

# [Marketing segmentation for rental business assignment](https://assignbuster.com/marketing-segmentation-for-rental-business-assignment/)

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Running head: Marketing Plan Marketing Segmentation & Product Positioning for Koolie Kool Rental Services Koolie Kool Rental Services Introduction Koolie Kool is a retailer of refrigerators, which holds inventory from manufacturers until such time as it is sold directly to customers who visit our retail locations. However, from such time as inventory is obtained until it is sold, Koolie Kool has no return on investment. As Koolie Kool holds all of the risk by buying the inventory, it is incumbent on the company to examine ways of mitigating this risk.

The core of this marketing plan is that Koolie Kool creates a pre-sales rental market for its refrigerators. In doing so, Koolie Kool will achieve two goals. Firstly, it will obtain revenue from refrigerators that would not otherwise have been sold. Secondly, it will increase the total return on investment (ROI) from each refrigerator; even though the retail price of a pre-rented refrigerator will drop, being able to rent such a fridge even a few times before sale will increase the ROI per unit. Marketing Segment

The segment to which Koolie Kool is targeting its rental services is twofold: (1) middle and lower-middle class families who cannot afford to own a refrigerator outright, but who can pay modest rent-to-own installments on a refrigerator; (2) more well-off but cautious buyers who wish to test a refrigerator in their homes before making a commitment to buy it. Target Market Analysis Segment (1) is growing every day, as the cascading results of the global recession have lowered household wealth in general.

Segment (2) is smaller, but has still grown in response to the recession; even wealthier buyers have adopted a more cautious stance with regards to their purchases, and therefore need to be wooed with more inventive strategies. Both of these segments will be targeted for the simple reasons that they are large, hold a great deal of buying (or renting) power, and are underserved by the current model of refrigerator sales, in which the paradigm is buy-only.

Assuming that the average price of a refrigerator is well over $1, 000, it is worth taking a closer look at the American market in order to examine how the economic dynamics favor the marketing plan advanced here. According to the U. S. Census Bureau’s latest numbers, American households have taken an economic battering from 2007 onwards. Moreover, given that 2008 was the first full year of the global recession, the 2009 numbers when they are released are likely to be even grimmer.

Consider the following table of household income in America in 2007 and 2008, the percentages by which income has dropped in every single category (U. S. Census Bureau 2009, p. 17): [pic] This research demonstrates that the number of middle and lower-middle class households in the U. S. ; first target market is growing at a rapid rate. In terms of the second target market, that of more affluent consumers made cautious by the recession, Warner and Laurence (2009) note that the number of such customers is also growing (p. 1), although, in the refrigerator market, there is no research dedicated to capturing the risk aversion of wealthy consumers. However, based on the data marshaled by Warner and Laurence (2009), it is a fair bet that a lot of high-flying consumers’ appetites have been tempered by the recession. These proof points establish the viability of the target markets. The question now is how to frame and execute the marketing plan. SWOT Table 1: SWOT ANALYSIS: Koolie Kool | | STRENGTHS | OPPORTUNITIES | | | | | Established retail presence, including high visibility | The growth of lower-income households, and the pressure of the | | Good relationships with local customers and market; tradition of | recession n general, is creating cost and risk aversion in consumers | | trustworthiness | who would otherwise make big-dollar purchases | | Access to large selection of inventory from refrigerator manufacturers| The spread of rental mindshare, in companies such as Netflix, has | | | created an greater willingness to rent before buying, or instead of | | | buying | | WEAKNESSES | THREATS | | | | | Limited marketing budget | Refrigerator manufacturers might decide to enter the distribution | | Lack of experience in rental market | and/or rental markets directly | | Koolie Kool management and employees may not be excited about the | Consumers might prove resistant to the idea of renting refrigerators, | | change in the business model, and may fail to contribute the efforts | given that the paradigm for this market has been buy-only for so long | | needed for success | Koolie Kool might fail to properly market to its target segments due | | | to a lack of understanding of these segments’ motivations to rent | Market Positioning

Schenck (2005) defines market positioning as: … figuring out what meaningful and available niche in the market your business is designed to fill, filling it, and performing so well that your customers have no reason to allow anyone else into your market position (p. 94). In this case, Koolie Kool is not opening up a brand new market for refrigerator rental. This market already exists, and is serviced from two ends: The large and generic rental companies such as Rent-a-Center, and niche rental companies that service target segments such as students living in dormitories (Fields, Wilder, Bunch, & Newbold 2007, p. 96). The niche companies are not a threat, as they lack our market reach.

However, Rent-a-Center poses a very real threat because of its size and established market position. Fortunately, Rent-a-Center has a number of weaknesses that can easily be exploited in an advertising campaign designed to convert Rent-a-Center customers to Koolie Kool customers. To begin with, consider Sharp’s (2006) description of Rent-a-Center’s shady business ethics: Given the tremendous profit potential, the “ repo-man” is a regular part of Rent-a-Center’s strategy; they will use phone calls, door knocking and intimidation to repossess items… Reports were made of ‘ couch payments,’ illicit sexual favors solicited by Rent-a-Center employees in exchange for a rental obligation.

Rent-a-Center also fully employs the legal system to get liens on its delinquent customers’ pay checks, alimony or welfare checks (p. 232). Clearly, potential Rent-a-Center customers may be unfamiliar with the kinds of entanglements they are getting into by doing business with the company. Given the company’s long and shady history of strong-arming its customers, the time is ripe for Koolie Kool to go directly after Rent-a-Center via a traditional advertising campaign highlighting Rent-a-Center’s practices and contrasting with Koolie Kool’s customer-friendly practices. In this case, marketing must inform operational strategy. Koolie Kool must not only send the message of customer friendliness in the advertising market, but act on it.

Even when repossession and other such practices are a necessity, they should be conducted in complete accordance with regulatory norms and a genuine regard for the customer. After establishing a history of this kind of operational integrity, Koolie Kool will be able to rely on the word of mouth of customers who will compare it favorably to Rent-a-Center. Conclusion The attractiveness of the rental market is obvious. As the world enters its second year of recession, household incomes are down everywhere, and people are either less willing or less able to make big dollar purchases on items that they have not had a chance to try. Moreover, an increasing number of people are likely to value the ability to back out of a purchase altogether, or to substitute a purchase with a rental.

In light of these facts, the time is right for Koolie Kool to enter the refrigerator rental market, anchoring its strategy on an aggressive campaign against Rent-a-Center and a reliance on the good word of mouth generated by truly fair and open rental practices. References Fields, B. R. , Wilder, S. K. , Bunch, J. , and Newbold, R. (2007). New York: Morgan James Publishing. Schenck, B. F. (2005). Small business marketing for dummies. New York: For Dummies Press. U. S. Census Bureau. (2009). Income, poverty, and health insurance coverage in the United States. Retrieved April 24, 2010 from http://www. census. gov/prod/2009pubs/p60-236. pdf. Warner, R. and Laurence, B. (2009). Save your small business. San Francisco: Nolo.