

Kids marketing consulting flashcard



**ASSIGN
BUSTER**

Part 1. Attractiveness of the market research industry in Ukraine based on Porter's Five Sources (from CMO point of view). Industry Competitors (Segment Rivalry): Also there is competition, the market research industry in Ukraine does not have numerous, strong, or aggressive competitors in the kids, tweens and teens niche. Actually, KMC could be considered a pioneer in this niche and as all pioneers company had enjoyed solid growth and profitability and developed a strong customer base. However due to rising competition, company has to shift towards protecting its niche.

Competition does not seem to have high stakes in staying in the segment (major leaders are large international company's belonging to global ESOMAR community). While they could be called strategic group with many niche players within, none of the firms operating in Ukraine are solely dedicated to market research focusing on children. As a CMO I must "dig deeper" and consider competitive set as "limiting of competitors only to those that offer the same quality product or have the same standards".

Then I might consider only industry leaders or those firms who, for example, belong to Ukrainian Marketing Association (UMA), legally registered and operated (white in Ukraine), I will call them Group A. Group A firms are considered to have a higher industry standards and reputation. Customer, if unfamiliar, would be educated as to value and quality of product they are receiving. I would also think that perhaps this high standards have more value and affordability in the "larger" client segment, where medium to smaller clients competitors circle would be different. Medium clients would probably use "white and gray" research firms (Group B).

Smaller clients with limited resources would probably considering not registered/black market offerings (Group C), since this group usually has the lowest rates. Exit barriers (industry's main asset are know – how professionals and a built network/resources) are low and fixed costs are quite low as well – there is no factory to open, equipment to maintain (except computer related) and products to store. Overall, market research industry in Ukraine is not considered stable or declining, it is actually somewhere in the developmental cycle, making it still an attractive segment to consider.

Potential Entrants (Threat of mobility): The most attractive segment is one in which entry barriers are high and exit barriers are low. (Few new firms can enter the industry, and poorly performing firms can easily exit). There are no high entry barriers and new competitors easily entering the market, such as:

- Many advertising agencies use to contract market research work to a separate firm, but shifted towards conducting their own. They are easily entering and/or moving in market research direction (different business model, same solution/product offered). Other competition in the market research industry exists besides the large firms, such as independent consultants. I would also think that one of the main entry barriers (not in the case) would be lack of local connections needed to open and operate a business in Ukraine.

Substitutes (Threat of substitutes): A segment becomes less attractive when there are actual or potential substitutes for the product/service. There is almost no business or product that does not have a substitute. Substitute could also be a product that fulfills the same need “ by a different means. What is there that could substitute for the product?

- market research firm focusing on adult consumers – could work as a

substitute in some cases. Also they focus on different segment, one could argue that kids/tweens/teens segment directly relies on their parent as a source of income. For example, higher household income families might have allocated for higher spending/allowances for their children. •One stop marketing and advertising leaders in the industry that are known and respected, have resources and easily could conduct any type of market research.

Such as Gfk-USM, ACNielsen Ukraine LLC, IPSOS S. A. and others Buyers (Threat of buyers growing bargaining power): As a CMO in KMC I have to understand the power and control buyer has that can harm the business. Also, services that I provide are quite unique and new, there are more and more emerging competitors. It looks like that I am starting to have a higher vs. lower buyer power threat because of direct competition as well as:

- Ukrainian, generally unfamiliar with the concept of market research value buyer , can easily be shifted towards competition thinking he is getting same or better services.

Why do I need to pay for research if I would rather spend my money on advertising, a very familiar concept?. •Buyer can negotiate a price to a degree, due to number of freelance consultants available. Buyer can almost certainly negotiate a price where there is a strong growing competition.

- There are almost no switching costs to a buyer •Buyer can integrate upstream (at KMC we are still limited in resources. Large buyer is still not our customer). It's starting to become an unattractive segment, since buyer possesses growing bargaining power. Suppliers I would think that the main supplier in my case is DDI.

Being a part of DDI provided many advantages for KMC. A variety of corporate resources available to KMC from other DDI businesses at significantly reduced rates, DDI's network of interviewers and tools for market research, customer base and experience plus sharing physical office space with SC-DOM in Kyiv at low cost. At this stage of KMC, it would be harmful, if not, could bring my business to an end if I were to separate from my supplier. If, for example, he withholds one of necessary supply to conduct a business such as tools for market research, I will have to look for newer, higher cost options.

Raising prices on the rent or any other resources can potentially harm my business as well. Luckily, DDI benefited from KMC because it expanded DDI's area of specialization and became another source of customers for all of DDI's companies. Overall, this segment is somewhat unattractive if the company suppliers are able to raise prices or reduce quantity supplied. There are few available substitutes to my supplier and cost of switching is high.

PART 2. SWOT ANALYSIS SWOT STRENGTHS: •Exclusivity (the only market research company in both Ukraine and the former U. S. S. R. hat focused exclusively on kids, tweens and teens). •Competitive advantage in comparison with other firms due to proximity of Ukrainian largest market (higher level of expertise) •Somewhat better credible and respected than others due to association with UMA •Being 100% Ukrainian owned and operated presents significant cost reduction in taxes and operations (international firms are paying higher rates) and could represent a solid sales point in the eyes of the Ukrainian clients. Number of corporate resources available thru DDI at lower cost such as: •Access to customer base and

experience Office space including web hosting and utilities •Business promotion expenses •Access to the network of interviewers for market research and their tools to collect sociological, market and consumer behavior information •Somewhat easier market entrance, operations and growth

WEAKNESSES:

- Low level of acknowledgment from potential customers.
- Relatively small business compared to its global competitors.
- KMC's growth appeared to have stabilized, where do you go from here?
- Lack of information about this segment in Ukraine Lack of awareness from potential customers about a need to study market for kids, tweens, and teens (not a common practice)
- Difficulties collecting information from children
- Uncertain expected growth of children's market
- Lack of reliable demographic statistics

OPPORTUNITIES:

- Opportunity of educating and acquiring new customer base in Ukraine and Russia (Most domestic firms tended to focus their marketing strategies on advertising efforts, rather than on market research)
- Opportunity to expand customer base in international firms seeking to better target kids, tweens and teens in Ukraine and Russia, which has similar target group.

Being from former USSR, there is still not much difference between kids/tweens/teens in Ukraine and Russia. •As country economy growing, serving the other, not “millionniki” areas that might present opportunities.

THREATS:

- Lack of information about growth rate in children market.
- Increase in the non-specialized Ukrainian firms competing for KMC's niche business.
- High percent of population (29%) living below poverty line, is there a limit to expand?
- Unregistered competition (black and some gray market firms activities), which represent highest revenue in the industry.

Somewhat unstable political situation due to constant changes in legislation, business law, taxes and others* *not presented in the case, but every couple of months they tend to throw tomatoes at each other while meeting in parliament. Sounds funny, but it's actually a real fact as well as corruption, bribery and bureaucracy on every level from opening to operating a business.

PART 3. What are the advantages and disadvantages involved in targeting kids, tweens, and teens? Advantages: Discovery of the new market opportunity in this segment. •High research analysis utilization factor. Not many choices in the industry, providing consolidated research in the segment group •Serving an information need that is not well served. •While targeting kids, tweens, and teens related research could provide an opportunity to work with a parents of this segment. Disadvantages: •Difficulties involved in working in this niche included collecting information from children, who were often unable to clearly articulate their thoughts. Use of child psychologists specially trained by KMC in concepts of market research (costly). •The lack of information surrounding this specific segment in Ukraine. A number of promotional activities need to be conducted to promote the business

PART 4. Keeping in mind the core competencies of the firm, what course of action should Berezovskaya pursue? Strategic direction for Ms. Berezovskaya: Firms all over the world are trying to come up with creative ways to develop better new products and services, faster and more efficiently.

I would consider few areas of focus: •KMC can offer the data and market research to the government applying for grants and other government financing vehicles. The chances are Ukraine government knows close to

nothing about the people who will be main contributors to the country success in 10 – 20 years. •Micro spending. With large portion of the population disposable funds between \$1 and \$3 a week they're a huge opportunity for small purchases (such as iPhone/Android apps). More so apps, in particular games are popular among kids/tweens/teens.

The problem here is that there are far too many vendors catering to the market. I would team up with someone who sells the data to these vendors. For example there are several US-based companies selling marketing data to software companies producing apps that might be interested in KMC's data. •Existing data mining. There are probably unutilized opportunities that KMC has discovered (new products that kids need, problems with existing products or services, etc.) that have not been sold to any clients.

Assuming that there are no legal issues with mining and reselling the data KMC might be sitting on a goldmine. •Similar to above there is probably historical data that can be used by SC-DOM – kids grew up and now in the new segment, many of their interests / preferences / etc. may stay the same. Data mining with some interpretation could be resold to clients interested in other age groups. •Talent agency. KMC's established connections with kids/tweens/teens and young adults that might be of interest to a large variety of market research firms and other audiences.