

# TIM 80c Lecture #8 (4-21-16)

## AGENDA

- (1) COMPLETE MARKET SEGMENTATION (Lect. 6)
- (2) MARKETING MIX FOR SEGMENTS
- (3) BUSINESS STRATEGY : APPLYING THE 5 FORCES APPROACH
- (4) COMPETITIVE STRATEGY (SUBSET OF BUSINESS STRATEGY)
- (5) PROJECT PHASE 2

# MARKET SEGMENTATION - WEARABLE TECHNOLOGY

TOTAL SIZE (2015): \$5 billion  
 TOTAL GROWTH: 30%

## REVENUE MAP

CUSTOMER SEGMENTS (age)	Revenue	Percentage	Product	Revenue	Percentage	Product	Revenue	Percentage
TEENS 13-17	\$600 M	40%		\$100 M	20%		\$50 M	
COLLEGE STUDENTS 18-25	\$750 M	40%		\$300 M	30%		\$200 M	30%
WORKING PROFESSIONALS 26-55	\$1.5 B	30%		\$500 M	30%		\$200 M	30%
Retirees 55+	\$150 M	20%		\$100 M	50%		\$50 M	40%
			SMART WATCHES			HEALTH MONITORS		
			\$3 B			\$1 B		
						SMART GLASSES		
						\$500 M		
						OTHER		

## PRODUCT SEGMENTATION

# Expected Revenue Table - 10%

Segment	2016	2017
Teens	\$84M	\$117M
College Students	\$105M	\$147M

MARKET SHARE

\$189M    \$264M

'16-'17 Revenue  
\$453M

## (2) 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 & motivations
- 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, and online retailers

Promotion : How should the  
start up advertise  
the product to the  
target segment ?

EX : Social Media, orientation  
week displays, radio ads.

### (3) Business Strategy

describes how the company will compete in the ~~the~~ target market segments

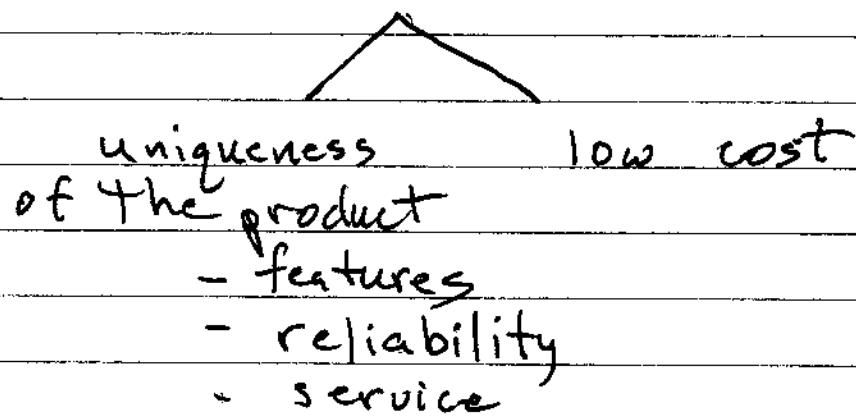
#### (1) Porter's 5 Forces

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 - smart phones & watches
F4 Buyer Power (can buyers drive down the price?)	Low lots of individual buyers who will take the established price
F5 Supplier Power	Low - Medium lots of suppliers of components.

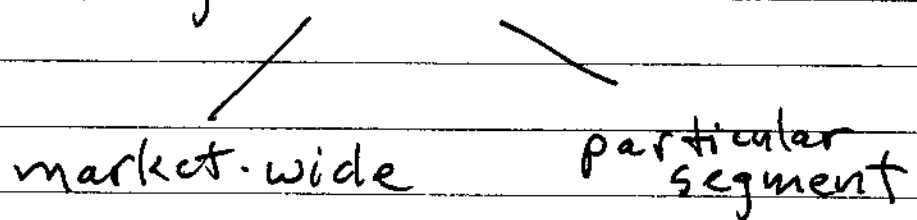
## (4) Competitive Strategy (subset of Business Strategy)

Has 2 dimensions

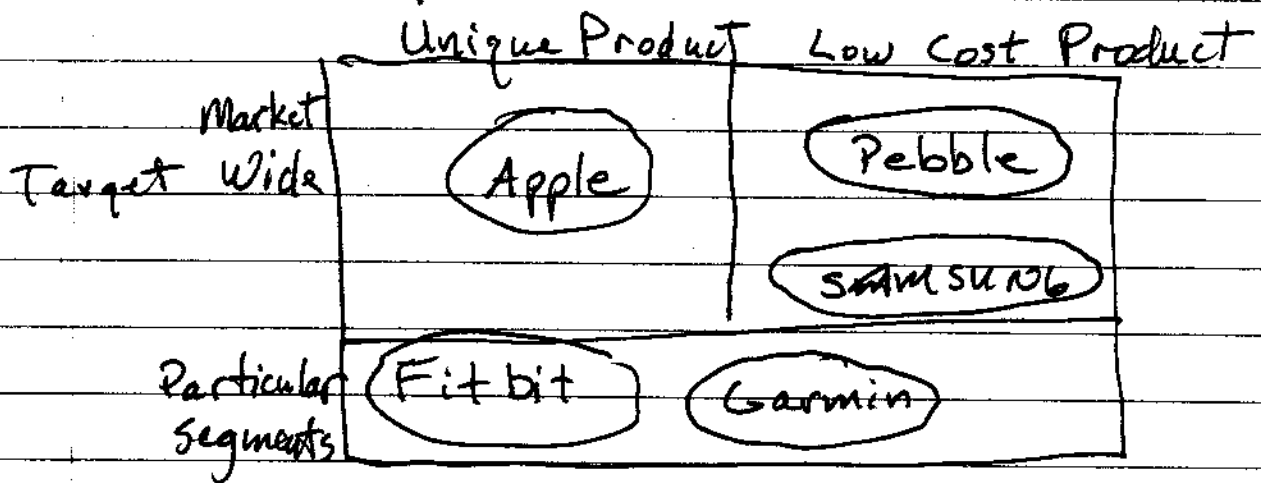
- 1 Product Dimension - what is the source of your company's competitive advantage?



- 2 Market Dimension: what is the target market



Example: Smart watches



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: a unique product for a subset of the market