

Three Markets in The New Shoe Simulation

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In marketing management, a market is a group of final customers who respond in a homogeneous way to a marketing mix. If two customers are defined as being in different markets, then by definition they respond differently to different levels of advertising, promotion, price, etc. The optimal price and levels of promotion expense will be different in different markets.

When a group of customers with homogeneous response patterns and with sufficient purchasing power are identified, they are given identifying labels such as Home market or Foreign market. Sometimes these labels reflect the customer needs or benefits sought and sometimes they reflect the products they tend to buy or where they buy them. In short, the labels used to identify markets may be misleading as to the reasons why customers buy a product or service. For example, marketers find popular labels such as the “sports car” or “SUV” market carry very little explanatory power. It is well understood that marketers can design better strategies when they focus on the kinds of holes that customers want than on the kinds of drills the engineers have asked them to sell. The Wall Street Journal is full of examples of marketers using popular labels to describe complex business strategies to non-marketers.

The three labels used in the simulation to identify the three markets do not carry much explanatory power. However the dimensions that each of the three groups of customers suggest that each market has different needs and responds differently to different levels of marketing effort in the marketing mix.

The Home Market

This was the first market the firm entered. It is characterized as a group of customers who want a high performance shoe such as those used by sports professionals. Market research shows that product performance is the most important element in the customer’s satisfaction. Firms that fail to maintain a competitive level of product development are doomed in this market. The fact that the signature shoes are used by professionals and have a distinctive style gives the wearer a mark of prestige and reflects the wearer’s commitment to his or her sport. Design gimmicks such as embedding wood chips in the heels of basketball shoes do not work in the Home market. Advertising copy used in this market links the shoe’s performance to the superior performance of a super star(s). It presents an elite product with an “If you have to ask, you can’t afford it” type of appeal. Customers in the home market expect to pay for the performance and quality they demand. Customers in the Home market tend to shop for athletic shoes as specialty goods. Retailers who specialize in high performance equipment seek out your firm’s brand.

The Domestic Market

The success of the firm in providing high performance shoes for professional athletes also indicated a strong national demand for high quality shoes with a distinctive ‘professional’ style. The Domestic market has a stronger need for demonstrated value and

a lesser need for extreme performance than the Home market. The customers in the Domestic market are broader demographically than the Home market. The Domestic market wants a high quality shoe but they shop for bargains and are sensitive to special deals. Advertising copy used in this market focuses on the shoe's superior performance and highlights specific features such as better fit and more cushioning. Because there are many suppliers of marquee footwear that claim to have high quality, it is more difficult to get adequate distribution in the Domestic market than in the Home market.

The Foreign Market

Inexpensive running shoes and sandals are manufactured all over the world. For most people in foreign countries, buying an imported American running shoe would be seen as an extreme luxury or a waste of money. However, there is a need for athletic shoes with professional performance. There is also the need to be seen as wearing the type of shoes that only a successful professional would wear. These needs are felt by a significant number of affluent people in foreign markets and wearing an American made signature shoe provides special prestige to customers in what the firm is calling its Foreign market. Advertising coverage for the Foreign market is spotty and inconsistent. Research shows that customers in our Foreign market have a very strong correlation between price and performance. However, the problems in getting distribution to the Foreign market are considerable. The firm's sales people make many repeat-calls convincing retailers that expensive American-made athletic shoes offer high potential profits. Selling the shoe's extreme performance is a difficult sales presentation to traditional distributors who see shoes as a basic commodity.