The Two Cs of Marketing

In order to properly put together a marketing mix, the marketing department must consider two major external factors: the competition and the consumer. These are called the **two Cs of marketing**.

The Competitive Market

The **competitive market** consists of all the sellers of a specific product, and is expressed most often in terms of the total dollars spent annually on this product. Table 8.1 defines the size of that market in dollars. For example, the American soft drink industry is worth $68 billion, which means all the manufacturers, bottlers, importers, and distributors share that $68 billion among themselves. The percentage of the market that a company or brand has is called its **market share**.

Assume that in 2007, the soft drink market is worth $70 billion, and the leading soft drink brands and their market shares are as illustrated in Table 8.1.

The total market share for these top seven brands is 62.9 percent—almost two-thirds of the market. That leaves only 37.1 percent of the market for the other 200 brands available in the United States. However even one-tenth of a 1 percent share of this market is worth $68 million!

Although Coca-Cola Classic has the largest *market share* of the soft drink industry, Coca-Cola still has to share the *competitive market* with other soft drink companies, such as Pepsi.

Figure 8.6 The Two Cs of Marketing

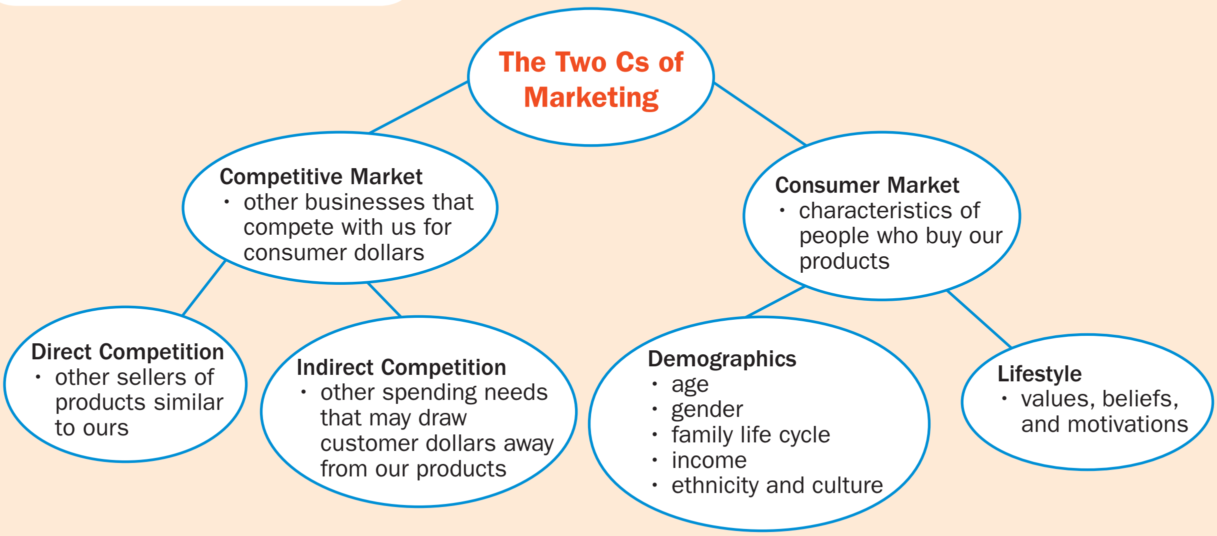

Table 8.1

Estimated U.S. Market Share for Major Soft Drink Brands*	
Brand	**% Market Share**
Coca-Cola Classic	16.5
Pepsi	12.3
Diet Coke	10.2
Mountain Dew	6.5
Diet Pepsi	5.9
Sprite	5.8
Dr. Pepper	5.7
Total	**62.9**

*2007

Coca-Cola has a major portion of the cola segment of the soft drink market. A **market segment** is a part of the overall market that has similar characteristics. The soft drink market would have flavoured segments, such as root beer (Barq's has the largest piece of that pie), a diet segment (Diet Coke is the leader here), and an energy drink segment (Red Bull owns this market segment).

A company can increase market share in two ways. The first is by increasing the size of the overall market. When energy drinks became popular, a whole new segment of the overall beverage market was created. New soft drink users were added

The energy drink Red Bull played a major role in expanding the beverage market.

to the market, and the size of the market increased, meaning many competitors could see an increase in sales.

The second way to increase market share is by taking sales away from competitors. If you look at the market shares of U.S. beverage brands next year (or next month, perhaps), you will see different market shares, as Sprite attracts more customers than Mountain Dew, or Diet Pepsi takes customers away from Diet Coke. Market shares are like pieces of a pie. If five people are sharing the pie and one person gets half, all the others get much smaller pieces. For the last 100 years or so, Coca-Cola has always had the biggest piece.

Competition among Products

The most obvious type of competition is competition among similar products. All products compete for the consumer's money in some way. If you have $25 and decide to spend it taking a friend to a movie, each theatre and each movie competes for your money. Once you spend $25 on the movie, that $25 is gone—you can't spend it on anything else. So it's not just movies and theatres that compete for your $25; CDs, pizzas, clothes, and any other products you might buy also compete for your money. This type of competition is called **indirect competition** because the products or services are not directly related to each other. Every business is in competition with every other business for your **discretionary income**. Discretionary income is the income you have that is not committed to paying for basic necessities, such as food, clothing, and shelter. **Disposable income**, on the other hand, is used to pay for basic necessities. It is the amount of income left after taxes have been paid.

Products in direct competition

Products that are very similar are in **direct competition**. The consumer chooses among them because of minor differences. There really is not a large difference between two brands of sunscreen—they both have the same sun protection factor, both are waterproof, and both are non-greasy. These products compete mainly on image. Other products compete directly in more obvious ways, through all of the quality, price, design, features, and benefits that compose the product (see the four Ps of marketing, earlier in this chapter).

The Consumer Market

Companies also compete by studying the **consumer market**, or the types of consumers who buy their products. These consumers can be identified in at least two ways: by demographics and by lifestyle.

Demographics

Demographics is the study of obvious characteristics that categorize human beings. Businesses use demographics to target specific consumers. Examples of demographic variables are age, gender, family life cycle, income level, and ethnicity and culture.

Age

Children want toys, teens want computer games, adults are interested in cars, and seniors may want more products related to health or retirement activities. Age defines our tastes, as well as our needs and wants. Some age groups are consumers, but not often customers. For example, an adult—most often a parent—usually directs his or her child's purchases. Businesses consider this adult a **gatekeeper**, or a person who makes buying decisions for others. Cereal makers compete by selling their products to the gatekeepers, advertising that their cereal is low in sugar or has added vitamins for good health. However, cereal makers also know that children have some influence over the decisions that their gatekeepers make, so these companies also target young people in their advertisements.

Gender

Many products, like jeans and athletic shoes, are worn by both genders. However, businesses that sell jeans and shoes still distinguish between their men's and women's product lines. The businesses market their men's athletic shoes to the male market and their women's athletic shoes to the female market.

In the area of shopping, gender roles have changed a great deal. At one time, women did the family grocery shopping and men purchased the family car. Today, the act of shopping has become a task for males and females alike, and purchase decisions are more likely to be shared. A number of successful businesses have recognized this change. Many products that were formerly targeted at females (detergents, disposable diapers, food products) or males (cars, power tools, sporting equipment) are now being advertised and sold successfully to both genders.

Family Life Cycle

Newly married couples need furniture. Parents with a new baby need a crib, carriage, and car seat. A couple with three teenagers wants to save for their children's college or university educations. Retired seniors want to travel. Your stage in the family life cycle often determines your wants and needs. Businesses are aware of this demographic. They compete for consumer dollars in

What products would this family buy...

...that this family wouldn't need?

different ways for various groups. For example, a cruise could be a honeymoon for a newly married couple, a break for a couple with a baby, a family holiday for a couple with teenagers, or a retirement escape for a senior. The advertising, destination, onboard activities, and meals will all depend on the type of customers the cruise is trying to attract.

Income Level

Consumers are often grouped by how much money they have or earn. This grouping affects what products or services a business tries to sell them. Products such as Kellogg's Corn Flakes are targeted at consumers in every income bracket, but a Mercedes automobile could be purchased only by wealthy customers. Businesses have many ways of determining the income of specific groups of consumers. One way is to look at the postal codes of affluent, or upper-income, neighbourhoods. If a consumer has an address in this postal code, it is likely that he or she has a high income. Similarly, a business can look at programs for ballets, book readings, and other special events in the community to find out who sponsors these events. If a business wants to target a particular high-income group, it might place an advertisement in a certain type of publication, such as a luxury travel magazine.

Businesses that make or sell luxury goods and services are interested in the wealthy customer, but most manufacturers and retailers make and sell products to consumers with average incomes. These businesses are mainly interested in competing for the discretionary income that almost all consumers possess. They sell their products and services to everyone.

Ethnicity and Culture

Canada has a diverse population with a wonderful mix of customs and traditions. Many cities have ethnic communities with stores and businesses that target the various wants and needs of a particular ethnic group. These businesses compete for a cultural market by importing goods from the consumer's country of origin or producing goods reflective of that country. The food-service sector has a multitude of restaurants that reflect different cultural tastes in food. Newspapers and magazines in Canada are available in more than 100 languages. Of course, many of the products and services that first attracted the business of a specific ethnic group now compete for the business of all Canadians. Italian restaurants, for example, certainly have many non-Italian customers.

Lifestyle

Lifestyle is less obvious than demographics but equally important to businesses competing for specific groups of consumers. **Lifestyle** is the way people live, which includes their values, beliefs, and motivations. The study of lifestyles is called **psychographics**.

A person's beliefs influence what he or she purchases. An environmentally conscious person would not buy an SUV, for example. A sedentary person would not be interested in running shoes or skis. These lifestyles cross all demographic boundaries. Unless companies consider lifestyle marketing, the potential consumers in these groups will miss their message.

Review Questions

5. What are the four Ps of marketing?
6. Provide an example for each of the following:
   a) slogan
   b) family life cycle
   c) premium
   d) specialty channel of distribution
   e) product/service mix
7. What are the two Cs of marketing?
8. Define and give an example of market share.
9. Explain two possible ways in which a businesses could increase its market share.