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SCHOOL-BASED ENTERPRISE INSTRUCTIONAL UNITS

MARKET PLANNING

EMERGING LEADERS AND ENTREPRENEURS IN MARKETING, FINANCE, HOSPITALITY AND MANAGEMENT
Identifying who will buy your products is a key step in ensuring sales for your business. A business cannot arbitrarily decide what products it will offer, but rather chooses to offer products that it knows will be successful in the marketplace. There are several components of market planning (also known as market intelligence or market research), all of which help a business more closely identify its target market and its product needs.

Segmentation of the market is perhaps the most important component of market planning. It involves identifying different groups, or segments, of the population to which a business will direct their products and marketing activities. Today’s businesses often choose segmentation over mass marketing in order to appeal to savvy, well-informed consumers who know what they want. Mass marketing is just that—marketing to the masses through the adoption and execution of one marketing strategy. It’s easy to see why mass marketing may not be as effective in today’s market as it once was.

Consider deodorant. Deodorant is a staple product for many people, and it is something that is purchased on a routine basis. Historically, deodorant options were far fewer than those currently seen on drugstore and grocery store shelves. In the 1960s, aerosol spray deodorants were popular, and a handful of brands were marketed to men and women mostly though print advertisements that praised general qualities about the product. Today, deodorants in several different formulas are available in countless varieties to appeal to the many market segments that have emerged since the sixties. Twenty-first century consumers are surrounded with information from a variety of media sources, resulting in greater consumer awareness. Everyone wants products that are specialized, specific to their personal needs, and not “one-size-fits-all.” The dozens of deodorant options available to today’s consumers appeal to their need for products tailored to their unique lives. Deodorants exist for both men and women who play sports, prefer natural ingredients, are concerned with the product staining their clothes, have sensitive skin, or want a product that will withstand swimming. The generalized marketing of the 1960s would simply not work for today’s deodorant manufacturers and retailers, who need to appeal to many different market segments through multiple marketing channels.

The question, then, is how to identify a business’s various market segments. First, the business must decide what information it needs within the four types of market segmentation—demographics, geographics, psychographics, or behavioral characteristics. Then the business will gather data through either secondary or primary sources. Let’s think about your SBE. Even before the SBE at your school opened, several market segments to which the SBE’s offerings would appeal already existed. Students and faculty represent two market segments of the school’s population as a whole. But the students who opened your SBE more than likely wanted to identify more market segments so they could refine their product mix and appeal to different groups of people in the school. Examples of market segments your SBE may serve include students and faculty who don’t bring lunch from home, students who have run out of necessary school supplies, and parents who want to purchase school-themed apparel for their children.
Before these additional market segments were identified, though, your SBE needed demographic, geographic, psychographic, and behavioral information about its surrounding population. Demographics refer to the statistics of a population, especially those statistics about age, gender, marital status, education, and income, among other things. The average age of students in your school is probably 14-18, while teachers may range in age from immediately post-college (age 22-23) to near retirement age. Knowing the age range of your clientele is crucial as it significantly influences your product mix. You do not carry items that are age-inappropriate in your SBE because they will not sell. For instance, you probably do not sell toys, as your SBE does not sell to very young children.

Geographic information is that which defines where people live. A large sporting goods store chain may segment the market based on the climate in its various regions. For example, people in Florida may want to see surfboards and swimming suits on display, while consumers in Utah would have a greater desire for ski gear or snowshoes. Your SBE segments the market based on much narrower geographics than those used by the sporting goods chain, but the concept is the same. Because you know the students and faculty at your school live relatively nearby, you probably don’t market items to them that are irrelevant in terms of place. For example, chances are that you wouldn’t see any apparel featuring the phrase “Virginia is for Lovers” for sale at an SBE in Montana.

Psychographics refer to information pertaining to people’s attitudes, values, and lifestyles. The culture of your school and of your community at large influences the way people live and what they want to buy. Perhaps your town or city is very politically active or is exceptionally proud of a local landmark. Your SBE might sell politically themed merchandise or products featuring images of the local landmark.

Behavioral characteristics are important cues provided through the buying patterns of your customers. Perhaps your SBE has noticed that many more boys than girls purchase a particular kind of snack. What you know about who purchases the snack and how often they purchase it not only gives you information about that particular market segment, but also reveals that there might be other market segments that would purchase different snacks.

While a business may sometimes prefer mass marketing over segmentation, marketing to narrower market segments is becoming increasingly popular with manufacturers and retailers. Collecting data on why the demographics, geographics, psychographics, and behavioral characteristics of consumers influence them to buy certain products reveals to a business who its customers are. Only once a business knows its potential customer base can it begin to select appropriate products to offer that base.
CLASSROOM ACTIVITY

You are to describe a time when your SBE identified a target market’s need for a product. Use the following questions to guide you:

1. Identify the segment of the market that demonstrated a product need.
2. What information did you use to identify this market segment—demographics, geographics, psychographics, or behavioral characteristics? A combination?
3. Describe the need demonstrated by the market segment.
4. What did you decide to do when this need became apparent?
5. How can you apply market planning concepts to future decisions made by your SBE?

CASE STUDY

The target market of a popular product might at first seem very broad. Take Nike. Everyone needs sneakers, right? Yes, many people need sneakers. But Nike doesn’t produce only one kind of sneaker or athletic product. It manufacturers products for all of the different market segments it serves.

Nike started as “Blue Ribbon Sports” in 1964 and catered to athletes in need of quality running shoes. The company adopted the name “Nike” in 1971 and began to evolve beyond its original niche market of serious runners, eventually introducing sneakers for other sports and activities, as well as apparel and accessories.

Nike’s main target market is teenage boys. This segment of the larger populace is generally interested in athletic footwear. Even so, Nike is constantly looking for additional ways to further segment the market and to identify people who could benefit from new products. One of the company’s new divisions, Nike Digital Sport, has actually proven to be an effective market planning tool. Nike Digital Sport is a brand built on online interaction; customers purchase a product with some sort of interactive capability or component (a watch measuring calories burned, a pedometer displaying miles run, etc.) and share the information measured by it in an online community. The consumer benefits of such a program are obvious in an age that is becoming increasingly digital. People want to share their lives with each other over the Internet, and Nike has capitalized on this sensation with Nike Digital Sport. But the program is also self-serving, as the information shared by Nike Digital Sport customers is built-in market data. Possessing such data allows Nike the opportunity to truly know its customers—who they are, how old they are, and their athletic goals and abilities—and to use this data in the development of new products.