# 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

| Marketing | | Strategy |
|---|---|---|
| Own and control? | → | Organization? |
| Differentiate? | → | Rareness? |
| Sustainable? | → | Inimitability? |
| Satisfy needs? | → | Value? |