6 Managing Your Markets

Key messages to whet your appetite

- Know your market well
- Believe what you see, not what you believe
- Manage your segment environment
- Fight the wounded and dying

Your markets

Who are your customers? Where are your customers? How about your competitors’ customers? In this chapter we first emphasize that an important part of marketing’s R&D job is to ensure that we know and understand both our own customers and our competitors’ customers.

Next we lay out eight market characteristics that determine whether a market is healthy for our company, or not. The first five characteristics follow Michael Porter’s famous five forces framework. Here we examine the proactive management of these forces at the market-segment level rather than viewing them as uncontrollable factors determined by a company’s industry environment. The additional three characteristics concern issues of right size, growth and profitability, and accessibility.

How well do you know your market?

To know your market, you should not just know your own customers; you should also know your competitors’ customers. For example, many companies measure customer satisfaction. But I ask companies something else too: “Do you measure your competitor’s customers’ satisfaction?”
Ninety percent of the companies I ask tell me they don’t. Well, I then say, in that case you think you know how well you perform on customer satisfaction, that most critical dimension of performance, the one dimension of performance that predicts future performance, but in fact you don’t.\(^1\)

—if you don’t know your competitors’ customers, you don’t know your own customers.

It is certainly not easy to know even your own customers. Cherished assumptions about your customers may be completely wrong. Campbell’s soup, in its early years, provides a nice example of wrong assumptions. The *Saturday Evening Post*, a magazine at that time for middle-class Americans, was trying to convince Campbell’s to put advertisements in the magazine. Campbell’s demurred, arguing that higher-class Americans were the customers for its fine soups, not the lower-brow readers of the *Saturday Evening Post*.

So Charles Parlin,\(^2\) ad salesman for the *Post*, went through the trouble of collecting garbage bags from a working-class neighborhood in Philadelphia and fishing out all the Campbell’s soup cans he could find. Then he returned to Campbell’s with the results. Now impressed, Campbell’s did some more research. It found that the upper classes did not buy canned soup. The upper classes had servants, and the convenience of canned soup had no value to them. Because Campbell’s did not know its customers, it did not know its competitors (the servants), and thus it did not know itself.

know the market. know yourself. test your assumptions.

The Campbell’s story was a long time ago. But the more things change, the more they stay the same. Consider the story of Friendster, the original social networking site before Facebook and MySpace. Hottest new Internet site and start-up in 2003, it was dead by 2005.

What happened? Here is one thing. Their director of engineering, Chris Lunt, wondered why traffic always spiked at 2 am. So he looked at the data about customers and discovered more than half of Friendster’s traffic came from Southeast Asia, courtesy, as it turned out, of one of the very earliest members of the website being from the Philippines, making half of its eyeballs worthless to its advertisers. That little discovery halved the value of Friendster.\(^3\)