Market Analysis, Segmentation & Consumer Buying Behavior
Market Analysis

If you are preparing a marketing plan, where’s the best place to look for information about macro trends?
Marketing Jeopardy

Michael Porter’s five competitive forces

- Present competitors
- Potential competitors
- The bargaining power of suppliers
- The bargaining power of buyers
- Substitute products
Porter’s Five Competitive Forces

Threat of new entrants

Rivalry among existing industry firms

Threat of substitute products

Bargaining power of suppliers

Bargaining power of buyers
Marketing Research

The three most important questions to ask before doing Market Research

• What do you really want to know?
• Why do you want to know this?
• What are you going to do with the information once it has been gathered?
Marketing Research

Types of Data

- **Secondary**
  - Previously gathered information
  - Collected internally or by an outside source

- **Primary**
  - Time-consuming
  - Costly
  - Data gathered specifically for this project
  - Uses a well-defined process
Marketing Research

Key Elements in Research

- What is the level of **Reliability**?
- What is the level of **Validity**?
- What does the Cost/Value relationship look like?
What Users of Marketing Research Should Ask

- What are the objectives of the research? Will the data be sufficient to meet them?
- Are the data sources appropriate?
- Are planned qualitative and/or quantitative approaches suited to the objectives?
- Is the research designed well? Measures? Questions, contact method, sampling unbiased? Sample size large enough?
- Are the planned analyses appropriate?
Marketing Jeopardy

What are quantitative and qualitative research?

The two types of primary market research
Qualitative Research

- Answers the question “Why?”
- Is not statistically projectable
- Provides valuable insights
- Allows for probative questioning
- Can involve group dynamics or individualized approaches
Qualitative Research

Methods

• One-on-ones
  - Trade Show
  - Face to face
  - Telephone

• On-site recruits
  - In-store recruits
  - Mystery shopper

• Pre-recruits
  - Mock trial
  - Food testing
  - Radio listening
  - Predictive dial

• Focus Groups
  - National Coordination
  - Tele-conference
  - Done anywhere!
Quantitative Research

- Answers the question “What?”
- Is statistically projectable
- Objective rather than subjective
- Fact-based questioning
Quantitative Research

Methods

- Panels
- Telephone
- Direct Mail
- Pre-recruits
- Internet
Quantitative Research
Types of Studies

- AAU (Attitude, Awareness, Usage)
- Perception
- Branding & Brand Positioning
- Competitive Evaluations
- Customer Satisfaction
- Employee Surveys
- Market Segmentation
- Trading Area Surveys
- Tracking Research
Research

The Research Supplier

- Matching the objectives to proper technique is key to usability of results
- Single source research provider should provide:
  - Determination of objectives
  - Development of methodology
  - Data collection
  - Reporting and presentation
  - Detailed budget
  - Timetable for completion
Market Segmentation

How should market segments be defined?

- *Who* the customers are
- *Where* they are
- *How* they behave
Market Segmentation

Two critical questions:

What's a market?

What's a market segment?
Market Segmentation

Three Kinds of Market Segmentation Criteria:

- **Demographic**
  Reflects *who* the customers are

- **Geographic**
  Reflects *where* the customers are

- **Behavioral**
  Reflects *how they behave* in this usage category
## Market Segmentation

<table>
<thead>
<tr>
<th>Demographic descriptors</th>
<th>Examples of categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Under 2, 2-5, 6-11, 12-17, 18-24, 25-34, 35-49, 50-64, 65 and over</td>
</tr>
<tr>
<td>Sex</td>
<td>Male, female</td>
</tr>
<tr>
<td>Household life cycle</td>
<td>Young, single; newly married, no children; youngest child under 6; youngest child 6 or over; older couples with dependent children; older couples without dependent children; older couples retired; older, single</td>
</tr>
<tr>
<td>Income</td>
<td>Under $15,000, $15,000-24,999; $25,000-74,999, etc.</td>
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## Market Segmentation

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<td>Occupation</td>
<td>Professional, manager, clerical, sales, supervisor, blue collar, homemaker, student, unemployed</td>
</tr>
<tr>
<td>Education</td>
<td>Some high school, graduated high school, some college, graduated college</td>
</tr>
<tr>
<td>Events</td>
<td>Birthdays, graduations, anniversaries, national holidays, sporting events</td>
</tr>
<tr>
<td>Race and ethnic origin</td>
<td>Anglo-Saxon, African-American, Italian, Jewish, Scandinavian, Hispanic, Asian</td>
</tr>
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Others include marital status, home ownership, and presence and age of children.
Market Segmentation

What are the drawbacks of segmentation?
Market Segmentation

How should we decide which segments to target?

Market Attractiveness

<table>
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<tr>
<th></th>
<th>Low (0-3)</th>
<th>Moderate (4-7)</th>
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Company’s Competitive Position
Market Segmentation

What targeting strategies are available? When should each be used?

- **Niche-market strategy**
- **Mass-market strategy**
- **Growth-market strategy**
Market Segmentation

How to Constructing a Market-Attractiveness / Competitive-Position Matrix for Evaluating Potential Target Markets

1. Choose criteria to measure market attractiveness and competitive position.
Market Segmentation

2. Weigh market attractiveness and competitive position factors to reflect their relative importance.
3. Assess the current position of each potential target market on each factor.
Market Segmentation

4. Project the future position of each market based on expected environmental, customer, and competitive trends.
Market Segmentation

5. Evaluate implications of possible future changes for business strategies and resources requirements.
## Implications of Alternative Positions Within the Market-Attractiveness/Competitive-Position Matrix

<table>
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<tr>
<th>Market Attractiveness</th>
<th>Weak</th>
<th>Medium</th>
<th>Strong</th>
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<tr>
<td><strong>High</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor Position</td>
<td></td>
<td></td>
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</table>
| Weak                  | Build selectively:  
  • Spec. in limited strengths  
  • Seek to overcome weak.  
  • Withdraw if indications of sustainable growth are lacking  
| Medium                | Desirable Potential Target  
  Invest to build:  
  • Challenge for leadership  
  • Build selectively on strengths  
  • Reinforce vulnerable areas  
| Strong                | Desirable Potential Target  
  Protect position:  
  • Invest to grow at max. digestible rate  
  • Concentrate on maintaining strength |
| Limited expansion or harvest:  
  • Look for ways to expand w/out high risk; otherwise min. invest. and focus operations  |
| Manage for earnings:  
  • Protect existing strengths  
  • Invest to improve position only in areas where risk is low  |
| Desirable Potential Target  
  Build selectively:  
  • Emphasize profitability by increasing productivity  
  • Build up ability to counter competition  |
| Divest:  
  • Sell when possible to maximize cash value  
  • Meantime, cut fixed costs & avoid further investment  |
| Manage for earnings:  
  • Protect position  
  • Minimize investment  |
| Protect and refocus:  
  • Defend strengths  
  • Seek ways to increase current earnings without speeding market’s decline  |
Buyer Behavior
Buyer Behavior

Two Primary Types

- Consumer
- Business
Buyer Behavior

Individual Adapter Group

| Innovators | Early adopters 13.5% | Early majority 34% | Late majority 34% | Laggards & Non-adopters 16% |
Consumer Buyer Behavior

Level of Involvement

- Routine Response
- Limited Problem Solving
- Extended Problem Solving
- Impulse
Consumer Buyer Behavior

The Adoption Process has five stages:

• Awareness
• Interest
• Evaluation
• Trial
• Adoption
Consumer Buyer Behavior

The Buying Decision Process also has five stages:

- Problem Recognition
- Information Search
- Evaluation of Alternatives
- Purchase
- Post-purchase Evaluation
Consumer Buyer Behavior

What are the major Influences on the buying decision process?
Consumer Buyer Behavior

What are the major Influences on the buying decision process?

- **Situational**
- **Psychological**
  - Perceptions & Attitudes
  - Motives (Maslow’s Hierarchy)
  - Learned Behavior
- **Social**
  - Family, Roles
  - Culture, Social Class
  - Peer Group, Leaders
Consumer Buyer Behavior

Situational Influences

- Physical Surroundings
- Social Surroundings
- Timing
- Reason for Purchase
- Current State of Mind
Consumer Buyer Behavior

Psychological Influences

• Perceptions
  ▪ Selective Exposure
  ▪ Selective Distortion
  ▪ Selective Retention

• Attitudes
  ▪ Cognitive
  ▪ Affective
  ▪ Behavioral
Consumer Buyer Behavior

Psychological Influences

- Motive
  - Maslow’s hierarchy
  - Patronage
- Learning
- Lifestyles & Personality
Consumer Buyer Behavior

Social Influences

- The Family
  - Life cycle stage
- Peer Groups – the point of comparison
  - Membership
  - Aspirational
  - Disassociative
- Social Class
- Cultures & Subcultures