(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

Clean clothes

input

Soap

Sort colors

receive info

on wash settings

Transfer clothes to machine

separate items

grabber

identify colors

Rotating arm

Separate piles

table
"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 subgroup of a segmented market the company is targeting

Source of competitive advantage
- the distinguishing aspect of the product that interests the strategic target.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Strategic Target</th>
<th>Competitive Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Product Segmentation

<table>
<thead>
<tr>
<th>Segment</th>
<th>Glasses (Smart)</th>
<th>Health Monitors</th>
<th>Smart Watches</th>
<th>(55+)</th>
<th>(26-55)</th>
<th>(18-25)</th>
<th>(13-17)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40% $50M</td>
<td>50% $100M</td>
<td>20% $150M</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30% $200M</td>
<td>30% $500M</td>
<td>30% $800M</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>20% $50M</td>
<td>40% $100M</td>
<td>40% $600M</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Market Size (2015):** $5 Billion

**Total Growth:** 30%
# Expected Revenue Table - 10% Market Share

<table>
<thead>
<tr>
<th>Segment</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teens</td>
<td>$84M</td>
<td>$117M</td>
</tr>
<tr>
<td>College Students</td>
<td>$105M</td>
<td>$147M</td>
</tr>
</tbody>
</table>

**16-17 Revenue**  
$453M
(3) Marketing Mix for the target Market Segments

4 "P's" 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.

(i) Porter's 5 Forces

<table>
<thead>
<tr>
<th>Forces</th>
<th>Intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td>F1 Rivalry between competitors</td>
<td>Low - Medium</td>
</tr>
<tr>
<td></td>
<td>- weak brand identity</td>
</tr>
<tr>
<td>F2 Threat of New Entrants (Barriers to entry)</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>- many companies have monitoring technology</td>
</tr>
<tr>
<td>F3 Threat of Substitutes</td>
<td>Medium - High</td>
</tr>
<tr>
<td></td>
<td>- smartphones &amp; watches</td>
</tr>
<tr>
<td>F4 Buyer Power (can buyers drive down the price?)</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>- lots of individual buyers who will take the established price</td>
</tr>
<tr>
<td>F5 Supplier Power (can suppliers drive up the costs)</td>
<td>Low - Medium</td>
</tr>
<tr>
<td></td>
<td>- lots of suppliers of components</td>
</tr>
</tbody>
</table>
5. Competitive Strategy (subset of business strategy)

Has 2 dimensions

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

   - Uniqueness of the product
     - features
     - reliability
     - service

   - Low cost

2. Market Dimension - What is the target market?

   - Market-wide
   - Particular segment
Example: Smart watches

<table>
<thead>
<tr>
<th></th>
<th>Unique Product</th>
<th>Low-cost Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market-wide</td>
<td>Apple</td>
<td>Pebble</td>
</tr>
<tr>
<td></td>
<td>Samsung</td>
<td></td>
</tr>
<tr>
<td>Particular segments</td>
<td>Fitbit</td>
<td>Garmin</td>
</tr>
</tbody>
</table>

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