increase their prominence in the years to come.

Multicultural populations still lag the white population in income levels but the purchasing power (as measured by personal disposable income) of minority populations is significant even now, accounting for over $2.5 trillion in 2009. This is projected to quadruple by 2045. At current levels of minority income, this purchasing power translates to 44% of the growth in overall purchasing power in the next 40 years.

Purchasing Power

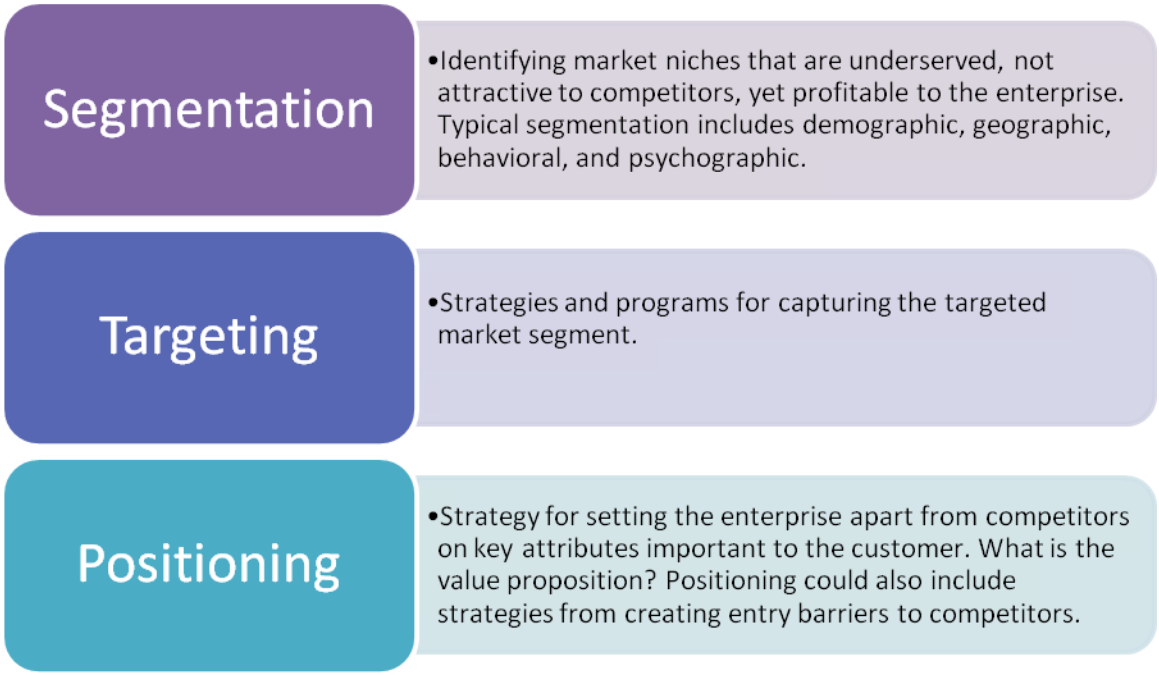
2009 Purchasing Power in $ Billions			
	2009	**2014**	**Change**
African American	$910	$1,137	25%
Asian American	$509	$697	37%
Hispanic	$978	$1,300	33%
Multiracial	$109	$148	36%
White	$9,125	$11,033	21%

Source: Selig Center, Multicultural Markets Study 2009

Read Appendix 1 for more information on multicultural markets.

Target Market

The goal of segmentation is to identify groups of customers that might not be served by other competitors. Market segments can be attractive because they have characteristics that lend themselves to profitability or more frequent buying. Sometimes they are attractive simply because no other competitor has sufficiently served that market..



The usual dimensions of segmentation are:

- Demographics: Age, gender, marital status, education, race, and income are the more frequently cited demographics.
- Geographic: The regions of the US such a northwest, west, southwest, south, Midwest, south Atlantic and northeast. Marketers may also segment by major metropolitan areas such as Los Angeles, New York, Chicago, and others.
- Behavioral: This is segmentation by what the consumer does. For example, engaging in sports or reading books.
- Psychographic: A good example of psychographic segmentation is types used to describe high school students: Jocks, preps, emo, goth, cheerleader, stoner, skater, scene, band geek, barbie, hoodlum, nerd, etc. When the term is evoked, the group understands how the individual dresses and behaves.

With regards to small businesses, segmentation may be even more refined. Their markets are local, often targeting a city or even a neighborhood. Defining the segment in terms of key characteristics and size can do much to help the business owner reach the market. Analyzing the potential revenues from the target market is also important.

For new businesses, the most potential exists for market segments which are new and growing. New markets don't have clearly defined requirements and information is evolving. The emerging business may have advantages over larger enterprises in that it may be more flexible in responding to quickly changing market conditions. Additionally, it is important that an emerging business does not compete head-on with large, well-endowed enterprises.

Once the target segments are identified, the business must set itself apart from its competitors. It must give the target market a reason to choose the business.

Millennials

Generations are often used to describe psychographic profiles. America's newest generation, or those born after 1980, have been coined the Millennials. Its oldest members are approaching age 30; its youngest are teenagers.

They are the most ethnically and racially diverse cohort of youth in the nation's history. Among those ages 13 to 29: 18.5% are Hispanic; 14.2% are black; 4.3% are Asian; 3.2% are mixed race or other; and 59.8%, a record low, are white. They are starting out as the most politically progressive age group in modern history. They regard technology as an everyday part of their social lives. They are the least religiously observant. They are more inclined toward trust in institutions.

Marketing Strategy

Market strategy is the overall plan to get the business to its objectives in capturing its share of the marketplace. Metaphorically, military terms may be used to depict how the business must compete against other businesses. It involves looking at the economic landscape, industry dynamics, and what the competition is doing.

A commonly used tool to determine the mission-critical issues facing a company is a determination of the company's Strengths, Weaknesses, Opportunities, and Threats (SWOT). A SWOT analysis is a technique to structure group discussion to identify the internal and external forces that drive the company's position in the market. Used effectively a SWOT analysis can organize data and information and determine the areas that a company needs to focus on in order to move forward.

SWOT

The first step in developing a SWOT analysis is to identify:

Strengths: Existing resources and capabilities within the company that provides a competitive advantage within the market where the company operates. Often the business may identify core competencies that set it apart from other businesses.

Weaknesses: Existing internal forces that hinder current or future assets that would build competitive advantage within the market that the company operates.

Opportunities: Existing or emerging forces external to the company that, if captured, can provide the company with a competitive advantage.

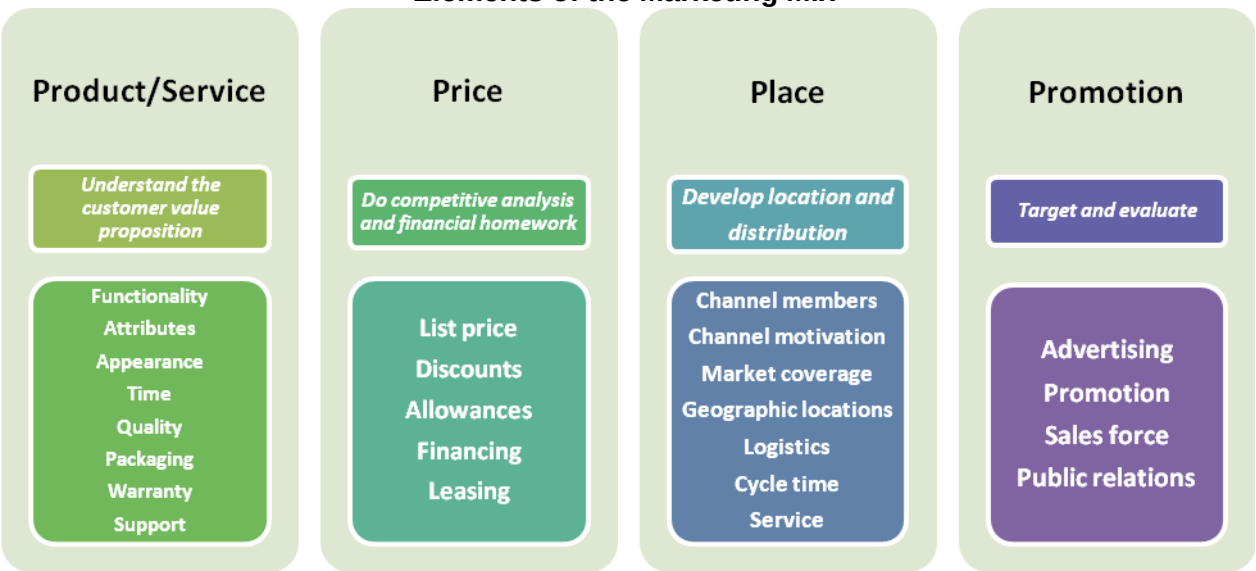
Threats: Existing or emerging forces external to the company that could inhibit the company's ability to gain a competitive advantage or maintain its current advantage.

Once these factors are identified, the business can develop a strategy that will capitalize on its core competencies and on its competitors' weaknesses. Michael Porter has identified a number of these strategies. His seminal work is the book ***Competitive Advantage***. Other work is listed at: http://drfd.hbs.edu/fit/public/facultyInfo.do?facInfo=pub&facId=6532.

The Marketing Mix

Once segmentation, targeting, and positioning overall goals have been determined, specific measurable objectives should be determined. For larger businesses, this might be articulated in terms of increase in market share of the percent of the market it wants to capture. For smaller businesses, this translates to number of customers. An action plan which makes full use of the marketing mix must be put in place. Marketing mix is a term coined by Neil Borden in 1965 to cover the elements of marketing tactics.

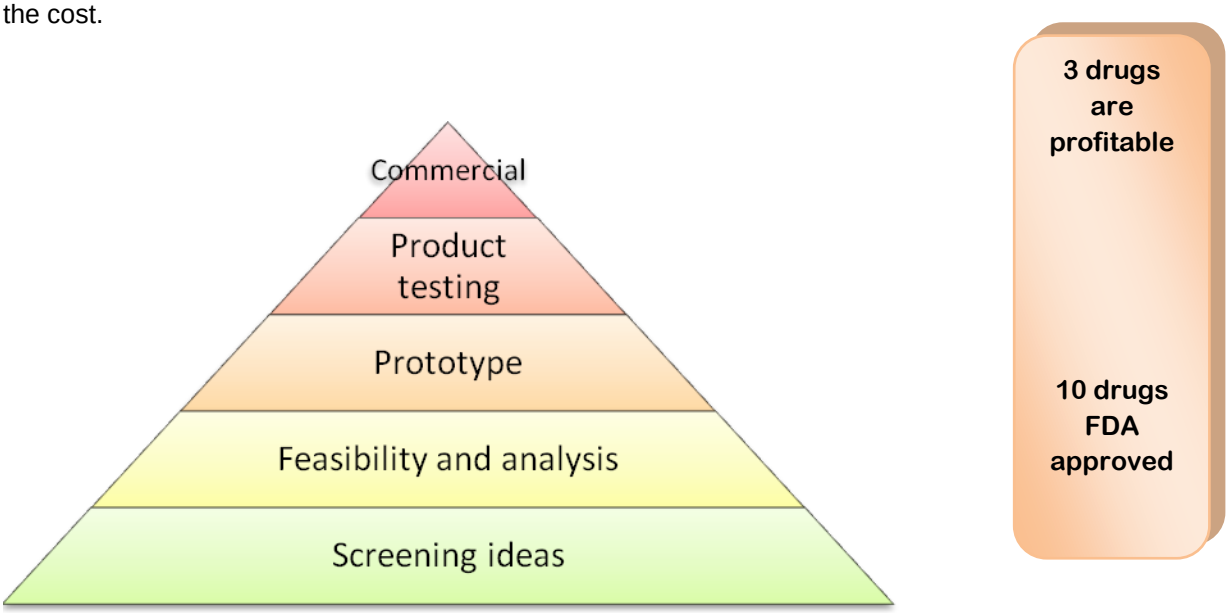
Elements of the Marketing Mix



Product

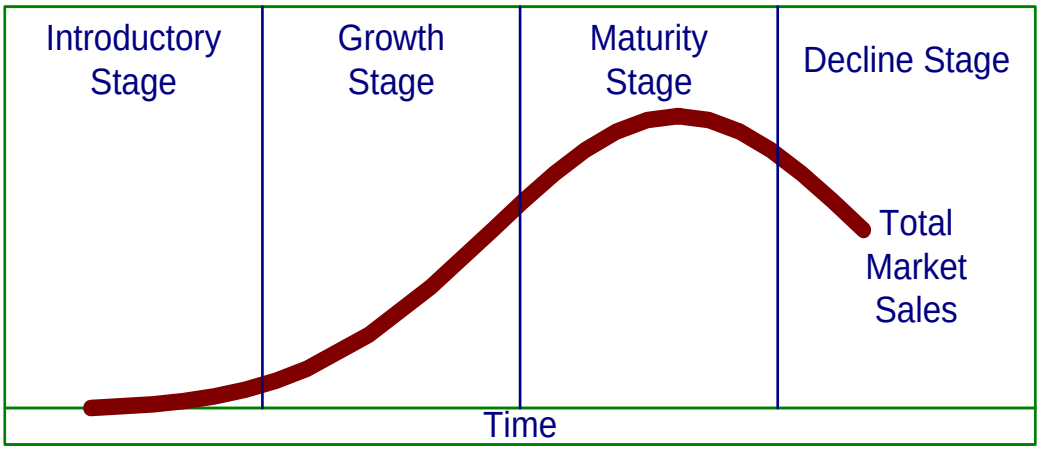
Once the customer value proposition is articulated, product or service features must address it directly. To be effective, the business must have an objective analysis as to what is important to the customer. Why does the customer buy the product or service? What functionality does it serve? Time may be an important factor. It may be assumed that shortening the time cycle is what the customer wants when, in fact, the customer might want to luxuriate in the salon similar to the way that people want to enjoy a coffee experience at Starbucks. The quality of the service must be suited to the customer expectations. Service must be consistent. Clients will not return if the client perceives the hair cut to be excellent one time and a disaster the next. If a product is sold, the packaging, warranty, and support may be a factor. These factors must be considered along with a cost benefit analysis.

It is important for the business to continually come up with products as products do not last forever. Given the millions of products that are available to consumers every day, it is difficult to conceptualize that many more products do not make it to market. As often it is expensive to bring a product to market, products go through a product development process where they are evaluated at every stage before they are brought to commercialization. For example, of 5,000 drug ideas go through the screening process, 10 make it through the Federal Drug Administration process of being approved, and of these only 3 are profitable. With an average cost of $1 billion to bring a drug to market, it would take several billion in sales to recoup the cost.



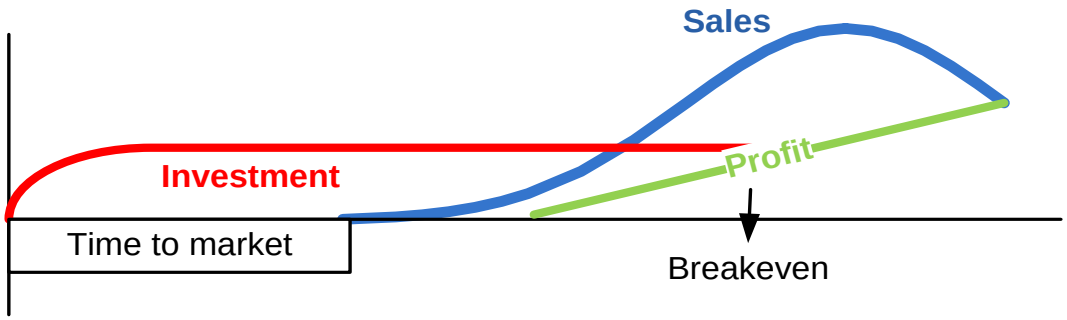
Once the product gets to market, there is no guarantee that it will be profitable. Some products are unable to grapple the “chasm” coined by Geoffrey Moore for technology products. For example, technology aficionados may buy the latest gadget, but it is only when the rest of the population purchases that the product becomes profitable.

The product life cycle is used to depict the stages a product goes through. The introductory stage requires that the business establish a beachhead in the market. During the growth stage, there is turbulence as more businesses enter the market and fight for position. During the maturity stage, sales start to plateau as every customer who wants the product has bought. In the decline stage, the business may be managing the product to squeeze as much profit as possible because sales are reduced to nothing.

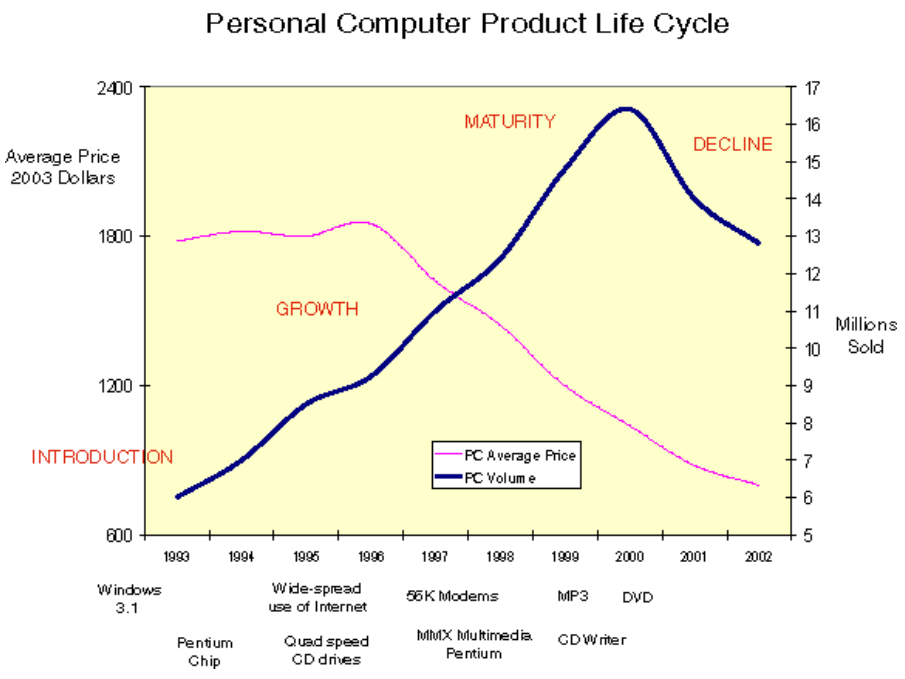


Product development and product life cycle go hand in hand. It is important that businesses continually come up with new products to replace those that are maturing. For example, consider the product development and life cycle of a video game. Often the games take 2 to 4 years to develop. Companies such as Electronic Arts are always on the lookout for new game ideas. Once they are developed, tested and put to the market, their product life cycle is usually about 6 months.

PRODUCT DEVELOPMENT					PRODUCT LIFE CYCLE			
Idea evaluation	Technical and market assessment	Product design and prototype	Product testing	Commercial start-up	Market introduction	Growth and competitive turbulence	Maturity	Decline



The following figure shows the actual sales and price of the personal computer from 1992 to 2002. The personal computer was state-of-the-art technology in 1992. Only technologically advanced individuals would buy one at the price of $1800. A large number of companies were competing in the field. As the market grew, businesses learned to be more efficient in producing the PC and prices came down. The drop in prices and improvements in technology made PCs more attractive to other consumers. However, the market became saturated after 2000 and went into decline.



The same product life cycle holds true for technology products such as cell phones, HD TVs, and webcams. For a comprehensive study of all types of technology, check out the Pew Study on Technology Users. http://www.pewinternet.org/pdfs/PIP_ICT_Typology.pdf

Pricing

The main pricing influences generally include customer demand, competitor actions, costs and other factors such as laws and regulations, technological conditions and capacity or other resource constraints. Of course, the responses that are made to all of the influences are shaped by company strategic and operational decisions. These include pricing objectives, strategies to accomplish those objectives, the structure of prices offered by the firm and general pricing conditions in the markets in which the firm competes.

Important questions to ask about pricing include: What is the value of the firm's offering compared to competitors? How are the firm's products or services perceived by different segments? Are there sustainable competitive advantages that can be identified for the firm? Answers to such questions will provide clues regarding how much discretion, if any, the management will have in its pricing policies and decisions.

Some common pricing tactics are illustrated in table below. In most businesses, these will be used in combination. All pricing strategies should be evaluated against competitors. Financial analysis is mandatory on any pricing changes and the effect of the changes should be monitored and adjustments made as necessary.

Pricing Tactics

	Description
Value Pricing	Adjusting prices to offer the right combination of quality and service at a fair price. This requires competitive analysis to determine what constitutes the right price for the value that the business gives.
Cost-Based Pricing	Cost-plus and mark-up pricing; return on investment; or other cost methods may be used to determine price. This requires the careful accumulation of product costs to include both variable and fixed components. Costing based on variable

	cost only can pave the way to bad pricing.
Competitive Pricing	Matching prices with the firm's main competitors is a common method of pricing.
Promotional Pricing	A business may cut prices to gain customers in the short term. This is done by the industry as a whole at certain times of the year. For example, furniture is typically discounted in the summer when sales are low. For any promotions, it is important to assess the benefit achieved. If prices are lowered but no new customers or sales gained, then the promotion should not be repeated.
Discount Pricing	Reducing prices to reward customer loyalty, purchase behavior or other incentives and reward for patronage is also common. As in other cases when prices are reduced, it is important to evaluate the benefit.

Place (Distribution)

From a cost-standpoint, distribution processes are extremely important activities. For example it is widely quoted that as much as 20% of what consumers pay goes to pay for the physical distribution of goods. Thus, a significant objective of program management in this area of marketing is to minimize the costs of performing these order-filling tasks while delivering goods to customers. Overall, the goal should be to perform these activities in order to ensure the swift, safe and low-cost delivery of goods and services to customers.

A channel strategy is the term used to describe reaching the customer in the most profitable way. This could involve using intermediaries such as wholesalers and retailers or creating multichannel marketing systems within the company such as retail, discount, and internet stores. Channel design should ensure that there are no conflicts. For example, a high-end fashion designer might start an internet store which conflicts with the department-store customers.

Promotion

Promotion programs include a wide range of communications and relationship-building activities including personal selling, advertising, sales promotion, direct mail, public relations, trade shows, and sponsorship.

Promotion programs require that messages are clear, concise, consistent and compatible with the business' position in the marketplace. Promotional programs must be cost effective. The business should not spend more on the promotion than it can acquire in profits. The impact of promotions on profits should be assessed.

With regards to advertising, there has been a shift away from newspapers to the internet. Most businesses incorporate an internet strategy in their promotion including the use of search engine optimization to drive more traffic to the business and the use of social media to create customer loyalty.

MEDIA TYPE	2007	2006	2005	2004
NATIONAL TV	32.0%	31.5%	31.6%	31.0%
MAGAZINES	20.4%	19.3%	19.8%	19.0%
NEWSPAPERS	17.7%	18.8%	20.2%	20.4%
LOCAL TV	11.3%	12.5%	11.5%	13.1%
INTERNET	7.6%	6.6%	5.8%	5.3%
RADIO	7.2%	7.5%	7.7%	7.8%
ALL OTHER	3.9%	3.8%	3.5%	3.3%

TOTAL	100.0%	100.0%	100.0%	100.0%

Public Relations

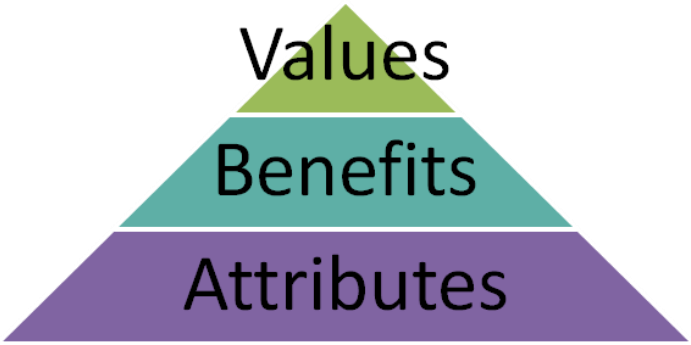
Public relations can be an effective way of implementing an emotional branding strategy. The business owner who has overcome the odds can be an excellent story for the local press. In the case of an architectural firm, having the local magazine do a photo spread of a design in its ***Home*** section is much more effective than running an ad the same magazine. Having a comprehensive website with extensive information about the firm can be a good way of generating press interest. Reporters do internet searches on topics. If the website is professional and lists all the excellent credentials of the business owner, the reporter will often call to get more information.

Simple and low-cost steps can be taken to create an effective public relations plan. The business can issue regular newsletters to its community or the local and ethnic press about its activities. It can participate in or sponsor community events. It can apply for any awards that may be given by the local chamber or other community associations. It can have open houses where it invites the community to see its premises and meet its staff. Business anniversaries and other landmarks can be celebrated with the community. Developing partnerships with nonprofit organizations may give it mention in press releases issued by the nonprofit. Heart-felt participation in the community will create trust within the community for the business.

Brand

A brand creates value for business over and what its products and services are worth. It communicates what the business is about and may encompass much more than its products, often including the business' values. Creating a brand identity is important for both large and small businesses in that it creates a unique identity that communicates to the marketplace.

A brand is the image the customer has of the product or company. It conveys the nature of the user, a personality, core values, a culture, product benefits and product attributes. Attributes include price, safety, quality, and performance. Benefits are what the customer gets from the product which may include functional benefits along with image benefits. A strong brand will have a strong emotional appeal and captures the top of the pyramid.



Customers have varying levels of perception of brand. Brand awareness is when customers know what the brand is. When this awareness is present, the company has captured customer mind share. Brand preference is when the customer will choose the brand if it is available but may choose another brand if it is not. Brand loyalty is when the customer will only choose that brand. Brand loyalty connotes capture of heart share. This all culminates in increasing market share.

Brand loyalty translates into brand equity or a value assigned to the brand. Businessweek estimates that the top 2009 brand Coca Cola is worth $68 B. For the top 100 global brands, check out: http://www.businessweek.com/interactive_reports/best_global_brands_2009.html