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# Product Geo-Targeting

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An overview of differentiating regional analysis  
and geo-targeting

## A Strategic Geographic Approach

Segmentation and targeting are two key elements of marketing that should take place prior to any promotional effort. Given the expense of modern advertising and promotion, some percentage of the marketing budget should be devoted to these marketing planning exercises to help optimize marketing spend.

For instance, the law of diminishing returns is well known in marketing circles, but seldom applied. Unfortunately at many companies marketing budgets are often evenly distributed across geographies with disregard for local market conditions (such as growth saturation). A better approach would be to invest the time and effort to understand which local or regional markets have the greatest opportunities to grow market share or to expand category size and then to execute accordingly.

Targeting the right locale with the right message and via the right marketing channel is critical to success, but often a community is approached with the same national strategy regardless of local market conditions. Oasis Marketing Partners believes that given the degree of sales and marketing differentiation at the regional and local level (sales coverage by region/district, state legislation, local media buys, local PR, community events, etc.), many companies, especially those in industries with strong regional/local influence (like health care), would benefit from treating metropolitan area as individual customers. Each individual metropolitan statistical area (MSA) could be clustered into homogeneous groups targeted with the appropriate strategy (whether category build, market share growth, or abandonment).

We suggest that metro-level sales data and usage behavior should be the starting point for MSA segmentation while other factors, such as demographics (age, gender, income, education) could be added enrich the geo-centric strategies. Metropolitan market efforts should first be analyzed through the development of brand and consumer indices (discussed in next section). This data can be augmented with more detailed US census data such as BRFSS data from the CDC or additional geo-targeting data such as TAPESTRY from ESRI (which for example, can identify areas of "Military Proximity" that are prime cell phone markets or "Boomburbs" that are ideal for targeting Disney vacationers).

While geographic segmentation is somewhat common in the US, seldom are different marketing strategies used in different geographic areas. Perhaps the reluctance is justified by the additional cost of administration and marketing. However, given the growing ability to customize advertising with the emergence of more regional/local media opportunities, and the minimal costs to redeploy existing internal resources (i.e. sales support, samples, phone banks, direct mail, internal sales, etc.), the benefit may be greater than anticipated.

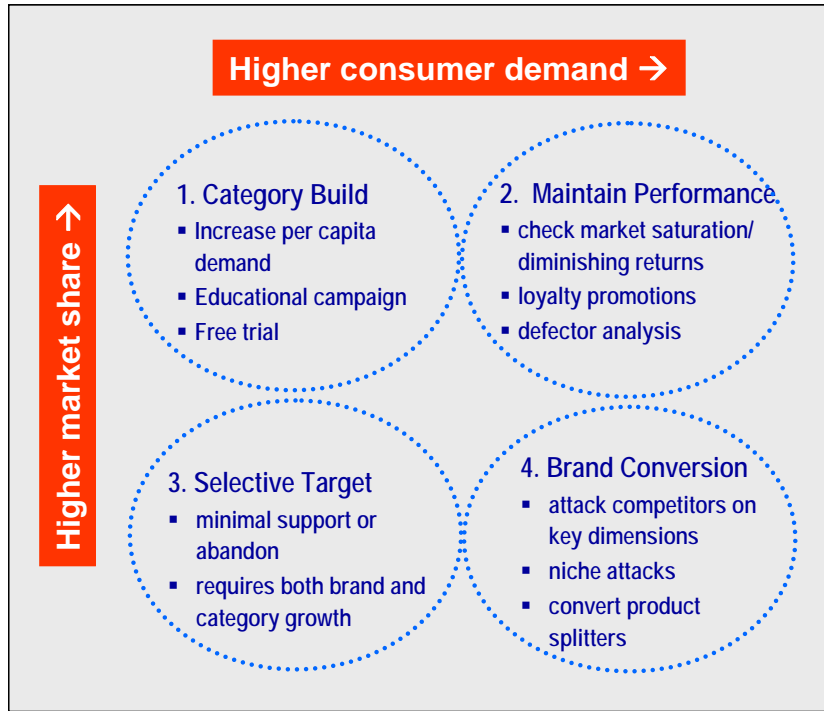
### Analysis

In developing a geo-targeting strategy, consideration should be given to a) how the brand is performing locally and b) how per capita usage compares up to national averages.

Brand analysis is typically done by comparing the performance of the brand against a particular target in relation to the category's performance against the same target elsewhere. When a firm has distribution in multiple areas of the country, it can create a **brand development index (BDI)**. The BDI is computed by dividing the per capita sales for the brand in a particular locale by the per capita sales for the brand in the country as a whole and then multiplying the result by 100. An alternative BDI calculation is to divide a local market share by the national average. A BDI that falls below 100 is considered to be low, whereas a BDI above 100 is viewed as high. A BDI of 130 for example indicates that brand share in this community is thirty percent greater than national market share.

A similar analysis can be done at the category level to produce *a category development index (CDI)*. The category analysis calculates the per capita sales of the category in a given region to the per capita sales of the category for the entire country. This computation allows the determination of high and low CDI areas. A low CDI area would have more potential for developing new category users, while a high CDI may be reaching a break-even investment point or a saturation threshold.

Figure 1: Geo-Centric Quadrants



The classification shown in Figure 1 is a useful basis for designing geo-centric strategies. Each of the approximately 320 MSAs would be plotted on the above grid to begin the analysis process.

1. **CATEGORY BUILD** - Low CDI and high BDI suggests an opportunity to build the category. Caution is necessary here to ensure that a) the market is not saturated and b) market share leadership or some other means is available of directing the demand created for the category to the brand. Often the low CDI may be attributable to consumers' failure to recognize the problem for which the category is a remedy, for example, in health care consumers are often unaware of their depression, and thus do not prompt their physicians to prescribe the ethical products available to treat these conditions. A point-of-entry strategy might be also possible if it's possible to determine when entry is likely, typically entry is due to some life stage event (i.e. expectant mothers).

2. **MAINTAIN PERFORMANCE** - For areas where both the category and the brand exhibit high indices, the first course of action is typically to maintain demand. Market saturation may have set in and heavy spending may not be warranted. However, it is possible that a brand with a high BDI can make inroads in a high CDI area if the brand's market share is relatively low. Loyalty programs and defection analysis provide other ways of controlling this segment. Lastly,

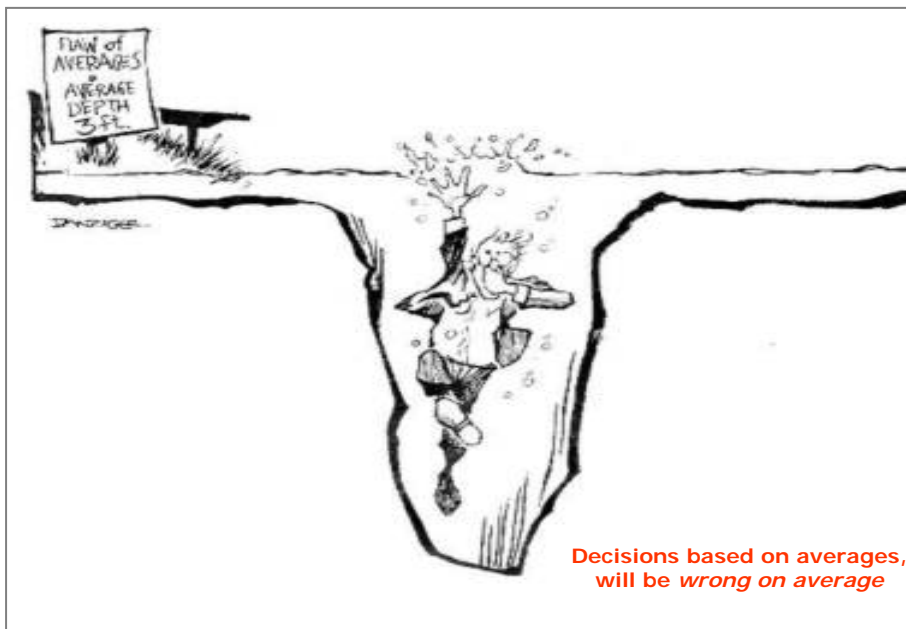
when both a category build and a brand conversion are planned, separate strategies are generally needed to avoid consumer confusion.

3. SELECTIVELY TARGET - When both CDI and BDI are low, it may be possible to build the category, though the judicious approach may be not to support the brand at all, and instead focus on areas with more potential. Metro areas in this category typically have some key fundamental issue, perhaps local competition, or unfavorable legislation.

4. BRAND CONVERSION - In location where there is high CDI but low BDI, there may be an opportunity to grow the brand. Here the market might be penetrated if a brand had a point of difference in relation to competitors on dimensions important to consumers or if enough resources are applied to can convert fence sitters. An alternative strategy is to dominate market or consumer niches.

## Summary

Oasis Marketing Partners has had success with implemented geo-centric marketing strategies with some of our clients. We recognize that no two client situations are the same and we work diligently to understand individual market nuances (which often require additional research and analysis). Many firms could benefit from treating the market not as one, but as a disparate collection of unique geographies. An initial market analysis can determine the level of variation in BDIs and CDIs across metro areas and help size the opportunity. In some markets, developing promotional sensitivities and disease prevalence estimates is also feasible and provides even greater insight. Thereafter a variety of additional data and analytical devices, such as thematic mapping and our internal **NavRx** and **MSA Selection** tools can provide even greater understanding.



## References:

Kellogg on Marketing: The Kellogg Marketing Faculty Northwestern University, by Dawn Iacobucci, Philip Kotler (Illustrator). © January 15, 2000, John Wiley & Sons.