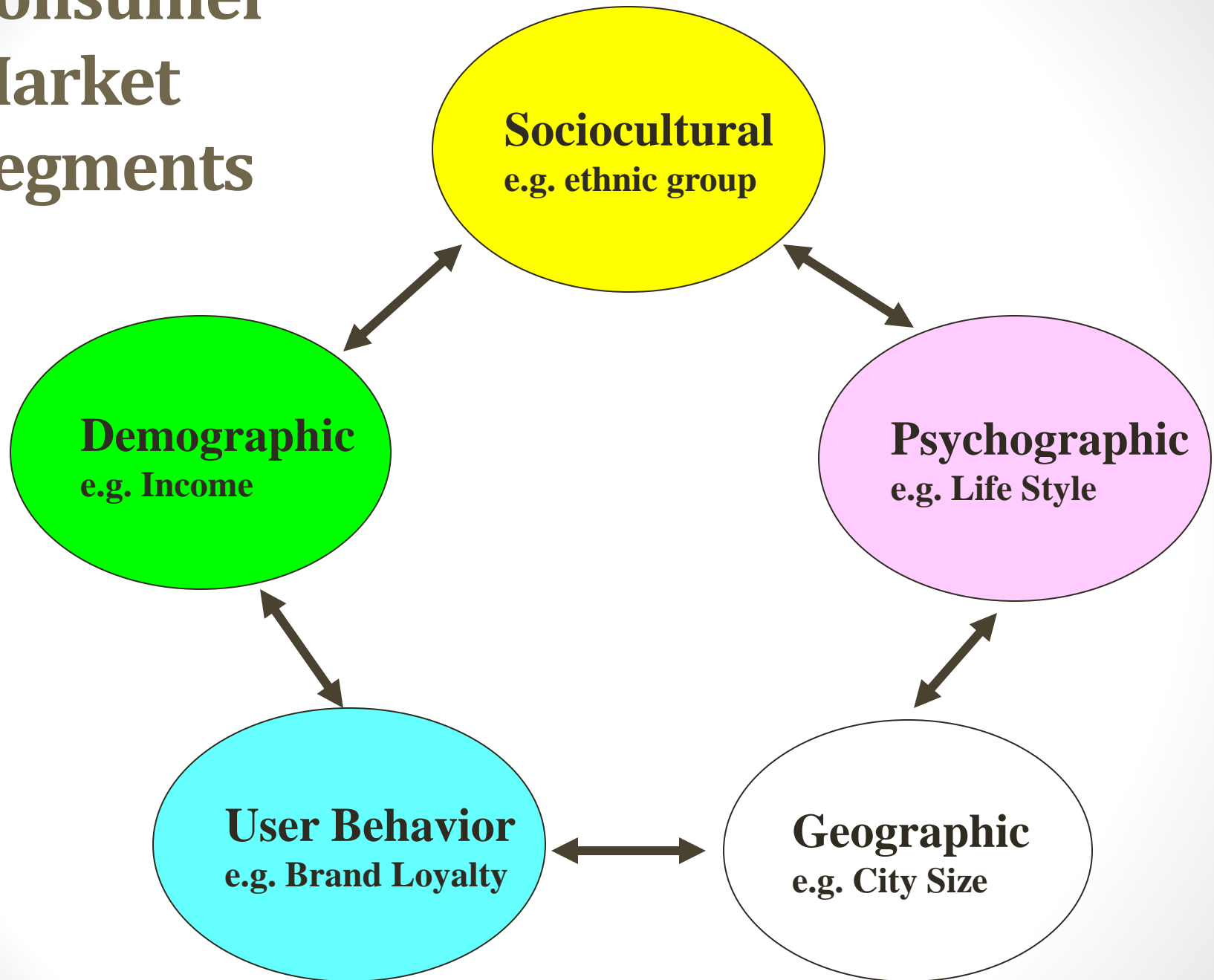


Total
Customer
Cost

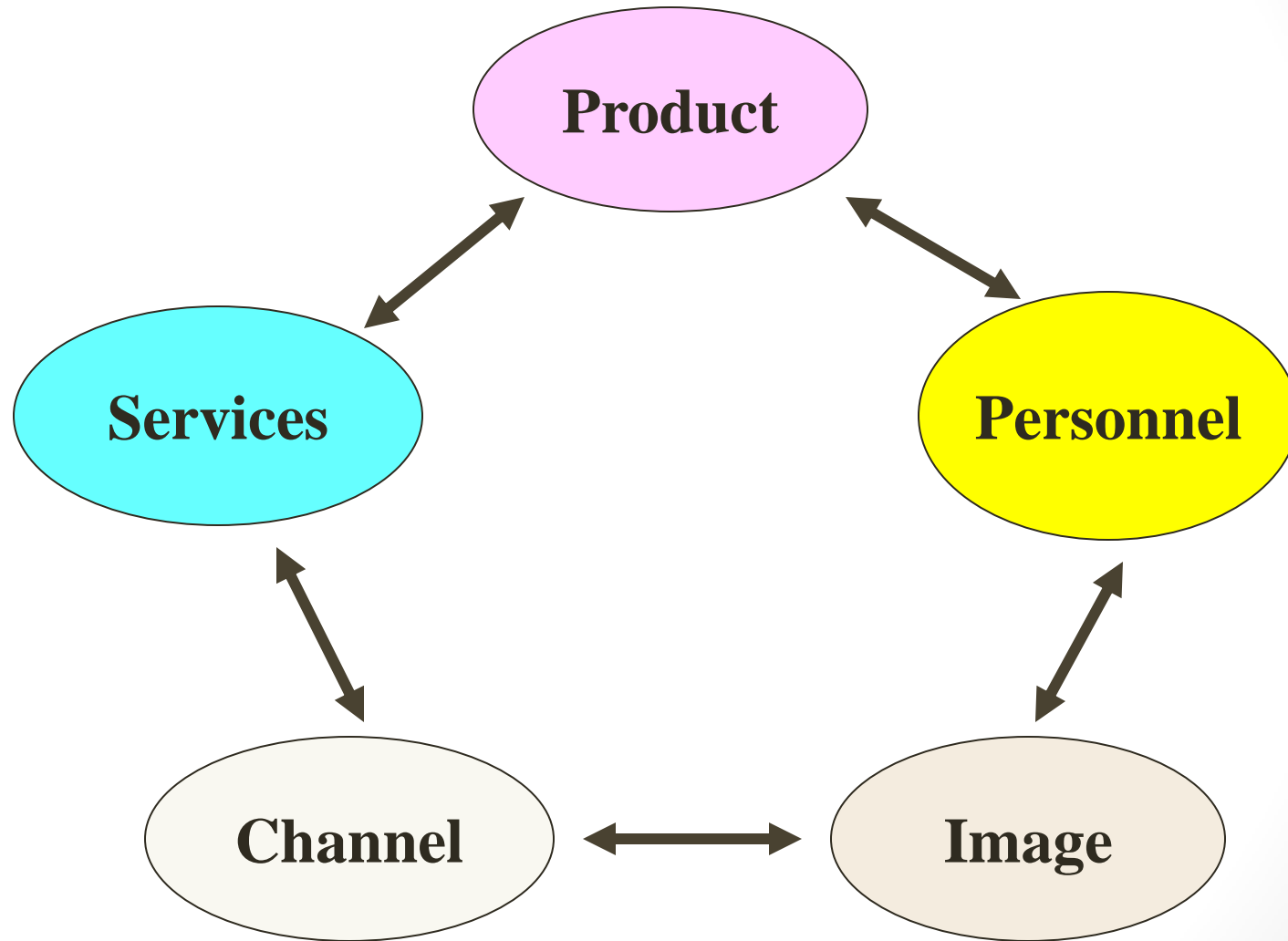


Customer
Delivered
Benefit

Consumer Market Segments



Differentiation Categories



The Marketing Management Process

- **Analyzing Marketing Opportunities**
- **Developing Marketing Strategies**
- **Planning Marketing Programs**
- **Managing the Marketing Effort**

CUSTOMER RESEARCH – BASICS

Source: Svoboda & Haws, 2005

What is customer research?

- Finding out customer preferences in an organized and systematic manner to be able to better serve customers and position one's product(s) or the whole business better

Key principles to keep in mind when doing customer research

- Have a clear goal of what you want to find out with the research
- Use a large enough sample of respondents
- Select people representative of your (potential) customers
- Try to find out information on which you can act

Examples of reasons for doing customer research

- What factors matter to a customer the most when he is choosing a product?
- What products are missing in our offering?
- What products that we are offering are not popular or inferior?
- How happy is customer with your service?
- Would retail stores be interesting in carrying our product?

Market Research Procedures

1. Identify the problem
2. Conduct secondary information search
3. Conduct focus groups and executive interviews
4. Survey development
5. Data gathering using survey instrument
6. Data entry
7. Data analysis
8. Recommendation



Secondary Information Search

- www.seafoodnews.com
- NOAA Commercial Fisheries Statistics:
<http://www.st.nmfs.noaa.gov/st1/commercial/>
- FAO Statistics:
<http://faostat.fao.org/site/291/default.aspx>
- INFOFISH: <http://infofish.org/>



CUSTOMER RESEARCH FRAMEWORK

Source: Svoboda & Haws, 2005



**Informal
interviews**

- Regularly asking customers (for example, in a store) about products and service as a part of a informal conversation but with some specific questions

Focus groups

- Sessions with several customers or potential customers in which a discussion leader asks about their opinions about currently or potential new products

**Customer
surveys**

- Written questionnaires distributed to a larger number of customers or potential customers, typically with rankings or clearly defined questions

INFORMAL INTERVIEWS

Source: Svoboda & Haws, 2005

DESCRIPTION

- **Regularly asking customers (for example, in a store) about products and service as a part of a informal conversation but with some specific questions**
- **Simply, make it part of your job to talk to customers regularly, and though such chats should be informal they should also include targeted questions about your products, service, etc.**
- **Try to involve employees in continuous effort to learn about interesting opinions and tips from customers – for example, you can have a competition for your employees or even customers for best or most proposals to improve your business.**

INFORMAL INTERVIEWS

Source: Svoboda & Haws, 2005

EXAMPLES

- A store manager goes to talk to random customers in the store once in a while (but regularly) to ask them about their shopping experience, how they like certain products, letting customer ‘speak their mind’, but still asking some probing questions
- A cashier asks every customer upon paying (time permitted) whether customer found everything, whether he was satisfied with the product selection, etc.

INFORMAL INTERVIEWS

Source: Svoboda & Haws, 2005

PROS

- Useful for building better customer relations as customers like to be listened to**
- Can get very useful opinions as every interesting customer (with interesting opinions or experience) can be probed in more detail**
- No costs**

INFORMAL INTERVIEWS

Source: Svoboda & Haws, 2005

CONS

- Easy to 'slack', simply not do it as it is not written down and not formally organized**
- Opinions gathered can be quite random and not representative**

FOCUS GROUPS

Source: Svoboda & Haws, 2005

DESCRIPTION

- *Sessions with several customers or potential customers in which a discussion leader asks about their opinions about currently or potential new products*
- Typically 6-10 people participate
- Though there are professional research firms that can be hired to do focus groups (incl. selection of participants), focus groups can be done informally with 'self-help' – in this case, it's useful to ask a friend to moderate it for you so that you can observe and occasionally ask probing questions
- Thorough preparation and writing down an outline of the discussion and question is useful, though flexibility is needed

FOCUS GROUPS

Source: Svoboda & Haws, 2005

EXAMPLES

- Inviting a group of tourists, travel agents and farmers to brainstorm about how to prepare and ‘package’ an agriculture tourism (or ecotourism) vacation (for example, what it should include, what parts to emphasize, how to sell it, etc.)**
- Inviting customers, store owners and bee keepers to come up with ideas on what other products can be prepared from honey and how to sell them**

FOCUS GROUPS

Source: Svoboda & Haws, 2005

PROS

- Will generate many interesting opinions (many beyond expected scope) that can be thoroughly discussed and described**
- People can built on each other's comments**
- Can be done relatively easily, quickly and cheaply**

FOCUS GROUPS

Source: Svoboda & Haws, 2005

CONS

- Danger that participants will not be representative of customers (for example, if you want to export your product, but are confined to your location, it may be difficult to talk with your export customers)**
- Danger that too few and/or not representative opinions will be gathered (it's especially tempting to invite friends who may not give direct and negative opinions and views)**
- Difficult to effectively lead a focus group**

CUSTOMER SURVEY

Source: Svoboda & Haws, 2005



DESCRIPTION

- Written questionnaires distributed to a larger number of customers or potential customers
- Typically, clearly defined questions or even rankings are used to ensure quality responses, although some open-ended questions are useful as well
- Motivation of respondents to respond is useful (for example, drawing of prizes, a small gift)
- Using interviewers to walk respondents through the questionnaire often helps ensure better quality responses and enables asking probing questions

CUSTOMER SURVEY

Source: Svoboda & Haws, 2005



EXAMPLES

- **Interviewing shoppers at a supermarket according to prepared survey to learn more about their habits of shopping for fruits, vegetables, fish, etc. (for example, how they choose their products, how satisfied they are with products in the particular store and for particular farmers, ranking several attributes of fruits from different farmers, etc.)**
- **Distributing a printed questionnaire to tourists waiting to check in before flying out at an airport to learn about their awareness of various gift shops and about what souvenirs appealed to them and what else they would like to see in stores**

CUSTOMER SURVEY

Source: Svoboda & Haws, 2005

PROS

- Can generate a large number of responses and opinions
- Gives a clear idea about certain aspects of products or about comparisons (if you know those aspects and what to compare – for example, certain product attributes, main competitors)

CUSTOMER SURVEY

Source: Svoboda & Haws, 2005

CONS

- Response rate is typically low
- Quality of responses may be low (that is respondents don't give too much thought to answer)
- Need to have a very clear objective of what exactly you want to find out during the research (focus groups, for example, can be more open-ended)

Comments/Questions



Marketing Mix

```
graph TD; MM([Marketing Mix]) --> P[Product]; MM --> PL[Place]; MM --> PR[Price]; MM --> PROM[Promotion]; P --> TM([Target Market]); PL --> TM; PR --> TM; PROM --> TM;
```

Product

- *Quality*
- *Design*
- Packaging*
- *Size*

Place

- *Channels*
- *Coverage*
- *Assortments*
- *Locations*
- *Inventory*
- *Transport*

Price

- *List Price*
- *Discounts*
- *Allowances*
- *Payment*
Period
- *Credit Terms*

Promotion

- *Sales*
Promotion
- *Advertising*
- *Sales Force*
- *Public*
Relations

**Target
Market**

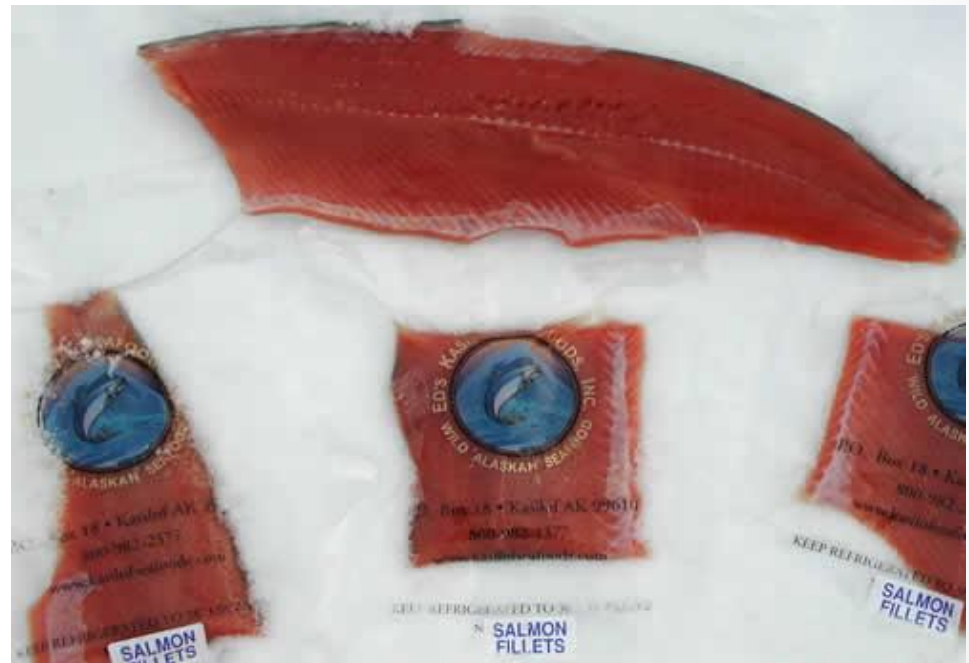
Differentiation Strategies: Product Attributes

- **Chemical Composition**
- **Nutritional Value**
- **Sensory**
- **Convenience**
- **Form/Packaging**
- **Brand**



Differentiation Strategies: Product Packaging

- Easy to Open
- Ease of Storage
- Information
- Aesthetic



Questions/Comments



Marketing Mix

```
graph TD; MM([Marketing Mix]) --> P[Place]; P --> TM([Target Market]);
```

Product

- *Quality*
- *Design*
- *Packaging*
- *Size*

Place

- *Channels*
- *Coverage*
- *Assortments*
- *Locations*
- *Inventory*
- *Transport*

Price

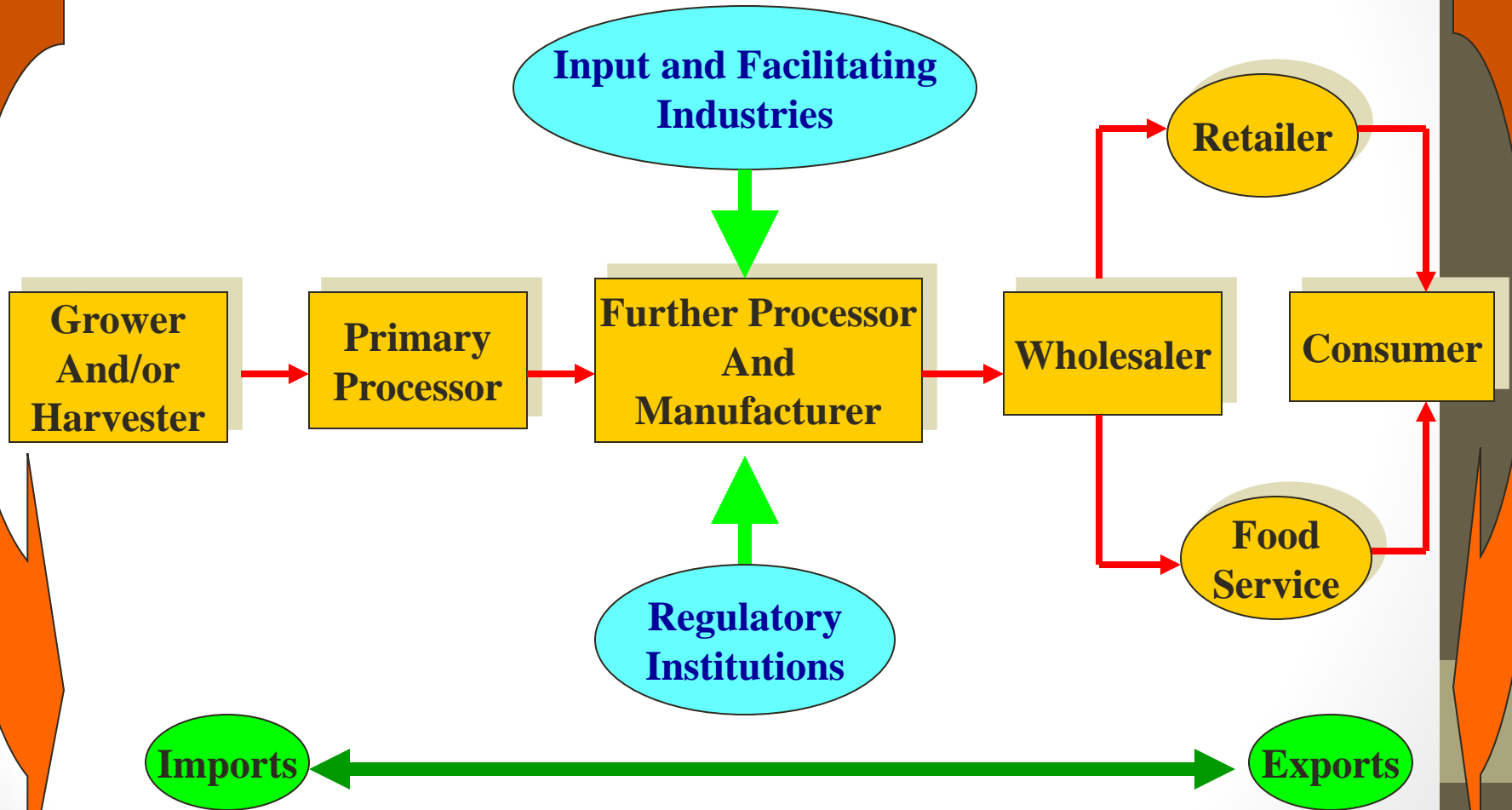
- *List Price*
- *Discounts*
- *Allowances*
- *Payment Period*
- *Credit Terms*

Promotion

- *Sales Promotion*
- *Advertising*
- *Sales Force*
- *Public Relations*

Target Market

Food Marketing System



Why Direct Marketing?

- **Control – Where to sell, how to sell, what to charge.**
- **Brand**
- **Total Commitment**



Why Use Indirect Channels?

- **Affordability**
- **Saves money by not doing own distribution**
- **Risk Transfer**



Why Customer would Buy from a Distributor?

- **Channel Efficiency - Convenience of one-stop shopping**
- **Prompt Customer Service and Technical Support for being local**



Differentiation Strategy: Placement

- Channels
- Coverage
- Assortments
- Locations
- Inventory
- Transport



Questions/Comments



Marketing Mix

```
graph TD; MM([Marketing Mix]) --> P[Product]; MM --> PL[Place]; MM --> PR[Price]; MM --> PROM[Promotion]; P --> TM([Target Market]); PL --> TM; PR --> TM; PROM --> TM;
```

Product

- *Quality*
- *Design*
- *Packaging*
- *Size*

Place

- *Channels*
- *Coverage*
- *Assortments*
- *Locations*
- *Inventory*
- *Transport*

Price

- *List Price*
- *Discounts*
- *Allowances*
- *Payment Period*
- *Credit Terms*

Promotion

- *Sales Promotion*
- *Advertising*
- *Sales Force*
- *Public Relations*

Target Market

Promotion:

The Art of Communication

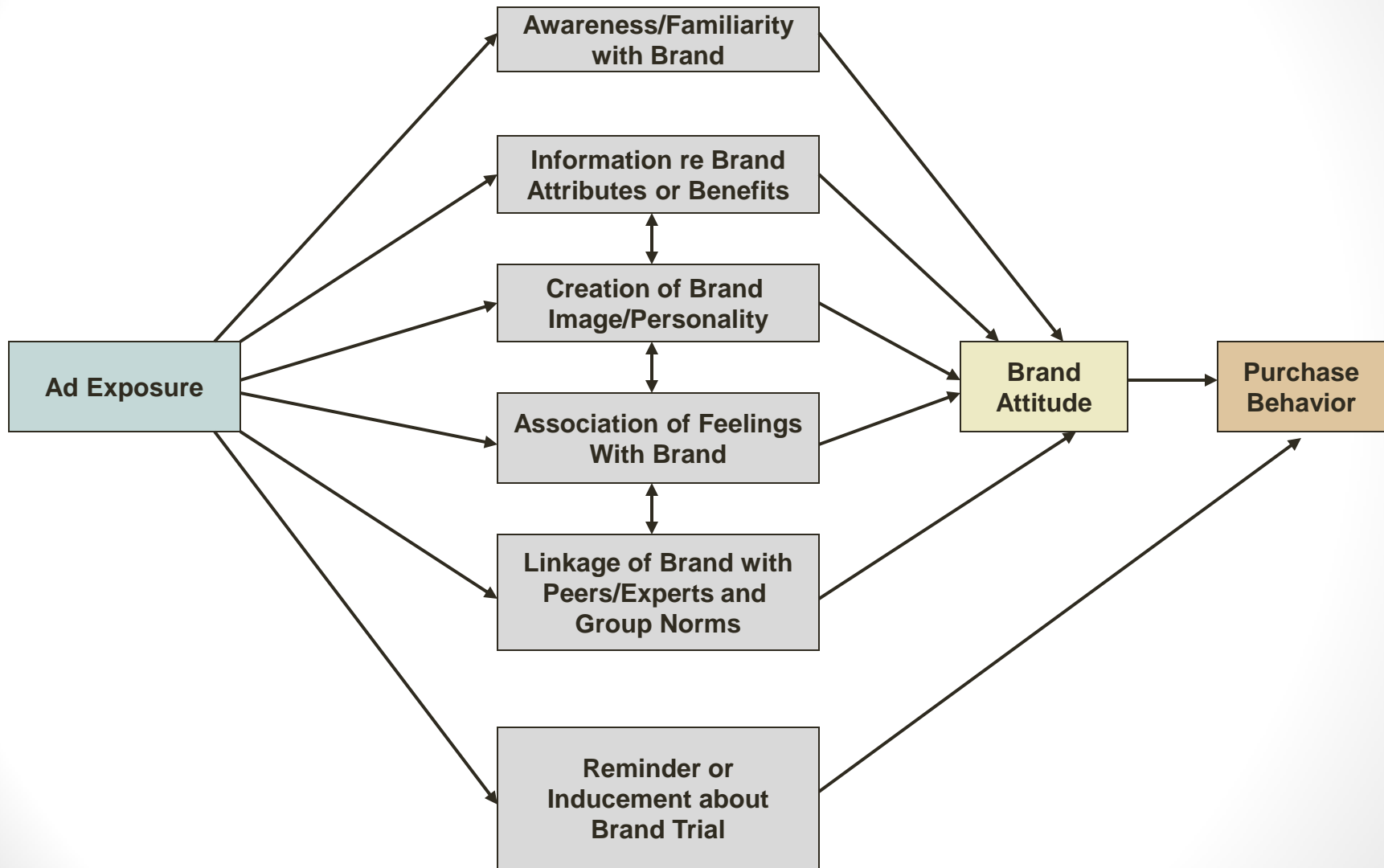
- Personal Selling
- Sales
- Promotion
- Advertising
- Direct
- Promotion
- Public Relations and Publicity



Why Advertise?

A Model of the Communication/Persuasion Process

Source: Batra, Myers, and Aaker (1996)



Benefits to Branding

- **Be perceived differently than the rest of the pack.**
- **Enjoy greater loyalty and be less vulnerable to competitive marketing actions.**
- **Command larger margins and be less susceptible to price wars.**
- **Receive greater trade cooperation and support.**
- **Increase marketing communications effectiveness.**
- **Support brand extensions.**

Differentiation Example: Common Themes for Wild Seafood Products

- Wild/Pristine
- Eco-Friendly and Sustainable
- The Alaskan Tradition
- High Polyunsaturated Fatty Acids
- All Natural
- United States



Examples Advertising: Alaska Seafood Marketing Institute



Examples Advertising: Printed in Gourmet Magazine



Nutcracker Sweet.

Whether it's the dazzling centerpiece of your holiday dinner or served as an elegant entrée, it's always the season to ask for Wild Alaska King Crab. Prized for its sweet, succulent flavor and rich, tender texture, Alaska King Crab gets its superior taste from the wild winter seas of the North Pacific and Bering Sea. And because it's pre-cooked at the peak of freshness, it's a snap to heat and serve. Wild Alaska King Crab, Dungeness Crab and Snow Crab always impress and are all available year-round, but if you're entertaining for the holidays, we suggest you get cracking. For festive recipes, visit www.alaskaseafood.org.

Wild ALASKA Crab
ASK FOR ALASKA



Advertisement

Ocean-Caught Wild Alaska Crab

A Natural Treasure for the Holidays

Found only in a place of massive glaciers, untamed rivers and vast icy seas, Wild Alaska Crab are among nature's great treasures, known and prized the world over. Alaska's unspoiled environment, cold climate and pure waters create the perfect conditions for harvesting superior-quality crab that is always sweet and succulent, tender and flavorful.

This holiday season, offer your guests the simple elegance and pure enjoyment of Alaska Crab. It's really easy: Alaska Crab is fully-cooked*, cleaned and ready to use—all you have to do is heat and serve.

Try these simple to make and delicious dipping sauces—they're great whether you're serving Alaska King, Snow or Dungeness Crab.

Rouille Sauce

- 1/3 cup bottled roasted red peppers
- 2 cloves minced garlic
- 3/8 cup low-fat mayonnaise
- 1 tsp. lemon juice
- 1/2 tsp. red pepper flakes

Combine peppers and garlic in food processor and process until well minced. Pulse in remaining ingredients until well combined.

Basil-Mint Pesto Sauce

- 2 cups fresh basil leaves
- 1-1/2 cups fresh mint leaves
- 1/2 cup olive oil
- 3 Tbs. toasted walnuts
- 3 cloves garlic
- 3-1/2 tsp. lemon juice
- 1/2 cup grated Parmesan cheese

Combine basil, mint, oil, walnuts, garlic and lemon juice in a food processor; puree until smooth. Add Parmesan and pulse until well combined.

Variation: For a creamier sauce, combine 1/4 cup Basil-Mint Pesto sauce with 1/2 cup low-fat mayonnaise.


Butter Sauce

- 1/2 cup unsalted melted butter
- 1 Tbs. lemon juice
- 3/4 tsp. garlic salt
- 1/2 tsp. dried dill
- Dash white pepper

Note: Dips can also be prepared up to two days in advance, reheating butter sauce as needed.

A Sustainable Resource

Thanks to a strong commitment to fisheries conservation management, Alaska Crab is available year-round. All crab from Alaska is wild and no species of Alaska Seafood are threatened or endangered. Precise management guidelines and laws ensure that the fisheries are sustainable.



To elevate the flavor of any recipe and to explore new possibilities with Alaska Seafood, visit www.alaskaseafood.org.

* Alaska has a new rationalized management program that will provide opportunities for delivery of fresh and live King and Snow Crab products, and these products will be available for longer periods of time.

Sales Promotions

- **Use a variety of short-term incentives such as:**
 - free samples**
 - coupons**
 - rebates**
 - low-interest financing**

Publicity & Events

- **Have to create the story first, before you can tell it.**
- **Just like your product, it has to offer something new and different to the media.**
- **Product and editorial photos are key to great exposure.**

Differentiation Strategies: Events and Publicity



Personal Selling

- **Face-to-face interaction with a prospective and/or pre-existing customer for the purpose of presentation, answering questions, and processing the purchase.**
- **Usually involves sales presentations, sales meetings, sampling, and explaining incentive programs.**

Differentiation Strategies: Personnel

- Competence
- Courtesy
- Credibility
- Reliability
- Responsiveness
- Communication



Retaining Customers

- **Cost of Lost Customers**
- **Need for Customer Retention**
- **Relationship Marketing: The Key**



Marketing Tools Summary

Relative Importance of Promotional Mixes

Source: Schaffner, 1997; Kotler, 1998

	Consumer Market	Business-to-Business Market
Promotional Mix	1. Advertising	1. Personal Selling
	2. Sales Promotion	2. Sales Promotion
	3. Personal Selling	3. Advertising
	4. Public Relations	4. Public Relations
Advertising Media	Television, radio, magazines, outdoor signs, Social, Web-sites	Trade journals, direct mail, directories, Social, Trade shows

Questions/Comments



Marketing Mix

```
graph TD; MM([Marketing Mix]) --> P[Product]; MM --> PL[Place]; MM --> PR[Price]; MM --> PROM[Promotion]; P --> TM([Target Market]); PL --> TM; PR --> TM; PROM --> TM;
```

Product

- *Quality*
- *Design*
- *Packaging*
- *Size*

Place

- *Channels*
- *Coverage*
- *Assortments*
- *Locations*
- *Inventory*
- *Transport*

Price

- *List Price*
- *Discounts*
- *Allowances*
- *Payment*
Period
- *Credit Terms*

Promotion

- *Sales*
Promotion
- *Advertising*
- *Sales Force*
- *Public*
Relations

Target Market

Profit

***Profit* = Total Revenue – Total Cost**

Where

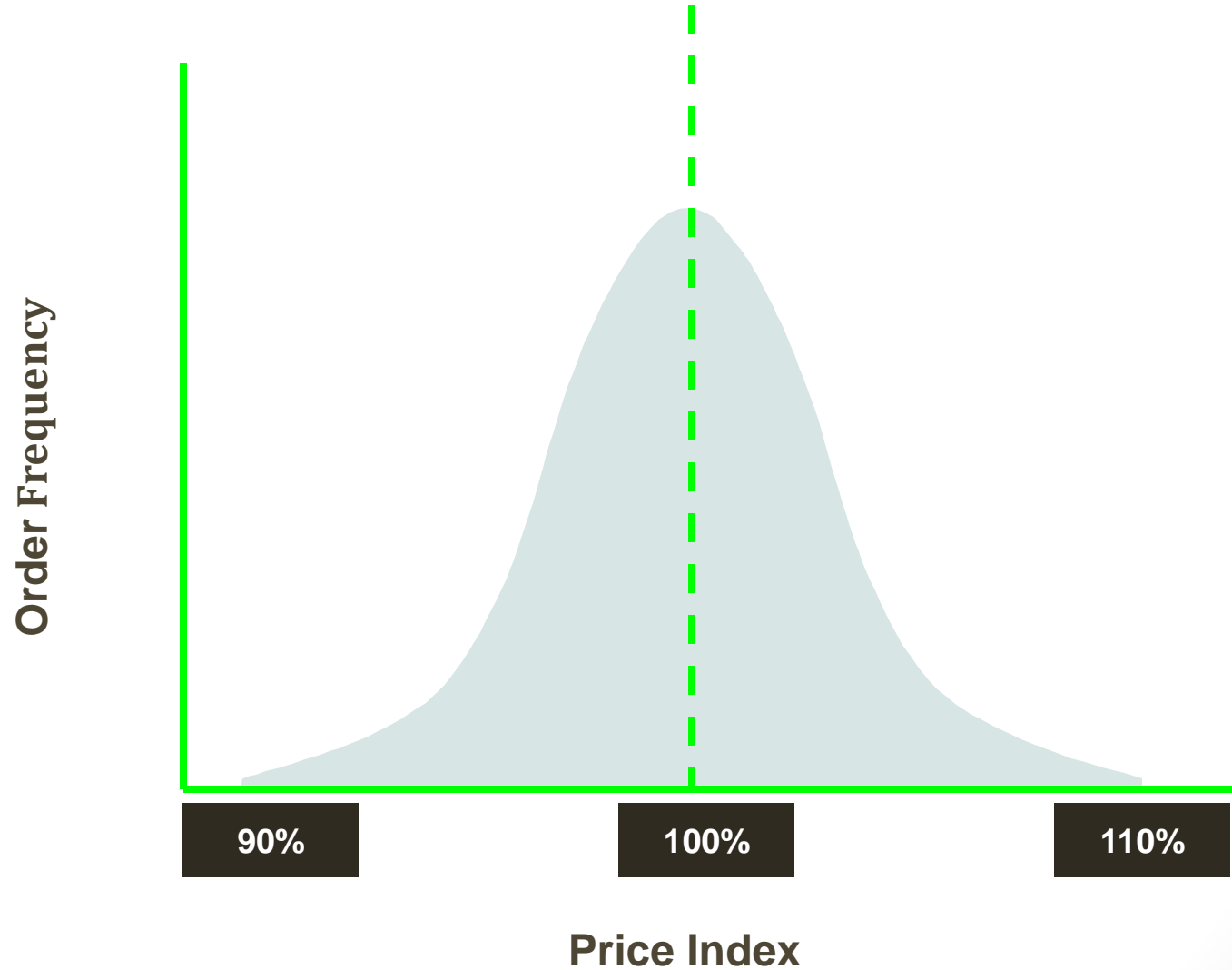
***Total Revenue* = Price x Quantity**

Sold

***Total Cost* = Total Fixed Cost + Total**

Variable Cost

The Price Band



Price Band in Ice Cream

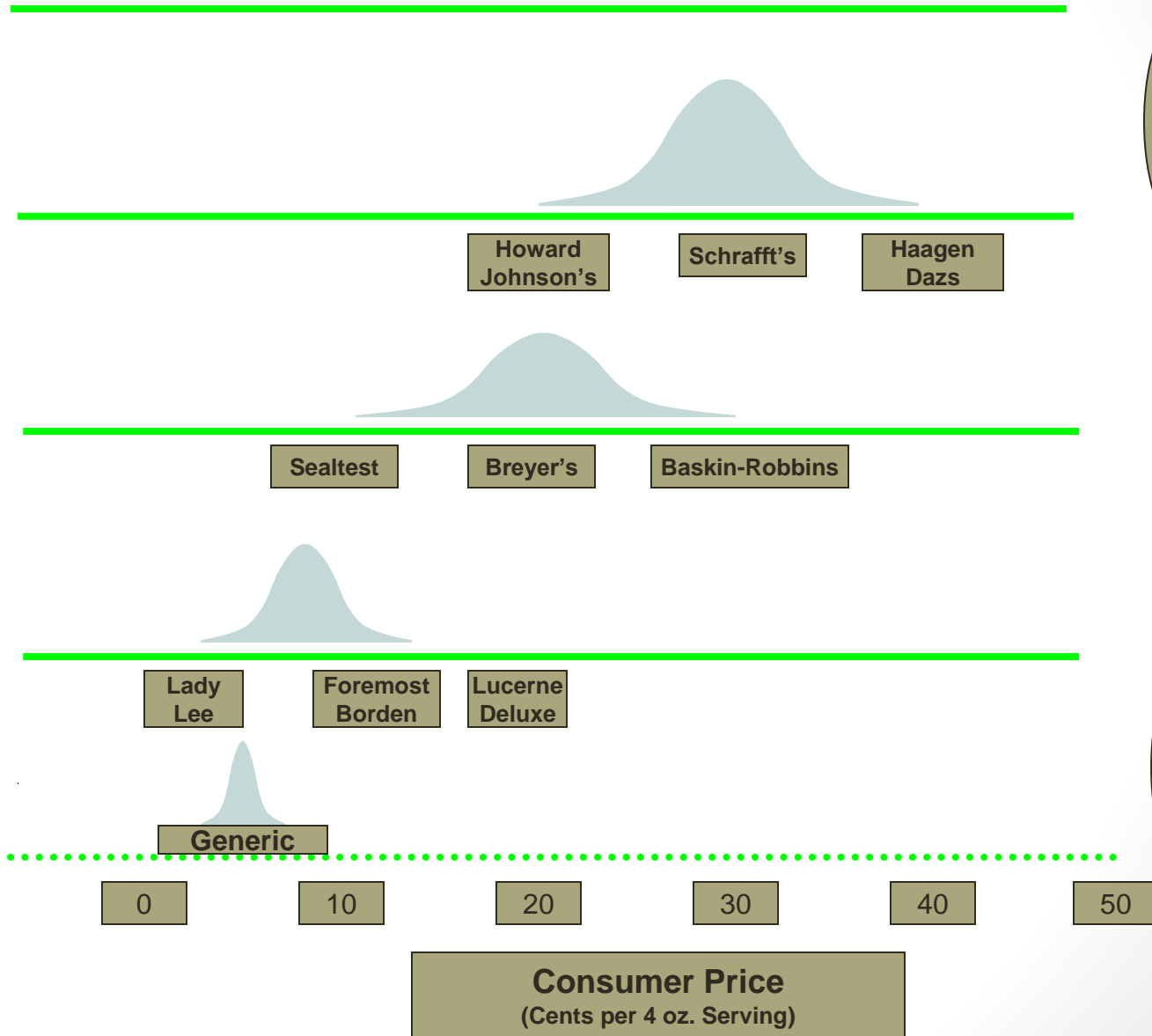
Excellent

Specialty

Quality Index

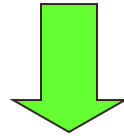
Fair

Commodity



Setting Price

Set Pricing Objectives



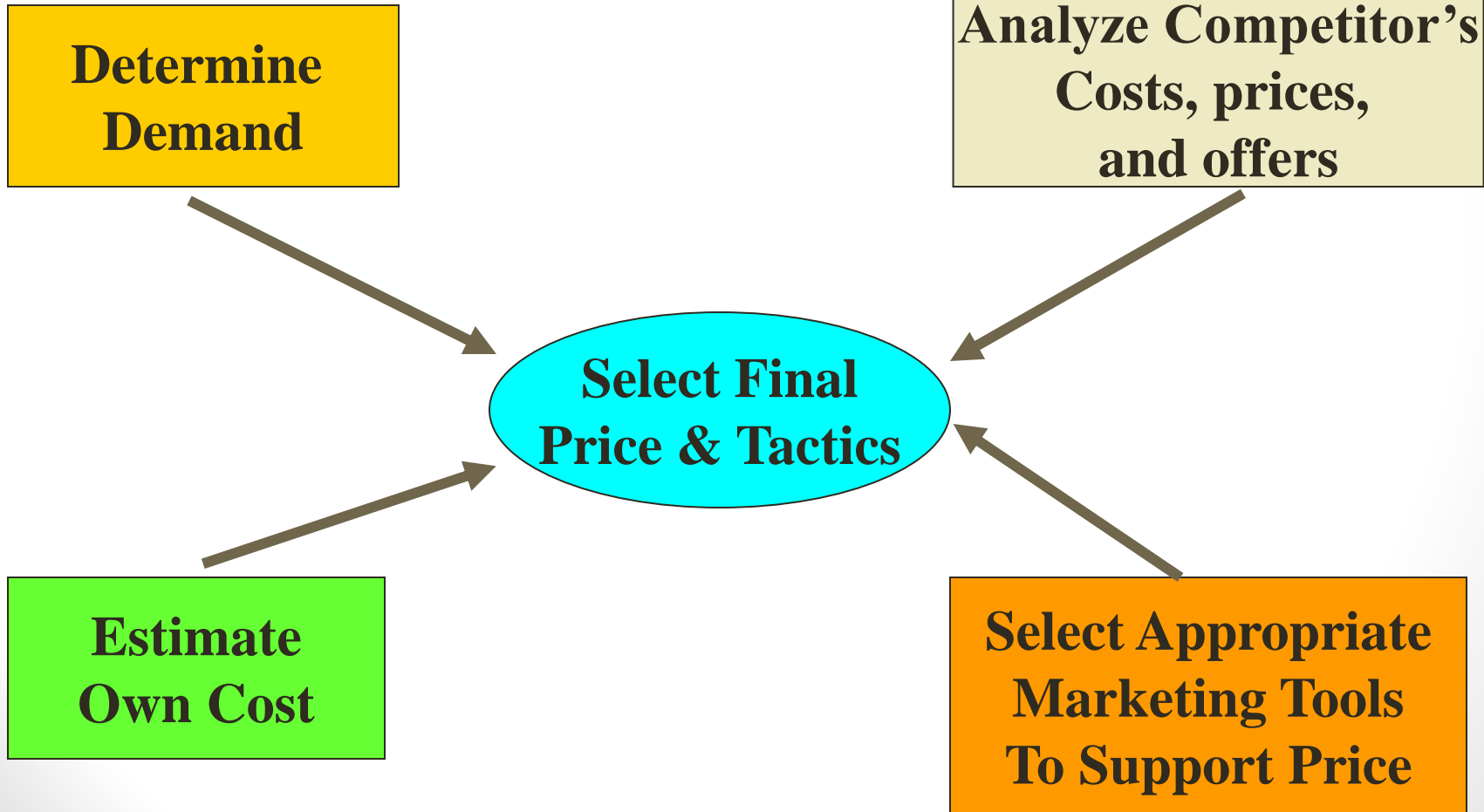
Determine Demand

Analyze Competitor's Costs, prices, and offers

Select Final Price & Tactics

Estimate Own Cost

Select Appropriate Marketing Tools To Support Price



Pricing: What are your objectives?

Some Examples (Corey, 1991)

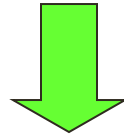
- **Gain Market Share**
- **Yield the market opportunistically**
- **Price to discourage competitors and to forestall others from entering**
- **Price high to avoid driving out less efficient competitors and risk antitrust charges**
- **One may price low to meet a competitive attack, to gain a new customer, or to acquire experience in designing and making certain products.**
- **Price a product to break even or even sustain losses on some products in the line to offer customers a full line.**
- **Price a new product high to minimize impact on sales of old product in the line.**

Pricing Methods

- **Markup pricing** – standard markup (e.g. 5 %) is added to the product's cost.
- **Target-return pricing** – charging a price that will provide a target rate of return on investment for a given period.
- **Value pricing** – a firm charges a low price for a high quality product.
- **Going-rate pricing** – a firm prices its products based on competitors' prices. It may price a product the same, at a slight premium (discount) to its competitors, and adjust accordingly when the competitors change their prices.
- **Perceived – value pricing** – Price is set according to customer's valuation of non-price variables such as image, product attributes, and services i.e. total product offering.

Setting Price

Set Pricing Objectives



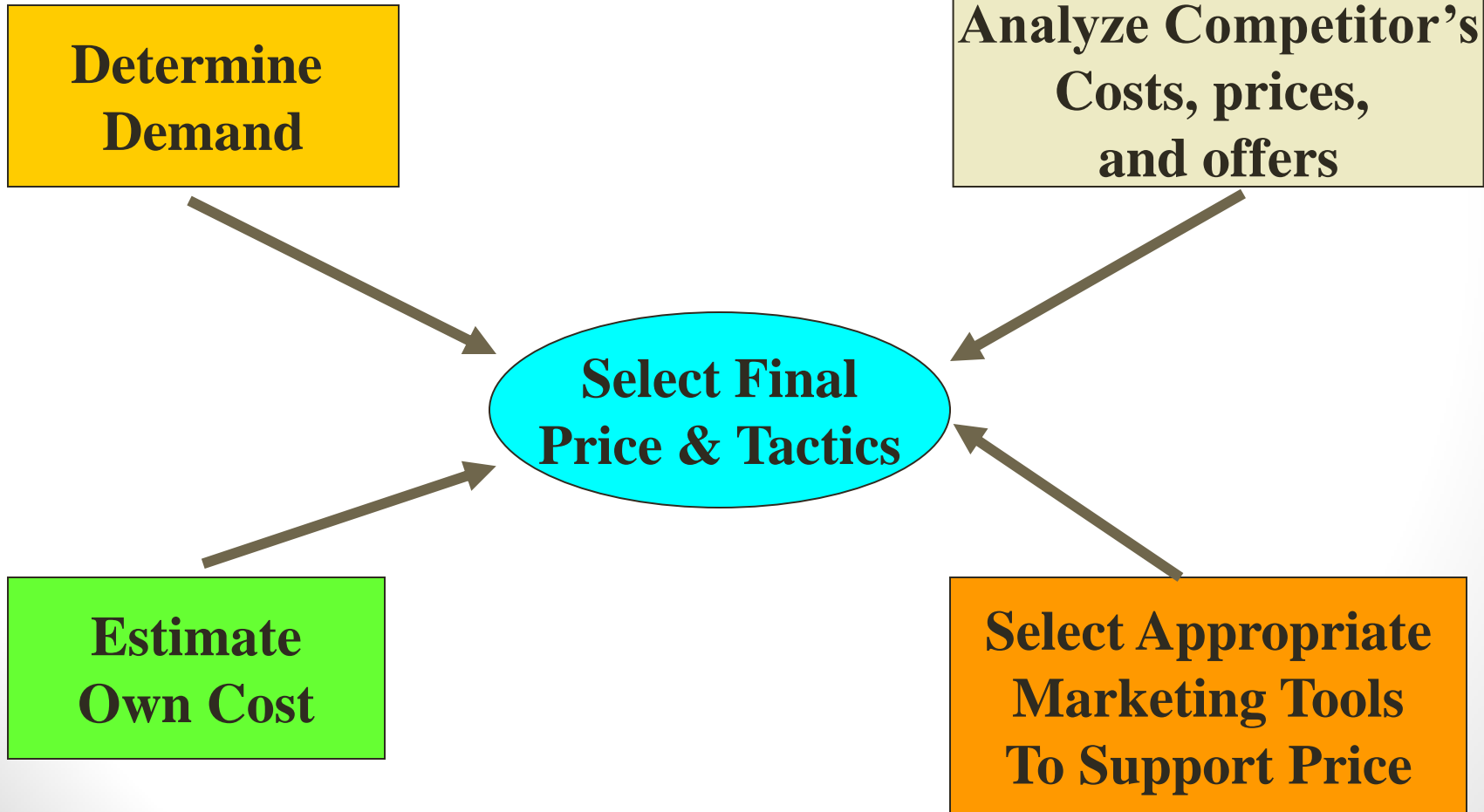
Determine Demand

Analyze Competitor's Costs, prices, and offers

Select Final Price & Tactics

Estimate Own Cost

Select Appropriate Marketing Tools To Support Price



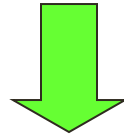
Measurement of Customer's Perceived Value and Demand

Sources of Customer Data:

- From your own sales force.
- Targeted customer interviews.
- Customer's sales literature
- Customer's former employees
- Trade literature

Setting Price

Set Pricing Objectives



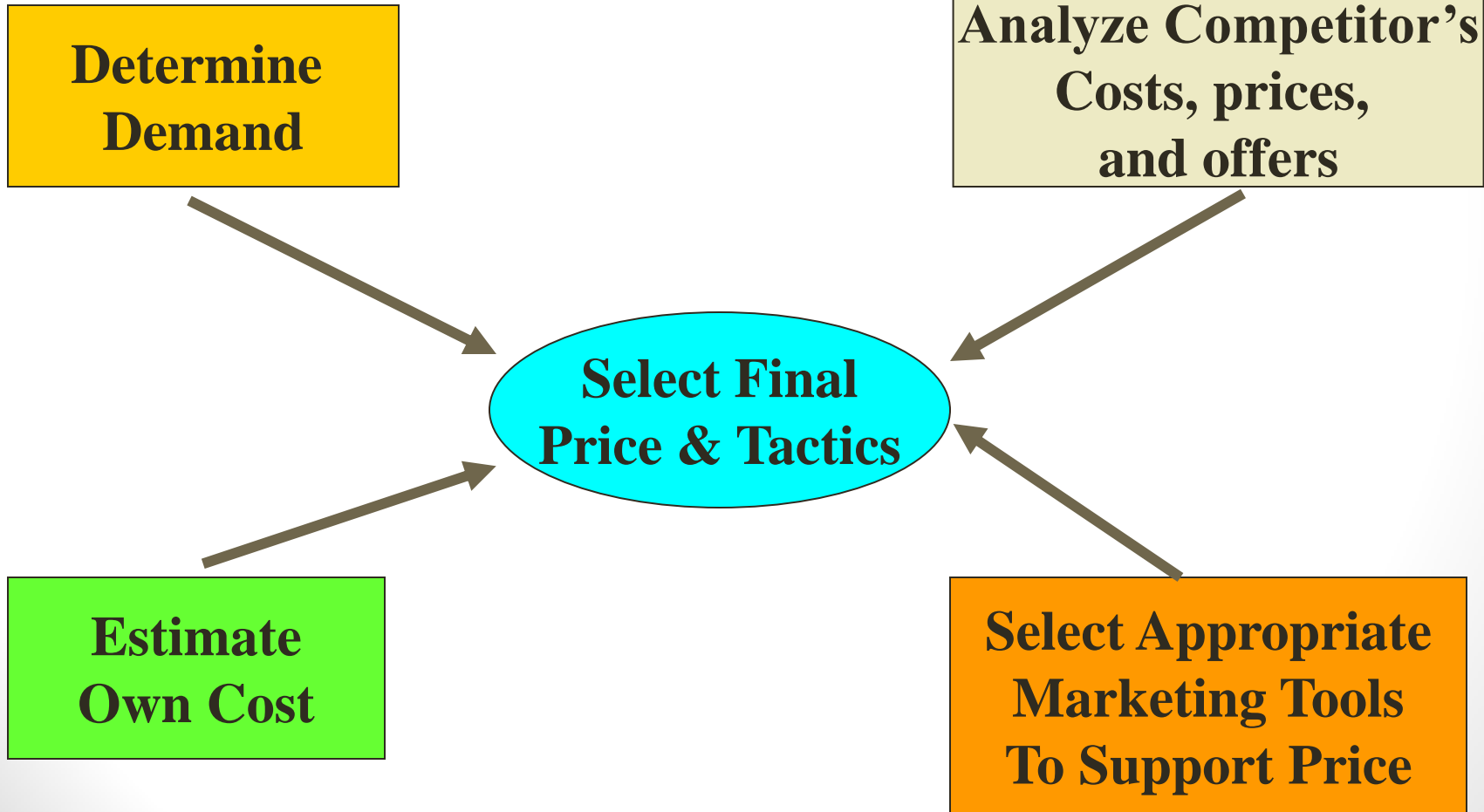
Determine Demand

Analyze Competitor's Costs, prices, and offers

Select Final Price & Tactics

Estimate Own Cost

Select Appropriate Marketing Tools To Support Price



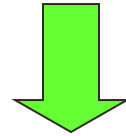
Competitor Analysis

Sources of Competitor Data:

- From your own sales force.
- Targeted customer interviews.
- Competitor's sales literature
- Customer and Competitor's former employees
- Competitors Trade literature
- Security analyst's reports (including credit rating agencies)

Setting Price

Set Pricing Objectives



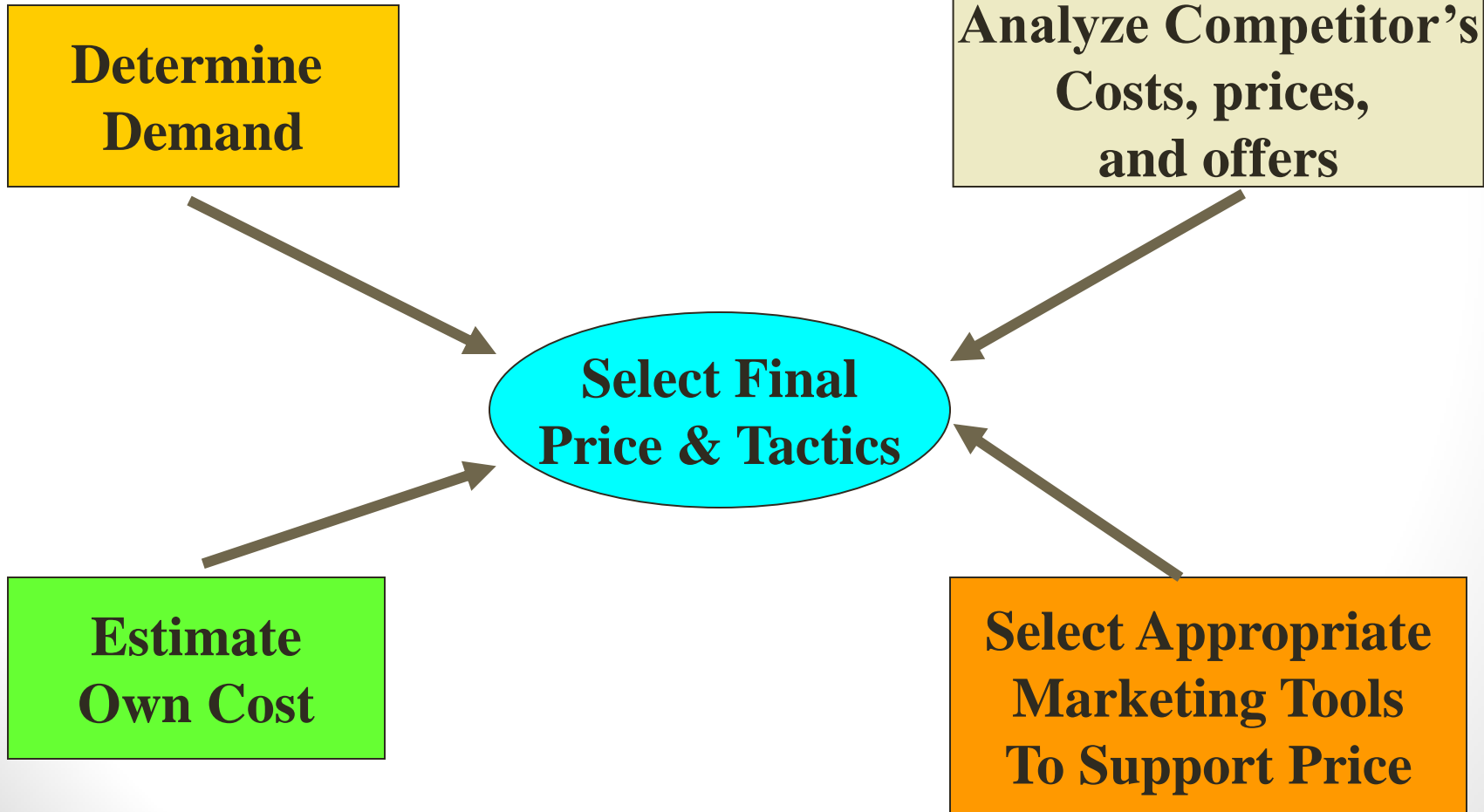
Determine Demand

Analyze Competitor's Costs, prices, and offers

Select Final Price & Tactics

Estimate Own Cost

Select Appropriate Marketing Tools To Support Price



Pricing Tactics

- **List Price**
- **Discounts**
- **Payment Period**
- **Credit Terms**

Importance of Oyster Attributes Rated by Mexican Restaurant Buyers

Attribute	Average Score
Consistency in Supply	10
Uniformity in Size	10
Shelf-Life	10
Water Quality	9.73
Price	9.64
Mode of Transportation	9.45
Meat Fill	9.36
Size	9
Product Origin	8.18
Shape	6.82

Importance of Oyster Attributes Rated by Mexican Restaurant Buyers: Follow up by Open Ended Question

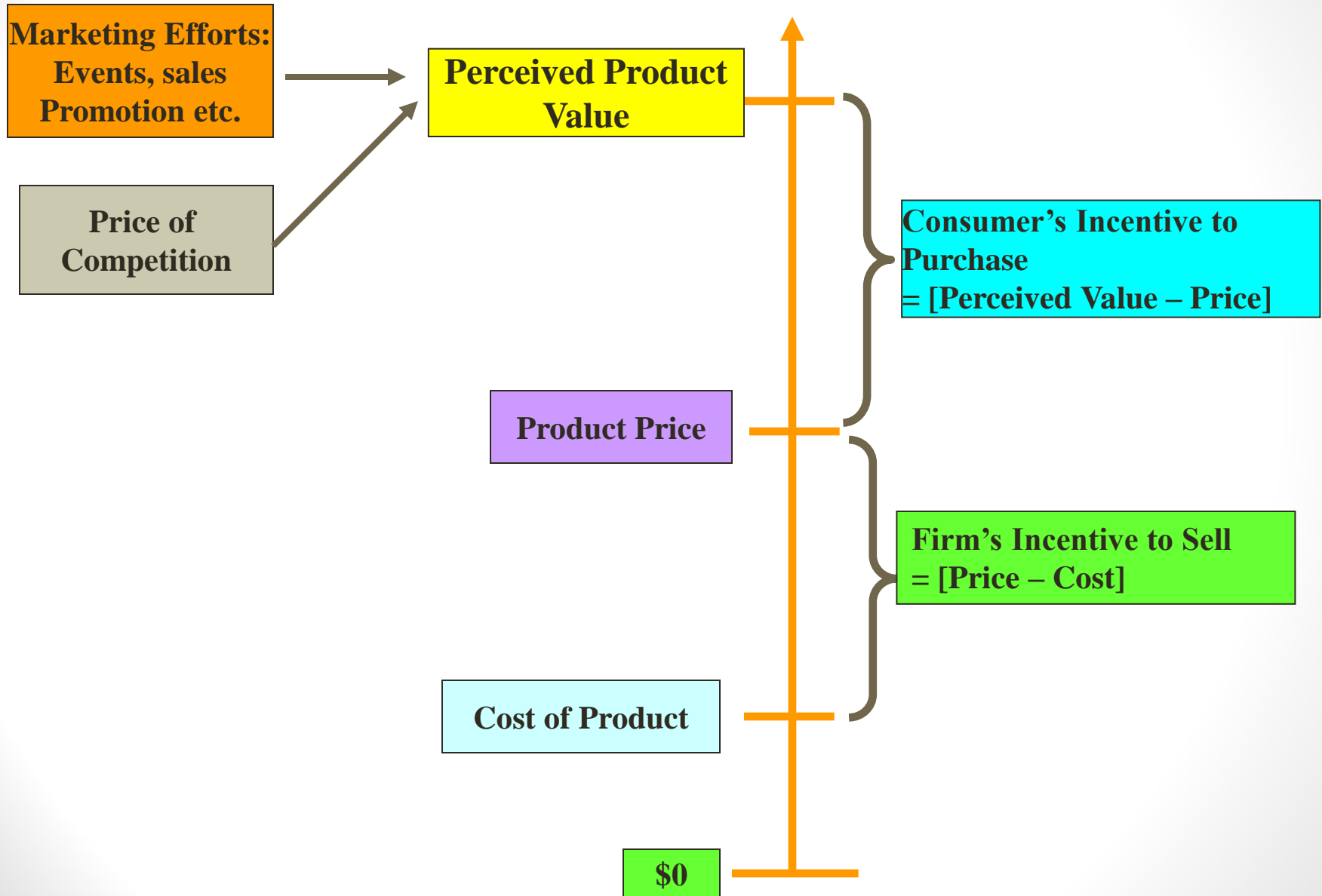
Question: Are you willing to pay a little more for an oyster of better quality, larger size, or more consistent supply throughout the year?

Answers:

- All 15 said yes that they are willing to pay more.
- All 15 gave a willingness to pay value.

Summary on Pricing

Source: Svoboda & Haws, 2005



Quality as a Marketing Strategy

- **Quality must be perceived by customers.**
- **Quality must be reflected in all company activities, not only for the products.**
- **Quality requires total employee commitment.**
- **Quality requires high quality partners.**
- **Quality can always be improved.**
- **Quality does not cost more.**
- **A quality drive cannot save a poor product.**

Criteria for Developing a Differentiation Strategy

- **Important**: The difference delivers a highly valued benefit to a sufficient number of buyers.
- **Distinctive**: The difference either isn't offer by others or is offered in a more distinctive way by the company.
- **Superior**: The difference is superior to other ways of obtaining the same benefit.
- **Communicable**: The difference is communicable and visible to buyers.
- **Preemptive**: The difference cannot be easily copied by competitors.
- **Affordable**: The buyer can afford to pay the difference.
- **Profitable**: The company will find it profitable to introduce the difference.

Thank You!

