



## MODULE\_3 MARKETING

### Lesson\_4\_ MARKET ANALYSIS

#### CONTENT OVERVIEW

*How to know customers' wishes and needs?*

*What are the market segments? How are they identified?*

*What does "positioning" mean? and "value proposition"?*

In the previous lesson we learned that understanding and analyzing customers' needs and wants is the starting point of the marketing process. But what tools is the analysis carried out with?

The marketing information systems carry out this delicate task by analyzing quantitative and qualitative data, which are often already found within the company and only wait to be collected. The analysis must produce a practical and concrete result, that is, identify the most profitable "pieces" of the market (usually called "segments") set to become the objectives (targets) of the company's marketing actions.

Segmentation is a complex operation that requires the correct application of the segmentation criteria, i.e. those factors that serve to group many customers, each different from the other, into homogeneous groups as regards wishes, purchasing behavior, financial resources, etc.

Positioning is, if we can say so, the natural consequence of segmentation as it represents the idea, the mental picture that the customer segment has made with respect to the company's supply (or value proposition). That idea is different according to the segments, so some will evaluate the supply in one way, others in a completely different way according to the perception of the proposal of corporate value.

#### Marketing information system

The purpose of marketing information systems is to collect updated and in-depth information about customers. While in the past the sources of information were essentially made of databases, internal or external to the company, periodically fed by market analysis specialists, today the mass of available information has enormously increased thanks to the continuous (and sometimes reckless) use of digital tools by the consumers: social media, blogs, search engines etc. leave numerous and daily tracks used by analysts for their investigations. Precisely for the large amount of data available,

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the expressions "big data" and "data mining" are used to indicate the excavation activity to be done to make those data intelligible and usable.

The **sources** that feed the marketing information system are of three types:

- a) **historical company data**, i.e. all information on individual customers that the company has collected over the years; taking the example of a hotel, these data may relate to the origin of the guests, average stay, reason for the trip, alone or in company, etc.; data regarding customer trends are also important, such as the flow of reservations or cancellations, the occupancy rate of rooms in low, medium or high season, how many requests for information are transformed into reservations, the favorite booking channels etc.; other sources of information are the comments expressed by customers in a formal way, whether they are internal questionnaires or reviews expressed on review sites, the analyses (where possible) of the expenses made with the cards and, last but not least in order of importance, active listening to the customer;
- b) **marketing intelligence**, i.e. all information gathering activities, mainly from an external source: those that, for example, can be obtained thanks to a smart analysis from suppliers of goods and services, travel agencies, employees of other companies, etc. or from the competitors themselves, for example by studying their sites or social pages, the promotional material or by visiting their facilities in incognito, etc.; a simple example could help us to better understand the meaning of marketing intelligence: the supplier of a restaurateur, chatting with him, informs him that one of his competitors has purchased a quantity greater than usual of a certain product because he wants to make a promotion (the dish of which the product is the main ingredient at a discounted price). Well, this information, if not considered a mere curiosity, can trigger a bell in the head of the restaurateur to take similar measures or to contrast that of the competitor;
- c) **market research**: the objection that a small business owner makes to the idea of doing market research is: it costs too much! It is easy to answer that market research suitable for a small restaurant is very different from that required for a fast food chain! Market research for a small business firstly means looking around and understanding what happens. How? Reading specialized magazines or newspaper articles on topics that could interest us, taking a look at sites, blogger pages, new trends etc. To take the example above, the restaurateur who does not realize that the number of vegetarians and vegans or gluten intolerant is growing more and more (and this is now evident to anyone) and does not equip himself to meet their needs considering them as a nuisance, he is not culturally able to do any market research. Another economic alternative is to ask students of economics or tourism to put into practice, during an internship, what they have learned about market analysis, for example by preparing, administering and analyzing a satisfaction questionnaire or verifying, through the available tools, visibility and effectiveness of the company website or social pages.

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There are tools called Decision Support Systems (DSS, the acronym in English) which are artificial intelligence programs that help companies in taking the most appropriate decisions based on the information entered. But we only mention them being tools that usually only the largest companies have

## Segmentation

The marketing information systems produce results that serve, in addition to predicting the trend of demand, to carry out the so-called segmentation. It is clear to everyone that, except for large companies, it is almost impossible to turn to all potential customers in a specific geographic market and serve them profitably because they are too numerous, distant and, above all, heterogeneous. Segmentation aims at identifying portions (segments) of the reference market made up of potential consumers who have characteristics homogeneous enough to believe that they have the same purchasing behavior. These segments therefore represent the targets to which the company's marketing actions should primarily target.

Segmentation is carried out using segmentation criteria:

- **demographic** such as age, sex, income, education, employment, family condition, etc.: this is a particularly important criterion for the tourism sector because, for example, the age or family situation of travelers (singles, young couples, couples with children, the elderly, etc.) profoundly affect their choices. Just think that singles can get to spend up to 50% of their budget for food and drinks in meals and drinks away from home against 37% of young couples with children, or that while singles are more attracted to exotic destinations, young couples with young children are very interested in the services that the hotel can provide to children;
- **geographic** which has the purpose of dividing the market into smaller areas (nations, regions, cities, etc.): geographic information allows, for example, a restaurant owner to delimit the area of attraction of his business;
- **psychographic**: consumers can be grouped into groups characterized by common lifestyles that are the consequence of belonging to a social class influencing their interests, personalities, values, etc. A group of workers used to attending the pub near home for a beer at the end of the shift would probably find themselves uncomfortable in a tea room sitting side by side with elderly city ladies
- **behavioral** as purchase motivation, expected benefits, product usage opportunities, etc.; in other words, the practical motivation of purchases, so to speak, must be taken into account: for example, the customers of a family restaurant, especially if they have small children, will be interested more than in the refinement of the dishes offered, in menus suitable for children, in the availability of spaces to let them play etc.

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The segments identified should be large enough to be profitable, but this is a rather technical topic that we do not address.

### Marketing strategies

Once the segmentation operation is complete, it will be necessary to derive the appropriate marketing strategy: it may turn out that the product or service sold has characteristics that can suit all potential consumers and then an **undifferentiated** strategy will be adopted (think of sugar, product which, despite many efforts, is not very differentiable). If the segments identified are instead considered profitable, the company that has the economic and organizational possibility will be able to differentiate the product by adapting it to the requests of consumers in the different segments (**differentiated** strategy: the case most visible is that of cars, but also hotel companies like Accor use this strategy). The company could also choose only one segment (**concentrated** strategy or, more improperly, niche): it is the most suitable strategy for companies with limited resources. Social media and digital tools make it possible to implement an **individualized** or geographically concentrated marketing strategy more easily than in the past.

### Positioning

Positioning is the expected result of the marketing strategy adopted: it can be defined as the mental image that the consumer has built of a company's products compared to that of competitors. In fact, to simplify purchasing decisions, consumers tend to include products and companies in categories by positioning them in their mind.

In slide no. 23 an example of the positioning of the hotels in an American city. Identified two important factors for the choice of travelers (proximity to the most important points of the city and luxury) hotels can be positioned as seen on the map, which coincides with the mental map of travelers: this means that the traveler who prefers a hotel of a certain level close to the financial district of the city will immediately think of the Palace, while those interested in a luxury hotel near the Shopping District can choose between Sheraton, Shangri-La and Grand. The hotels included in the green circle are direct competitors as they target the same segments and have comparable offers.

The elements that allow tourism companies to reach the desired position in the opinion of customers are those concerning location, characteristics of the premises (luxury vs. practicality), staff skills, price, etc.

### Value proposition

The elements described are the value proposition of the tourism company, or the sum of characteristics capable of pushing consumers to choose the proposal of that company rather than that of other companies. In the case of a hotel, for example, the value proposition concerns factors such as:

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- **location**: a location close to an airport, for example, will be preferred by those who travel frequently by plane, a hotel very close to the sea, instead, will be preferred by a family with small children because they do not want to take the car or walk on foot to arrive to the beach;
- **comfort** (number of stars, type of accommodation, available services, etc.);
- **price** (or, to be more correct, the price / quality ratio).

And the owner of the hotel must ensure that everything (from brand, to sales channels, accessibility, external architecture, design, staff and so on) is consistent with the value proposition. An example: a family hotel advertising itself on a catalog aimed primarily at young singles who just want to have fun on holiday would not be consistent with its value proposition.

To take up the terminology used in the other lessons, the value proposition is the value actually created by the company for the consumer.

### In conclusion

- a smart use of the many information (both internal and external to the company) available helps a lot in making effective the marketing strategy chosen
- segmentation has the purpose of splitting the market into portions (segments or targets)
- the company offer must be developed taking into account the characteristics of the identified market segments / targets
- it is not enough for the entrepreneur to think that his value proposition is good if not excellent: the consumer must perceive it as such!

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