

The essence of strategic marketing



This report designed to provide practical recommendations on segmenting markets, targeting specific customers, and positioning effectively SGN's service in China market.

Having addressed the purpose of STP, it has ascertained that SGN's competitive advantages and potential competitors, the segmentation and targeting markets decisions for SGN thus proposed to utilize geodemographic variables as segmentation bases. The two segment profilers of SGN were formed after exercised key variables. Profiler 1 is a group of senior citizens of age 60 and above and profiler 2 is a group of middle age citizens from 40 to 60 years old working professionals. Upon evaluation of market attractiveness of these two distinct segments, it is advised that SGN targets both segments, adopting concentrated marketing strategy, via single marketing mix.

Positioning strategy adopted by SGN is “ more for less” value proposition and positioning statement as “ To senior citizens, SGN offers the utmost personalized elderly service at their home.”

Read this report for SGN practical marketing tool to easily deal with the challenges and exploit market opportunities that drive incremental revenue and increased profitability. The whole point of this proposal is to assist with better segmenting, targeting, positioning and decision making, be sure that focus on the most appropriate strategies that provide the most opportunity, least risk, and highest performance for SGN.

TABLE OF CONTENTS

Introduction

..... 5

Background of the Company and the Service Chosen

..... 6

Literature Review of the Segmentation, Targeting and Positioning

Concept – research this theoretical underpinnings of this concept

and critique

..... 7

Basis for Proposed Segmentation and Targeting for SGN’s Service

.....
16

Basis for Proposed Positioning for SGN’s service

..... 21

Annual Schedule for the Programme including Marketing Budget/

Expenditure

..... 24

Conclusion

..... 25

References

..... 26

1. Introduction

This report aims to develop and propose the Segmentation, Targeting and Positioning strategies for the personalized elderly home-care service in China, offered by Sunrise Greycare Network Co. Ltd (SGN). Chapter 2 briefly describes the SGN credentials and up to 24-hour service that is provided for the senior citizens in China.

Segmentation, targeting and positioning concepts from various books are critically assessed and discussed in Chapter 3.

Chapter 4 contains valuable information of the basis of proposed segmentation and targeting for SGN's service and Chapter 5 discusses on the positioning map, competitive advantages and value proposition of SGN's service.

Chapter 6 tabulates the annual schedule of the programme that includes marketing budget/expenses and the final conclusion will be made in Chapter 7.

2. Background of the Company and the Service Chosen

Company Profile

Sunrise Graycare Network Co., Ltd (SGN) is specializing in offering home-based

eldercare service up to 24-hour to families in China. SGN grows its first footprint in Beijing to offer a unique proposition to senior citizens. The whole team is dedicated to improving the quality lives of the elderly.

SGN helps with every facet of daily living, from escorting on appointments and companionship, to housekeeping and personalized healthy screening to <https://assignbuster.com/the-essence-of-strategic-marketing/>

the seniors. Above all, elderly are always enjoying a safely and comfortably at each home with SGN care, instead of staying at nursing house.

Mission Statement

Vision: To make SGN the top of mind company for senior care

Mission: Leverage our unique strengths to render reliable service and care that exceed client's expectation.

Credo: Work with passion, commitment and professionalism

3. Literature Review of the Segmentation, Targeting and Positioning Concept – research this theoretical underpinnings of this concept and critique

3.1 Introduction of Segmentation, Targeting and Positioning (STP)

Market segmentation, targeting and positioning are the three steps, as shown in below Figure 3. 1, that top management has to decide before the implementation of any marketing plan in a company.

Figure 3. 1 Steps in Market Segmentation, Targeting and Positioning

Market segmentation

Identify bases for segmenting the market

Develop segment profiles

Market targeting

Develop measures of market attractiveness

<https://assignbuster.com/the-essence-of-strategic-marketing/>

Select target segments

Market positioning

Develop positioning for target segments

Develop a marketing mix for each segment

Source: Armstrong, Kotler & Da Silva (2006, p. 213)

These steps are defined by Armstrong, Kotler & Da Silva (2006) as follows:

Market segmentation:

Dividing a market into distinct groups with distinct needs, characteristics, or behaviours who might require separate products or marketing mixes.

Market Targeting:

The process of evaluating each market segment's attractiveness and selecting one or more segments to enter.

Market positioning:

Arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target customers.

3. 2 Market segmentation:

Market segmentation is the act of dividing a market into distinct groups of buyers with different needs, characteristics, or behaviors who might require separate products or marketing mixes (Armstrong, Kotler & Da Silva 2006).

Market segmentation is pre-requisite to access the right market and people at a maximum. It drives markets growth and increases sales to the business profitability from author's viewpoint.

The effectiveness of segmentation should be measurable, accessible, substantial, differentiable and actionable (Smith 2003).

Segmentation helps to see the target customers more effectively. The customers have different requirement and needs and influenced by different media. A segment is a unique group of customers who share some common characteristics that make them different from other groups of customers (Smith 2003). Some segments have different needs, require different versions of the same product, pay different prices, buy in different places, can be reached by different media (Smith 2003).

Consumer markets can be segmented by many different variables which include geographic, demographics or social statistics, geodemographics, psychographics and behavioralistics. Smith (2003) explains these five categories as below:

(1) Geographic: categorized by location which includes streets, towns, cities, regions, countries, continents, and climate, population density and so on.

(2) Demographics (social statistics): segmented by age, gender, marital status, life cycle, social class, education, job type, social class, income level, because of

consumers' needs and wants change with above-mentioned elements.

(3) Geodemographics: this mixes geographic and demographic data to create categories of house-type with locations.

(4) Psychographics: segment market based on people's lifestyle, personality, attitudes in accordance of their psychological feature. Lifestyle is often segmented by marketer among others factors.

(5) Behavioralistics: bahavioral segmentation reflects the benefits consumer enjoyed and the consumption rate of products or services. Different consumer seeks benefits differently from own perspective. The consumers are divided by light, medium and heavy level as per individual's frequency of usage.

The other type of segmentation, according to Smith (2003) is industrial, organizational or business-to- business markets. The organizational markets are segmented by personal characteristics of organizational customers and the benefits sought. The most common profilers for organizational markets are grouped as follows:

Type of organization

Size of organization (heavy or light user)

Geographical location

Corporate culture

Operating characteristics

Job title

Purchasing approaches

Apart from above profiles, it is felt that marketer also needs to find out who is the end user of organization so as to better understand the direct customer's wants and needs. How the customers would use the product or service, the answer helps improve or innovate the product or service to satisfy customers' needs. Identify the usage rate which affects sales volume and sales forecast. Lastly, who is the purchasing person and the relationship with purchasing organization is very pertinent to the markets segmentation, because the product or service can be segmented precisely to the buyers once corporate strategies and demands are well perceived.

Researchers from McKinsey and others institutes have studied commodity markets, it showed that even customers in commodity market are classified by three segments. Customers concerned about cost more than quality who are Price-sensitive buyers. Whereas, people go for quality excellence and deliverables-focused fall into service segment. The commitment customers are close to total value, thereby winning a long-term relationship (Doyle 2002).

While E-commerce is impacting the lives and lifestyle of people, many people prefer to research the related products and rely on the internet as guidance before purchase. In the Reverse Segmentation pinpointed by Kotler, Jain and Maesinecee (2002), customers inform companies of their likes, dislikes and other key messages by answering online questionnaire. The information can be used by the company to construct customer segments. The company can then develop appropriate offerings for the different segments. Marketers can

respond to reverse marketing by paying attention to the customer's four Cs: enhanced customer value, lower costs, improved convenience, and better communication (Kotler, Jain & Maesincee 2002). They need to explore the customer's cognitive space, assess the company's competency space, and capture the collaborators' resource space (Kotler, Jain & Maesincee 2002).

Although segment variables vary with different products or services, the author feels that demographics is the most easiest and fastest way to segment the markets which can be measurable and differentiable in marketplace. The strengths are these information of demographics are quite steadfast compare with others categories, people can change their location, lifestyle but most of people cannot change age and gender. The data can be attained from local authorities and other professional organizations without or less costs.

3. 3. Market Targeting

Target marketing evaluates each market segment's attractiveness and selects one or more segments to serve (Armstrong, Kotler & Da Silva 2006).

To target the best market segments, the company should analyze each segment's size and growth (product life cycle), profitability and competition, structural attractiveness and compatibilities with company objectives and resources (Armstrong, Kotler & Da Silva 2006).

Chaston (1999) also mentions that the identified segment must be of an adequate size, the higher costs of servicing customers needs can be recovered through charging higher prices, the segment is accessible to the

supplier and the selected marketing position is resistant to the subsequent entry of competitors.

According to Armstrong, Kotler & Da Silva (2006) and Doyle (2002), selecting the best target segments involve below strategies which depend on company resources and product itself:

Undifferentiated marketing: offers a product for mass market, requires mass production, mass distribution and mass promotion for the same product to all consumers without differences among segments.

Differentiated marketing: develops different market offers for two or more segments.

Concentrated marketing: niche market focuses on only one or a few market segments. It is especially favored by companies with limited resources.

Micromarketing: it includes local marketing and individual marketing.

Products or services are tailor-made in pursuit of unique needs from specific individuals and locations.

Above are concepts of common target marketing strategies and marketers often adapt to one of them to market their products/services.

The author favours concentrated marketing because it provides a strong foundation to build up reputation and gain a great market share effectively. This marketing strategy also helps small company to reduce costs and maintain high prices. However, there is a risk involved as once the segment grows rapidly, it will likely attract larger competitors.

Market Positioning

Positioning is all about how a product or service is positioned or perceived in the minds of a target group of customers. It answers the question: “ Why will someone in the target market(s) buy my product or service instead of the competitors?” (Lodish, Morgan & Kallianpu 2001).

American academics Aaker and Shansby categorized all the variables into six groups as follows (Smith 2003):

Attribute, eg gentleness, ruggedness, tasteful

Price and quality, eg premium-quality image or value-based

Use or application, eg associations with a particular situation or occasion for use

User, eg linking the product or service to types of users, lifestyles, profiles

Product class, eg positioning in diet foods or in normal foods

Competitors, eg positioning against a competitor and competitive advertising

Perceptual maps help to devise positionings and repositionings. Product positioning maps are drawn with their axes dividing the plot into four quadrants. This is because most of the parameters upon which they are based typically range from ‘ high’ to ‘ low’ and the two attributes usually considered are ‘ quality’ and ‘ price’. However, it is felt that real-life product positioning maps will be more complex as there involves a number of dimensions, apart from the two attributes being considered.

A product's position is a complex set of perceptions, impressions and feeling that consumers have for the product compared with competing products. A product or service must differentiate its offer by building a unique bundle of benefits that appeals to a substantial group within the segment. Beyond the product differentiation, companies also can be differentiated by hiring better people which overtake other competitors. Generally, there are five winning value propositions to brand the products positionings: more for more, more for the same, the same for less, less for much less, or more for less (Armstrong, Kotler & Da Silva 2006).

Doyle (2002) adds that companies must gauge the 4 criteria so as to structure the differential advantages properly among customers. Successful marketer will always design the products or services that are unique, sustainable, profitable and offering benefits to customers.

Overall, the author feels positioning is an outcome of differentiation strategy, the outcome of positioning ultimately is to create and anchor a market value proposition into the minds of targeted customers within segmented territory. It is proved that products unique proposition is associated with strong marketing communications and planning, in which deliver the deliberate position and convey the key message to target customers along a continuum. The distinctive benefit, chosen position and brand awareness take a long time to plot and map out through consistent market effort.

Although customers hardly change the original product perception in mind, but marketers often choose to repositioning the product when the target markets changes.

4. Basis for Proposed Segmentation and Targeting for the Service Chosen

Armstrong, Kotler & Da Silva (2006) have a checklist of segmentation bases which serves a “ knife” to slice or carve up the segments correctly. Marketer must draw a close attention to the nature of the product and market, to select the most relevant variables for the best segmentation bases.

Demographic variables: age, disposable income, gender, occupation etc

Geographic variables: urban, suburban, rural etc

Behavioral variables: benefit, occasion, usage, loyalty status etc

Sunrise Graycare Network (SGN) divides customers into different groups based on age, income level, location and population density.

China has the largest elder population in the world, which accounts for one fifth of the world’s total older population. The older population over 60 is 143 million by 2004, accounting for 10. 97% of the total population. There are 11 provinces and municipal cities which are above the national average in population ageing. Beijing is among top of them is about 13. 66% (Xiao 2007).

According to the latest statistics released by 2010, the elderly population of Beijing has reached 2. 54 million (CPDRC 2010). Beijing’s graying population is expected to grow to 6. 5 million by 2050, when one in three people will be older than 60, the aging committee estimates (Cao & Quan 2009).

The shortfall of elder care service can be seen in Beijing. An example for whose nursing homes can only accommodate 9,924 people — just 0.6% of the senior population. With longer life expectancy, growing affluence and the effects of China's stringent "One Child" Law policy leaving the elderly with a child unable to care for them (Retirement Homes 2005).

Aging residents in China usually are traditionally taken care of by their children. However, nowadays young people's lifestyles have been changed, job competition caused growing work pressures, constantly overtime and anxiety. Many young couples turn to professional service to look after their parents and grandparents (Zhang 2010). A great shortfall in eldercare in China is a serious problem caught attention by government.

Seeing the size of the graying population, SGN's segment groups specifically are working adults and 60 years old and above old people in Beijing. Working professionals at middle-age who need to take after both parents and parents in law, they will also need to raise and educate their children simultaneously. These people born in the 40s to 60s are sandwich generation, they are often very tired in keeping balance between life and work.

A salary survey conducted by America Huiyue Company showed that Beijing Managers earn the juiciest salary, earning the highest salary among other cities in China (AsiaInfo Services 2002). It is believed that these people have sound financial condition and need professional care to lighten their burden.

The feature of SGN's locations is a great access to very famous hospitals where potential clients frequently visit with their parents. SGN offices located

in golden districts and only take about 5-10 minutes walking distance to the hospitals and residential areas.

Hence, the segmentation bases zoom SGN target groups in two finer segments as below:

Segmentation

Age

Income Level

Location

Population density

Segment Profiler 1

60 and above

RMB24, 000 p. a. and above

Downtown in Beijing, adjacent to local communities

High

Segment Profiler 2

40 to 60

RMB36, 000 p. a. and above

Downtown in Beijing, adjacent to local communities

High

As Doyle (2002) specifies that there are five factors govern the attractiveness of the segment, namely:

Segment size

Segment growth

Profitability of the segment

Current and potential competition

Capabilities of the business

After evaluating the two different market segments, SGN's targeting markets are chosen for both segment 1 and 2 based on the five factors. Due to SGN is a start-up company with limited resources, therefore, concentrated marketing strategy (or niche marketing) is deployed for the two targeting markets. The detailed analysis on attractiveness of the chosen targeting markets is as follows:

1. Segment size

By 2050, the elderly Chinese will outnumber the entire U. S. population (USA United Nations Department of Public Information 1999), the elderly population in Beijing is about 2. 54 million in 2010 (CPDRC 2010). Such a large size of targeting group determined SGN's market prospective.

2. Segment growth

Beijing's graying population is expected to grow to 6. 5 million by 2050, when one in three people will be older than 60, the aging committee

estimates (Cao & Quan 2009). The data indicated clearly that the potential growth is positive, in other words, the peak of elderly service will not be ebbed but upsurge instead.

3. Profitability of the segment

SGN used concentrated marketing strategy to market efficiently, which reduced marketing costs but focused to best serve consumers in the same way and to achieve profitability. The nature of business is considered a low investment yield high returns. No inventory worries.

The other side, the eldercare business in China, according to Service Industry Tax Rebate Policy under Chapter 12. 1 – Elderly Service, it stipulated that agency for elderly service, disabled service, matchmaker agency, funeral service will not be taxed for the beginning of 3 years of business (BJ local Taxation Bureau 2010). It seems that the local government is actively promoting eldercare's business by waiving off business tax and it is believed that there will be more benefits coming. It showed that SGN targeting markets can be most profitable.

4. Current and potential competition

There is still a big gap to be filled and catered for the swelling graying population in China. Currently there's no direct competitor in Beijing, the competition will not be fierce. Although a numerous nursing homes and household agencies in local market are seen as indirect competitors, but SGN is the first company only practicing home-based eldercare service for

aged 60 and above seniors, it makes SGN the top of mind company before any other rivals' presence.

5. Capabilities of the business

SGN established a team which is filled with versatile leaders who will inspire people to render the professional senior care to the targeting groups. The manpower capability is one of the company's key competitive advantages for business sustainable. SGN is hiring a pool of qualified and capable people to take challenging tasks every day, provided with on-job training regularly for continually business productivity. With sufficient staff on board, it is enabled to maximize business sales volume on daily basis.

SGN office sites are located in four primary districts in Beijing. It serves as an extensive network to attract senior residents in each district.

5. Basis for Proposed Positioning Chosen

Below Figure 5. 1 shows the positioning map of indirect competitors and proposed SGN's position for current market situation:

Figure 5. 1 Positioning Map

Quality

Price

Low

High

High

Low

Cluster A

Cluster B

Cluster C

= Indirect competitors

= SGN

Source: Adapted from Armstrong, Kotler and Da Silva (2006, p. 236)

According to recent research and survey conducted by SGN, it is found that the two important attributes that customers want are Quality Service and Price. These survey results are plotted in a positioning map as per Figure 5. 1, which illustrates the existence of three clusters in the current China market.

Clusters A, B and C are indirect competitors for elderly care service, they are either nursing homes, household agencies or hourly maid service. The brands bundled together within Cluster A considered prestige segment due to high price and good service (quality), Cluster B represents the brands that are categorized in middle segment, their price and service ranked in average range. Those brands in Cluster C are pricing low and qualities are also in low level, competitors in Cluster C fall into economic segment.

It is proposed that SGN positions itself as “ more for less” for its value proposition, as shown in Figure 5. 1. This value proposition is most welcome

by customers and will enable us to greatly differentiate from these indirect competitors.

SGN has the following competitive advantages:

I. Focus

SGN is only focusing in aged care solution, committed to deliver the highest standard quality of work to elderly for better quality of life.

II. Home sweet home

Despite of the modern nursing homes are equipped with most advanced facilities, it is always clean or sterilized all the while. The caregivers are professional and sympathetic, but people just feel aging there is depressing in China. Home is the best place to stay is what SGN endorse and practice. The environment is a key to ensure that clients enjoy themselves to a greater extent.

III. Comprehensive service

SGN's unique in-home care is covering all concerns from elderly people, from physical level to spiritual level needs, which other competitors are not able to fulfill some specific requirements.

IV. Staff

SGN's dedicated team is well-trained knowledgeable personnel with pleasant personality. General Practice Team is to handle the daily routine work for

older people, medical and health care is handled by interdisciplinary team led by Geriatric Care Manager.

V. Service charge

SGN's service charge is subjected to the frequency and duration. SGN service charge is more flexible than other competitors, price options will enlarge client base and engage them from short-term to long term clients through their experience.

The benefit chosen for SGN's positioning statement is:

SGN is the only service specialist for home-based elderly service.

Hence, the overall positioning statement for SGN is:

To senior citizens, SGN offers the utmost personalized elderly service at their home.

6. Annual Schedule for the Programme including Marketing Budget/Expenditure

Annual Schedule -Year of 2011

a) Budget and Deployment Plan

Country

Jan

Feb

Mar

Apr

May

Jun

Jul

Aug

Sep

Oct

Nov

Dec

Marketing Budget

Total Budget

Beijing, China

-Ads (ATL & BTL)

-Open House (package promotion)

- E-marketing
- Printed collaterals
- Referral scheme

Chinese New Year Feb 03-05

- Ads (ATL & BTL)
- E-marketing
- Roadshow (community alliance)
- Referral scheme
- Ads (ATL & BTL)
- Open House (package promotion) – E-marketing
- Referral scheme

Labor Day May 01- 03

- Ads (ATL & BTL)
- E-marketing
- Roadshow (community alliance) – Referral scheme
- Ads (ATL & BTL)
- Open House (package promotion)
- E-marketing

- Printed collaterals

- Referral scheme

Dragon Boat Festival June 06

- Ads (ATL & BTL)

- E-marketing

- Roadshow (community alliance) - Referral scheme

- Ads (ATL & BTL)

- Open House (package promotion)

- E-marketing

- Printed collaterals

- Referral scheme

- Ads (ATL & BTL)

- E-marketing

- Roadshow (community alliance) - Referral scheme

Mid-Autumn Festival Sep 12

National Day Holiday (Oct 01-06)

- Ads (ATL & BTL)

- Open House (package promotion)

- E-marketing

- Printed collaterals

- Referral scheme

- Ads (ATL & BTL)

- E-marketing

- Roadshow (community alliance) – Referral scheme

- Ads (ATL & BTL)

- Open House (package promotion)

- E-marketing

- Printed collaterals

- Referral scheme

- Ads (ATL & BTL)

- E-marketing

- Roadshow (community alliance) – Referral scheme

Cost Estimate

RMB5. 000. 00

RMB3, 000. 00

RMB5, 000. 00

<https://assignbuster.com/the-essence-of-strategic-marketing/>

RMB3, 000. 00

RMB5, 000. 00

RMB3, 000. 00

RMB5, 000. 00

RMB3, 000. 00

RMB5, 000. 00

RMB3, 000. 00

RMB5, 000. 00

RMB3, 000. 00

RMB48, 000. 00

RMB50, 000. 00

© SGN 2011

Total

RMB48, 000. 00

7. Conclusion

Upon segmentation, two distinct segments were identified and evaluated of their market attractiveness. It is recommended that SGN targets both segments, adopting concentrated marketing strategy, via single marketing mix. These two segments are: Profiler 1 is a group of senior citizens of age

60 and above and profiler 2 is a group of middle age citizens from 40 to 60 years old working professionals.

The positioning strategy proposed for SGN is “ more for less” value proposition and positioning statement as “ To senior citizens, SGN offers the utmost personalized elderly service at their home.”