

Appendix 6: Sample report

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Market Segmentation and Product Strategy for the Tiny Toyota Sewing Machine

A report prepared for Toyota Pty Ltd

16 January 2004

Prepared by Sarah Smith

**Sarah Smith
11 Jones St
TOOWOOMBA QLD 4350**

16 January 2004

The Managing Director
Toyota Pty Ltd
P.O. Box 3242
Brisbane QLD 4001

Dear Mrs Roberts

Please find attached the report you requested analysing the market segmentation and product strategy for the Tiny Toyota sewing machine.

The report begins with a description of the product, detailing the levels of the product, the product class, product attributes, branding, packaging and labelling, and product support services. A market segmentation is included, and major target markets established. The report concludes with a discussion of the product's current lifecycle as well as marketing mix adaptations to extend its current lifecycle stage.

Sewing machines are in the maturity stage of the product lifecycle. Thus, it is necessary to adapt the product, price, place and promotion to suit the needs of target markets and consequently attempt to increase sales. The report recommends that some changes to the product, pricing and/or packaging be made.

It has been my pleasure to prepare this report, and I am happy to answer any questions that may arise from it. I will call you later this week to reach a mutually suitable meeting time to further discuss this report.

Yours sincerely

Sarah Smith

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Executive Summary

This report evaluates the market position of the Tiny Toyota sewing machine in order to provide recommendations to Toyota Pty Ltd regarding appropriate marketing and product development strategies.

A detailed product description of the Tiny Toyota sewing machine is followed by an market segmentation analysis, where major target markets for this sewing machine are suggested. The current lifecycle stage of sewing machines is then evaluated, followed by a discussion of how to adapt the marketing mix elements as the product enters its next lifecycle stage. The report is limited to a discussion regarding the Tiny Toyota sewing machine. It is based on a available literature and personal communication with an authorised dealer of Tiny Toyota sewing machines in the local region.

A major finding was that sewing machines are in the maturity stage of the product lifecycle. To ensure continued sales during this stage, adaptations to the current product, price, place and promotion are provided.

It is recommended that the product be altered and improved to increase sales. In the short term, however, free add-ons such as bobbins and needles should be included with the product so that the consumer perceives more value. Discounts on the price, particularly at peak sales periods such as Christmas and Mother's Day, are also recommended.

1 Introduction

1.1 Background

Tiny Toyota sewing machines have experienced a market downturn in recent years. Tiny Toyota Pty Ltd is seeking to establish new markets for their product.

1.2 Purpose of Report

This report was prepared to evaluate the Tiny Toyota sewing machine's position in the market, and to select suitable new target markets for the product. The report also discusses the product lifecycle stage and provides suggestions on how to extend the current stage. It was commissioned by Mrs P. Roberts, the Managing Director of Tiny Toyota Pty Ltd.

1.3 Scope of Report

The report is limited to a discussion of the Tiny Toyota sewing machine. It is divided into three sections which cover the Product Description, Market Segmentation and Product Lifecycle Strategy. It is based on available literature and personal communication with a local authorised dealer.

2 Product Description

2.1 The Levels of the Product

An individual product consists of three levels which the product planner evaluates:

- The core product
- The actual product
- The augmented product

Kotler et al (1998, p.346).describe the core, actual and augmented products as follows. The core product is the core service or benefit that consumers obtain when they buy a product. The actual product is a series of up to five attributes which combine to deliver the core product. These include quality, features, styling, brand and packaging. The augmented product consists of the 'additional services and benefits' that support the core and actual products

The core product of the Tiny Toyota sewing machine is a small, simple device that can sew. Tiny Toyota sewing machines are differentiated from other sewing machines by a number of features. The Toyota brand name is a brand that consumers are familiar with, which has achieved a good positioning with consumers. The Tiny Toyota is packaged in a colourful box, with sufficient foam padding to satisfy the consumer's concerns that the product may have been damaged in transit. The packaging also incorporates the Toyota symbol, which many consumers will identify. The product has a modern, classy design, and is small and light weight. The quality of the product and its accessories is comparable with other brands. The Tiny Toyota comes with a one year warranty, unlimited free lessons and free servicing of the machine for one year.

2.2 Product Class

Products can be classified into four main classes of consumer products according to 'how consumers go about buying them' (Kotler et al. 1998, p.

350). The four types of consumer products are convenience, shopping, specialty and unsought (Kotler et al. 1998).

The Tiny Toyota Sewing Machine is a shopping product. A shopping product is a consumer good 'that the customer, in the process of selection and purchase, characteristically compares on such bases as suitability, quality, price and style' (Kotler et al. 1998, p.351). The Tiny Toyota is a shopping product, because in terms of customer buying behaviour, it represents a less frequent purchase for the consumer, with the purchase requiring considerable thought (Kotler et al. 1998). Further, it has a higher price than the other types of consumer products, and is narrowly distributed (Kotler et al. 1998). It is a non-uniform shopping product because consumers consider the product features to be more important than the price (Kotler et al. 1998).

2.3 Product Attributes – Quality, features and design

Quality, features and design are important product attributes which 'affect consumer reactions to a product' (Kotler et al. 1998, p. 354). Product quality is 'the ability of a product to perform its functions' (Kotler et al. 1998, p. 354). To achieve a good positioning with consumers, the quality of a product must be of a standard that will satisfy the target market. Toyota has achieved this by supplying to the market a product with a suitable quality level that also has high levels of quality consistency. If Toyota did not deliver a product with suitable quality and consistency, its positioning may deteriorate and sales in its other industries might decrease.

The Tiny Toyota is in the lower price range of sewing machines. Thus the target market it is seeking to capture does not demand a sewing machine that is top of the range in quality. The machine is, however, still of a relatively high standard, with good durability, reliability, precision, and ease of operation and repair. The Tiny Toyota has excellent levels of quality consistency with only one repair having been conducted on fifty-three sales at the local agent in Toowoomba (Huth, A.R. 2000, pers.comm 27 Sept). The quality-price relationship is shown below on a perceptual map which illustrates Toyota's approximate positioning compared with other sewing machine brands.

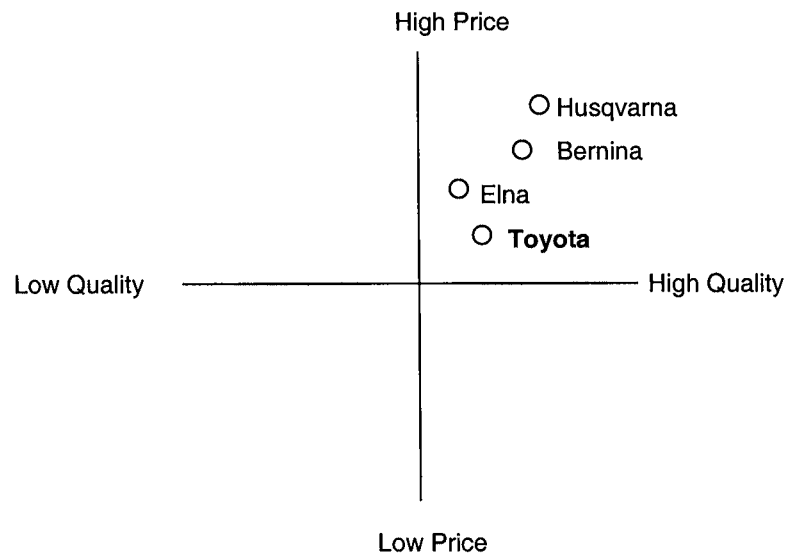


Figure 1: Perceptual Map of popular sewing machine brands

The Tiny Toyota has only basic features which is consistent with the target market it is trying to capture. This sewing machine does not have any fancy stitches, nor is it capable of embroidering. However, these features often confuse people, and so a characteristic of this machine is that it is easy to use. The reason the Tiny Toyota performs only basic functions is that the target market would not be willing to pay extra for the additional features they might value.

The product design of the Tiny Toyota is unique. It is around two-thirds the size of an average sewing machine. This achieves distinctiveness, and gives the product a competitive advantage in its target market.

2.4 Branding

Toyota is a brand name with a unique symbol that is used to identify and differentiate its products from those of its competitors. As mentioned above, Toyota is a reputable brand with a broad range of products. Branding has six main roles in the market. Three of the roles of branding are applicable to this product category.

- Branding identifies the product. For example, a prospective sewing machine customer may compare the Tiny Toyota sewing machine with an Elna sewing machine. Because many consumers would recognise the Toyota brand name and symbol, a Toyota machine would be more appealing.
- Branding also conveys a quality message. Toyota conveys a quality message because consumers associate the brand name Toyota with a quality product.
- Branding creates brand loyalty. For example, if consumers have previously owned a Toyota sewing machine and were satisfied with it, they will be inclined to purchase another Toyota sewing machine.

Because Toyota achieves three of the roles of branding discussed here, and is well established and easy to pronounce, recognise and remember, it is a good brand name.

2.5 Packaging and Labelling

Packaging is 'all the activities of designing and producing the container or wrapper for a product' (Miller & Layton 2000, p. 320). When developing the packaging for the Tiny Toyota, Toyota had to establish the packaging concept (Kotler et al 1983, p.304). The Tiny Toyota has three levels of packaging.

- Its primary package is a white case which holds the parts of the sewing machine. The primary package needed to be small and lightweight. Otherwise, two of the major features the machine would be negated by heavy, bulky primary packaging.
- Its secondary package is a colourful cardboard box and foam that is discarded after the product is purchased.
- Its shipping package is a large, brown, labelled cardboard box which can transport twelve machines (Huth, A.R. 2000, pers.comm 27 Sept).

Toyota meets the purposes of packaging. The packaging for this product protects it and attracts attention because of its colouring. It also provides

brand information, and it has a functional utility because it is small and therefore easily transportable.

A label is 'the part of a product that carries information about the product and the seller' (Miller & Layton 2000, p. 323). One type of label, the brand label, is shown clearly on each of the three forms of packaging. The descriptive label informs the consumer of the model number, as well as other information such as stitch settings. Threading directions are also listed on a flap on the front of the machine.

2.6 Product Support Services

Product support services are 'services that augment actual products' (Kotler et al 1998, p. 370). The Tiny Toyota is a tangible good with accompanying services. Through its dealerships, Toyota offers free sewing machine lessons to customers as well as free servicing of the machine for twelve months. This is part of the twelve month warranty on the sewing machine. These services add to the value of the product. They are a source of competitive advantage because consumers will be more inclined to purchase a sewing machine with a warranty.

3 Market Segmentation

3.1 Variables for Segmentation

Market segmentation is 'the process of dividing the total market for a good or service into several smaller groups' (Miller & Layton 1999, p.195). By segmenting the market, the marketing officer is better equipped to target market a segment which has similar demand factors. The segmentation is performed on four bases (see Figure 2.2):

- **Demographic Segmentation** – 'dividing the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race and nationality' (Kotler et al. 1998, p.303).

- **Psychographic Segmentation** – ‘dividing a market into different groups based on social class, lifestyle or personality characteristics’ (Kotler et al. 1998, p. 305).
- **Behavioural Segmentation** – ‘divides buyers into groups based on their knowledge, attitudes, uses or responses to a product’ (Kotler et al. 1998, p. 305).

Variables	Discussion
<i>Geographic Segmentation</i>	
Geography	Used to determine the location of sewing machine dealerships. Dealerships would be set up in densely populated regions.
<i>Demographic Segmentation</i>	
Gender	Sewing machine users are typically female. Christmas and Mother's Day are two events when marketing efforts might be targeted at males. It could be assumed that many males lack knowledge about sewing machines, so marketing efforts would focus on the product attributes and their benefit to the anticipated end user.
Age	Mature users may have more time for sewing than their younger counterparts. Generation Xers and teenagers may only have time for mending.
Lifecycle stage	Single people and couples would have less sewing demands than a family.
Income segmentation	Higher income consumers may prefer the status of a more expensive machine. Lower income consumers may only be able to afford inexpensive machines. Some higher income consumers may wish to purchase an inexpensive machine as a backup machine or a gift.
<i>Psychographic Segmentation</i>	
Socioeconomic Status	Consumers who consider themselves to be of high socioeconomic status may be more strongly influenced by expense and brand.
Lifestyle	Consumers with a busy lifestyle would have minimal time for sewing.
<i>Behavioural Segmentation</i>	
Benefit segmentation	Groups of consumers in the market demand different benefits in a sewing machine. The market could be divided up into groups who want machines capable of embroidering, groups who want an easy to use machine and so on.
User status	Provides groupings that the marketing officer can target and encourage consumers to become users.
Loyalty status	Groups are formed depending on their degree of loyalty. A company will be keen to attract consumers to their brand, whilst maintaining current customers.
Buyer readiness stage	Buyer readiness can be used to segment the market, and once segmented, can progress the markets through each of the buyer readiness stages.

Figure 2.2 Bases of Market Segmentation

3.2 Target Markets

The market segmentation above is used to select the major target markets for the Tiny Toyota. These target markets are:

- **Females** (although at Christmas and Mother's Day males would also be the target market).
- **Teenagers and Generation Xers** would be two market segments worth targeting, because of the likelihood of their inexperience with a sewing machine. These target markets were selected after considering the benefit segmentation which focuses on one feature – that it is simple to use.
- **Mature consumers** in the sixty to eighty age bracket would also be a market segment worth targeting because the Tiny Toyota is small and easily transportable. Again, benefit segmentation was used to decide on this target market.
- **Single or married consumers** without children. Larger families are likely to require a sewing machine capable of sewing complicated garments, whereas a family with no children would be more reliant on a sewing machine for mending jobs. Lifecycle stage was the variable used to select this target market.
- **Lower income consumers.** The Tiny Toyota is relatively inexpensive and would be within the price range sought by lower income consumers. Higher income consumers would also be a target market, because they might purchase a cheaper machine as a backup machine, or as a present. Different promotional strategies would be used to target high income consumers. In this case, the machine would

be portrayed as a backup machine, whereas for low income consumers, the value of the machine would be emphasised.

- Consumers with **relaxed lifestyles** would be a good target market because they would have more time to make use of a sewing machine. Day-time advertising could be used to reach this target market.
- **Potential users** would be another major target market especially if Toyota can obtain brand loyalty from these customers. Potential users are likely to purchase an inexpensive machine as their first, and then upgrade as the need arises.

4 Product Lifecycle Strategy

4.1 Current Product Lifecycle Stage

The product life cycle is 'the course of a product's sales and profits during its lifetime' (Kotler et al. 1998, p.400). Sewing machines have progressed through the growth stage and are currently in the maturity stage of the product life cycle. At the maturity stage, sales peak and profits begin to decline (Miller & Layton 2000). The market has already accepted sewing machines. The number of brands available indicates that the product is in the maturity stage. Additionally, most of the consumers who want a sewing machine have one. Davies (1998, p. 25) states that in the maturity stage '[m]ost consumer companies or households that are sales prospects will be owning or using the product'. Local sources indicate that many dealerships have closed down because of sales decreases (Huth, A.R. 2000, pers.comm 27 Sept).

4.2 Adaption of Marketing Mix Elements to extend Current Lifecycle Stage

The marketing mix elements of product, price, place and promotion can all be adapted to extend the maturity stage of sewing machines. Companies could take a number of steps to make the product more appealing, and consequently decrease the rate of sales decline. Companies could:

- Provide free add-ons to entice the consumer, for example bobbins, needles, carry case and extra feet.
- Modify the product to make the machine easier to use, or provide more elaborate stitches and other features.
- Extend the warranty period so that the consumer feels more confident about the purchase.
- Provide a ten day trial period to allow the consumer to test the machine in their own home.

In short, by ensuring the consumer will be more satisfied with the purchase of a sewing machine the company has enhanced its product. It is important that these benefits appeal to the target markets.

The price can be adapted by offering discounts and trade-ins to encourage consumers to purchase the machine. For instance, a guaranteed \$50 trade-in on the consumer's current machine might encourage them to dispense with their old machine and purchase a new one. Competitive pricing with other brands should also provide more resistance to the dwindling market.

Sewing machine companies might consider changing the placement of their dealerships as another means of extending the maturity stage. By making the product more accessible, sales are likely to increase. Distributing their product to target consumers in rural areas is another means of altering the placement to extend the maturity stage. It may be worthwhile exploring alternative channels in which to reach the target markets.

By increasing its promotion of the product, a sewing machine company can attempt to encourage consumers to alter their brand preferences, whilst maintaining brand loyalty with existing customers. Promotion might also encourage consumers through the buyer readiness stages, by making them aware, providing them with information, and encouraging purchases. This promotion might be advertising or sponsorship.

5 Conclusions

This report has analysed the Tiny Toyota sewing machine, its target markets, and product lifecycle stage. The purpose of this report has been fulfilled by selecting meaningful target markets and providing a clear discussion of how to ensure the maturity stage of the product lifecycle is extended.

The following points and findings were made in the report:

- The core product, a sewing device, is differentiated by the actual product and the augmented product.
- The Tiny Toyota is a shopping product with product attributes which are evaluated to consider suitable target markets.
- The Toyota brand name is valuable to this product, given Toyota's sound positioning in the market.

- Packaging, labelling and product support services add to the overall product.
- Geographical, demographic, psychographic and behavioural bases were used to segment the market
- From this segmentation, the following target markets were generated: Females, Teenagers, Generation Xers, Mature consumers, Single or married consumers with no children, low income consumers, consumers with a relaxed lifestyle and potential users.
- Sewing machines are currently in the maturity stage of the product lifecycle.
- To extend this stage, the marketing mix elements can be adapted as follows:
 - Product – Additional extras and product modification will make the product more appealing.
 - Price – Discounts and Trade-Ins will encourage consumers to purchase a new machine, or upgrade an old machine.
 - Placement – An exploration of different placement channels will make the product more accessible.
 - Promotion – An increase in promotion by advertising and sponsorship should also boost sales and encourage brand loyalty.

6 Recommendations

The following recommendations are made based on the conclusions of this report:

- That an advertising campaign be implemented for the target markets outlined above

- That bobbins, needles, a carry case and extra feet be provided to enhance the product
- That the warranty period is extended to two years
- That a ten day trial period is initiated
- That discounts be offered on the machine at Christmas and Mother's Day
- That a guaranteed trade-in be promised for the remainder of the year
- That the product is better distributed to rural areas

The adoption of these recommendations should significantly enhance Tiny Toyota's market position.

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Miller, K.E. & Layton, R.A. 2000, *Fundamentals of Marketing*, 4th edn, McGraw-Hill, Australia.

