Marketing An Introduction Twelfth Edition

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



Targeting broadly

Targeting narrowly

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

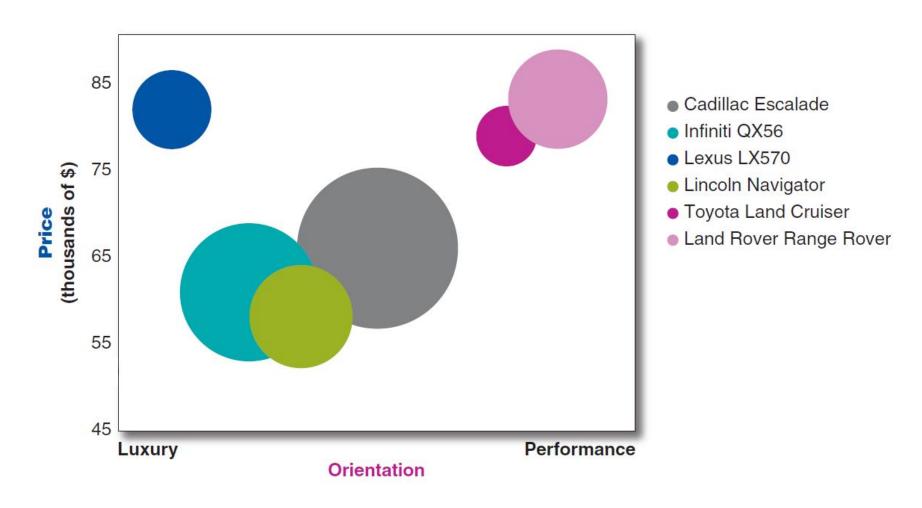
- Controversy and concern of target marketing
 - Vulnerable or disadvantaged consumers are targeted with controversial or potentially harmful products.
- Should be done to serve the interests of the company and the interests of those targeted

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

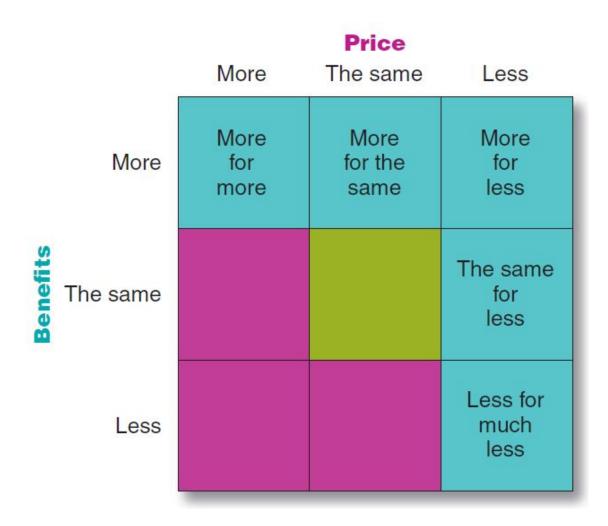
Number of differences to promote

- 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



Winning Value Propositions

Value proposition	Description
More for more	 Provides the most upscale product or service Charges a higher price to cover the higher costs
More for the same	High quality at lower pricesCan be used to attack a more-for-more positioning
The same for less	 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	 Meeting consumers' lower performance or quality requirements at a much lower price
More for less	 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).



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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