

Segmentation and Positioning in the Brazilian Kids Market: A Case Study on the Bottom of the Pyramid

Segmentação e posicionamento no mercado infantil brasileiro: um estudo de caso na base da pirâmide

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Abstract

This article approaches the kids market, focusing on the Bottom of the Pyramid. A case study is developed within the toy industry. Because few studies have been developed on this subject (kids marketing), the option of this study is to focus on basic marketing strategies, market segmentation and positioning. Results exemplify how can a company structure its marketing strategy in order to have a clear focus on a given segment of the kids market.

Keyword: Kids Market; Case Study; Strategic Marketing.

Resumo

Este artigo aborda o mercado infantil, com enfoque na base da pirâmide. Um estudo de caso foi desenvolvido com empresa da indústria de brinquedos. Por causa dos poucos estudos desenvolvidos no âmbito do marketing voltado à criança, a opção deste estudo foi por focar nas estratégias básicas de marketing, segmentação de mercado e posicionamento. Os resultados exemplificam como uma empresa pode estruturar sua estratégia de marketing para ter um foco claro em determinado segmento do mercado infantil.

Palavras-chave: Mercado Infantil; Estudo de Caso; Marketing Estratégico.

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Introduction

The kids market or children market is composed by children aged 0 to 12 (McNeal, 1999; Montigneaux, 2003; Acuff & Reihner, 1997). In Brazil, this segment represents 25,5% of the population (44 Mi) (Ibge, 2006). McNeal (1992) offers an interesting approach for understanding the several roles that kids can play in the market: children can be primary spenders (primary market); can have persuasive power (influence market); and are a potential market in the future (future market). Clearly, the kids market has grown in importance (McNeal, 2007), but this hasn't been always the case. The growing importance of children is a modern and occidental phenomenon, which took place primarily in the XX century (Montigneaux, 2003; Schor, 2004). This vision sees children as sacred, priceless and irreplaceable (Schor, 2004). In the USA, children spend almost UU\$8 bi annually: US\$6 bi on toys, candies and clothing; US\$2 bi are savings (McNeal, 1992). The influence on household buying is estimated to have risen from US\$120 to US\$160 bi (McNeal, 1992; Vecchio, 2002).

The facts and figures presented are clear in showing that children market is relevant for marketing academics and professionals. Despite these considerations, Brazilian academics have failed to approach this topic in the last few decades. Obviously, companies have already understood the importance of this market and are developing more and more products focused on this segment (Bannon, 1998; Fernandes, 1997; Granato, 1998; Pires, 1995). It is fair to imagine that companies have already developed a series of marketing tools and strategies to access this public. This segment is composed by children that are experiencing a physical and emotional development process. That's why marketing academics and professionals should pay more attention when studying or working with this public. It should be interesting for them to carefully re-design and adapt the tools and strategies that are commonly used with adults.

Taking the previous idea into account, this paper is developed in order to gain a deeper understanding on the use of marketing by organizations. Segmentation and positioning can be considered the two most basic marketing strategies, and are necessary in order to put the marketing concept into practice (Dibb, 1999), because segmentation is the first step in implementing the marketing concept (Wind, 1978; Danneels, 1995; Hooley & Saunders, 1996), and because segmentation and positioning are inseparable (Hooley e Saunders, 1996; Toledo & Hemzo, 1991).

This study selects the toy industry as focus because: (a) It is based on the importance of toys for children, as an educational, entertaining and fun object; (b) the focus of the toy industry is primarily on children; and (c) the toy market has been growing steadily over the years, despite foreign threats (American multinational companies and Chinese products). Another focus of this study is the low income market. This specific segment of the market was chosen because there is also a lack of focus from marketing academics in this group (Barros, 2006; Rocha & Silva, 2008). Another reason is that for each children in the A or B classes, there are 10 children in classes D and C (Latin Panel, 2005), corroborating this decision.

Following the considerations above, the objective of this article is to identify the strategies of market segmentation and positioning developed by companies focused on the low income segment of the kids market. Therefore, some steps shall be conducted. First of all, the importance and the peculiarities of the kids market and the low-income market will be presented. Then, a thorough review of the concepts of segmentation and positioning will be conducted, followed by an analysis of these concepts under the light of the kids marketing literature. Subsequently, a field research will be developed, aiming on gaining a deeper understanding of the practical application of the concepts. Finally, several considerations regarding this study will be developed.

The kids market

Only during the 80's the kids market gained the importance necessary to be chosen as a viable segment for companies (McNeal, 1992). This happened due to a series of socio-cultural developments. Before the WW II, the children segment didn't have the characteristics necessary to be understood as an attractive segment – specific needs and desires, financial resources, and size (McNeal, 1992). The Baby Boom generated a significant growth in the number of children in the US – from 11 million to 15 million (McNeal, 1992), this phenomenon generated a segment of considerable size, therefore starting to become attractive. Following this transformation, children started to receive some income because parents felt that in this new post-war world, life should be lived in a span of time, and therefore, children should be allowed to have their own income to supply their specific needs (McNeal, 1992). Media development in the fifties (mainly television) overcame the difficulties for communicating with children (McNeal, 1992). At the beginning of the 60's, American children were already spending US\$2 bi dollars annually on their own (McNeal, 1992).

American society is culturally focused on searching for pleasure in consumption (Schor, 2004; McNeal, 1992) and Baby Boom children were educated in this manner, generating an effort to understand consumer socialization of children (Ward, 1974) and how to educate children in consumption issues (John, 1999). At this point, during the 70's, several companies started developing products specifically to children (McNeal, 1992). All the mentioned changes culminated with the acceptance of the children market as a reality in the 80's. According to McNeal (1992; 1999), there are some social developments that occurred during the 80's that explain the rising importance of the children market: fewer children per family; more earners per kid; older and wealthier parents; fractured families; single-parent households; more important grandparents; growth of the guilt factor; and parents more worried about their children's future.

The low income market

The low income market, or the basis of the pyramid - BOP, is composed by social classes C (48.9 million people), D (44.2 million) and E (54.3 million) (Pralhad, 2005). Despite their low income and low purchase capacity, when analyzed as a whole, this market is responsible for a considerable level of buying. Most companies battle for consumers that have an annual income of over US\$ 20.000,00 - 100 million people (Pralhad & Hammond, 2002). The other two segments of the pyramid, with annual income between US\$2.000,00 and US\$ 20.000,00 (2 billion people), and below US\$ 2.000,00 (4 billion people), have been disregarded by companies. This situation has changed over the past years (Pralhad, 2005).

There are three categorizations for the poor: Extreme - households cannot meet basic survival needs; Moderate - basic needs are barely met; people must often forgo education and healthcare. The smallest misfortune threatens survival; and Relative - household income level is below a given proportion of average national income; people lack access to quality healthcare, education and perquisites for upward mobility (Sachs, 2005 *apud* Boguslaw & Boyle, 2007). Castilho's' (2007) ethnographic study identified similar groups: the poor; the poor of the poor; and the elite of the poor. Disregarding the different denominations, the question is on how companies can profitably serve this segment. When selecting the BOP as a target segment companies can have an economic driver, an ethical driver, or both (D'Amato, Henderson & Florence, 2009). The economic driver relates to the understanding that the BOP can generate profits in accordance with the expectations of owners or investors. The ethical driver moves the company towards corporate social responsibility.

Market segmentation

It was only in the 50's that markets became fragmented and, therefore, the idea of segmentation gained the attention of academics (Brandt, 1966). Until then, economic and geographic constraints limited the market scope of a company. Smith (1956) inaugurated the field when he disaggregated the demand curve into several curves that accounted for different segments with different characteristics and specific needs. Brandt (1966) focused on similar reactions to promotional efforts – promotional elasticities. Andreasen (1966) changed the focus from economic to consumer issues. He stated that higher profits could be earned by aiming the consumers' characteristics and that it was necessary to differentiate marketing strategies. Claycamp and Massy (1968) brought the understanding that the segmentation process was one of aggregation, not disaggregation. This process should be done through segmentation research that, based on selected variables, should aggregate consumers into a homogeneous group. Just at the end of the decade, Barnett (1969) introduced the idea that smaller segments would have specific needs and desires, thus demanding companies to craft a specific offer to this group. These authors laid the foundations of the concept, starting a researching field that developed in the following decades. Research developments in the 70's identified that segments should have similar reactions to marketing efforts (Wind & Douglas, 1972) and market segmentation would allow companies to select segments and allocate resources more efficiently (Assael & Roscoe, 1976). These ideas gave the concept status to be incorporated in marketing strategy.

The segmentation concept is based on the premise that the market is not homogeneous (Beane & Ennis, 1987) and that segmentation research should allow the identification of smaller and homogeneous segments only to those variables used to segment the market (Tynan & Drayton, 1987). Depending on variables chosen to conduct segmentation research the outcome could be different, so the problem lies on selection of variables (Richers, 1991b), because if more and more

variables are used in this process, ultimately a single-consumer segment should be identified. Another crucial decision was the selection of segments as target markets; the moment a company realizes that it can be everything for everyone (Toledo & Hemzo, 1991). Lambim (2000) introduced the idea that there should be a division in the segmentation process: macro-segmentation (effort to identify the market where the firm wants to compete, for example, personal computers); micro-segmentation (effort to analyze the market for personal computer, identifying different segments within this more comprehensive market).

Market segmentation and the kids market

Market segmentation in the kids market has been almost solely treated as related to age. Clearly there is a gap in the kids market literature, because there is more to this field than only considerations about age. Possibly this tendency relates to the use of age as a proxy to the several development children experiment when growing up and becoming adults. Therefore, this topic will focus on the social, psychological and physical development of children as they grow up.

In his first writings, McNeal (1969) views the children market as being composed by children aged 5 to 13, afterwards he states that this market is constituted by children aged 4 to 12 (McNeal, 1992; 1999). Siegel et al (2001) calls the segment composed by children aged 8 to 12 as tweens (from in between). On the other hand, Montigneaux (2003) and Acuff and Reihner (1997) view this market as composed of three different groups: (a) children aged 0 to 2; (b) children aged 2 or 3 to 6 or 7; and (c) children aged 7 to 12. Lindstrom (2003) extends the last group to age 14. None of the mentioned authors mention Piaget and his theories, but surprisingly the age periods are very similar. It becomes clear that they are at least inspired by Piaget's definition of cognitive development, as seen on Piaget's (1959) four cognitive stages (see table 1).

Kail (2004) presents the ideas of Lev Vygotsky (1869-1934), who understood that the development of children during the period of time analyzed by

Piaget's theory are not only related to age, but also to the external influences that a child is exposed to, such as family (parents and siblings), friends, playground, school, church and kindergarten. John (1999) considers that family, culture, mass media and marketing and significant influences when looking to this phenomenon through the lens of the consumer socialization field. Socialization comes from the French socialization, which means "(...) the interactive process, necessary to the child and the social group where he was born, where the child satisfies his needs and assimilates the culture, and at the same time, reciprocally, helps society to develop and perpetuate itself" (López, 1995, p. 83). When considering the acquisition of abilities, knowledge and attitudes regarding consumption, the phenomenon should be named consumer socialization (Ward, 1974). This research field should be of interest of those preoccupied with the impacts of marketing stimuli on children – parents, the government and companies (Ward, 1974)



Table 1 - Piaget Cognitive stages - Characteristics and Analysis

Phase	Sensorimotor stage	Preoperational stage	Concrete operational	Formal operational stage
Age	0 to 2	2 to 7	7 to 12	12 to 18
Characteristics and analysis	<p>Characteristics: it is at this stage that the newborn tries to make sense of the world he has recently entered. According to Davidoff (2001), during the sensorimotor stage the newborns are only mimicking the behavior of others, they appear to have some adult-like behavior but this is not true. At this stage, children have an egocentric characteristic, in other words they do not understand the world outside themselves (Montigneaux, 2001).</p> <p>Analysis: Because of this, children are unable to distinguish brands and products or communicate a need. Therefore, their role for companies is only performed as an influence in family decision making.</p>	<p>Characteristics: during this period the most significant development relates to the capacity of speaking; also during this period, children start to understand symbols and are more and more interested in playing and pretending (for example: pretending to be a doctor, mother, policeman, teacher, among other professions)</p> <p>Analysis: In the preoperational stage, children are still incapable of assuming commitments, are still egocentric and can only perceive one dimension of an object at a time (Montigneaux, 2001). As Davidoff (2001) points out, during this stage children progress and become capable of manipulating concrete objects, but still have problems with abstractions. During this period an excess of visual stimuli can confound them. Researchers have used children's drawings as an efficient method for gathering information about this group (McNeal, 1992, 1999; McNeal & Ji, 1996, 2003; Veloso & Hildebrand, 2007).</p>	<p>Characteristics: during this time period, children are gaining a better understanding of mental operations, as well as starting to think logically about concrete events.</p> <p>Analysis: In the concrete operational stage, children are capable of using logic, based on reasoning, but still have difficulties in having a clear understanding of the logic of other (Davidoff, 2001). This is why several groups have firmly acted against advertising to children below this age (Oates et al, 2003; John. 1999).</p>	<p>Characteristics: at this time, adolescent start to gain the capacity to understand abstract concepts, such as logical thought, deductive reasoning and systematic planning.</p> <p>When entering the formal operational stage, children become capable of more complex reasoning about situations and concrete and hypothetical objects (Carmichael, 1975). At this point, they can understand metaphors, as presented by advertising, and construct theories (Davidoff, 2001). This child is ready to really understand a marketing appeal and all the issues related to it.</p>

Source: Piaget (1959) and inserted authors.

The influence of marketing has been studied in an effort to understand the capacity of children to really understand the difference between a television commercial and normal programming and the ability to cope with the real intentions of a television commercial (John, 1999). A child cannot understand the intentions of a commercial if he cannot identify the commercial inserted in television programming (Moses & Baldwin, 2005). Different methodological approaches used by studies focused on this question generated misleading results regarding the age when children can really identify a commercial and understand it (Brée, 1995; Martin, 1997): at age 4 or 5, or at age 6 or 7, at age 10 or 11. Besides that, most studies in this field focused on television commercials, but children are nowadays exposed to a series of other promotional efforts (Moore, 2004), such as product placement (Auty & Lewis, 2004).

Positioning

The coining and popularization of the term positioning - promotional efforts of the company to create a unique and distinct image of the company's brand or brands in the mind of the consumer - can be attributed to Trout and Ries (1969; 1972). Despite this, previous authors had already studied the concept under other approaches: Levy (1959) and the idea that people would buy products for what they meant, not for their functional characteristics; Alpert and Gatty (1969) and the idea that different segments perceive brand differently; and Reeves's (1961) Unique Selling Proposition concept.

Positioning involves the strategic aspect of deciding what the brand should mean for a segment (Achenbaun, 1974), and the will to differentiate the brand from its competitors (Houston & Haneski, 1976). As a result, the idea of relating positioning to segmentation and strategies for competition (Doyle & Saunders, 1985) became clear. From these first authors, some concepts related to positioning appear: segmentation, differentiation, brand image, competition and strategy. This

is the reason why Aaker & Shansby (1988) considered that the concept wasn't very clear.

DiMingo (1989) in an effort to clear this confusion, states that positioning should be understood in two complementary steps: market positioning (market analysis and selection of segments to attend) and psychological positioning (creation of a brand image in the mind of the consumer).

In the market positioning effort, the company establishes the desirable position under real competitive dimensions of its competitive environment, and in the psychological positioning effort, the company defines the strategies to communicate this position to the market (Toledo & Hemzo, 1991). At this point an important reflection arises, where does the marketing mix fit within this context? To some authors, such as Hassan and Craft (2005), Hartmann et al. (2006), Ansari et al. (1994), understand that the marketing mix should be part of the positioning strategy. This is so, because all marketing efforts (price, promotion, place and product) are involved in the construction of the brand/company image in the mental structure consumers carry. It can be said that promotion has the main role in creating this image (Hartmann et al, 2006), but this allegation can be contested according to the product category where the company introduced its offer.

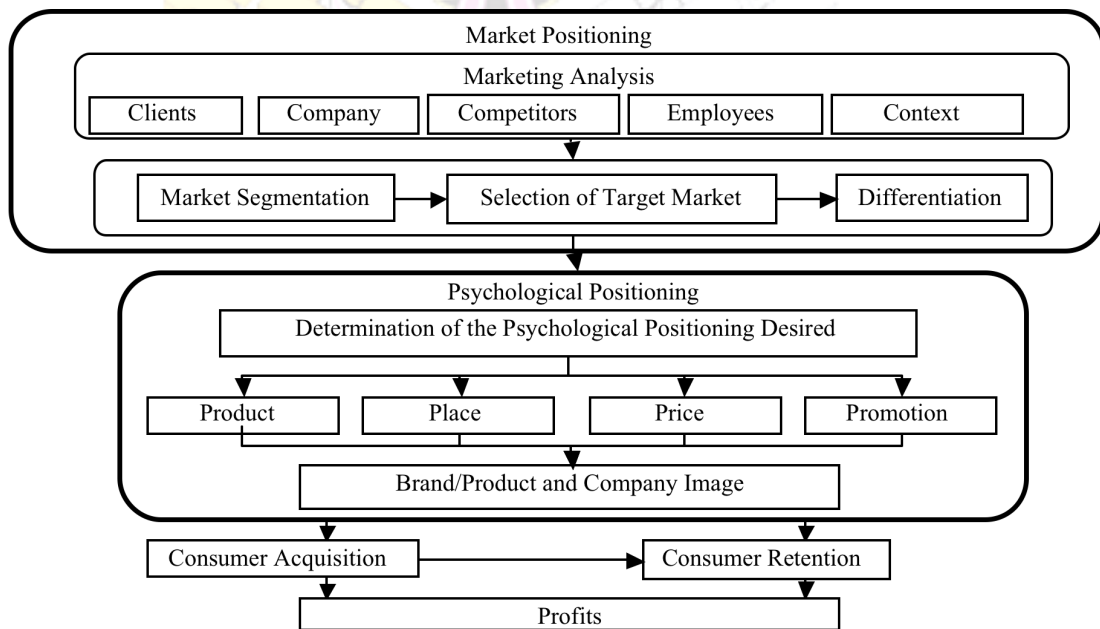
Toledo and Hemzo (1991) sum up the considerations presented before and introduce the idea of strategic positioning, which encompasses market positioning and psychological positioning. In the following paragraphs this concept will be presented, and afterwards a graphic representation of the concept will be introduced.

According to Toledo and Hemzo (1991), the first effort of the company, when introducing a brand, is to carry out a comprehensive analysis of the environment to understand where it is situated. This first stage is denominated market positioning. The segmentation process happens in this stage, selecting target markets under the strategic conditions of the market (Toledo & Hemzo,

1991). After segmenting the market, there is the need to differentiate the offer, and that's where the market positioning stage ends.

The next stage, named psychological positioning starts with the definition of the desired positioning (Toledo & Hemzo, 1991). Following this, the positioning chosen has to be communicated to consumers, not only through promotion, but through all the marketing mix. This guarantees that the brand/company image will be consistent in all points of contact with consumers. All the previous considerations are summed up in illustration 1, showing how the concepts of market segmentation and positioning relate to each other. This model will be used as the base of comparison between theory and practice regarding these concepts within the kids market.

Illustration 1 - The process of strategic positioning



Source: Adapted from Silk (2008), Toledo and Hemzo (1991), DiMingo (1989).

Positioning and the kids market

According to illustration 1, the process of positioning can be understood as the practical implementation of marketing efforts that translates into the creation of

the image of the brand/company. Therefore, this topic will cover the aspects related to product development, brands and characters, pricing, point of purchase and communication.

The development of products to children is mainly an activity that started in the late 80's (McNeal, 1992). Until then, only those common products focused on children were launched, such as candies, toys and clothing. At this point in time, companies started to introduce new products into categories that were only for adults, such as magazines, frozen food, personal care, among others (Erickson, 1988; Fischer, 1989; Freeman, 1989). According to McNeal (1992) it was only at this time that companies developed products (goods and services) for kids, leaving behind the strategy of adapting adult products to children, strategy that proved to be in many cases disastrous. Companies started to take into account parent approval, testing with children prior to launching the product, and communication strategies destined exclusively to kids (McNeal, 1992). The most successful products were developed taking into account the kids happiness, health and preparation to life, which were some of the parents preoccupations at that time (McNeal, 1999). These needs can be supplied by products and brands, but the influence of brands is not the same in the different stages of children development. Table 2 presents some age spans and the marketing implications of children development.

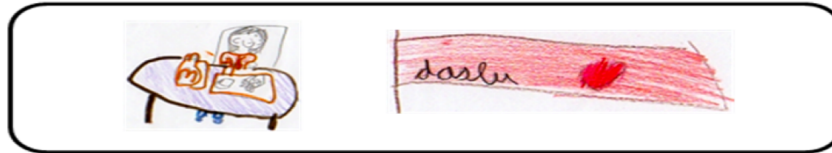
Table 2 - Children development and marketing implications regarding brands

Age Span	Marketing implications regarding brands
Until age 2	Still can't really relate to brands
From 2 to 5	Recognizes the brand logo, name and colors used
Around 6	Already have some knowledge about the product category related to the brand, but this brand knowledge is more related to indentifying the product category, not as a predilection of a certain brand
From 7 and on	Recognize the difference between brands and products. Therefore, they have the capacity of putting brands in some kind of hierarchy, synthesizing and creating categories
After 12	Children can cope with the symbolic characteristics of a brand (Achenreiner & John, 2003)

Source: Montigneuax (2003) and Achenreiner and John (2003)

The drawing presented in illustration 2 shows how this particular eight to nine years old girl has already discovered the pleasure in consumption, the capacity to remember logos and brands.

Illustration 2 – Satisfaction and affection in consumption



Source: Adapted from Veloso and Hildebrand; 2007, p. 12.

Regarding the use of characters, there are numerous examples about companies that try to promote their product using animated characters, such as The Jetsons and fast food (Fitzgerald & Liesse, 1990) and Looney Toones and frozen food (Garfield, 1990). To Montigneuax (2003) imaginary characters are part of children's universe as they appear in stories told by family, comic books, cartoons, movies or products in general. The consumption of products endorsed by a character is used by children as a way to insert themselves and to be accepted in social groups, mainly in school (Montigneuax, 2003).

At a certain point, children are allowed by their caretakers to have access to money and permission to buy products, increasing the number of shopping experiences and generating the development of consumer skills. Thus, children start to understand the relationship between price, products, consumption and satisfaction/pleasure. Before this point, children will only influence the purchasing, being the responsibility of an older individual to buy things for them (McNeal, 1999). Around 8, children are only starting to understand the role of price in consumption (Veloso & Hildebrand, 2007), demanding companies to design different approaches to pricing, depending on their target market.

When the child starts to buy on his own, contacts with suppliers will start to happen more constantly and the child's participation will be more significant. These

retailers are responsible, in conjunction with parents, to supply children with products that generate some kind of satisfaction (McNeal, 1992). They should be prepared to receive the child in the store, by crafting an adequate environment, as well as training employees (Veloso & Hildebrand, 2005), but this is not always the case. Well prepared retailers will soon be on the child's list of preferred places to shop, and maybe this preference will hold until the child reaches adulthood (McNeal, 1999).

Regarding communication efforts, Accuff and Reiher (1997) suggest that companies may reach the child, in places such as at home, in stores, at the community, in schools and in cars. They consider that the main strategies available for companies comprise television commercials, packing, sales promotions, newspaper, magazines, radio, computers and Internet. The access of children to media is rising over the years (Roberts et al, 1999; Rideout, 2007), thus creating several opportunities to companies who want to communicate to children. This influence of marketing communications and the level of access that companies have to children are somehow of very high concern among educators, parents and the government (John, 1999; Oates et al, 2003). As previously noted in this article, there are limitations to what a company can or should do, because of the lack of capacity to understand persuasive intent those children have.

Field research

The literature review presented before shows the main characteristics of the kids market, the low income market, and presented some ideas relating market segmentation, positioning and the kids market. Having done so, the next step in this research is to conduct a field research to search for answers to the proposed objective of this study. Among different strategies of research that are available for a researcher, the qualitative method seems more adequate because there is no reason to use statistical techniques, related to a quantitative research, in order to

understand the strategies performed by companies focused on the kids market. These considerations are in line with Patton (2002) and Babbie (2000), which states that when designing the research and choosing among methodological approaches one must analyze the strengths and weakness of different options in light of the research problem - compare the literature on segmentation and positioning and the strategies developed by companies focused on the kids market. This option is reinforced by other researchers that understand that the qualitative method is very well suited for research in the business administration area (Campomar, 1991, Marshall & Rossman, 1995; Eisenhardt, 1989; Bromley, 1986).

The qualitative method, as Campomar (1991) states, is characterized by not having statistical measures and the objective is to conduct a more profound analysis of the phenomenon in focus. This kind of research has the ability to generate, in a flexible manner, the data necessary to answer the research problem (Mason, 1996). Qualitative research seeks to understand a phenomenon by means of interpretative techniques, which aim to describe, decode, or translate this phenomenon (Maanen, 1989), seeking a deeper understanding of it (Campomar, 1991, Martin, 2005). It is worth noting that this deepening may come from words, actions or personal documents (Maykut & Morehouse, 1996). This deepening can be achieved by a series of alternatives: case study, ethnography, phenomenology, hermeneutics, and others (Glesne, 1999).

Among these alternatives, the case study method was chosen, because it is suitable for situation where the researcher is confronted with a contemporary situation (Yin, 2001; Perry, 1998), and seeks the understanding of the unique characteristics of a given situation (Eisenhardt, 1989). Perry (1998) proposes that the case study method should be understood as a realistic method that attempts to understand the phenomena, approaching them with a more descriptive connotation. This is clearly the case for the situation presented here.

One of the critical aspects of a case study lies on the selection of cases to be studied (Patton, 2002; Yin, 2001, Marshall & Rossman, 1995). As stated before, the focus of this research is the kids market within the BOP. Therefore, the toy industry was chosen for being one of the industry's most focused on the kids market. Having decided for the toy industry as the focus of the research, the next step was to negotiate access to companies in this industry. The database of the Brazilian national toy manufacturers association (ABRINQ) was chosen as a possible source of contacts. Of all associates, only 80 are located in Sao Paulo, and thus represented a geographical scope that could be accessible to the researcher. A research assistant was hired to contact all this companies and negotiate the permission to conduct the study. Only 53 of these companies had valid contact information on the ABRINQ database of affiliates. First of all, a phone contact was established to identify the person responsible in the company to give access to data, in most cases the director/owner of the company or the marketing director. Following this contact, an email presenting the objectives of the research was sent to all organizations. At the end of this process the Brinquedos Pica Pau was chosen as the most adequate case for the focus of this work. Among the different data collection techniques available in a case study research, the in-depth interview and document analysis were used. Data from Brinquedos Pica Pau was collected by interviewing the sales manager of the company, who has been working for four years in this company, and twenty five in the industry.

Case Study - Pica Pau Brinquedos

The company was founded in 1962, working since then in the toy market. Pica Pau Brinquedos stands as one of the pioneers of the toy business in Brazil, having been one of the few that survived the Chinese invasion of toy products. According to the interviewee, this condition is due to the company's strategy to work with popular products. Productivity gains are considered a key strategic aspect

when considering the level of competitiveness of the company, especially in the low-income market. The logo presented in illustration 3 represents the 45th anniversary of the company. The seal on the right, states that the product is proudly made in Brazil.

Illustration 3- Logo and seal



Source: Data collected

This information gives a grasp on the nationalist mentality of the company. When considered in conjunction with the Chinese invasion of cheap products, it becomes clear the position that the company has been trying to create: Brazilian company that has a long tradition on producing toys.

The interviewee states clearly that the focus of the company is the low-income market, and therefore the first segmentation strategy used by the company is related to income. This segment, searches for toys that are priced around 15 reais, or around 9 dollars. After this first effort in choosing the company's market segment, no other structured efforts in this sense were made. The sales manager affirms that the company is entering a whole new market for them, the market for children under two years old, as the illustration 4 shows. This strategic move was not planned through market research of any kind, depending only on the feeling of the sales director and the company owner. The only outside advice on this comes from pedagogues and psychologists.

Illustration 4- Toys for children under two years old



Source: Data collected

Sales figures indicate that the products of the company sell somewhere between 50.000 products to 500.000 products for huge market successes. The option to sell cheap products for the low-income market can explain in a certain manner why the company doesn't invest any financial resources in market research. The sales manager says that it is cheaper to launch a product and then identify its acceptance, than developing a market research effort. This strategy can hold for the kind of market and products that the company is involved with. For other markets, where it is necessary to invest larger sums to launch a product, it should be advisable to conduct efforts related to market research.

According to the interviewee, Pica Pau has 185 products in its portfolio; of those only 35 or 40 have direct competitors. Weinstein (1995) proposes that companies that work in monopolist markets do not have to dedicate so many efforts in segmentation and market research, because there aren't options to the consumers. It's not clear if this is the case, because even if there isn't a direct competitor, the consumer has innumerable options of toys in other categories. A study in consumer decision making regarding toys would be necessary to understand how the decision is made for popular products.

The segmentation variable gender is not seen as very significant to the company, as they produce almost the same number of toys for each sex. Of course there are differences in the kind of toys that each gender wants, but besides that, the only consideration of the sales manager relates to the lack of some toys for girls, mainly accessories for dolls.

Regarding age, the interviewee explains that they include in each package an indication of the correct segment for that toy in particular, or the segment that should not have access to that product. These suggestions of age are subject of analysis by The National Institute of Metrology, Standardization and Industrial Quality (Inmetro), alongside with certification of products.

Regarding the market positioning (strategic stage of the positioning process), the company relies only on the experience of their managers, with no structured market analysis whatsoever. Of note, in recent developments in the company's market, is the invasion of Chinese products, characterized as having low quality and price. Several Brazilian companies went bankrupt due to this market development. Pica Pau remained in the market because consumers, after some disappointments with Chinese products quality, started to understand that it was not worth buying those extreme cheap products.

The quality of the market analysis of the company can be questioned when they understand that only 35 to 40 products have direct competitors. They do not realize that consumers, when entering a store to buy a toy, maybe searching into different categories, are therefore expanding the competition of those products that seem to be alone in the market. Nevertheless, the organization is clear in its focus on a market that they perceive themselves as experts, meaning that they do not intent to attack other segments beyond the low-income market. The sales manager imagines that it is not possible to compete with major players of the market (Mattel), because they have infrastructure to compete more aggressively in the other end of the market – higher priced items.

The surprise comes when the interviewee elaborates on the strategic decisions of the company distribution and product development. They are trying to enter a new channel of distribution, a Brazilian toy retailer focused on the high-end of the market named Rihappy. This retailer was one of the most cited brands in Veloso and Hidlebrand (2007) article that collected drawings with children from an upper class school. The sales manager recognizes that their actual product portfolio is not adequate for this retailer, so they are developing products with a higher added value, with a clear objective of introducing their products in shopping centers normally not frequented by the low-income market. This situation shows that the

lack of structured market analysis and planning causes the organization to lose its focus on the low-income market.

Another example of this situation is the development of product to newborns and aimed to Brazilian retailer Alô Bebê. This retailer is focused on the children market, offering all kinds of products for newborns and the mother, such as food, clothing, furniture, strollers, baby car seats, activity gear and, of course, baby toys. This chain is focused on the upper and upper middle class, and has on its portfolio mostly imported products, and therefore no interest in introducing products from Pica Pau, informs the interviewee. These two strategic moves are clearly out of the focus of the company, the low-income market. Nevertheless, these moves can be understood as the transference of the company's competitive advantage – low production costs – to other markets. Finally, regarding product development, the sales manager informs that the ideas for new products come from the travelling the owner of the company does to Europe and United States. After these trips, they get together and discuss new ideas. One interesting strategy, that the company doesn't rely on because it would increase wholesale prices in 8 to 12%, is licensing of characters from comic books, movies, television shows, among others. The interviewee analyses this situation and considers that licensing companies have no interest in companies like Pica Pau, because they work with little margins, and would not generate revenues on royalties to the licensing organization. To overcome this limitation, the company develops products, presented on illustration 5, inspired in very well known characters, such as Power Rangers, Rambo, Zorro and Darth Vader. This strategy is in line with Montigneaux's (2003) thoughts, when he considers the importance of fantasy in the life of children, even if the fantasy is based on an imitation.

Illustration 5 - Pica Pau Products



Source: Data collected

When observing Illustration 5 it is possible to identify the company's strategy for packaging (clear view of the product). Pica Pau does such packaging, because they believe that the child comes to a toy store in search of a toy, not a Pica Pau toy, so they have to make their product very visible to appeal to children.

Regarding price, it's interesting to see that the company uses a methodology of pricing suggested by Nagle and Holden (2005), deciding first the target price the toy should be sold, and then working with production to develop the product. The only problem here is that the company doesn't investigate the consumer's perception of the value of the product; this consideration is based only on what the managers of the company think would be an optimal price.

When considering distribution, the company relies mainly on retailers that are popular within the low-income market. Issan and Armarinho Fernandes are two examples and represent leading companies in the retail for the low-income market. As noted before, the company is now trying to work with retailers from the other side of the market – Rihappy and Alô Bebê. Supermarkets are seen as not desirable because they don't have a focus on toys and are now "owned" by massive producers, such as Mattel, or in other words, supermarkets sell space on the shelves to the highest bidder, in this case Mattel and other producers that offer higher margin products.

Another difference regarding players such as Mattel, appears when considering promotion. A consumer may look for toys that are produced by a well known brand such as Mattel, but the interviewee realizes that consumers will not search for a Pica Pau product. Consumers will only buy Pica Pau products if they are seduced by the product itself. This is why the company introduces products such as those shown in illustration 5. It is clear that the focus of the company is the point of purchase; therefore the company also uses promoters in wholesale stores, to guarantee the correct placement of products on shelves. Nowadays, the company has 22 promoters at Rihappy stores, 10 at Armarinhos Fernandes and 48 in other retailers.

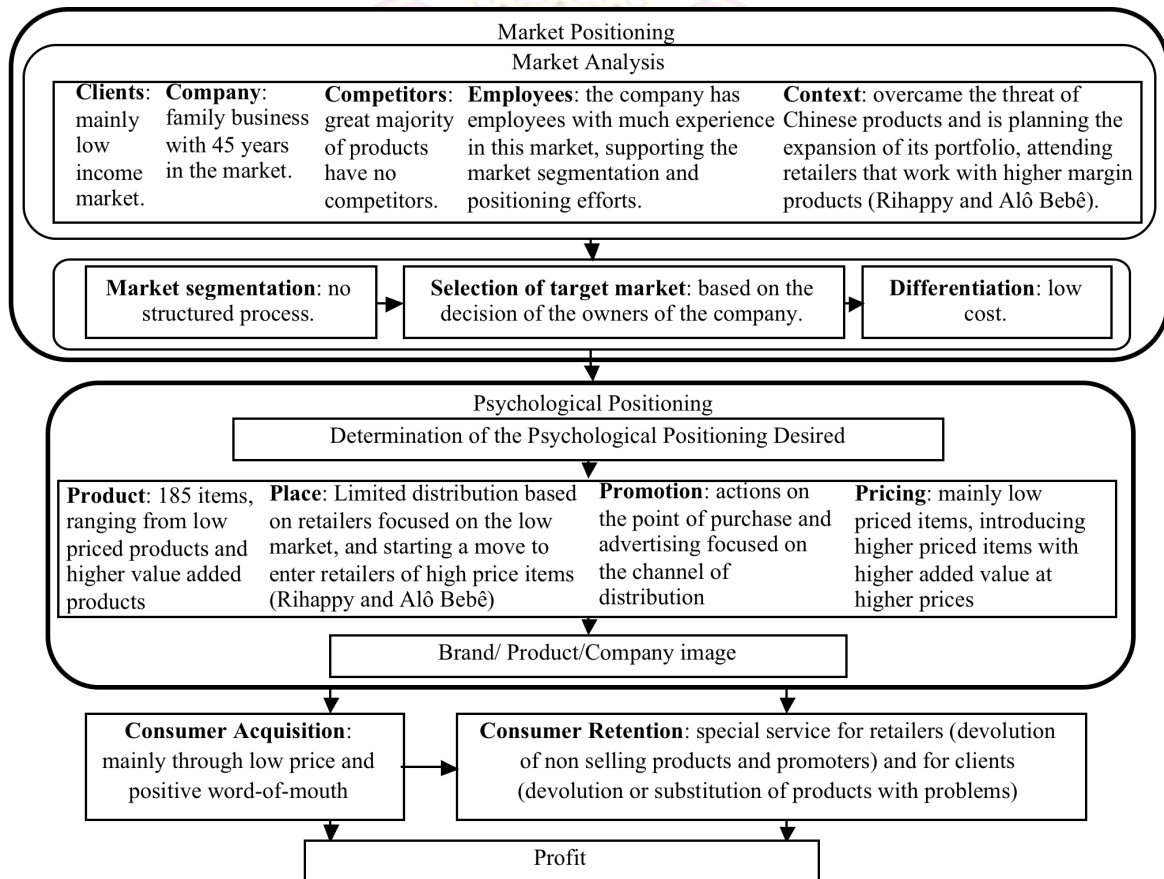
Communication efforts are based on word-of-mouth from consumers and price. The company considers that their products are of fair quality and when bought by a consumer at a low price generate a positive word-of-mouth. The only investment Pica Pau does regarding promotion is directed to the toy-sector magazines, such as Brinquedo e Brincar Magazine, which is focused on wholesalers. Every once in a while the company publishes an add in these magazines. The sales manager perceives that some products could rise from sales figures around 50.000 to 120.000 if were supported by advertising and sales promotion on the point of purchase, despite this, he considers that the focus on the wholesaler is well suited for the company.

Direct contacts with consumers only happens through the company's website and email. When a consumer complains about product quality, the product is replaced, no questions asked. This happens because the company thinks that word-of-mouth is so important, that they could not let an unsatisfied consumer doing negative word-of-mouth. On the next section of this article, the considerations presented here will be summarized in Illustration 6 and discussed.

Discussion and implications

The objective of this research effort was to identify the strategies of market segmentation and positioning developed by companies focused on the low-income segment of the kids market. In order to accomplish this objective a case study was conducted with Brinquedos Pica Pau. Data was collected through in-depth interviews. The material collected was recorded and transcribed, in order to allow an easier interpretation of results. Illustration 6 summarizes the most important facts.

Illustration 6 - Pica Pau Products



Source: Data collected

Results indicate that, despite of having an established position in the market for 45 years, there are still some inefficiencies and problems in the company's administration. There is no structured planning and all decisions are centered in the owner's considerations and advisement of the sales manager interviewed. They have been successful in the market for many years, serving the BOP. Nevertheless, some problems were identified and can be explained by this kind of management. First of all, there's no strategic planning to direct the company's marketing planning. This has driven the company to move towards an expansion, focusing on unknown markets to them. This move, towards market's that demand higher levels of quality and are willing to pay more for products is still in its first steps, but problems are already occurring. Retailer Alô Bebê has not accepted to incorporate Pica Pau toys to their portfolio. They resist Pica Pau products because they won't generate a high margin, as the imported products they sell bring. This confusion in the target segments the company wants to serve is originated in the lack of research considering market segmentation. Even the interviewee does not clearly understand this situation This is perceivably when he states clearly that the focus of the company is the BOP, and afterwards starts to explain how they are expanding to other markets. This situation is a clear example of Campomar and Ikeda's (2006) considerations about how decisions are made based on practice, intuition and tradition. This aside, the organization has a well structured strategy for the BOP. First of all, the initiative of selecting a target price before starting to develop the product is very important for those working with the BOP. After all, this kind of public has serious financial restrictions, and if the company doesn't produce products that are in line with this restriction surely there will be problems when introducing new products. If the selection of the target price was made with input from consumers, the results would certainly be better.

This lack of research, for market segmentation or customer behavior is explained by restrictions on the marketing budget, caused by the small margins

practiced. Because of this, the only investments in promotion are directed to the distribution channel and to the point of purchase, because the organization believes that the decision, in the BOP, is done at the store, with a focus on price, disregarding the brand as the main attribute in consumer decision.

When considering positioning, it becomes clear that the company doesn't use all the tools available even when it means selling more than they could if product had promotional support. International players in the toy industry, such as Mattel and Hasbro, are entering the market with high investments, but this move won't affect Pica Pau because they still have a primary focus on the BOP. If those international players decide to focus on the BOP, then surely the company will have problems competing. But, for now, this seems not to be the case.

Future work is needed to better understand how companies operate in the BOP, as well as a deeper knowledge on how consumers behave in this market, particularly the kids market. We urge researchers and professionals to focus on these themes because there is much to be known about this topic. Companies that work with the kids market have to develop a profound knowledge in order not to influence negatively this public that still doesn't have the capacity to make crucial decisions on their own and are incapable of really understanding the dynamics of the mark within the capitalistic society. Marketing academics should lead this effort, showing how best practices in children marketing could be developed.

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