

Marketing

Segmentation and Positioning

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Welcome!

- Some background on me ...
 - Marketing
 - Sales and Go-To-Market
 - Ignite

Agenda for today

Two sessions:

1. Market segmentation (*Calyx Flowers*)
[BREAK]
2. Positioning (*Lumo Bodytech*)

Market Segmentation

SESSION 1

Discussion

- Q1. What is the problem at Calyx Flowers?
- Q2. What do people care about when they buy flowers?
- Q3. What are Calyx Flowers' key points of differentiation? What does this imply for Calyx's choice of target market segment?

What business is Calyx in?

What Calyx customers see in the catalog / website:



What Calyx customers receive in the mail after ordering:



https://www.yelp.com/biz_photos/calyx-flowers-shelburne?select=w2rl_-lztHf7eYYoEmAJHg

Q1. WHAT IS CALYX'S PROBLEM?

Major problem: Unit economics

- 100 catalogs to PROSPECTS → 1 customer
 - Cost $(\$0.68 + \$0.06) \times 100 = \$74$
 - Revenue $\$80$
 - Contribution $\$80 \times 50\% = \$40$
 - Profit (loss) $\$40 - \$74 = (\$34) \leftarrow \text{CAC}$
- 6 catalogs to CURRENT customer
 - Cost $\$0.68 \times 6 = \$4.08$
 - Revenue $\$80 \times 6 \times 4.5\% = \$21.60$
 - Contribution $\$21.60 \times 50\% = \$10.80$
 - Profit (loss) $\$10.80 - \$4.08 = \$6.72$

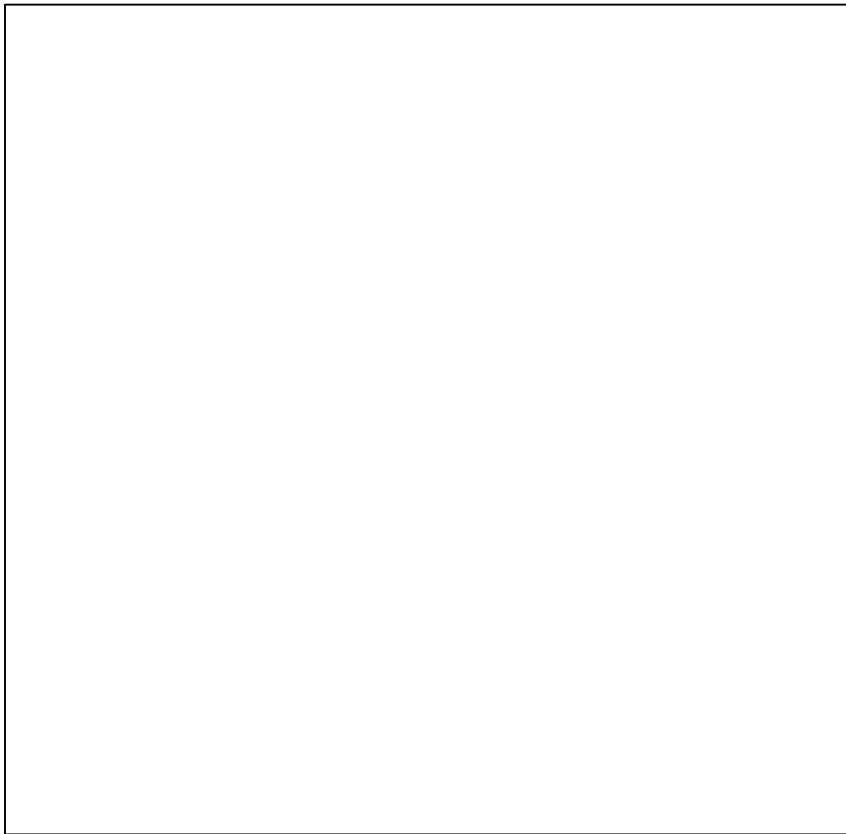
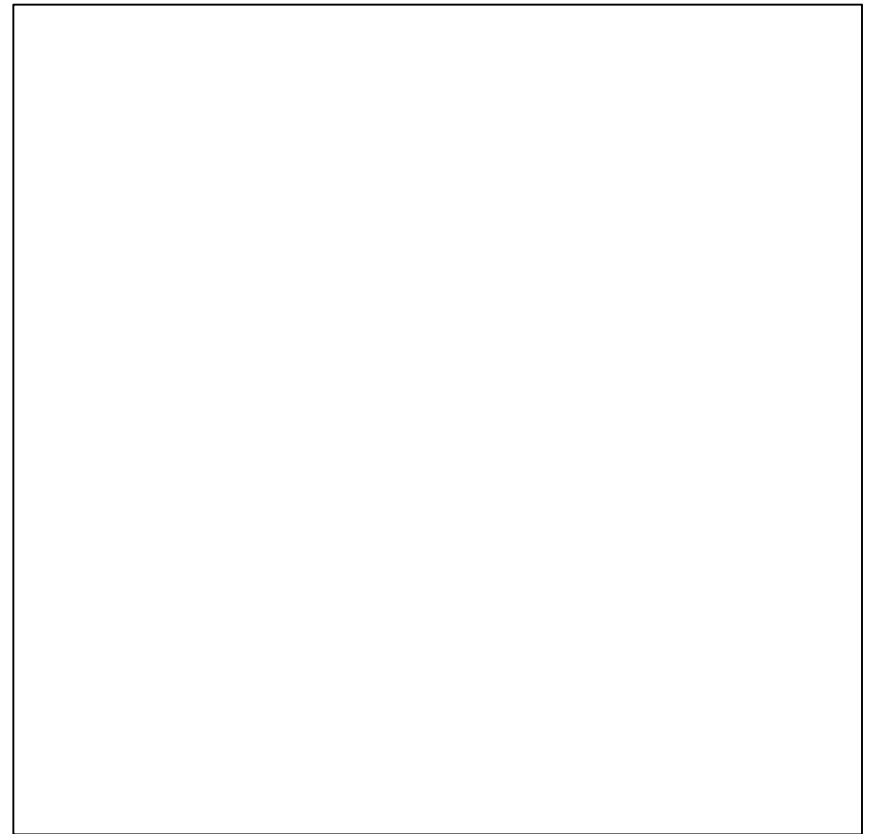
Q2. What do people care about?

- What do people CARE ABOUT when buying flowers?
- Describe a situation in which someone might buy flowers:
 - Who is that person?
 - What do they care about most?
- Raise your hand if you want to contribute

Q2. What do people care about?

Flower-buying situation

What buyer cares about

A large, empty rectangular box with a thin black border, intended for notes or a diagram related to the 'Flower-buying situation'.A large, empty rectangular box with a thin black border, intended for notes or a diagram related to 'What buyer cares about'.

Q2. What do people care about?

Flower-buying situation

- Mother's Day!
- Gift (small token)
- Gift for spouse. Personal expression.
- Apology?
- Expression of support in the hospital (get well, feel better)
- Brighten my own home

What buyer cares about

- Impact! Presentation. Not generic. Delivery remotely.
- Price (frequency). Easy to buy. Spontaneous.
- Reliability.
- Longevity. (Amortize the investment of arrangement).
- Variety
- Picking out yourself

Benefit segmentation

———— Segments ————

Attributes	Impulse	Planned	Home decor
Longevity	LOW	LOW	HIGH
Variety	LOW	MED	HIGH
Presentation	HIGH	HIGH	LOW
Spontaneity	HIGH	LOW	LOW
Remote delivery	LOW	HIGH	HIGH

Q3. Calyx choice of target segment

- What are the available alternatives?
- How well does each do in delivering what potential customers CARE ABOUT?
- What does this imply for Calyx Flowers in choosing a target segment?

Q3. What does competition look like?

Attributes	Competitors			
	Calyx	Grocery	Florist	800-Flowers
Long lasting				
Variety				
Presentation				
Spontaneity				
Remote delivery				

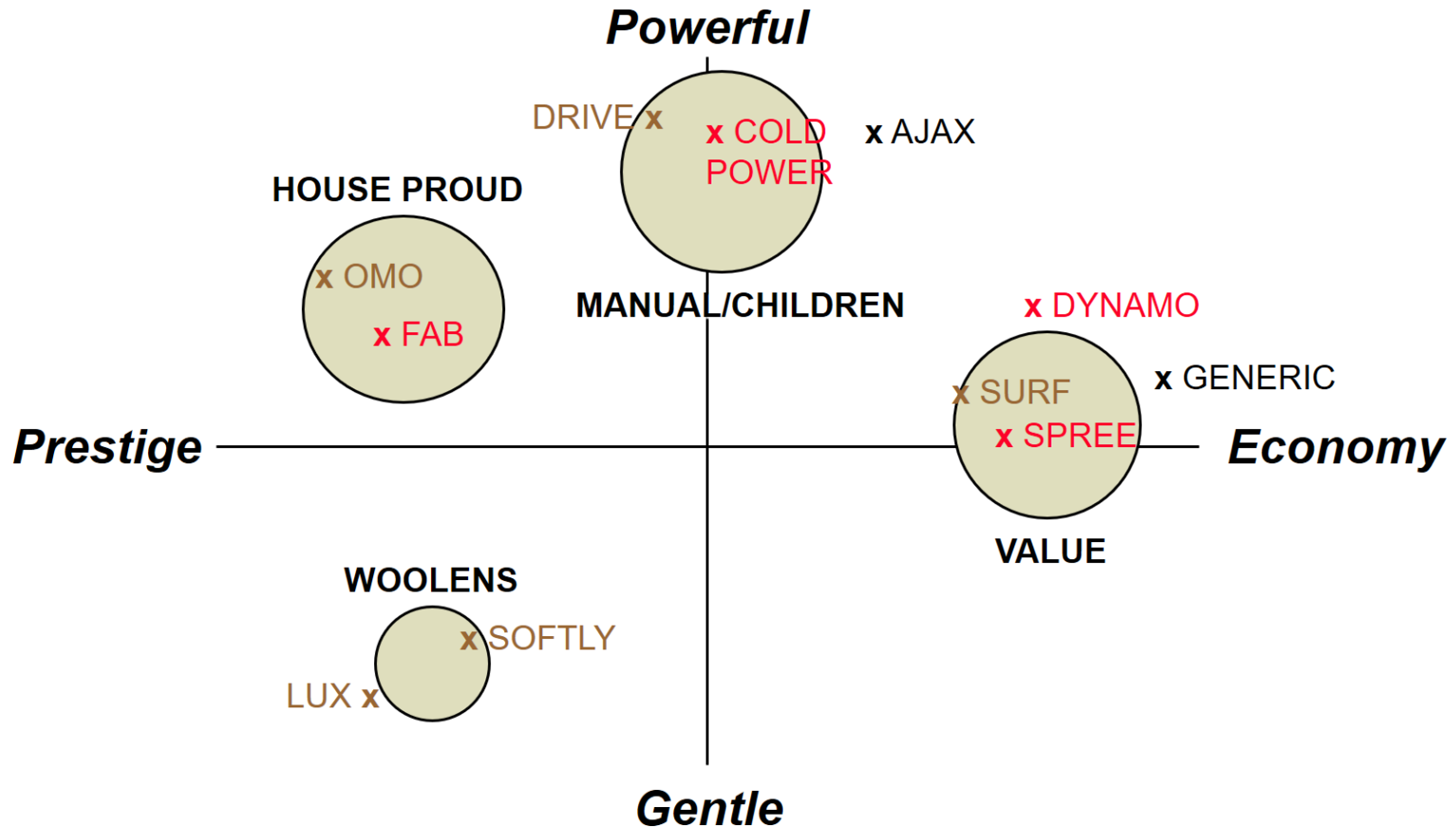
Q3. What does competition look like?

Attributes	Competitors			
	Calyx	Grocery	Florist	800-Flowers
Long lasting	HIGH	LOW	MED	LOW
Variety	HIGH	MED	HIGH	MED
Presentation	LOW	MED	HIGH	MED
Spontaneity	LOW	HIGH	HIGH	LOW
Remote delivery	HIGH	LOW	MED	HIGH

Market structure

- Combining this information yields insights into market structure
 - Segmentation (and the attributes they care about)
 - Competition (and the attributes they deliver)
- Can be shown as a map or a matrix

Australian detergent market



Market structure for Calyx Flowers

Attributes	Segments			Competitors			
	Impulse	Planned	Home decor	Calyx	Grocery	Florist	800-Flowers
Long lasting	LOW	LOW	HIGH	HIGH	LOW	MED	LOW
Variety	LOW	MED	HIGH	HIGH	MED	HIGH	MED
Presentation	HIGH	HIGH	LOW	LOW	MED	HIGH	MED
Spontaneity	HIGH	LOW	LOW	LOW	HIGH	HIGH	LOW
Remote delivery	LOW	HIGH	HIGH	HIGH	LOW	MED	HIGH

Implications

- What are the implications of this exercise:
 - For choosing target market segment(s)?
 - For allocating marketing resources?

Market structure for Calyx Flowers

Attributes	Segments			Competitors			
	Impulse	Planned	Home decor	Calyx	Grocery	Florist	800-Flowers
Long lasting	LOW	LOW	HIGH	HIGH	LOW	MED	LOW
Variety	LOW	MED	HIGH	HIGH	MED	HIGH	MED
Presentation	HIGH	HIGH	LOW	LOW	MED	HIGH	MED
Spontaneity	HIGH	LOW	LOW	LOW	HIGH	HIGH	LOW
Remote delivery	LOW	HIGH	HIGH	HIGH	LOW	MED	HIGH

Takeaways

- What are the generalizable lessons you have learned from this discussion?

Takeaways from Calyx Flowers

- Demographic segmentation versus benefit segmentation
 - Demographics (sometimes) have the advantage of being addressable, but they are weak predictors of preference
 - Identify target market segments based on attitudes and behaviors

Takeaways from Calyx Flowers

- Segmentation makes focus possible
 - Investors want to see focus
 - They will want you to show that you can capture 80 percent of your target market
 - First, figure out how to delight your target market customer
 - Then, figure out how to find them cost-effectively

Takeaways from Calyx Flowers

- Matrix of attributes, customer segments, and competitors presents a picture of market structure
 - Provides insights into how well your product fits the needs of your target customer
 - Provides insights into your source of competitive advantage versus competition

BREAK

Positioning

SESSION 2

Positioning

- “Positioning starts with a product. ... But positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect.”
 - Ries and Trout, *Positioning: The Battle for Your Mind*

Who is your prospect?

- What are the most important criteria for choosing a target market segment?

Criteria for choosing target?

- Fit
- Market potential
- Defensibility

Discussion

- Q1, Q2. Create a positioning statement for Lumo Back
- Q3. Discuss process for learning about customers and choosing a positioning strategy

Lumo Back



Effective positioning involves ...

- Establishing a frame of reference
- Leveraging points of parity (POPs)
- Making points of difference (PODs) compelling

Make these things clear ...

- WHAT is the problem you are solving?
- WHO is likely to have that problem?
- WHY should the customer buy your product?
- HOW is your solution different from (or better than) existing alternatives?

Example: Calyx Flowers

- For people who love using flowers to decorate their homes, but are frustrated because the flowers don't last
- Calyx Flowers delivers a wide variety of flowers direct to your door
- Unlike the flowers provided through local florists, Calyx Flowers last up to 10 days longer because they are sent directly from the growers

Example: Calyx Flowers

CUSTOMER

- For people who love using flowers to decorate their homes, but are frustrated because the flowers don't last **PROBLEM**
- Calyx Flowers delivers a wide variety of flowers direct to your door **POINT OF PARITY**
- Unlike the flowers provided through local florists, Calyx Flowers last up to 10 days longer because they are sent directly from the growers **POINT OF DIFFERENCE**

Q1, Q2. Share positioning statements

- Work with the person sitting next to you
- Read your prepared statements to each other
- Provide feedback. Does the statement make clear:
 - WHO is the target customer
 - WHAT is the problem
 - WHY Lumo Back is a compelling solution
 - HOW Lumo Back is different from other alternatives
- Be prepared to share with the class

Q1, Q2. LUMO BACK POSITIONING STATEMENTS – DISCUSSION

Q3. Learning process

- All startups need to go through a process in which they learn about their prospective customers and refine their product concept
- What did you think about the process followed by Lumo? How does it compare to what you are learning in Ignite?
- Was there anything missing? Anything you would have done differently?

Thoughts on process

- Understand consumer personas
 - Focus groups? Better off with interviews
- Identify segments
 - Desired benefits and behaviors, not demographics
 - Map the market structure
- Value proposition
 - Select (i.e., focus), don't amalgamate
- Positioning
 - Framing. How do you want your target customer to think about your solution relative to existing alternatives?

Takeaways

- What are the generalizable lessons you have learned from this discussion?

Takeaways from positioning

- The positioning statement is an internal marketing document
- Positioning requires a strategic choice with respect to target market
- The first draft of your positioning statement will be based on assumptions (usually untested)
- Good positioning is a challenging and highly creative endeavor and often difficult to execute
 - Your job is not done until your intended position is reflected in the mind of your target customer