

## THE TARGET MARKET

### Market Segmentation

The franchiser must decide who will be buying the product or service. The demand for a product or service depends on the needs of certain sections of the potential market. The market should be divided into separate markets for a specific product or service, or a product mix. Each of these should be relatively homogeneous in certain characteristics of particular consumer groups. Therefore, the process of "Market segmentation" should be used. This process attempts to divide the general heterogeneous market into mostly homogeneous market sections.



Frequently, market segmentation is based on four main divisions or a combination of these. These segments are described and illustrated in Figure 1 on the following page.

## Figure 1 – The Target Market

<b>ANALYSIS OF CONSUMER CHARACTERISTICS</b>	Demographic		Age Sex Religion Family Size Life Cycle
	Socio-economic	Social Class	Income Occupation Education
		Ethnic Group	Ethnic Group Nationality Language
	Geographical		Region City Suburb Climate Population Density
	Psycho graphic	Personality Type (decision maker / Purchaser)	Conservative Compulsive Ambitious
Buying motives		Economic Considerations Convenience Considerations Shop Loyalty Brand Loyalty	

## **Geographical segmentation**

The market is subdivided into regional areas such as:

- Economically identifiable regions.
- Counties/Provinces.
- Cities.
- Suburbs.
- Retail sales areas.

Population density, population groupings, topographic factors and climatic conditions are also factors to be taken into account in geographical segmentation.

## **Socio-economic segmentation**

The market is divided into two classes:

### *Ethnic group*

involving the ethnic group, nationality, and language.

### *Social class*

involving income, occupation and education.

## **Demographic segmentation**

The market is divided into the following groups:

- Age.
- Sex.
- Religion.
- Size of family.
- Family life cycles.

## Psycho Graphic Segmentation

This form of segmentation tries to divide the market on a basis of personality characteristics and the life styles of consumers. Although there is some truth in the statement that the personality traits of a consumer influence his or her buying behaviour, there is still some doubt as to exactly how this influence operates.

Personality type:

- Conservative.
- Compulsive.
- Ambitious.

The motives for buying:

- Economic considerations.
- Convenience considerations.
- Shop loyalty.
- Brand loyalty.

Targeting involves the decisions of marketing management regarding which market segments to serve. There are three basic types of targeting in a heterogeneous market:

- Undifferentiated marketing  
Undifferentiated marketing means the market is served as a whole, with emphasis on the shared characteristics of the consumers.
- Differentiated marketing.  
Differentiated marketing means the enterprise tries to operate in two or more segments of the total market.
- Concentrated marketing.  
Concentrated marketing takes place when the enterprise chooses a single market and develops an "ideal" marketing mix for that segment.

Clearly, the franchiser needs to find who will be buying the product or the service.

## COMPETITORS

The franchiser must establish exactly what the competition to the business will be for the new franchise. This depends upon the number of similar businesses in the area and the amount of success they have achieved.

Doing research on the rival businesses and deciding if offering a better service is possible. This can be done by:

- Giving better service.
- Providing better goods or services.
- Making the business attractive.
- Providing security for the customer.
- Being attentive and helpful towards the customers' needs.

Always remember that the business depends upon the customer and he alone can make the business a viable proposition.



It may be that the product or service to be offered is unique and there are no established competitors.

As an example, consider a hypothetical bicycle selling and repair shop. If it were intended to establish a national franchise, carrying out a major study of bicycle dealers in all the cities and towns of the country to find their nature and their strength would be necessary. It may be that one or two cycle shops are linked, but none had established a nationwide link up. This was exactly what the hypothetical franchiser intended to do.

## PRICING POLICIES

The method of pricing the goods and services has to be considered. If the franchise is local, keeping the same prices at all the franchises may be possible and even necessary, although this will obviously depend upon the amount of overheads and the turnover at each franchise.

If the franchise is a nationwide chain, then the variation in prices across the country will affect the pricing policy. It may be found that higher prices can be charged in the larger cities than in the smaller towns.