

# Marketing

**An Introduction** Twelfth Edition

6

## **Customer-Driven Marketing** Strategy

**Creating Value** for Target Customers

# Learning Objectives

- Define the major steps in designing a customer-driven marketing strategy: market segmentation, targeting, differentiation, and positioning.
- List and discuss the major bases for segmenting consumer and business markets.

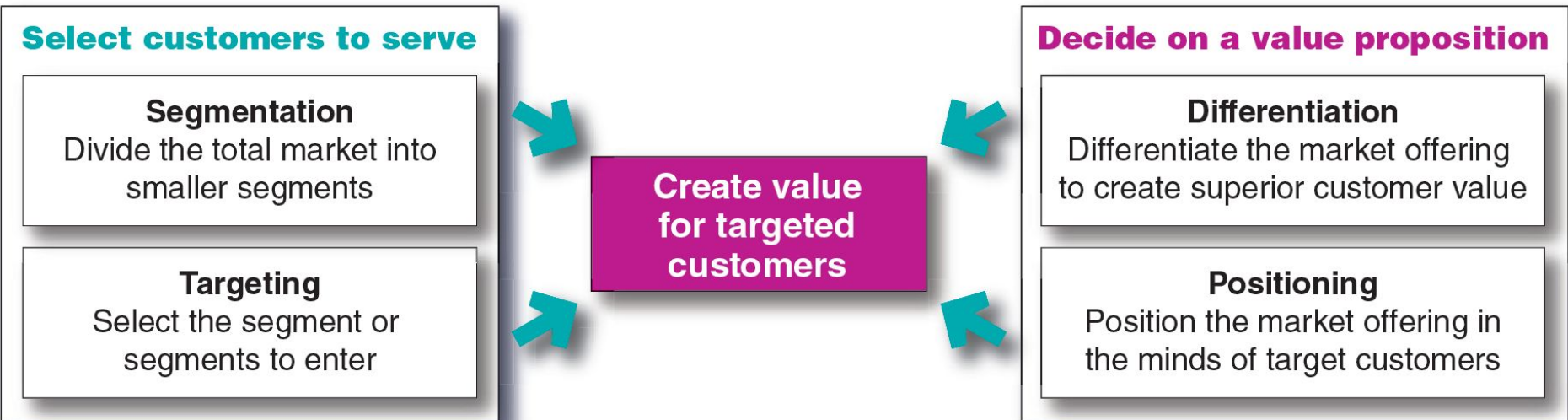
# Learning Objectives

- Explain how companies identify attractive market segments and choose a market-targeting strategy.
- Discuss how companies differentiate and position their products for maximum competitive advantage.

# First Stop: P&G: Competing with Itself — and Winning

- P&G brands compete directly with each other.
- Reason for its many brands—different people want different sets of benefits
- Strategy in laundry detergent segments
  - Identified numerous segments and subsegments
  - Positioned each segment
  - Identified narrow niches within each segment

# Figure 6.1 - Designing a Customer-Driven Marketing Strategy



# Table 6.1 - Major Segmentation Variables for Consumer Markets

<b>Segmentation Variable</b>	<b>Examples</b>
Geographic	Nations, regions, states, counties, cities, neighborhoods, population density (urban, suburban, rural), climate
Demographic	Age, life-cycle stage, gender, income, occupation, education, religion, ethnicity, generation
Psychographic	Social class, lifestyle, personality
Behavioral	Occasions, benefits, user status, usage rate, loyalty status

# Geographic and Demographic Segmentation

- **Geographic segmentation:** Dividing a market into different geographical units
  - Such as nations, states, regions, counties, cities, or neighborhoods
- **Demographic segmentation:** Dividing a market into segments based on variables
  - Such as age, life-cycle stage, gender, income, occupation, education, religion, ethnicity, and generation

# Demographic Segmentation

## Age and life-cycle segmentation

- Dividing a market into different age and life-cycle groups

## Gender segmentation

- Dividing a market into different segments based on gender

## Income segmentation

- Dividing a market into different income segments



# Psychographic Segmentation

- Marketers segment their markets using variables such as:
  - Social class
  - Consumer lifestyles
  - Consumer personality
- Products people buy reflect their lifestyles.



# Behavioral Segmentation

- **Occasion segmentation:** Segments divided according to occasions, when the buyers:
  - Get the idea to buy
  - Make their purchase
  - Use the purchased item
- **Benefit segmentation:** Segments divided according to the different benefits that consumers seek from the product

# Behavioral Segmentation

- User status: Markets can be segmented into nonusers, ex-users, potential users, first-time users, and regular users.
- Usage rate: Markets can be segmented into light, medium, and heavy users.
- Loyalty status: Consumers can be loyal to brands, stores, and companies.

# Multiple Segmentation Bases

- Segmentation bases help companies to:
  - Identify smaller, better-defined target groups
  - Identify and understand key customer segments
  - Reach customers more efficiently by tailoring market offerings and messages to customers' specific needs
- Segmentation systems help marketers segment people and locations into marketable groups of like-minded consumers.

# Segmenting Business Markets

- Consumer and business markets use many of the same variables for segmentation.
- Variables used by business marketers for segmentation include:
  - Operating characteristics
  - Purchasing approaches
  - Situational factors
  - Personal characteristics

# Segmenting International Markets

- Variables include:
  - Geographic location
  - Economic factors
  - Political and legal factors
  - Cultural factors
- **Intermarket (cross-market) segmentation:**  
Grouping consumers with similar needs and buying behaviors irrespective of their location

# Requirements for Effective Segmentation

Measurable

Accessible

Substantial

Differentiable

Actionable

# Market Targeting

- Evaluating the various segments based on:
  - Segment size and growth
  - Segment structural attractiveness
  - Company objectives and resources
- Selecting target market segments
  - **Target market:** Set of buyers sharing common needs or characteristics that the company decides to serve



# Figure 6.2 - Market-Targeting Strategies



# Choosing a Targeting Strategy

- Factors to consider
  - Company resources
  - Product variability
  - Product's life-cycle stage
  - Market variability
  - Competitors' marketing strategies

# Socially Responsible Target Marketing

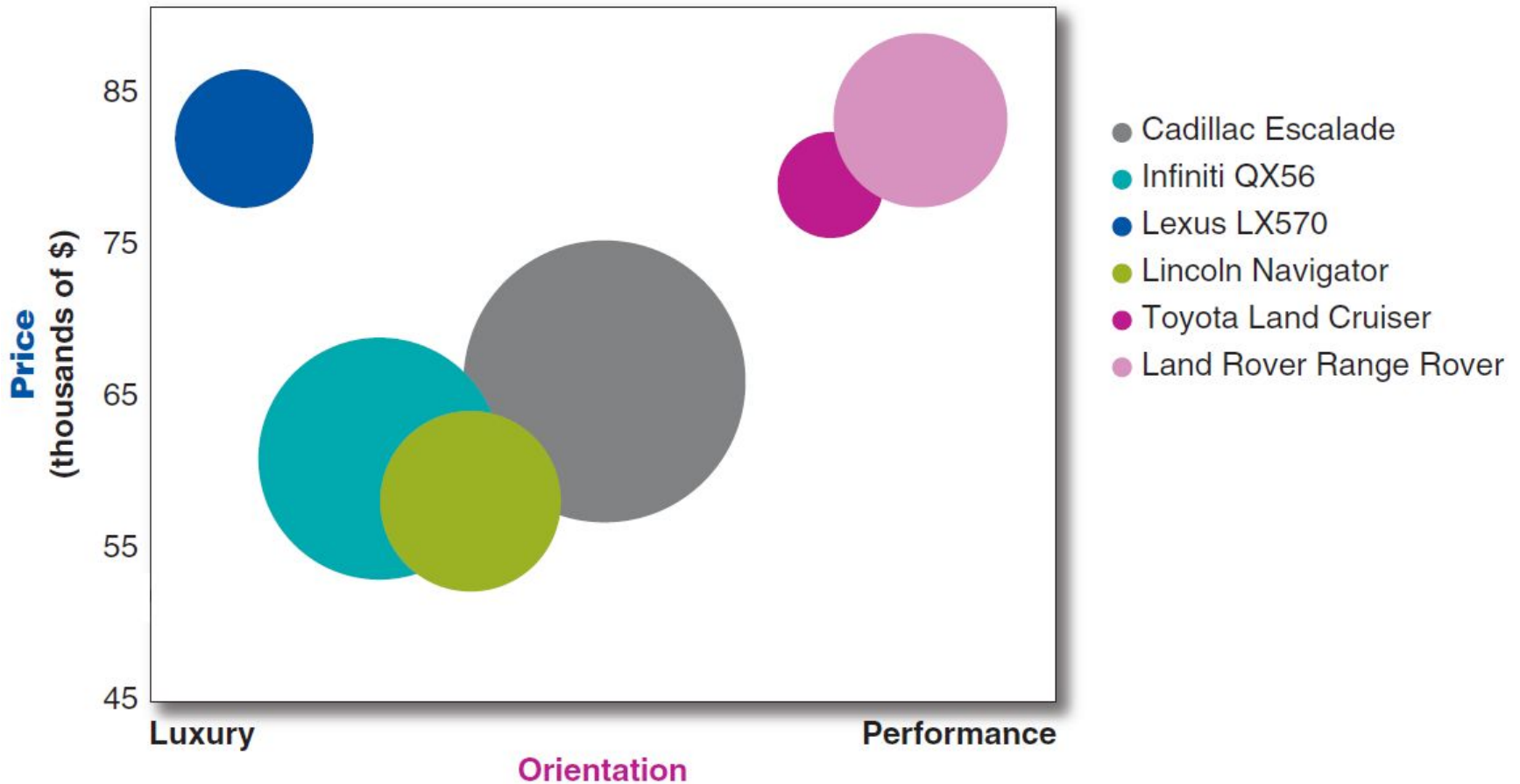
- Controversy and concern of target marketing
  - Vulnerable or disadvantaged consumers are targeted with controversial or potentially harmful products.
- Should be done to serve the interests of the company and the interests of those targeted

# Differentiation and Positioning

- Firms must decide which segments to target and on the value proposition.
- **Product position:** Way a product is defined by consumers on important attributes



# Figure 6.3 - Positioning Map: Large Luxury SUVs



# Choosing a Differentiation and Positioning Strategy

Identifying a set of differentiating competitive advantages

Choosing the right competitive advantages

Selecting an overall positioning strategy

# Identifying Possible Value Differences and Competitive Advantages

- **Competitive advantage:** An advantage over competitors gained by offering greater customer value either by:
  - Having lower prices, or
  - Providing more benefits that justify higher prices
- Firms can differentiate in terms of product, services, channels, people, or image.

# Choosing the Right Competitive Advantages

## Number of differences to promote

- Developing a unique selling proposition (USP) for each brand and sticking to it
- Positioning on more than one differentiator

## Criteria of differences to promote

- Important
- Distinctive
- Superior
- Communicable
- Preemptive
- Affordable
- Profitable



# Figure 6.4 - Possible Value Propositions

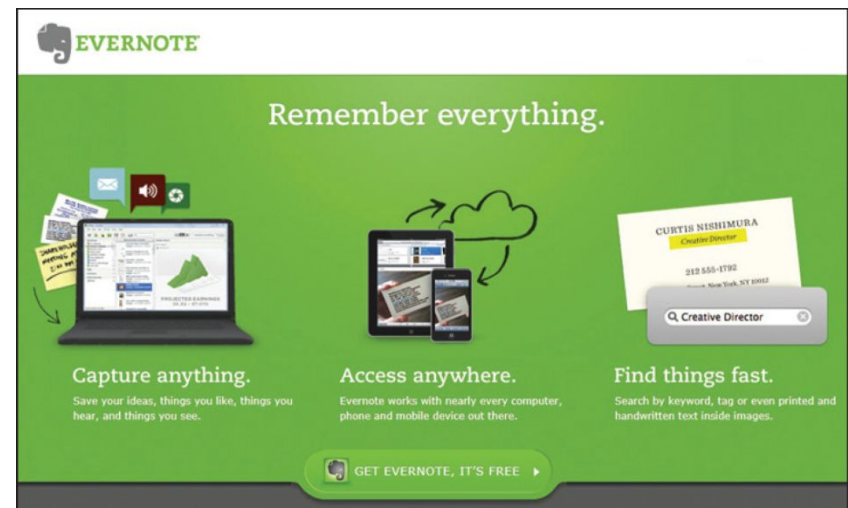
		<b>Price</b>		
		More	The same	Less
<b>Benefits</b>	More	More for more	More for the same	More for less
	The same			The same for less
	Less			Less for much less

# Winning Value Propositions

Value proposition	Description
More for more	<ul style="list-style-type: none"><li>• Provides the most upscale product or service</li><li>• Charges a higher price to cover the higher costs</li></ul>
More for the same	<ul style="list-style-type: none"><li>• High quality at lower prices</li><li>• Can be used to attack a more-for-more positioning</li></ul>
The same for less	<ul style="list-style-type: none"><li>• Gives a good deal</li><li>• Used by discount stores that offer deep discounts based on superior purchasing power and lower-cost operations</li></ul>
Less for much less	<ul style="list-style-type: none"><li>• Meeting consumers' lower performance or quality requirements at a much lower price</li></ul>
More for less	<ul style="list-style-type: none"><li>• Best winning proposition</li><li>• Very difficult for companies to sustain such best-of-both positioning</li></ul>

# Developing a Positioning Statement

- **Positioning statement:** Summarizes company or brand positioning
  - Format: To (target segment and need) our (brand) is (concept) that (point of difference).



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# Communicating and Delivering the Chosen Position

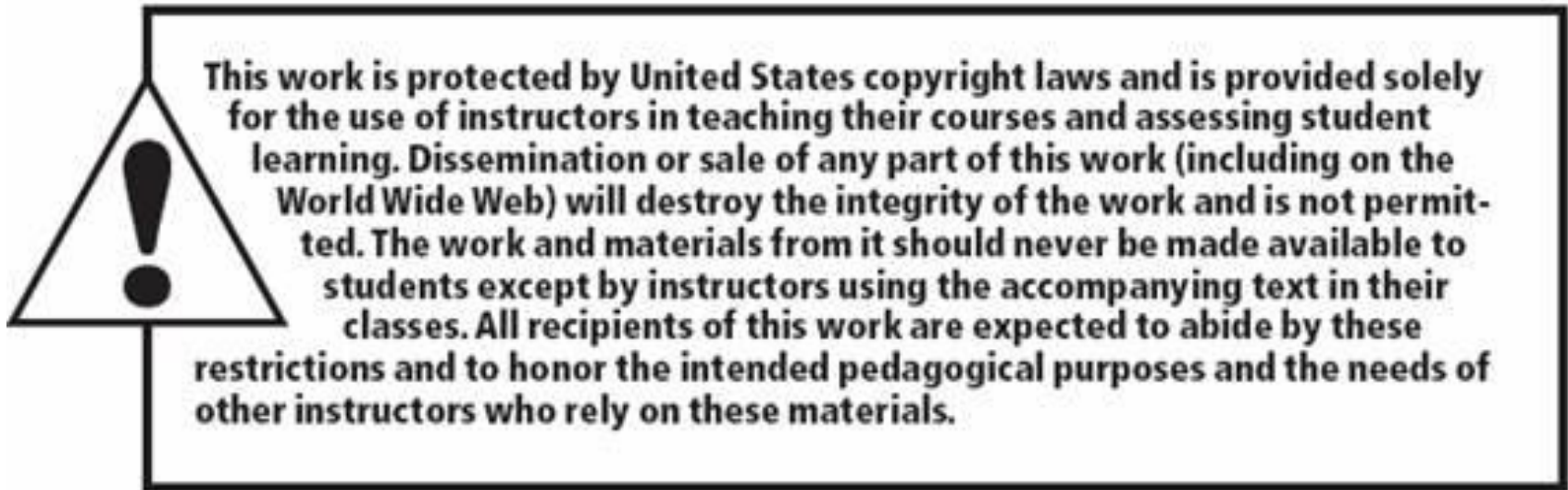
- All the company's marketing mix efforts must support the positioning strategy.
- Firm must take care to maintain the position obtained through consistent performance and communication.
- Product's position should be monitored and adapted over time to match changes in consumer needs and competitors' strategies.

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