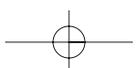


PART THREE

Target Marketing Tools



CHAPTER
14

The Market-Product Grid

LEARNING OBJECTIVES

After examining this chapter, readers will have the ability to:

- Understand the three-step process of target marketing and its importance in the healthcare industry.
- Realize the benefits afforded to healthcare entities as a result of target marketing practices.
- Understand major segmentation variables upon which markets can be divided.
- Recognize the value of the Market-Product Grid as an instrument for segmenting markets and targeting appropriate segments.

INTRODUCTION

In an effort to more effectively address the wants and needs of customers, marketers engage in target marketing, a practice that involves three inter-related activities: market segmentation, targeting, and product positioning. Market segmentation is the process of dividing a market into groups (i.e., segments) of individuals who share common characteristics. When the market has been segmented, marketers engage in targeting where they select (i.e., target) attractive segments and focus their efforts on satisfying the wants and needs of these groups. These targeted segments are known as an entity's target market. Product positioning follows targeting and involves the determination of an appropriate and effective image for products to convey to customers.

102 CHAPTER 14 THE MARKET-PRODUCT GRID

Target marketing developed out of desires to more appropriately address the various wants and needs of different customer groups. The practice stands in contrast to mass marketing, which involves offering products to the market as a whole without regard for individual tastes and preferences.

Target marketing makes sense. Women of childbearing age, for example, have potential needs for labor and delivery services. Parents have needs, courtesy of their infants and young children, for pediatric medical services. Elderly individuals have needs for home health care, assisted living, and nursing home services.

By focusing on the specific wants and needs of market segments, marketers can deliver goods and services that are specifically tailored for the associated groups. This practice not only improves customer satisfaction but also allows for better use of promotions resources through the selection of communications vehicles that precisely reach desired populations.

A useful tool for target marketing is known as the Market-Product Grid, an instrument that specifically addresses the segmenting and targeting aspects of the practice. Illustrated in Figure 14-1, the Market-Product Grid, as depicted by Roger Kerin, Eric Berkowitz, Steven Hartley, and William Rudelius, consists of a matrix with markets identified on its vertical axis and products identified on its horizontal axis. The actual number of cells in the matrix is, of course, dependent on the number of markets and products identified. As a result, Market-Product Grids range from being quite small for entities with few markets and few products to being very large for entities that offer multiple markets an extensive array of products.

To create a Market-Product Grid, marketers simply (1) construct a matrix of sufficient size, (2) list potential markets on the vertical axis, (3) list product offerings on the horizontal axis, and (4) evaluate each of the resulting market-product combinations, characterizing them as large, medium, small, or nonexistent markets.

The activity of listing the goods and services of entities on the Market-Product Grid is quite simple, but identifying and listing potential markets can be somewhat challenging without some point of reference. This point of reference can often be found by consulting a breakdown of segmentation variables, such as the one listed in Table 14-1.

This table provides examples of specific segments that exist within each of the four major segmentation categories: geographic, demographic, psychographic, and behavioral. It, however, presents only a few of the almost

| Products Markets | Product 1 | Product 2 | Product 3 |
|-----------------------------------|------------------|------------------|------------------|
| Market 1 | ? | ? | ? |
| Market 2 | ? | ? | ? |
| Market 3 | ? | ? | ? |

3 = Large Market, 2 = Medium Market, 1 = Small Market, 0 = No Market

Adapted from *Marketing*, 7th ed. by Roger A. Kerin, Eric N. Berkowitz, Steven W. Hartley, and William Rudelius. Copyright © 2003, 2000, 1997, 1994, 1992, 1989, 1986 by The McGraw-Hill Companies, Inc. Published by McGraw-Hill. Reproduced with permission of The McGraw-Hill Companies.

FIGURE 14-1 The Market-Product Grid

Table 14-1 Major Segmentation Variables

GEOGRAPHIC

| | |
|----------------------|---|
| World region/country | North America, Western Europe, Middle East, Pacific Rim, China, India, Canada, Mexico |
| Country region | Pacific, Mountain, West North Central, West South Central, East North Central, East South Central, South Atlantic, Middle Atlantic, New England |
| City or metro size | Under 5000; 5000–20,000; 20,000–50,000; 50,000–100,000; 100,000–250,000; 250,000–500,000; 500,000–1,000,000; 1,000,000–4,000,000; 4,000,000+ |
| Density | Urban, suburban, rural |
| Climate | Northern, southern |

(continues)

104 CHAPTER 14 THE MARKET-PRODUCT GRID

Table 14-1 Major Segmentation Variables—continued**DEMOGRAPHIC**

| | |
|-------------------|--|
| Age | Under 6, 6–11, 12–19, 20–34, 35–49, 50–64, 65+ |
| Gender | Male, female |
| Family size | 1–2, 3–4, 5+ |
| Family life cycle | Young, single; young, married, no children; young, married with children; older, married with children; older, married, no children under 18; older, single; other |
| Income | Under \$10,000; \$10,000–\$20,000; \$20,000–\$30,000; \$30,000–\$50,000; \$50,000–\$100,000; \$100,000+ |
| Occupation | Professional and technical; managers, officials, and proprietors; clerical; sales; craftspeople; supervisors; operatives; farmers; retired; students; homemakers; unemployed |
| Education | Grade school or less; some high school; high school graduate; some college; college graduate |
| Religion | Catholic, Protestant, Jewish, Muslim, Hindu, other |
| Race | Asian, Hispanic, black, white |
| Generation | Baby boomer, Generation X, Generation Y |
| Nationality | North American, South American, British, French, German, Italian, Japanese |

PSYCHOGRAPHIC

| | |
|--------------|--|
| Social class | Lower lowers, upper lowers, working class, middle class, upper middles, lower uppers, upper uppers |
| Lifestyle | Achievers, strivers, strugglers |
| Personality | Compulsive, gregarious, authoritarian, ambitious |

BEHAVIORAL

| | |
|-------------------------|--|
| Occasions | Regular occasion, special occasion |
| Benefits | Quality, service, economy, convenience, speed |
| User status | Nonuser, ex-user, potential user, first-time user, regular user |
| User rates | Light user, medium user, heavy user |
| Loyalty status | None, medium, strong, absolute |
| Readiness stage | Unaware, aware, informed, interested, desirous, intending to buy |
| Attitude toward product | Enthusiastic, positive, indifferent, negative, hostile |

From Kotler, Philip; Armstrong, Gary, *Principles of Marketing*, 10th Edition, © 2004, Pg. 240. Reprinted by permission of Pearson Education, Inc., Upper Saddle River, NJ.

endless market segments that marketers could potentially pursue. Such a table serves as a useful starting point for identifying markets for placement on the Market-Product Grid.

OPERATIONAL MATTERS

Figure 14-2 illustrates a Market-Product Grid that was developed for a home health agency. Here, the agency used the grid to assess the market potential of different areas of Jackson County. The grid indicates that the south and central sections of Jackson County possess large markets, the east section possesses a medium market, and the north and west sections contain small markets. The grid clearly identifies the most prominent markets (i.e., the south and central regions) for home health services within the county—information that can greatly assist the agency in determining which markets it wishes to pursue.

| | | Products | Home Health Services |
|----------------|---------|----------|----------------------|
| | | Markets | |
| Jackson County | North | 1 | |
| | South | 3 | |
| | East | 2 | |
| | West | 1 | |
| | Central | 3 | |

3 = Large Market, 2 = Medium Market, 1 = Small Market, 0 = No Market

Constructed using design methodologies in Kerin, Roger A., Eric N. Berkowitz, Steven W. Hartley, and William Rudelius. *Marketing*. 7th ed. New York: McGraw-Hill, 2003.

FIGURE 14-2 A Home Health Agency's Market-Product Grid

106 CHAPTER 14 THE MARKET-PRODUCT GRID

Figure 14-3 presents a more complex Market-Product Grid that was developed for a sports medicine clinic. Here, the clinic sought to examine Washington County's market potential for various sports medicine procedures by type of sport. The grid notably reveals a prominent market across all sports for foot and ankle procedures, followed closely by knee procedures. It also reveals that, among sports types, the tennis and golf sports populations possess the largest markets for broad sports medicine procedures—details that shed significant light on segment opportunities.

It should be noted that although the largest markets might seem to represent the most productive marketing pursuits, such markets are not always appropriate targets. Organizations must, for example, factor in marketplace competitors, their dominance in certain segments, and their overall numbers. Certain segments, although large, may be saturated with competitors or dominated by market leaders. In such situations, smaller markets with fewer competitors may be more desirable segments to pursue. Aside from competitive elements, healthcare organizations might select smaller markets based on the particular missions they embrace. Entities that cater to under-

| Products Markets | | Sports Medicine Procedures | | | | | |
|---------------------|--------------------|----------------------------|-------|------|-----|------|--------------|
| | | Shoulder | Elbow | Hand | Hip | Knee | Foot & Ankle |
| Washington County | Football Players | 1 | 1 | 0 | 1 | 2 | 2 |
| | Basketball Players | 1 | 0 | 0 | 1 | 1 | 2 |
| | Baseball Players | 0 | 1 | 1 | 0 | 1 | 1 |
| | Soccer Players | 0 | 0 | 0 | 0 | 1 | 2 |
| | Tennis Players | 3 | 2 | 1 | 2 | 3 | 3 |
| | Golfers | 3 | 1 | 2 | 2 | 2 | 2 |

3 = Large Market, 2 = Medium Market, 1 = Small Market, 0 = No Market

Constructed using design methodologies in Kerin, Roger A., Eric N. Berkowitz, Steven W. Hartley, and William Rudelius. *Marketing*. 7th ed. New York: McGraw-Hill, 2003.

FIGURE 14-3 A Sports Medicine Clinic's Market-Product Grid

served, rural populations represent excellent examples of institutions engaging in this practice.

It should also be noted that Market-Product Grids are only as accurate as the information that is used to complete them. Although they remain useful even with informally collected data, the use of data derived from formal market research can greatly improve their accuracy.

SUMMARY

The Market-Product Grid provides a simple, yet highly useful, method for segmenting and targeting markets. By using this tool, marketers can more precisely identify and target appropriate customer groups. The Market-Product Grid also ensures that marketers consider multiple market opportunities.

EXERCISES

1. Define and comprehensively discuss the Market-Product Grid and its role as an instrument for segmenting markets and targeting appropriate segments. Preface your discussion by sharing insights regarding the value of target marketing in the healthcare industry.
2. Visit the Web site of an area healthcare institution and identify as many of its product offerings as possible. Based on your knowledge of your local region, identify potential markets for these products. With this information, construct a Market-Product Grid for the given healthcare entity, being sure to evaluate the resulting market-product combinations. Then, prepare a narrative describing the most appropriate targets based on your analysis. Are the targets you selected consistent with the perceived selections of the given healthcare entity? Explain your rationale.

REFERENCES

- Kerin, Roger A., Eric N. Berkowitz, Steven W. Hartley, and William Rudelius. 2003. *Marketing*. 7th ed. New York: McGraw-Hill.
- Kotler, Philip, and Gary Armstrong. 2004. *Principles of marketing*. 10th ed. Upper Saddle River, NJ: Prentice Hall.