

Identifying Emerging Opportunities in Consumer Markets

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Background: To achieve and maintain market dominance, it is necessary to see the market from the consumers' perspective, to track how that market changes over time, and to understand how you and your competitors are competing for limited consumer interest. In this report, you will observe an interaction between competitors vying for share in a changing market landscape, and you will see how to detect emerging opportunities in a competitive environment. In a previous technical report¹, we discussed strategies for managing product portfolios and showed that targeting different consumer groups with different products was a critical feature of an effective strategy. In that report we described an approach to portfolio management in which the objective was to maximize the number of first choices your brands collectively receive. A consumer does not consider all the possible products in a category when making a first choice. A consumer purchasing breakfast cereal does not actively consider all available brands but chooses from a consideration set of alternatives. In a successful product portfolio, most consumers will find at least one product from the portfolio in their consideration set.

Landscape Segmentation Analysis²⁻⁶ (LSA) uses consumer reactions to products, usually liking, to provide a consumer view of the market in which market segments can be identified. Using this information, a strategy to maximize the number of consumers that would consider at least one of the products in a portfolio can be devised. In a relatively stable market, a single map may provide insights into the most effective product development and portfolio optimization approaches. We discussed this application in a previous report⁴, where competitors moved existing brands and introduced new brands into a static market landscape. However, in dynamic markets where consumer segments emerge and decline, information must be updated regularly if you want to remain informed about your market.

Scenario: You construct an LSA map using your 3 brands and the 6 main brands of your two chief competitors in a breakfast cereal category. You and your competitors regularly update your maps with current market information. The initial map is shown in Figure 1, where your products are in yellow. You also have access to detailed information about brand share and market share. The drivers of liking are found to be Darkness in the NW-SE direction and Sweetness, Low calories and Fiber content in the SW-NE direction. Product locations on the map can be modified by altering their profiles on those attributes.

Consideration Sets: A consideration set can be thought of as a set of products that occur within a certain distance of a consumer's ideal product. These are the products that the consumer considers when making a choice. Consumers willing to try a wide variety of products have large consideration regions around their ideal point, while those unwilling to do so have smaller consideration regions. The density of products in the vicinity of an ideal point also influences the number of products a consumer will consider. Consumers in ar-

reas of the map that are densely populated by products will generally consider more products in making purchasing decisions.

It is important to note that regions of the space that have fewer products and consumers may be areas of greater opportunity. Consumers that have many attractive alternatives in their consideration sets are prone to divide their purchases among multiple products, while consumer segments with few or no products that appeal to them may be less engaged by the current market offerings but may respond favorably to a brand developed specifically for them.

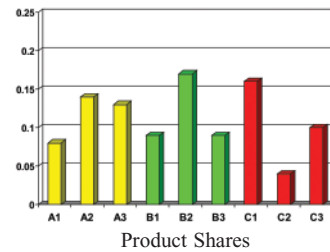
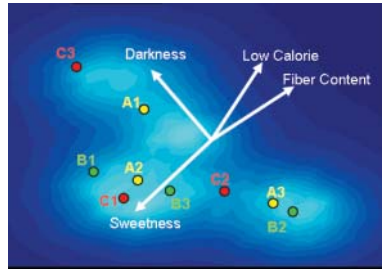
Market Players' Objectives: Competitors may move existing brands and introduce new brands into the market. The objective considered in this report is to maximize market share. Each consumer has equal potential to influence market share; their influence depends on the proximity of their ideal to the marketed products. This share is distributed among all the products in the consumer's consideration set. As more brands enter a consideration set, the amount of share to be gained does not increase, but instead the existing share is distributed among more brands.

Your First Move: Your brands are shown in yellow in Figure 1, while your competitors' brands are shown in green and red. You are satisfied with the positions of A2 and A3, but you notice that A1 is located between two consumer segments, suggesting the brand appeals somewhat to both groups but does not particularly please either group. You decide to redesign and reposition A1 to appeal to the consumers in one segment, sacrificing A1's appeal to the other segment. A1 now appeals to an identifiable segment of the population who consider A1 to be their brand of choice (Figure 2). This relocation is possible through an increase in darkness along with a slight decrease in calorie and fiber contents.

Your Competitors Respond: Competitor B (green products) decides to introduce a new product that appeals to the segment vacated by A1 (using the corresponding sensory and formulation profiles). Competitor C (red products) also notices the same opportunity created by your move of A1 and introduces a product in a similar location to Competitor B at the same time. The new map and market shares are shown in Figure 2. A1's share increases dramatically as a result of focusing on one consumer segment. Most consumers in this segment find A1 to be the only brand in their consideration set, and thus choose A1 exclusively. B4 and C4 divide the choices of consumers in their segment between them, as both brands occur in the consideration sets of most of the segment's population.

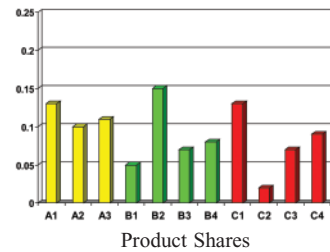
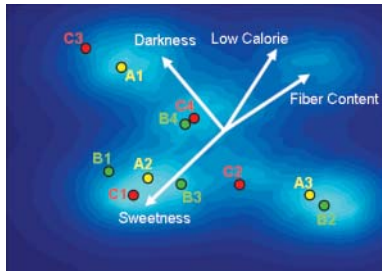
An Emerging Opportunity: As a result of the first set of moves, the segments present in the original map now have at least one product that appeals to consumers in each of them. However, you notice a small segment appearing in the northeast region of the map (more emphasis on low calorie and fiber content) that did not appear earlier. You introduce a brand to appeal to the new consumer segment. The final map and share calculations are shown in Figure 3.

Figure 1.



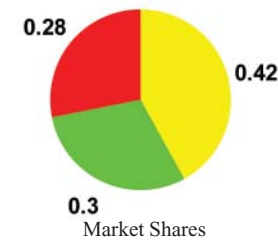
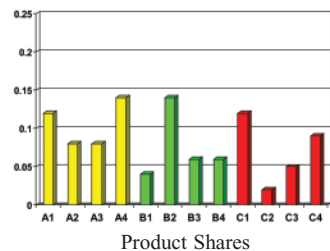
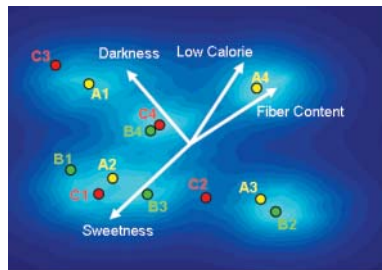
LSA map showing a contour plot of consumer densities and product positions. Lighter areas correspond to greater densities illustrating market segments. Individual brand market shares are shown in the bar plot and total company shares in the pie chart.

Figure 2.



The LSA map reveals an emerging segment interested in higher fiber content and lower calories. The share information reflects the repositioning of A1 and the introduction of B4 and C4.

Figure 3.



The effect of introducing A4 is to dramatically improve market share for the product portfolio composed of A1, A2, A3, and A4.

Conclusion: By establishing A4 as the dominant brand designed specifically for health-conscious consumers, you gained a significant market share advantage. By understanding the directions in the LSA space using external information and being attentive to market shifts, you were able to relate a changing landscape to a consumer trend. Designing products to dominate particular segments without brand cannibalization maximized the number of consumers that found one of your products in their consideration set.

Identifying emerging segments in a market can make the difference between being an early dominant player and being too late to develop a market presence. By designing the brands in your portfolio for different market segments, both newly emerging segments and existing ones, you maximize the number of consumers that include at least one of your brands in their consideration sets. The ideas discussed in this report can be utilized to identify segments where your products are not being considered in purchasing decisions and to locate and characterize emerging market segments. The approach discussed also provides insight into the characteristics of products that appeal to each consumer segment, contributing to the development of a product portfolio with maximum market dominance.

References (available at www.ifpress.com):

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LSA maps were generated using the IFPrograms™ software.