

Marketing Strategy: Deciding Which Markets to Target

Overview

Which markets are most attractive

1. Market size
2. Horizontal competition
3. Vertical competition

What do you control?

3. Vertical Competition

Why is it important that your suppliers and distributors face competition?

- Share profits
- Fighting over shares reduces total profits (*double marginalization*)

Examples of Double Marginalization

- | | |
|----------------------|--|
| Components | Monopolist component manufacturer owned by your competitor |
| Manufacturers | Ignore the impact on suppliers of refusing to adopt their new products. |
| Distributors | “Recently we lost a deal because our distributor would not cut margins.” |
| Dealers | “More extensive dealer coverage contributes to a lower street price.” |



Key Bargaining Questions

With Suppliers

Will customers buy your product without this supplier's component?

With Retailers & Distributors

Will customers leave the store if they don't see your product?

What Do You Control?

Market size

Focus on customer segments with more surplus

Horizontal Competition

Focus on markets tilted in your favor (Chicago football)

Do not demonstrate your own profitability (Snapple)

Protect weak competitors (Bausch and Lomb)

Vertical Competition

Increase competition

Enter the market

Help weak competitors

Cooperate

Cooperate and divide up the profits

Vertically integrate

Increase your own differentiation

Make customers leave the store

Summary

Market Size

How big is the market - is this likely to change?

Horizontal Competition

How many competitors are there - is this likely to change?

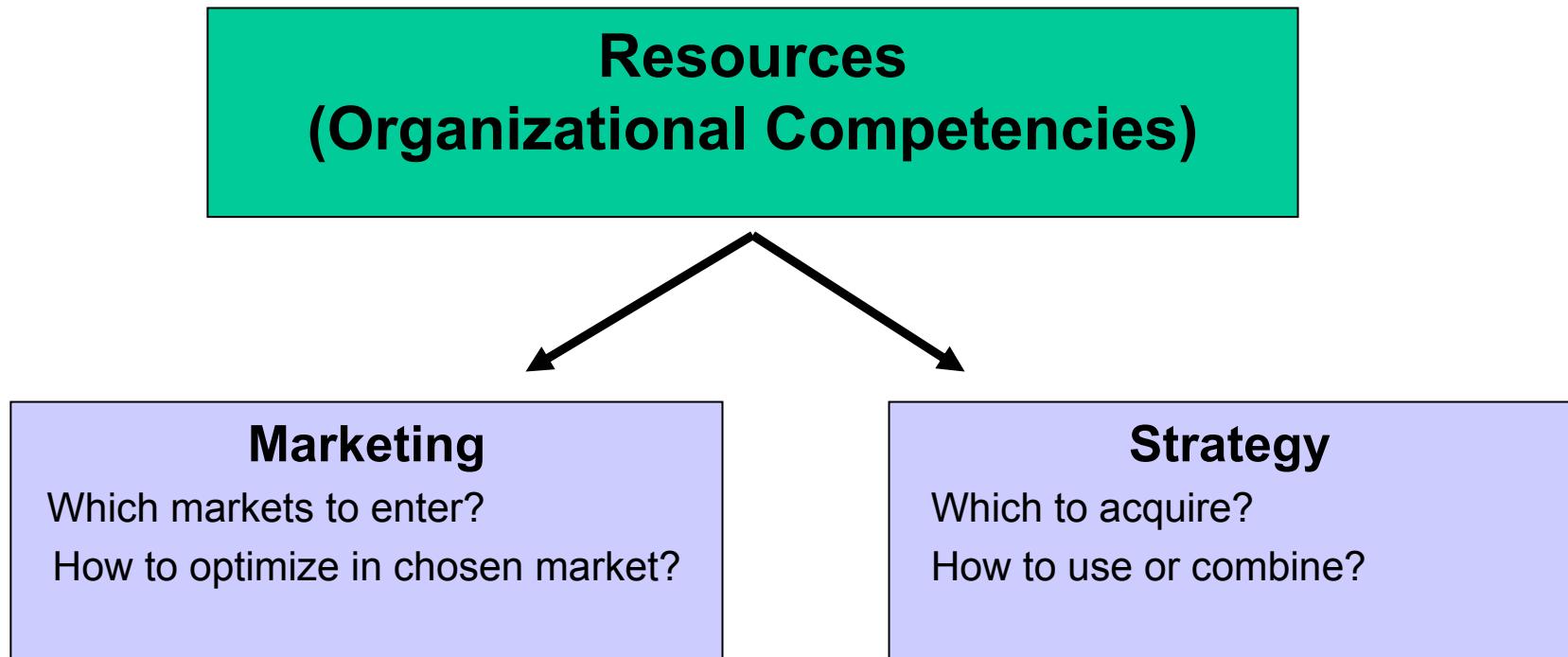
What resources differentiate you from your competitors – are they sustainable?

Vertical Competition

Will customers leave the store if they don't see your product?

Relationship to *Strategy*

Same Starting Point



Relationship to *Strategy*

Criteria

