

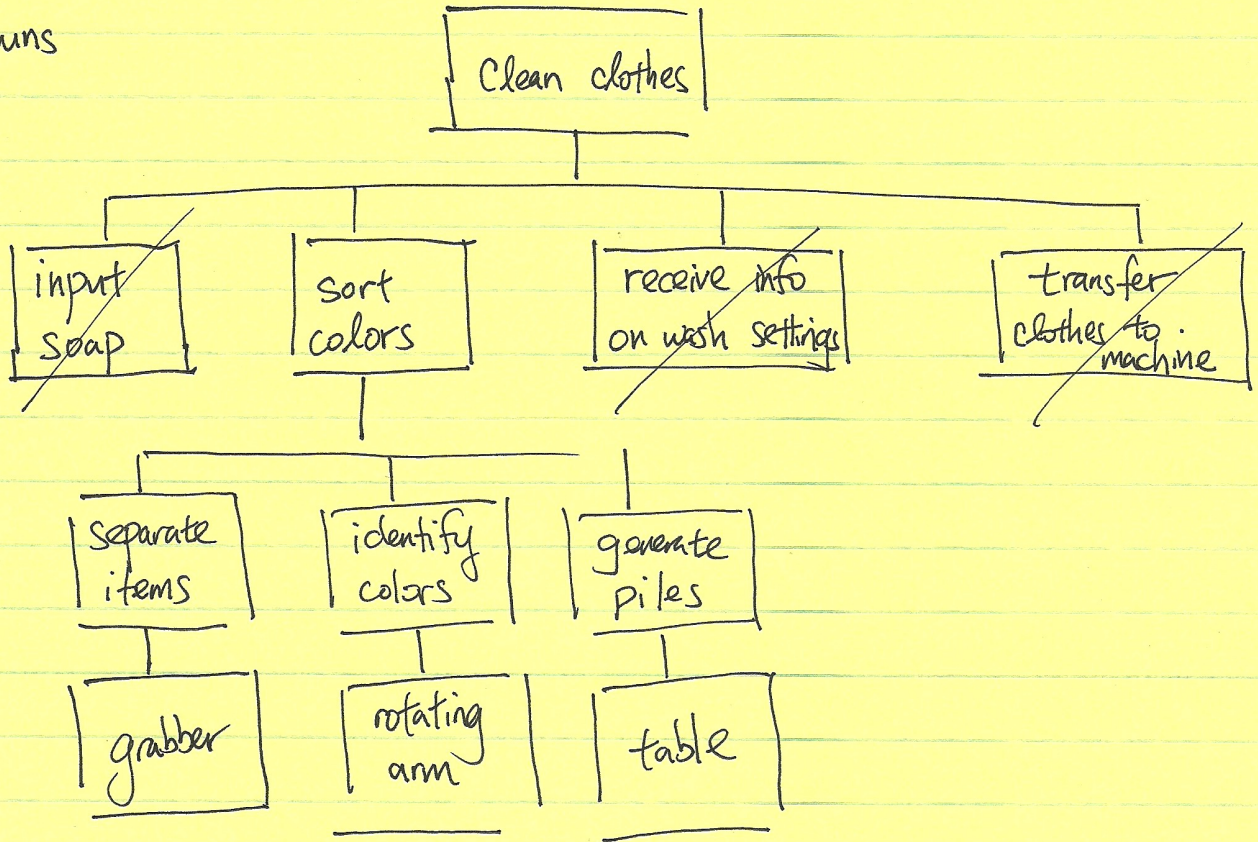
TIM80C# Lecture #7

4/25/17

- (1) Homework 2 preparation
- (2) Finish market segmentation
- (3) Marketing mix for segments
- (4) Business strategy: Applying the 5 forces approach
- (5) Competitive strategy (subset of business strategy)

Approach to HW 2 #1

verb-nouns



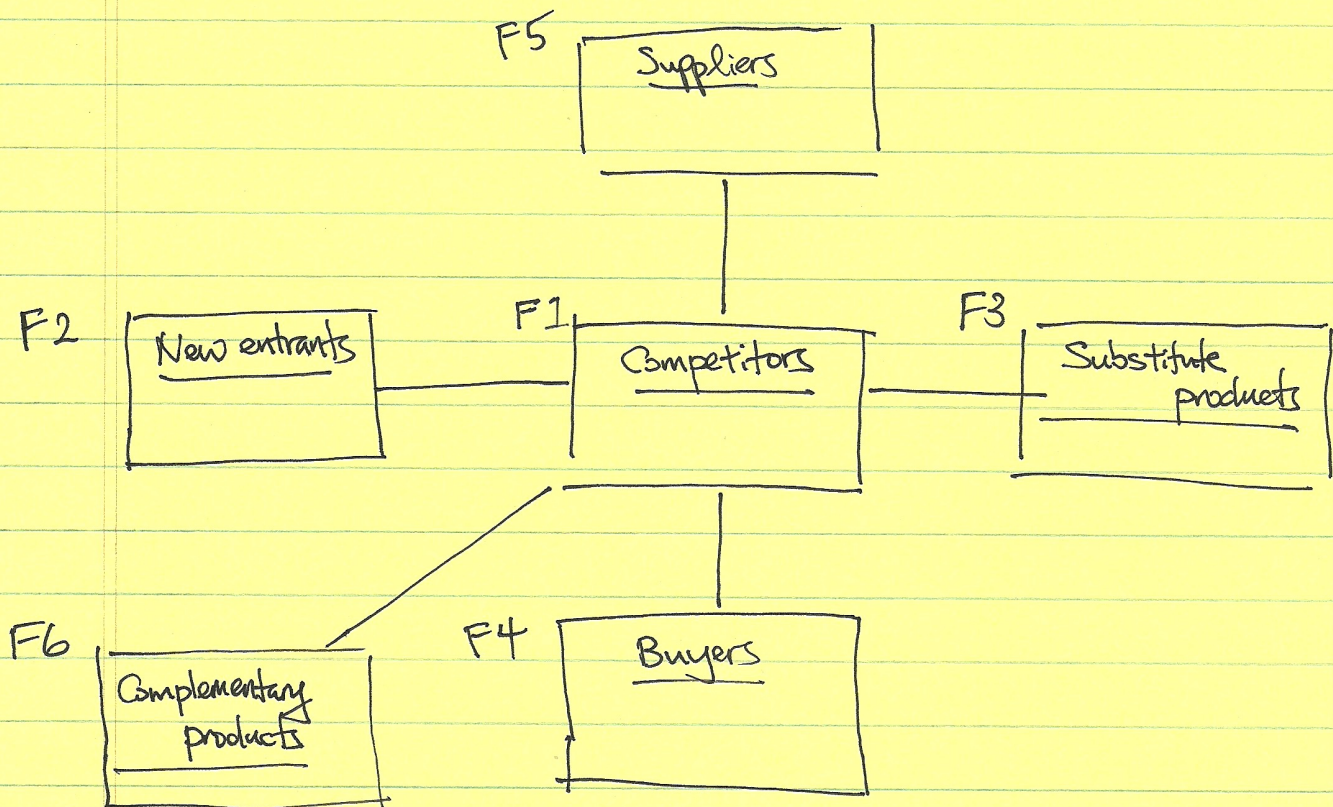
Nouns

HW Q2 pt 3

"Business Landscape"

Purpose: evaluate the desirability of enter a particular market.

Porter's five forces: F1, F2, F3, F4, F5



F1 - Rivalry between competitors

Key Factors

- Concentration: how many companies and the size of each
- Brand Identity

F2 - Threats of new entrants / Barriers to entry

Key Factors

- Capital Requirements
- Regulatory Barriers
- Brand Identity

F3 - Threat of substitute products

Key Factors

- Switching costs
- Price: is substitute less expensive?
- Functionality / Quality: how close a substitute is it?

F4 Buyer Power

Key Factors

- Buyer concentration
- Switching cost - how easy is it for the buyer to move to a different product.

F5 Supplier Power

Key Factors

- Supplier concentration
- Switching costs

F6 Complementary Products

Key Factors

- Substitutability
- Also new entrants

Q2 Part 4

Strategic target

- the ~~the~~ subgroup of a segmented market the company is targeting

Source of competitive advantage

- the distinguishing aspect of the product that interests the strategic target.

Firm	Strategic Target	Competitive Advantage

Market Segmentation - Wearable Technology

Total Size (2015) : \$ 5 billion

Total Growth : 30%

Customer Segment (age)

Customer Segment (age)	Smart Watches	Health Monitors	Smart Glasses	...
Teens (13-17)	\$600M 40%	\$100M 40%	\$50M 20%	
College Students (18-25)	\$750M 40%	\$300M 30%	\$200M 30%	
Working Professionals (26-55)	\$1.5B 30%	\$500M 30%	\$200M 30%	
Retirees (55+)	\$150M 20%	\$100M 50%	\$50M 40%	

Product Segmentation

Expected Revenue Table - 10% Market Share

Segment	2016	2017	
Teens	\$84M	\$117M	
College Students	\$105M	\$147M	
	\$189M	\$264M	'16-'17 Revenue \$453M

(3) Marketing Mix for the target Market Segments

4 "Ps" of Marketing

Product : What the customers want from the product

Ex: College students want

- fitness trackers
- social media updates
- workout plans & motivation
- location tracking

:

Price : What are customers willing to pay

Ex: College students are willing to pay \$50-100 for a fitness tracker

Placement : Where are the distribution channels?

Ex: College students will buy the fitness tracker at on-campus stores, Costco, online retailers.

Promotion: How should the startup advertise the product to the target segment?

Ex: social media, orientation, week displays, radio ads.

(4) Business Strategy

Describes how the company will compete in the target market segments.

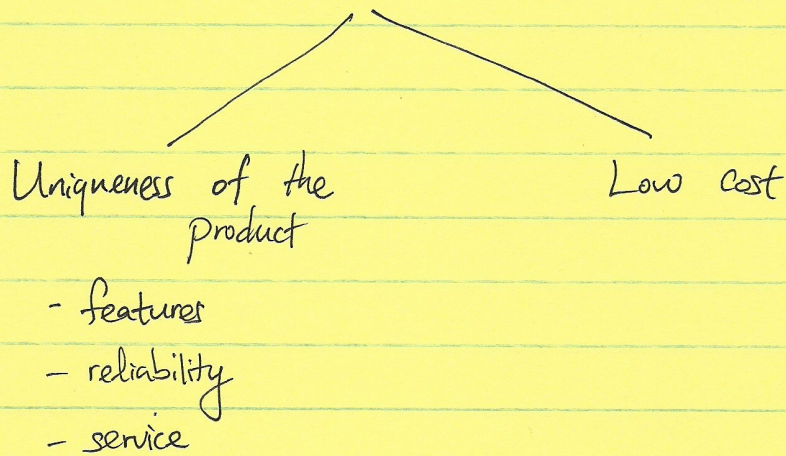
(1) Porter's 5 Forces

Forces	Intensity
F1 Rivalry between competitors	Low - Medium - weak brand identity
F2 Threat of New Entrants (Barriers to entry)	Medium - many companies have monitoring technology
F3 Threat of Substitutes	Medium - High - smartphones & watches
F4 Buyer Power (can buyers drive down the price?)	Low - lots of individual buyers who will take the established price
F5 Supplier Power (can suppliers drive up the costs)	Low - Medium - lots of suppliers of components.

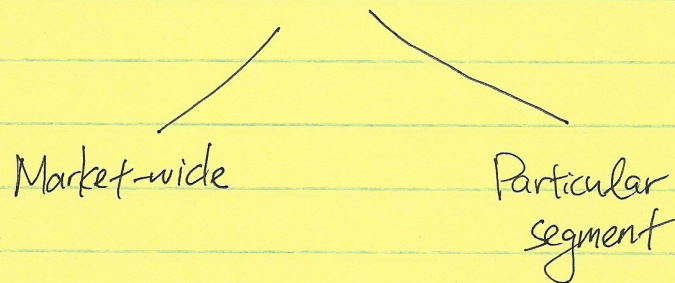
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(*) Competitive Strategy (subset of business strategy)

Has 2 dimensions

1. Product Dimension - What is the source of your company's competitive advantage?



2. Market Dimension - What is the target market?



Example: Smart watches

	Unique Product	Low-cost Product
Target Market wide	Apple	Pebble Samsung
Particular Segments	Fitbit	Garmin

Porter claims that for a company to be successful (profits, growth), it must adopt one of the following three strategies:

- (1) Differentiated strategy: Market-wide unique product,
- (2) Cost leadership: Low cost product market-wide,
- (3) Focus strategy: Unique product for a subset of the market