

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

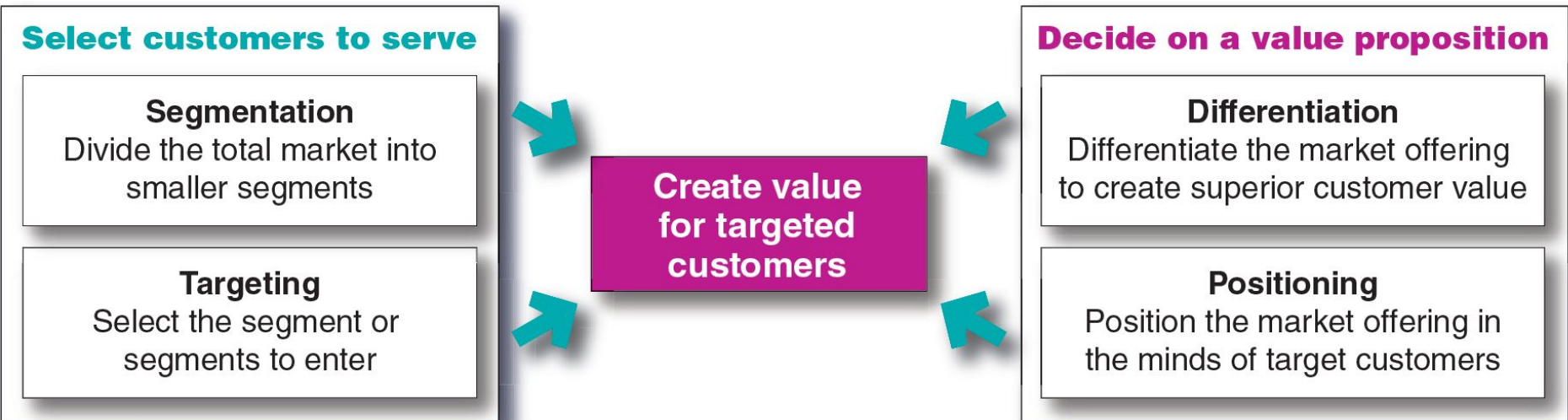


Table 6.1 - Major Segmentation Variables for Consumer Markets

Segmentation Variable	Examples
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

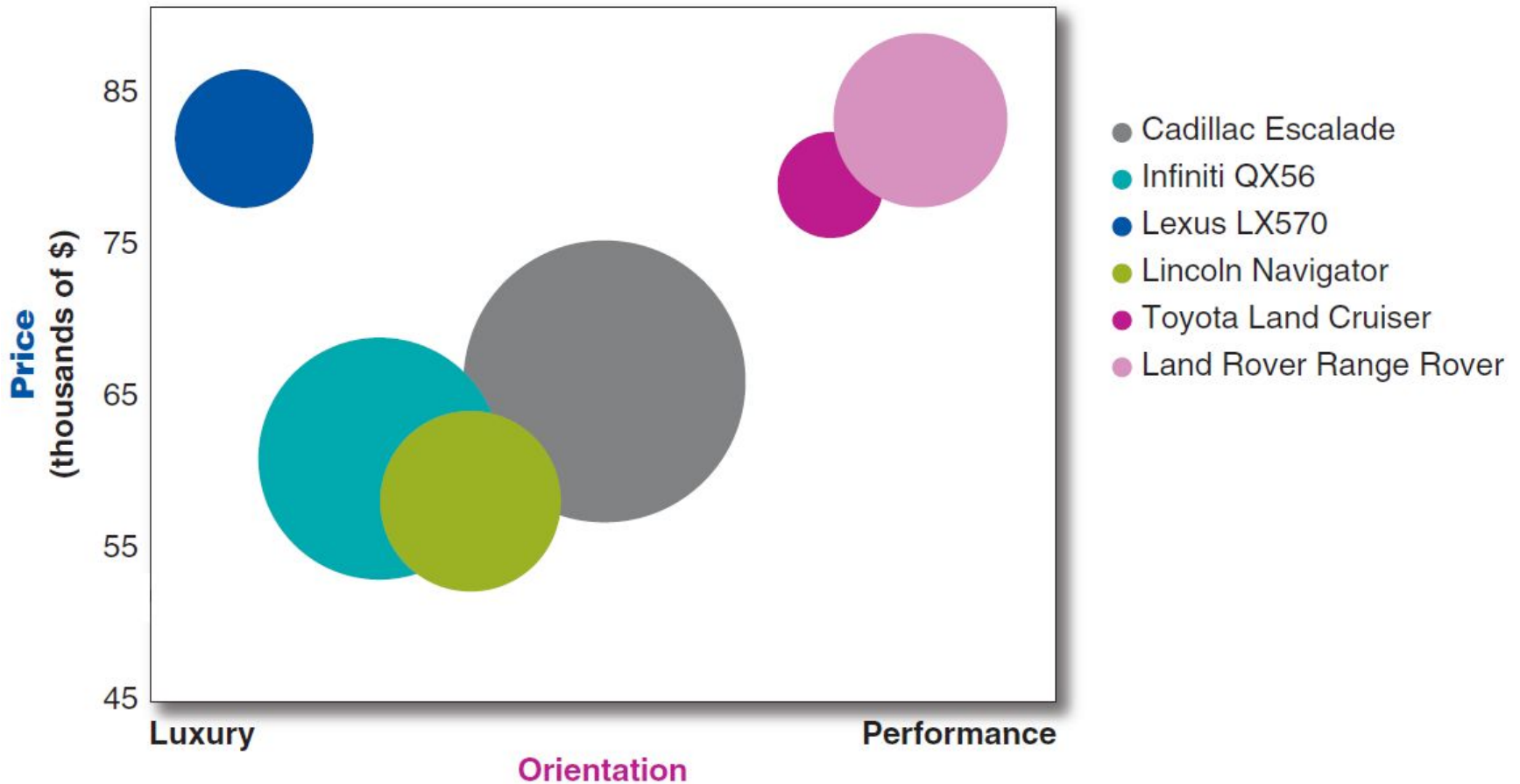
- Controversy and concern of target marketing
 - Vulnerable or disadvantaged consumers are targeted with controversial or potentially harmful products.
- Should be done to serve the interests of the company and the interests of those targeted

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

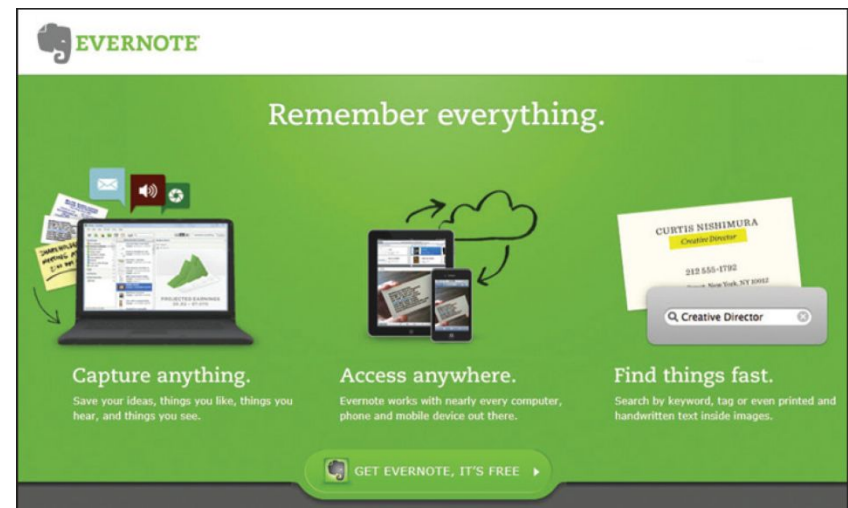
		Price		
		More	The same	Less
Benefits	More	More for more	More for the same	More for less
	The same			The same for less
	Less			Less for much less

Winning Value Propositions

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

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

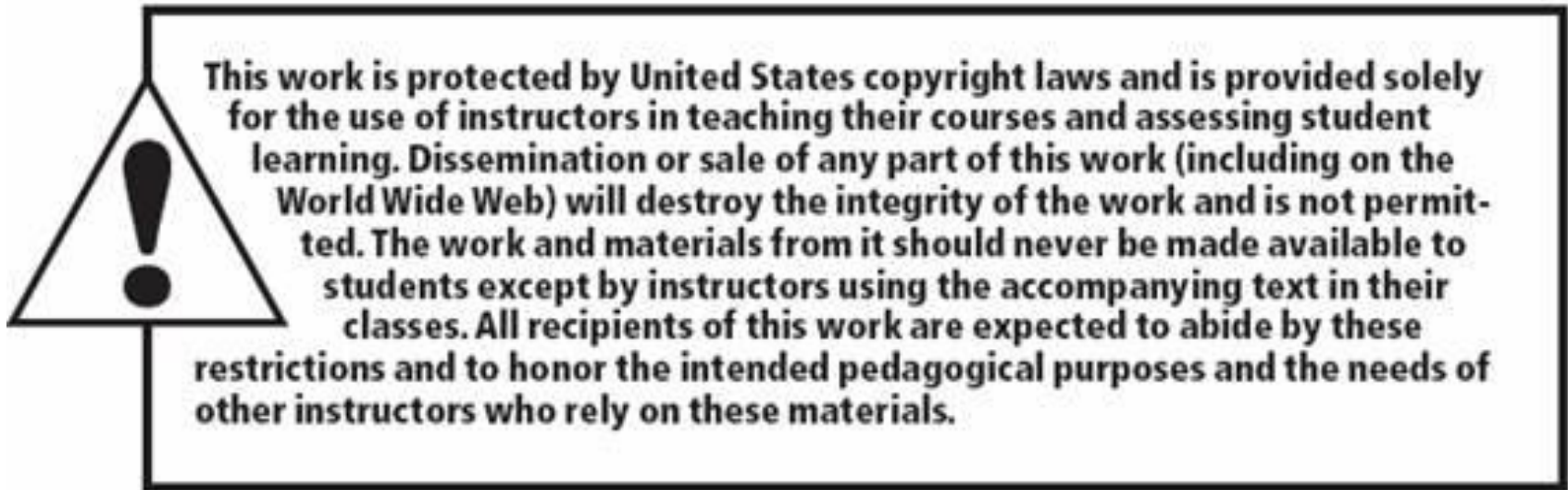
- All the company's marketing mix efforts must support the positioning strategy.
- Firm must take care to maintain the position obtained through consistent performance and communication.
- Product's position should be monitored and adapted over time to match changes in consumer needs and competitors'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

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