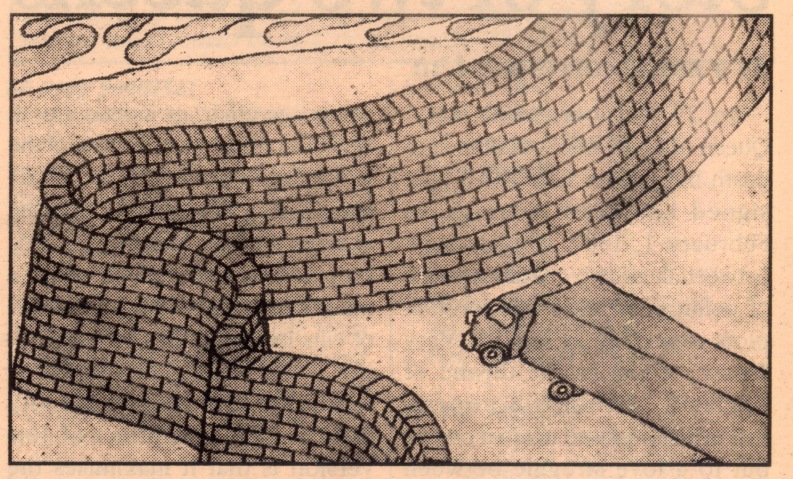
MARKETING

Micro marketing: back to the future

Understanding and tackling a market is critical to the success and profitability of a firm. Before the industrial revolution many products were custom built but were outside the reach of most people. The industrial revolution brought about mass production and more affordable products. In marketing, segmentation can be viewed as representing an attempt at tailoring product offerings to particular market groups or segments. The rapid technological developments may bring us back full circle and we may witness the marketing of custom built products that are affordable, says ***Albert Caruana****.*



Segmentation is crucial for tailoring products towards particular market groups.

'Market' is a somewhat ambiguous term used in a variety of ways. Everyone is part of some market yet we are not part of the market for all products. All of us eat but we do not all eat cream cakes. Some may prefer chocolate bars while others may be vegetarian. To complicate matters we may prefer cream cakes at one point and chocolate bars at another time. This in essence highlights the need for marketers to focus on particular groups of people who are willing to spend their purchasing power on particular products. Understanding what market we are in is critical.

Thus, what market is the manufacturer of chocolate in? Is it just another type of chocolate bars or is it the entire confectionery sector? Should one adopt a broad or a narrow market definition? What are the advantages and disadvantages? Unfortunately, markets are never obvious; they are dynamic and difficult to characterise.

Defining which market one is in is useful in a number of ways. Failure to do so will ensure that you can never quite understand what market share you may have and more importantly it becomes impossible to determine who are in effect your competitors.

The two main strategies used by markets in approaching a mass market are market differentiation and market segmentation. A market differentiation strategy is adopted when the market is homogenous. Here the marketer offers a product that differs from other products on the market in only some minor way. Oranges and other fruits are a good example. These fruits are essentially commodities and their markets are quite homogenous. One can observe the increasing use of differentiation, often through the use of stickers that incorporate a brand name and logo. In reality few product markets are entirely homogeneous. They often consist of people or groups that seek somewhat different attributes in the products they buy.

Take the soft drink market as an example. It consists of several segments. There are colas, orange, lime and other drinks. Each of these further divides into at least regular and diet or light. This is only the beginning; further subdivisions in terms of packaging type and size are possible. Thus, far from being homogenous, the soft drink market is made up of many segments, each made up of people who want a soft drink that is unique in some way.

Where markets are heterogeneous they lend themselves to subdivision into segments. The identification of a reachable group or segment of sufficient size will warrant the development of a unique marketing offering by the firm. This subdivision of the entire market into smaller segments offers an opportunity of better sales, a strengthening of market positioning and better profits to the company.

A segmentation policy can accomplish these objectives in three ways. First, it helps to identify new product opportunities.Thus, initially the shampoo market consisted of one general type of shampoo. Today one finds shampoos for normal, dry or greasy hair, shampoos for children, shampoos for those with a dandruff problem, shampoo and conditioner for those who lead a more active life, and so on.

Secondly, it ensures more efficient promotion of existing products, not necessarily through the introduction of new products but by highlighting more profitable segments of a market. Finally it ensures a greater sensitivity to marketing variables as the firm is forced to analyse markets in greater depth. These benefits must be balance against the increased costs that arise as a result of an increase in marketing overheads.

The ultimate stage in market segmentation involves custom building a product offering that meets the requirement of individuals perfectly. This practice is not as uncommon as it may at first sound. It has been practised for a long time in a number of diverse areas that range from clothing, jewellery, homes, consultancy and in other markets. Without doubt it represents the highest level of marketing as the individual needs of the customer are being met exactly. Today this level of satisfaction can only be offered at a price.

The mass production techniques of the industrial revolution contributed greatly to human development and brought a huge number of products to people at prices that they could afford. To some extent customers compromise variety and a degree of satisfaction for economic efficiency.

'Micro marketing' is a phrase that has been in use for at least a decade.

In its purest form, micro marketing is mass marketing on a one-to-one basis. The growth of affordable computer capability, coupled with excellent databases has made it possible to do exactly what the term micro marketing implies. It will become increasingly possible to identify individual customer needs and the maintenance of individual records on a mass scale that enable direct communication an promotion efforts to be directed at customers on a day to day basis.

In many circumstances, custom building may as yet not be economically feasible. However, the rapid changes in technology will alter all this. Production will become increasingly versatile and increasingly geared to deliver custom built items.

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