# 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.

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- 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** 

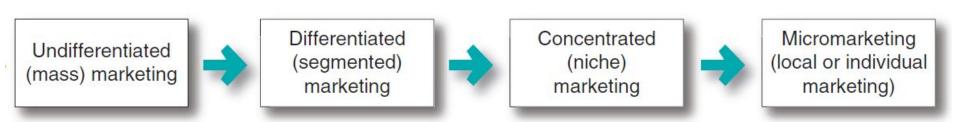
Differentiable

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

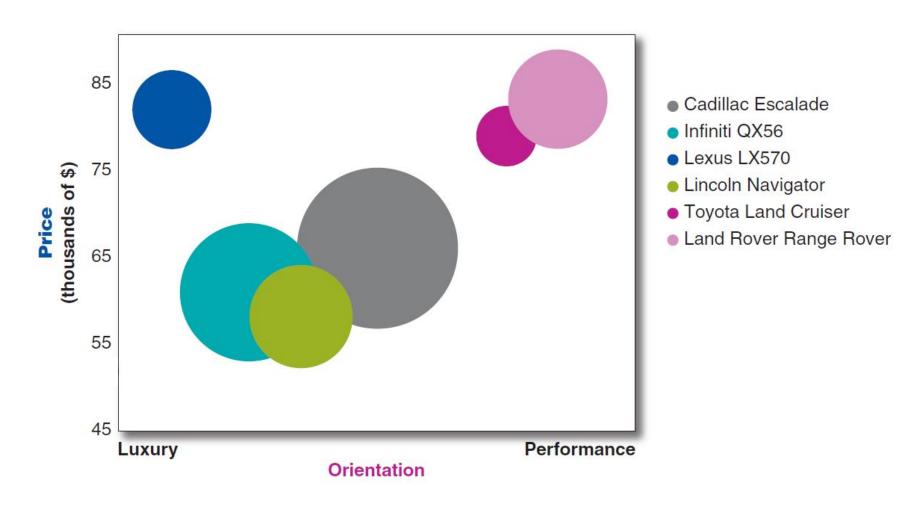
- Controversy and concern of target marketing
  - Vulnerable or disadvantaged consumers are targeted with controversial or potentially harmful products.
- Should be done to serve the interests of the company and the interests of those targeted

### 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

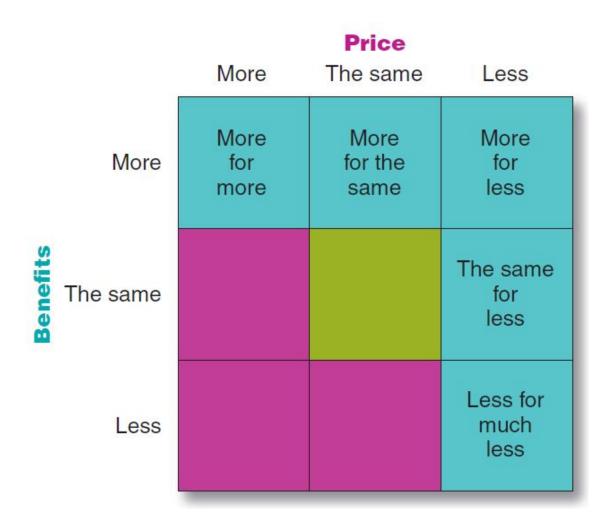
#### Number of differences to promote

- 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	<ul> <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><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> <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> <li>Meeting consumers' lower performance or quality requirements at a much lower price</li> </ul>
More for less	<ul> <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).



# 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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