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):** $3 Billion  
**Total Growth:** 30%

## Revenue Map

<table>
<thead>
<tr>
<th>Customer Segment (Age)</th>
<th>Teens 13-17</th>
<th>College Students 18-25</th>
<th>Working Professionals 26-55</th>
<th>Retirees 55+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$600 M</td>
<td>$750 M</td>
<td>$1.5 B</td>
<td>$150 M</td>
</tr>
<tr>
<td></td>
<td>40%</td>
<td>40%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>$100 M</td>
<td>$300 M</td>
<td>$500 M</td>
<td>$100 M</td>
</tr>
<tr>
<td></td>
<td>40%</td>
<td>30%</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>$50 M</td>
<td>$420 M</td>
<td>$200 M</td>
<td>$50 M</td>
</tr>
<tr>
<td></td>
<td>20%</td>
<td>30%</td>
<td>30%</td>
<td>40%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Products</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Smart Watches</td>
<td>$3 B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Monitors</td>
<td>$1 B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smart Glasses</td>
<td>$500 M</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

$189M $264M $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 & 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, 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 their target market segments.

### (1) 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 - weak brand identity</td>
</tr>
<tr>
<td>F2 Threat of New Entrants (Barriers to entry)</td>
<td>Medium - many companies have monitoring technology</td>
</tr>
<tr>
<td>F3 Threat of Substitutes</td>
<td>Medium - High - smart phones and watches</td>
</tr>
<tr>
<td>F4 Buyer Power (can buyers drive down the price?)</td>
<td>Low - lots of individual buyers who will take the established price</td>
</tr>
<tr>
<td>F5 Supplier Power</td>
<td>Low-Medium - lots of suppliers of components</td>
</tr>
</tbody>
</table>
(4) Competitive Strategy
   (subset of Business Strategy)

   Has 2 dimensions

   1. Product Dimension - what is the source of your company's competitive advantage?
      - uniqueness
      - low cost
      - of the product
      - features
      - reliability
      - service

   2. Market Dimension - what is the target market
      - market-wide
      - particular segment
Example: Smart watches

<table>
<thead>
<tr>
<th>Market</th>
<th>Target Wide</th>
<th>Unique Product</th>
<th>Low Cost Product</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Apple</td>
<td>Pebble</td>
<td>Samsung</td>
</tr>
<tr>
<td></td>
<td>Fitbit</td>
<td>Garmin</td>
<td></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:** a unique product for a subset of the market