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

**Resources**
(Organizational Competencies)

**Marketing**
Which markets to enter?
How to optimize in chosen market?

**Strategy**
Which to acquire?
How to use or combine?
Relationship to **Strategy**

**Criteria**

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