

# [Target market identification report and collage](https://assignbuster.com/target-market-identification-report-and-collage/)

The purpose of this study is to examine the current state of bottled mineral water market, the allocation of consumption trends and forecasting market. This paper discusses some of the reasons why people decide to use bottled mineral water even if it is more expensive and less comfortable than tap water.

1. 1 Current Marketing

Bottled water consumption and sales have been increasing exponentially since its emergence as a widely-accepted commercial beverage category. The bottled water industry is now growing at 8% to 10% annually – about twice as fast as other beverages. In fact, bottled water became the second largest commercial beverage category by volume in the United States, surpassing milk, coffee, beer, and is now second only to carbonated soft drinks.

In 2005, total bottled water volume surpassed 7. 5 billion gallons (representing a 10. 7% increase from 2004); bottled water per capita (per person) consumption was 26. 1 gallons (increasing from 23. 8 in 2004); and wholesale dollar sales for bottled water exceeded $10 billion in 2005 (Industry Market Research)

To further gain markets, trends in bottled water include new product development, wide spread marketing and packaging efforts, and the emergence of new industries tapping into bottled water. While most all trends positively affect the Evian bottled water industry, an increase in consumer knowledge about bottled water origins and tap water safety may emerge to momentarily halt or at least deter rapid industry growth.

## Current Product:

Bottled water quality is generally good, although it can suffer from the same contamination hazards as tap water. It is essential that consumers have access to major information directly on the bottles’ labels, i. e., the “ type” of water (natural mineral water, purified water, etc.), its mineral composition, the location of the spring (particularly if the water is derived from municipal networks) or the treatments this water may have undergone.

Evian is one of the most well-known mineral water in the world. It is produced on the northern slope of the French Alps, in areas far from cities and industrial production and goes through a long 15-year path of natural filters of the rocks, enriched in natural minerals. This makes Evian crystal clear and gives it natural uniquely balanced mineral composition, which is daily verified and confirmed by more than three tests.

The criteria for selection of Evian bottled mineral water by consumers are the quality, taste, origin of the product, the availability of useful properties (knowledge of which largely form of communication), price, attractive packaging, the representation in retail outlets, the attitude toward the brand.

The packaging is very important, and nowadays popular are small bottles of 50cl, bottles with a sport-type cap, 1 litre bottles for desk use. Brands also diversify by creating numerous by-products, e. g. Evian’s atomiser for facial care and isothermal bag for the 1. 5 litre bottle. The 33cl Evian bottles can be adapted a teat, to turn into a babies’ bottle.

Realizing that consumers cite taste, quality, and purity as the top reasons for drinking bottled water, bottlers market and design bottles to display their purity. “ Straight from nature to you” is indicative of untouched, pure, natural water marketing. Another popular ad slogan says that their bottled water is “ So pure, [that they] promise nothing.” (Danone profile)

Marketing and advertising campaigns are essential to differentiate the product and attract consumers. Brands tend to associate with specific activities: sport, fitness, slimming, fashion, etc. For the last 50 years, Evian has been the water of babies, emphasizing that its low mineral concentration is suitable for them. The brand’s marketing strategy capitalises on infants, from the pink color of its labels to advertising campaigns. Evian also sponsors pediatric research and gives prizes to the best students in French midwives’ schools.

## 1. 1. 2 Current Pricing:

In case of consumer decisions related to mineral water it can be said that ordinary behavior is typical that is no real decision-making, it is rather a repeated purchase.

The price of bottled water is very high if compared to tap water. The production cost of one bottle of water, whatever its capacity, is extremely low (about 0. 05 FF for one bottle of Evian). Most of the price of a bottled water consumers actually pay corresponds to its transport, marketing and retailers’ profits. Bottled waters end up being an average 500 to 1000 times more expensive than tap water.

The bottled water prices range from US$ 0. 20 per litre to more than US$ 1. 50 per litre. Tap water generally costs between US$ 0. 12 per cubic metre to $ 0. 75 per cubic metre. So the ratio for bottled water to tap water is about 240 times more expensive (cheap bottled water: expensive tap water) to over 10’000 times more expensive (expensive bottled water: cheap tap water).

According to Olson “ every $1. 50 bottle of water brings around $0. 50 in profit. The actual cost of the water in the bottle purchased off a store shelf is generally just a fraction of a cent to a few cents. Thus only 90 % or more of the cost paid by bottled water consumers goes to bottling, packaging, shipping, marketing, retailing, other expenses, and profit. (Olson 1999)

## 1. 1. 3 Current Distribution:

Distribution is very important for the success of the new brand. The stronger the distribution the more successful will be the new brand. The distribution strategy should be designed after a careful study of the market for going for regional distribution or for nation wide distribution.

The world bottled water market amounts to an annual volume of 89 billion litres, which is about 15 litres of bottled water drunk yearly per person (Danone, 2000).

Home and office delivery of spring or purified carboy water is the most frequent service already developed for Evian bottled mineral water.

## 1. 1. 4 Current Promotion:

Evian for several years positioned themselves as the “ New Year detox solution” – a way to clean the body and mind after the excesses of Christmas and the New Year. They also wanted to offer people detox tips whilst interacting with the Evian brand.

Evian wanted to increase consumer awareness of the drink’s healthy attributes and encourage people to associate Evian with detoxing after the New Year celebrations. It was important that people were targeted on their first day back at work and Evian wanted to gain best access to people in the office environment.

A message of the promotion company was: ‘ Need a New Year Detox?”. The picture showed water from an Evian bottle poured into a fishbowl containing an ugly fish who had clearly overdone it within the right-hand homepage skyscraper. As the Evian poured into the bowl the fish changed into a brightly-coloured tropical fish. The skyscraper then changed to read ‘ Click here to begin your Detox with Evian’. (Evian)

The link led consumers to an Evian ‘ New Year, New You’ Microsite with a Detox Guide and Top Ten Detox Tips, which included useful hints on rejuvenating your system alongside branding elements. Online was the ideal channel to targeting a key audience – workers back in the office after the New Year celebrations.

## 1. 2 Environmental Scanning:

Bottled water, like any other industries has environmental impacts, both positive and negative, so its production must meet strict quality requirements.

Like any other industrial activity, bottled water is harmful for the environment. On the one hand, quality standards and controls as well as spring protection could help better protecting water quality at a larger scale. The choice of packaging materials increasingly considers environmental parameters. On the other hand, manufacturing, recycling or incinerating bottles of water implies energy needs and some outlets in air and water of polluting particles. Transporting bottled water throughout the world also implies energy needs as well as fuel combustion.

The European Directive on natural mineral water sets very strict quality standards for the water, its bottling and transport conditions: the equipment for exploiting the water must be so installed as to avoid any possibility of contamination and to preserve the properties which the water possesses at source. (EU directive 80/777)

In Europe, natural mineral waters undergo frequent quality tests, both carried out by companies’ internal labs (up to three times a day for Evian) and by independent labs (every two months). Physico-chemical characteristics and bacteriological parameters are controlled on the catchment, the reservoirs, the factory and the bottling lines. The results of the tests companies’ internal labs perform can be made available to sanitary authorities upon request. Certainly, controls made by bottled water companies’ internal labs may be biased. Yet, it is not in the interest of the companies, who base their marketing strategies on the purity of their products, to hide away occasional contamination and sell bad quality waters, although this may happen.

In United States, bottled water is considered a food product and must meet all applicable food packaging and quality regulations of the Food and Drugs Administration (FDA).

## 1. 2. 1 Political/Legal Environment:

The Australian Quality Standards defines bottled drinking water as, “ Bottled drinking waters are waters other than natural mineral waters which are filled into hermetically sealed containers of various compositions forms and capacities that is safe and suitable for direct consumption bottled drinking water is considered food.” ()

The manufacturer is required to have a laboratory and a technical person, who will be checking the samples for constant quality. A manufacturer could market bottled / mineral water without obtaining a license from the Standard Quality Control Authority. The authority examines the availability of proper facilities including standardized laboratory and purification-processing plant for ensuring the quality of purifies drinking water with a team of experts.

## 1. 2. 2 Economic Environment:

Consumption of bottled mineral water in Australia is fragmented due to different standards of living. The study shows that: the higher the income, the more people drink mineral or table water. For example, among people with monthly income of up to $ 3, 000 per family , they consume 53, 5% sparkling water, non-carbonated – 13, 2%, while among those whose incomes exceed 10 000 $ per family, the figure is 60. 7% and 27, 2%.

## 1. 2. 3 Social/Cultural Environment:

Consumer surveys usually stress two main factors of preference of certain mineral water, and knowledge of the factors that contribute to the use of drinking water alternatives can contribute to a better understanding of the consumer’s concerns and behaviors. Organoleptics and health concerns are the most frequently mentioned causes, but many other factors are involved.

The dissatisfaction with tap water organoleptics (especially taste) and health/risk concerns contribute to the consumption of Evian bottled water, i. e. the water characteristics that affect the senses of taste and sight, so taste seems to be particularly relevant (Grondin et al. 1996; Abrahams et al. 2000).

The preponderant importance of organoleptics for bottled water consumers was also found in French surveys, where people prefer to drink Evian bottled water.

Other factors, such as the access to bottled water in terms of convenience and price, may mediate behaviour. For some customers, the perceived health benefits of bottled water may be too small to justify the difference in price or the extra effort of carrying bottles of water to their homes.

For example, some consumers may wish to improve their health and decide that drinking Evian water is a way to do that, as Evian water is pure and more healthier than tap water.

The main idea is that people generally value “ good quality water” and some are prepared to use their wallets to consume what they perceived to be a “ purer” or “ healthier” product. So it is necessary to make the analysis of the market and provide a report of the target market of the Evian mineral water.

## 1. 2. 4 Technological Environment:

The major material used by companies to bottle water are plastic (PET and VC), aluminium and glass. Although PVC is still used, PET is increasingly used for many reasons: it is brighter than PVC, very transparent and it almost looks like glass. PET is in addition easy to recycle or remanufacture: it can be turned into fabrics and fibres for the textile and clothing industry, plastic films, eggs boxes, industrial strapping and new PET bottles. When burnt, it doesn’t release chlorine into the atmosphere, contrary to PVC, whatever type of incinerator is used. The three environmental factors show that PET is better than aluminium, in turn better than glass. PET requires less energy than aluminium and glass when recycled, it releases fewer emissions into the atmosphere and leaves less solid waste, in particular when not at all or only half recycled. (Lawrence, 2000)

Indeed, energy consumption, atmospheric emissions and solid wastes decline in quantity as the recycling rate increases for the three materials. Still, the manufacture of plastic bottles also can cause release of phthalates, and other by-products of plastic-making, into water, air, or other parts of the environment.

## 1. 2. 5 Natural Environment:

It must be pointed that the difference in potential environmental impact of refillable glass bottles and aluminium cans is not significant, and refillable PET bottles are potentially less harmful to the environment than disposable PET bottles: as for glass, recycling of PET demands more fuel and electricity than washing and filling refillable bottles.

Environmental impacts due to fuel combustion and energy needs are lower if the returnable bottles are simply washed and re-filled. Mostly glass bottles are treated this way, while plastic and aluminium packages are generally recycled or remanufactured. However, if we consider transport requirements, the solution of refilling the bottles may be environment friendly only for water bottled and distributed locally. ()

Evian, with a wide distribution network in France and in the world, estimates that using returnable glass packaging would double transport needs, with a smaller volume of water transported per pallets and the return of empty bottles. This would lead to a significant increase in emissions of NOx, SOx and CO2. This solution also requires large volumes of clean water to wash the bottles (Evian, 2000).

Considering this, Evian does not envisage to deliver water in big returnable packaging. The choice of recycling or re-manufacturing used materials also depends on the cost of new raw material: it is more interesting to recycle plastic products when oil prices are high. In addition, recycling of used packaging requires some necessary infrastructure, public awareness and know-how to organise their collection and to transform them.

## 1. 2. 6 Competitive Environment:

Bottled water is a very competitive market involving numerous companies: in the United States there are about 700 brands of bottled water produced by 430 bottling facilities (Olson, 1999). Although bottled water is a world market, with companies present world-wide, 75% of it is still controlled by local actors.

Companies that were created to run and market one specific brand of bottled water, like Evian. The first bottle of Evian appeared on the market in 1830. Evian received its first ministerial approval as a natural mineral water in 1878. In 1892, the city of Evian leased the company the water springs and the casino until 2027 (Evian, 2000).

Evian is now world number 1 for natural mineral water, that has companiess in Belgium, UK, Germany, Switzerland, USA and Canada. The company had a turnover of US$ 500 million in 1999 (Danone, 2000).

## 1. 2. 7 Demographic Environment:

According to the statistics more than half of all Americans (54%) drink bottled water, and about 36% imbibe regularly (more than once a week).

Studies suggest that Americans with income of $60, 000 or more are 35% more likely to purchase bottled water. However, even though Black, Hispanic, and Asian household’ income are generally less than average, these groups are more likely to purchase bottled water. (American Demographics 2001)

Also, according to American Demographics, women constitute the majority of bottled water drinkers. Some 45% of 18 to 34 year old women and 44. 6% of 35 to 54 year old women consume bottled water. Men’s percentages of the same age groups (18-34) drank 35. 3% and those in the age group from 35 to 54 consumed 34. 5%. 12 In addition, according to WQA surveys, some 47% of 18 to 34 year olds do not think that their water is safe; therefore 41. 4% of them consume bottled water regularly. (American Demographics 2001)

Other demographics relative to the consumption of bottled water are those of the older and younger generations of Americans. Due to the older generations’ matured tastes, they seek more natural, less caloric beverages. Younger Americans who are increasingly active and have literally grown up with bottled water are beginning to understand the importance of drinking water for better health and overall wellness.

These demographics clearly indicate that from young to the not so young, from men to women, and from coast to coast, bottled water is conspicuously consumed in the United States. Combine this with current trends, the vast array of augmenting bottled water categories, astoundingly large consumer demand and wide-spread marketing practices, the outcome is that the second largest commercial beverage category in the US today is bottled water.

## Completion of SWOT Analysis Table

Strength:

– the quality of water is highly reliable

– the only water which the French government recommends for mixing baby foods

– good reputation and brand image

Weaknesses :

– high price for many people

– Dependence on partners who bottle the water

Opportunities :

– growing market of bottled water

– to minimize costs and attract new consumers

– to come to new markets in Asia and South America for example

-the opportunities to develop specialized products on basis of Evian mineral water for specialized consumers

Threats :

– the possibility of drought and water loss

– isolation – large distances between the center of Evian water source and the markets of selling

– possibility of water pollution

## 2. 0 . Segmentation Theory:

Market segmentation is the segmentation of markets into homogenous groups of customers, each of them reacting differently to promotion, communication, pricing and other variables of the marketing mix. (Højbjerg 2009)

Market segmentation is based on two-step classifications of Macro-segmentation and Micro-segmentation. This model is one the most common methods applied in all types of markets today. (Højbjerg 2009)

Organizations use market segmentation to:

1) gain insight into their customers and use that knowledge to enhance their profitability, revenue growth, and growth in the number of customers;

2) to become a customer-centric organization; that is, to make the customer an integral part of their organization’s strategy and decision-making.

More importantly, all types of organizations are weaving market segmentation into their business model and the range of business activities in order to improve top line and bottom line performance. As a result of this, opportunities have been identified which virtually all organizations can apply and from which they have the potential to derive benefits Market segmentation and the identification of target markets are an important element of each marketing strategy and the basis for determining any particular marketing mix. Market segments should be formed in that way that every segment should be made for certain group of customers and can be addressed with an individually targeted marketing mix.

In the mature Australian market, of mineral water includes extensive use of mass-customization manufacturing techniques, the supply of goods and services is moving more and more toward a customer driven approach. Evian company uses segmentation to continually monitor, quantify, and qualify the changing customer, in part to stay ahead of the competition. Segmentation data provides organizations with information to develop timely goods and services that profitably serve customers, thereby sustaining the organization’s growth and ability to compete with the development of new products and services.

## 3. 0 Target Market Identification

Before entering the market, the mineral water producer must have the fullest possible picture of the target market of this product, and about the situation in the market. Complete and accurate information about the characteristics of the Australian market in which Evian company operates (external factors), and the company itself (internal factors) is the basis for effective planning and management.

Market analysis of the target market is an essential component of the marketing approach of the Evian company. The objectives of the target market identification is to collect, analyze and process information about the subjects, objects, and consumers of mineral water in Australian market.

Collection and processing of information produced for decision-making in the field of marketing strategy and develop practical steps the company.

The target market of Evian mineral water is:

Geographic: Australian market

Demographic: Men and women of all ages and marital status; with average income

Psychographic: mostly married men and women who are concerned about their health and health of their children; young women of 20-40 who are leading healthy lifestyle due to the modern health trends.

Behavioral: brand loyal customers who value Evian company good brand name and image.

Almost all studies of mineral water target market suggests that Australians are well aware of the brands of mineral water available on the market, but the commitment of any brand is characteristic only for the minority.

Mineral waters and other soft drinks are a group of goods pulse demand. And it must be so fixed that he necessarily wanted to buy. If we compare the data on knowledge and awareness of brands advertising brands of mineral water, it may be noted that all brands, with a relatively high rating of knowledge of advertising in the forefront in the issue of knowledge marks.  Effective advertising support and an extensive distribution network make these brands of mineral and table water recognizable by a majority of consumers in Australia.

## 4. 0 Target Market Collage