

3: Target Market

In this chapter, we define the users and the market segments and sizes for the proposed QR Code product.

3.1 Publisher and User Definitions

The proposed QR Code product can be published by businesses, government agencies, non-profit organizations or even individuals. We call this group QR Publishers. On the other hand, the published QR Codes on newspapers, magazines, labels, packages, etc. will ultimately be scanned by mobile phone owners who are curious to learn more about the product. We call this group QR End-Users. It is very important to make the distinction between these two groups as we proceed with our marketing analysis, segmentation, sales plan, product definition and business model development.

3.2 Target Geographic Region

We aim to export successful QR business models that have been developed in Western nations to the Middle East region with a focus on Saudi Arabia. This will necessitate an approach to marketing, sales strategy and branding that is suitable for publishers in this region. As well, the designs and QR Code presentation may need to be altered to attract end-users in this region. In other words, our strongest competitive advantage and selling point is the approach we utilize in packaging and selling QR Codes. This approach is based on our team's expertise, competence in Arabic and knowledge of the domestic cultures and marketing channels. In addition, we will have a competitive advantage as a first mover and will seek to build on that advantage in a sustainable manner.

3.3 Obstacles to Adoption in the Target Market

In Chapter 2, we described over ten different market areas that can benefit from application of the QR Code. All such applications have the potential to be a business opportunity in a market where the use of QR codes is established. We believe that lucrative business opportunities can be created in Saudi Arabia. However, there are several factors that may impede the adoption of QR Code technology in our target market. The impediments to adoption are discussed in the following sections.

3.3.1 Technology Laggards

The publishers in Saudi Arabia, as will be detailed in later sections, are mainly business owners. Those publishers are still considered technology laggards as businesses in Saudi Arabia do not rely extensively on websites or Twitter and Facebook accounts for marketing. Therefore, we believe this late adoption attitude will be the strongest obstacle. As shown in the technology adoption life cycle presented in Figure 8, technology laggards are typically the last to adopt new technology.

Figure 8: Technology Adoption Life Cycle.

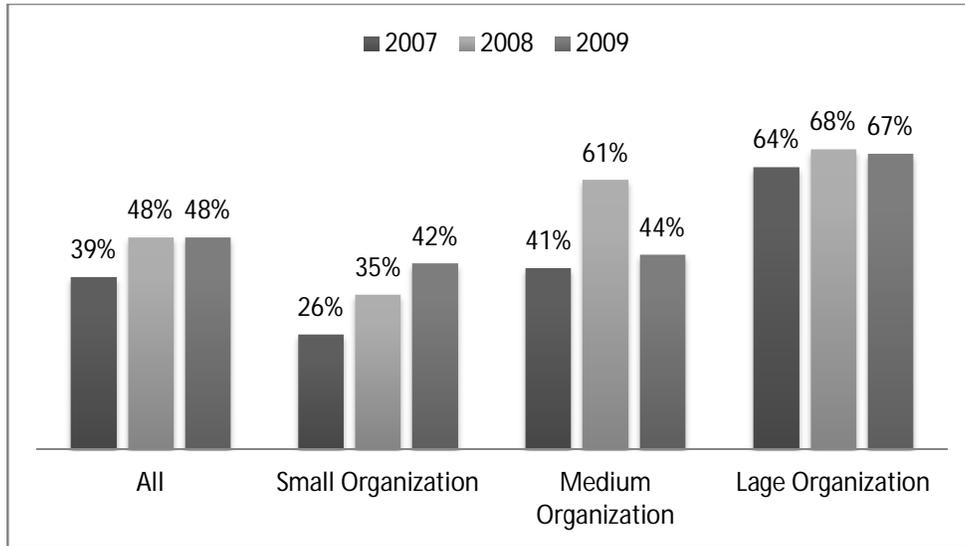


Rogers, 1962

3.3.2 Infrastructure

The infrastructure required for QR Code applications to function can be divided into two categories, access to data on mobile phones and publishers with web presence. The vast majority of end-users will use a mobile phone to scan QR Codes. Therefore, to take advantage of QR Code technology, the end-users must have a data plan associated with their mobile phone service to access the content (website, brochure, etc.) linked by the scanned QR Code. According to recent statistics, only 60% of Saudis use mobile smartphones, and less than 25% of this group have data access (Google, 2012). Initially, this will limit the application of QR Codes; however, it is anticipated that usage will increase and first-mover positioning will be an advantageous entry point for our business. Similar to the need for data access, QR Code Publishers must have a web presence to provide useful and readily updated content. If publishers do not have the infrastructure, talent, or resources to develop an effective web presence, they cannot benefit from the utilization of QR Codes. As shown in Figure 9, the presence of businesses on the web is still weak in Saudi Arabia, which will certainly limit the viability of QR Codes. Businesses are considered to be the largest segment of publishers as companies tend use QR Codes for retail, marketing, and branding purposes. To take full advantage of the opportunity for end-users to share information via QR Codes, businesses also need a social media presence, such as Facebook and Twitter accounts.

Figure 9: Businesses with Websites in Saudi Arabia.

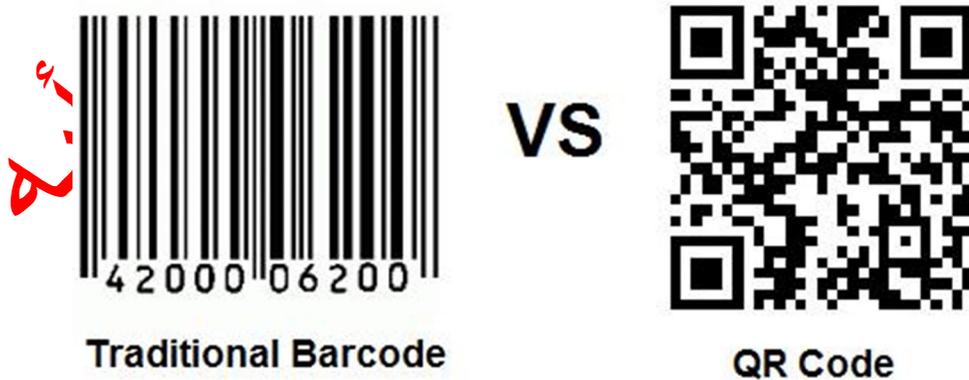


CITC of Saudi Arabia, 2010

3.3.3 End-user Awareness

A significant obstacle in the adoption of QR Codes is the fact that most end-users in Saudi Arabia are simply not aware of how QR Codes work. This was verified by our end-user survey, which we administered using SurveyMonkey, as will be discussed in section 3.6. Figure 10 illustrates the fundamental difference between traditional barcodes and QR Codes.

Figure 10: Difference between Traditional Barcodes and QR Codes.



Aitnews, 2011

However, most of the participants who completed our survey were still not able to recognize the difference between the two codes. Therefore, if they were to be presented with a QR Code, they would not recognize it as a code that can be scanned using a smartphone and would not be aware that it can deliver information about the product or object associated with the code. This represents one of the most difficult obstacles to the adoption of the QR Code technology. It will take some time and education before the population of Saudi Arabia and the Middle East understand the merits of this technology.

3.4 Market Segmentation

Given the above obstacles, we limit our initial target market to the four segments described in the following sections. These market segments represent the most compelling business case. As we penetrate the market, prove our business model and product viability, and as the publishers and end-users become more educated and aware of this technology, we will expand our target market to include the remaining applications defined in Section 2.2.

3.4.1 Restaurants

Dining out is a popular activity in Saudi Arabia (Saudi Gazette, 2012). The restaurant sector has always been one of the most attractive for investors because Saudis enjoy dining out in the company of family and friends, and often do so regularly. Given the fact that 50% of the Saudi population is under the age of 25 (Central Department of Statistics and Information, 2007), it is expected that most of those who frequent restaurants are in this age group and are more likely to be tech savvy and have access to smartphones and internet connectivity. Therefore, we think it is best to give this segment the highest priority in our sales and marketing efforts. We also think restaurant owners will find it easy to calculate return-on-investment (ROI) for QR Code-based marketing campaigns.

Initially, we will target medium size restaurants that are easy to approach and have branches in several major Saudi cities. In restaurants, most QR applications are linked to menus to encourage diners to learn more about the meals, as well as share the food items with their colleagues on Twitter, Facebook and other social networks, with a single button scan action on their smartphones.

As well, most of such restaurants have websites, which makes it much easier for them to link the QR Code to viable web content. Examples of such restaurants include Jan Burger, MamaNoura, Shawarmer Kudu, Alromansiyah and Shurfa. Our findings about the willingness of such restaurants to use QR Codes, based on interviews with several restaurant managers, will be presented in a subsequent section.

3.4.2 Magazines and Newspapers

In Western countries, magazines and newspapers were some of the earliest adopters of QR Code technology (AGbeat, 2012). Perhaps one reason for this adoption rate is the fact that newspapers already have the infrastructure to print QR Codes on paper and are typically serving consumers who are eager to learn and add to their knowledge. Therefore, scanning a code on a newspaper or magazine to gain more information about the articles, authors, advertisements, or the newspaper itself is very likely.

Newspapers have created businesses out of QR Codes by offering advertisers and columnists the opportunity to add QR Codes linking to more information. We believe there will be an equally viable opportunity for us to present such technology in Saudi Arabia. However, the main obstacle to adoption is that most newspaper and magazines are still under the scrutiny and censorship of government authorities, which makes it difficult for us to approach their media and advertisement management to propose the use of such technologies. This was particularly obvious

in our attempts to interview representatives of the media departments in some medium and large size newspapers, such as AlRiyadh and Al-Jazirah.

3.4.3 Retail Stores

Retail stores can benefit greatly from QR Code technology by using codes to advertise discounts, sales, and new products inside the store and by using QR Codes in the brochures and sales flyers they distribute to consumers by mail. In Western countries, retail business is typically dominated by a few major players. For example, Future Shop, BestBuy, Staples and NCIX own the majority of the electronic retail market in Canada. In contrast, in Saudi Arabia, and the Middle East in general, such domination does not exist. Rather, there is a large diversity of stores that typically dominate districts and cities rather than the entire nation.

Potentially, this makes it much easier for us to approach those “medium size” retailers because smaller retailers mean more approachable management in each region and therefore increases our chances of succeeding in making sales. However, this will limit our exposure to large retail outlets and may also require higher sales and marketing costs because we will need to approach each retailer separately. Examples of relatively small targeted retail outlets include Jarir Bookstore, ElectroStores.com, Saco-Ksa, Almanea and Aljazeera.com.sa. Retail stores included in this segment cover the areas of clothing and fashion, electronics, books and stationary, jewellery and accessories, sporting goods, health and care goods, etc.

3.4.4 Car Dealerships

Car dealerships can also benefit from QR technology as they can utilize the codes on their vehicles in the showroom. Such codes can refer the scanner to more information about the car or videos demonstrating the car. As well, QR Codes can be used in car dealerships’ advertisements and brochures as they can link the reader to pictures and video media that provide additional information. Car dealerships are quite easy to approach as their managers are always available at

the branch, which makes it easier for our salespeople to present and pitch the QR technology. As well, most car dealerships have well-established web presences to attract young males, who are the strongest consumer group. Examples of such dealerships include Aljaziraford, Al-Doha Car, Alesayi Motors, Samacoand Aljomaiha Auto.

3.5 Market Size

Table 1 lists the estimated size of our targeted four segments. In Chapter 9, financial planning, we use these figures to forecast sales and revenues.

Table 1: Estimated size of each market segment.

Market Segment	Number of Publishers (Saudi Arabia)	Number of Publishers (Other Arabic-speaking nations)
Magazines/Newspapers	15 ¹	30
Car Dealerships (unique branches)	99 ²	230
Restaurants (unique branches)	561 ³	3,700
Retail Stores	722 ⁴	4,250

Alsmari, 2013

Note that the figures for the “Other Arabic-speaking nations” only include nations whose populations have high purchasing power, such as Kuwait, UAE and Qatar. The figures for these nations are calculated based on their population ratio to Saudi Arabia.

3.6 Market Verification

Having determined the main four segments to approach, we have interacted with representatives from these segments to gauge their interest and assess their willingness to try QR

¹Wikipedia listing, 2012

² Estimated by the UAE Yellow Pages - <http://yp.theemiratesnetwork.com>

³ According to data compiled by Trip Advisor, 2013

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