



# **CUSTOMER-DRIVEN MARKETING STRATEGY**

## **CREATING VALUE FOR TARGET CUSTOMERS**

### Chapter 6



# REST STOP: PREVIEWING THE CONCEPTS

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

# REST STOP: PREVIEWING THE CONCEPTS

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: DUNKIN' DONUTS: TARGETING THE AVERAGE JOE

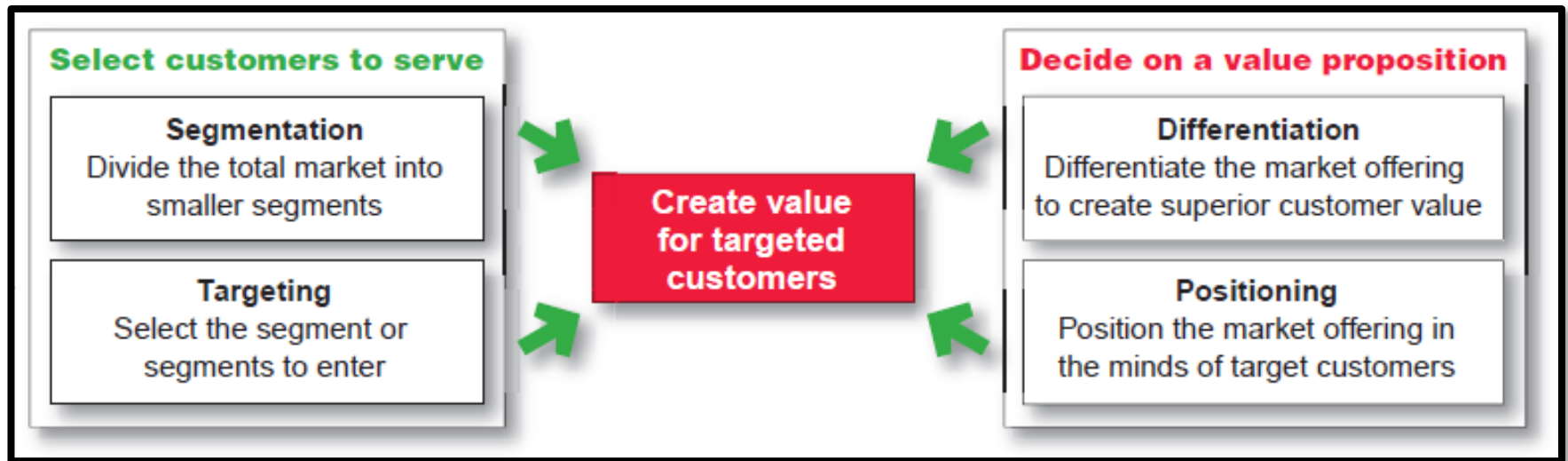
Dunkin' Donuts positions itself as serving simple fare at a reasonable price

This positioning resonated strongly with customers during the recession

Refreshes its menu keeping in mind the preferences of the customers it attracts

Ranks number one in the coffee category in a leading customer loyalty survey

# FIGURE 6.1 - DESIGNING A CUSTOMER-DRIVEN MARKETING STRATEGY



## Market segmentation

Dividing a market into smaller segments of buyers with distinct needs, characteristics, or behaviors that might require separate marketing strategies or mixes

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## Market targeting

The process of evaluating each market segment's attractiveness and selecting one or more segments to enter

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## Differentiation

Differentiating the market offering to create superior customer value

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## Positioning

Arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers

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# SEGMENTING CONSUMER MARKETS

Geographic  
segmentation

Demographic  
segmentation

Psychographic  
segmentation

Behavioral  
segmentation

# GEOGRAPHIC SEGMENTATION

Dividing a market into different geographical units, such as nations, regions, counties, or cities

Companies are localizing their products, advertising, promotion, and sales efforts to fit the needs of individual regions, cities or even neighbourhoods



# DEMOGRAPHIC SEGMENTATION

Dividing the market into segments based on variables such as age, life-cycle stage, gender, income, occupation, education, religion, ethnicity, and generation

Age and  
life-cycle  
segmentation

Gender  
segmentation

Income  
segmentation

# AGE AND LIFE-CYCLE SEGMENTATION

Dividing a market into different age and life-cycle groups

Marketers must guard against using stereotypes



Disney Cruise Lines targets primarily families with children—most of its destinations and shipboard activities are designed with parents and their children in mind

# GENDER SEGMENTATION

Dividing a market into different segments based on gender

Has long been used in clothing, cosmetics, toiletries and magazines



Harley-Davidson has traditionally targeted men between 35 and 55 years old, but women are now among its fastest-growing customer segments. Female buyers account for 12 percent of new Harley-Davidson purchases

# INCOME SEGMENTATION

Dividing a market into different income segments

Has long been used in automobiles, clothing, cosmetics, financial services and travel

Some marketers target high-income segments

Retailers who target low- and middle-income groups are thriving

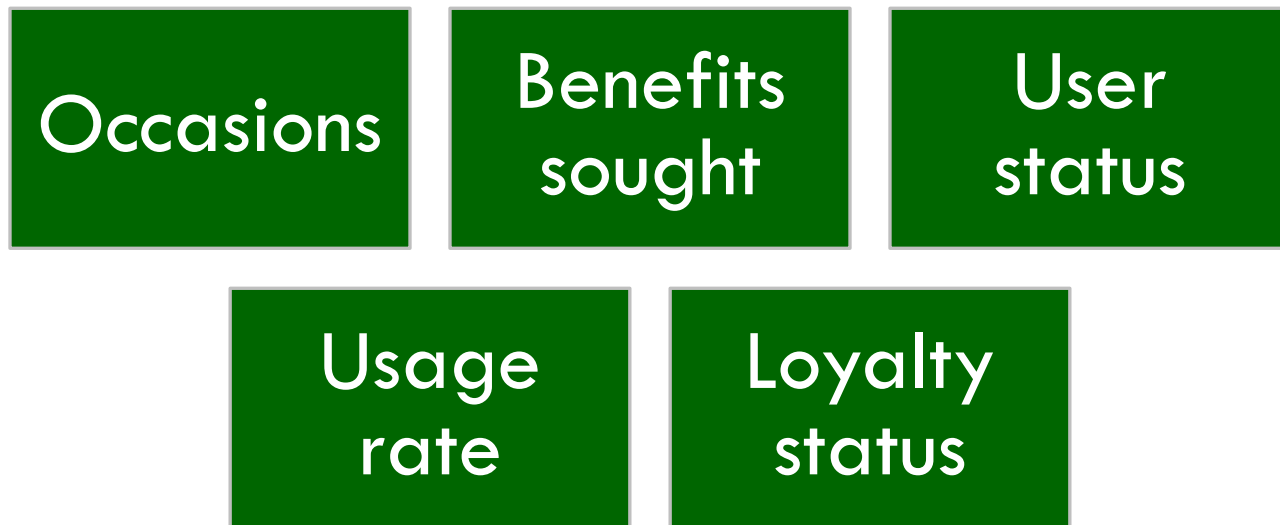
# PSYCHOGRAPHIC SEGMENTATION

Dividing a market into different segments based on social class, lifestyle, or personality characteristics

The products people buy reflect their lifestyles

# BEHAVIORAL SEGMENTATION

Dividing a market into segments based on consumer knowledge, attitudes, uses, or responses to a product



# OCCASION SEGMENTATION

Dividing the market into segments according to occasions when buyers get the idea to buy, actually make their purchase, or use the purchased item



M&M's Brand Chocolate Candies runs special ads and packaging for holidays and events such as Easter

# BENEFIT SEGMENTATION AND USER STATUS

**Benefit segmentation:** Dividing the market according to the different benefits that consumers seek from the product

**User status** – Segments include nonusers, ex-users, potential users, first-time users, and regular users

**Usage Rate** - Markets can also be segmented into light, medium, and heavy product users



# LOYALTY STATUS

Buyers can be divided into groups according to their degree of loyalty

None, medium, strong, absolute



“Mac Fanatics”—fanatically loyal Apple users are at the forefront of Apple’s empire

# USING MULTIPLE SEGMENTATION BASES

Using multiple segmentation bases to identify smaller, better-defined target groups

The Nielsen PRIZM system

- Based on demographic factors
- Classifies U.S. households into 66 demographically and behaviorally distinct segments

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**Choose Claritas.**  
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**#18 Kids & Carole-Sacs**  
Specials, suburban, married couples with children—don't the driving on Kids & Carole-Sacs, we make the lifestyle of large families in recently built subdivisions, with a high rate of Hispanic and Asian Americans. This segment is a refuge for college educated, white-collar professionals with administrative jobs and open-minded class interests. Their means of education, affluence and children translate into large outlays for child-oriented products and services.

**#21 Gray Power**  
The steady rise of older, healthier Americans over the past decade has produced one important by-product: middle-class, home owning suburbanites who are aging in place—rather than moving to retirement communities. Gray Power reflects this trend, a segment of older, healthy singles and couples who are in good health.

**CLARITAS**  
Adding Intelligence to Information

# SEGMENTING BUSINESS MARKETS

Consumer and business markets use many of the same variables for segmentation

Business marketers can also use:

- Operating characteristics
- Purchasing approaches
- Situational factors
- Personal characteristics

# SEGMENTING INTERNATIONAL MARKETS

Geographic location: grouping countries by regions, assumes that nations close to one another will have common traits and behaviors

Economic factors

- Income levels or overall level of economic development

Political and legal factors

- Type of government, receptivity to foreign firms, monetary regulations, and bureaucracy

Cultural factors

- Languages, religions, values, customs

Assumes that segments should consist of clusters of countries

# INTERMARKET SEGMENTATION

Forming segments of consumers who have similar needs and buying behavior even though they are located in different countries



Coca-Cola targets the world's teens no matter where they live, with campaigns such as Coca-Cola Music, which ran in more than 100 markets worldwide

# REQUIREMENTS FOR EFFECTIVE SEGMENTATION

To be useful, market segments must be:

- Measurable
- Accessible
- Substantial
- Differentiable
- Actionable

# MARKET TARGETING

In evaluating different market segments, a firm must look at:

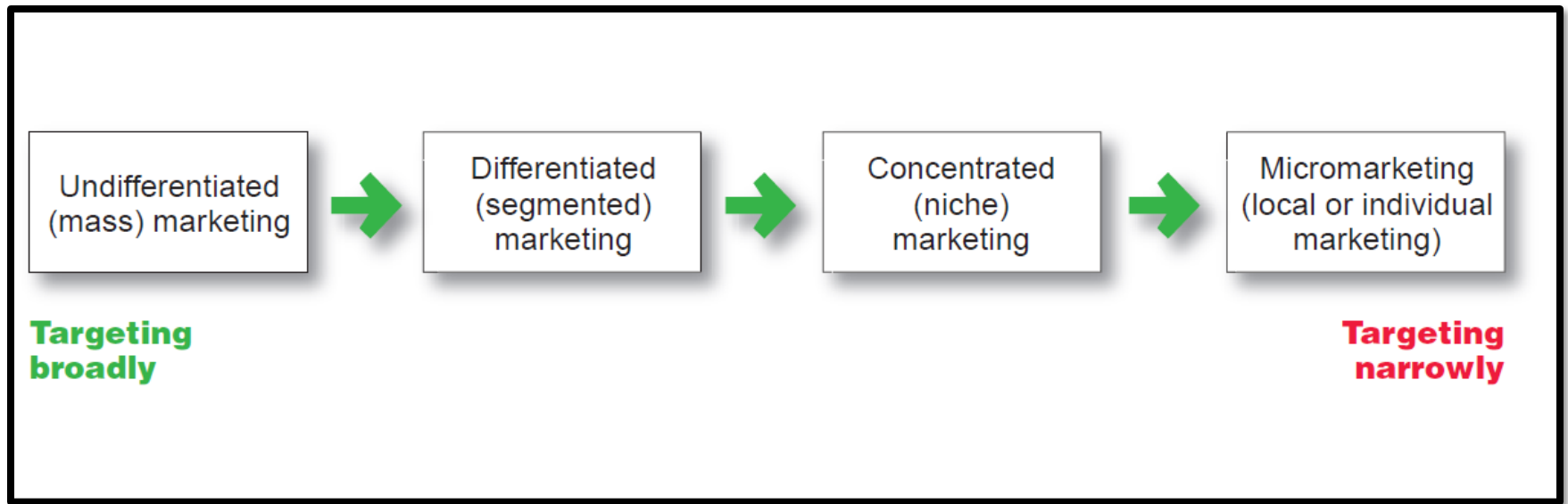
- Segment size and growth
- Segment structural attractiveness
- Company objectives and resources

## Target market

- A set of buyers sharing common needs or characteristics that the company decides to serve



## FIGURE 6.2 - MARKET TARGETING STRATEGIES



# UNDIFFERENTIATED MARKETING

A firm decides to ignore market segment differences and go after the whole market with one offer

Focuses on what is common in the needs of consumers

Designs a product and a marketing program that will appeal to the largest number of buyers

# DIFFERENTIATED MARKETING

A firm decides to target several market segments and designs separate offers for each

By offering product and marketing variations to segments, Co.s hope for higher sales and a stronger position within each segment



Hallmark's three ethnic lines—Mahogany, Sinceramente Hallmark, and Tree of Life—target African-American, Hispanic, and Jewish consumers, respectively

# DIFFERENTIATED MARKETING

Increases the cost of doing business

Marketers must weigh increased sales against increased costs

# CONCENTRATED MARKETING

A firm goes after a large share of one or a few smaller segments or niches

Can fine-tune its products, prices, and programs to the needs of carefully defined segments



Thanks to the reach and power of the Web, online nicher Etsy—sometimes referred to as eBay's funky little sister—is thriving

# CONCENTRATED MARKETING

The firm achieves a stronger market position due to:

Greater knowledge of customer needs

Special reputation it acquires

It can market more effectively

It can market more efficiently

Niches are smaller than segments and attract one or few competitors

# CONCENTRATED MARKETING

Can be very profitable but involves higher than normal risks

Co.s that rely on one or few smaller segments for all of their business will suffer greatly if the segment turns sour

Or if a larger competitor may decide to enter same segment with greater resources

# MICROMARKETING

Tailoring products and marketing programs to the needs and wants of specific individuals and local customer groups

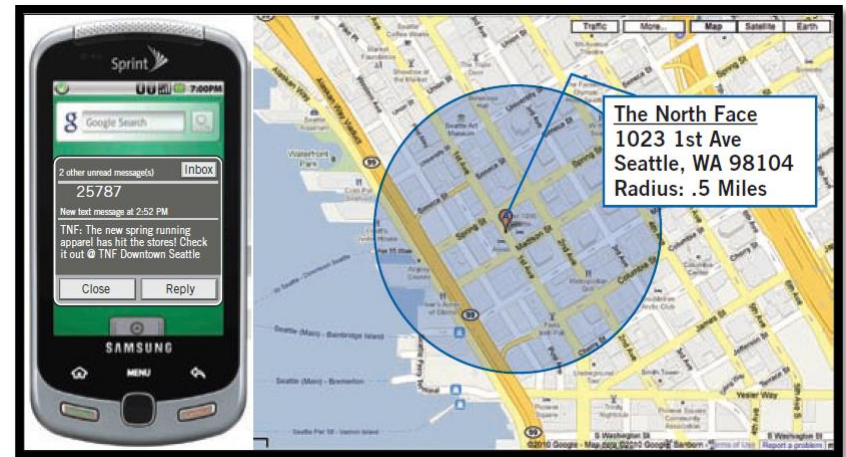
Local  
marketing

Individual  
marketing



# LOCAL MARKETING

Tailoring brands and promotions to the needs and wants of local customer groups—cities, neighbourhoods, and even specific stores



The North Face uses “geo-fencing” to send localized text messages to consumers who get near one of its stores

# LOCAL MARKETING DRAWBACKS

Drives up production and marketing costs by reducing economies of scale

Creates logistics problems

Overall image might be diluted if the product and message vary too much in different localities.

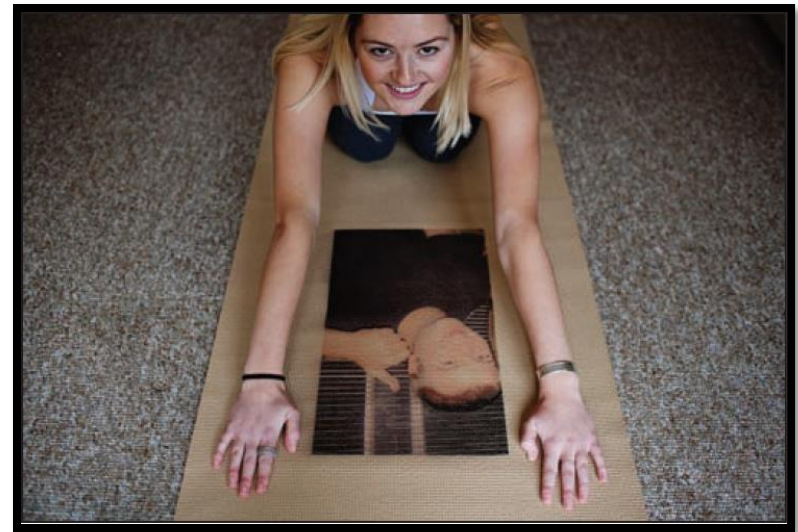
# LOCAL MARKETING BENEFITS

Local marketing allows a firm to market effectively in the face of pronounced regional and local differences in demographics and lifestyles

Meets the needs of retailers by providing them with finely tuned product assortments for their neighborhoods

# INDIVIDUAL MARKETING

Tailoring products and marketing programs to the needs and preferences of individual customers also labeled customized marketing and one-to one marketing



Companies such as CaféPress are hyper-personalizing everything from artwork, earphones, and sneakers to yoga mats, water bottles, and food

# INDIVIDUAL MARKETING

New technologies are permitting marketers to return to customized marketing

Mass customization: the process through which firms interact one-one with masses of customers to design products and services tailor-made to individual needs.

One-to-one marketing has made relationships with customers more important than ever

# INDIVIDUAL MARKETING

Self marketing: Increasingly, individual customers are taking more responsibility for shaping both the products they buy and the buying experience whereby the marketer has less influence on the buying decision.

# CHOOSING A TARGETING STRATEGY

## Factors to consider:

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

# SOCIALLY RESPONSIBLE TARGET MARKETING

Marketing generates concern when targeting:

- Vulnerable, minority or disadvantaged populations
- Children and teens

Controversy arises when an attempt is made to profit at the expense of these segments



# DIFFERENTIATION AND POSITIONING

The company must decide on a value proposition:

- How it will create differentiated value for targeted segments
- What positions it wants to occupy in those segments

Product position - The way a product is defined by consumers on important attributes

# DIFFERENTIATION AND POSITIONING

A product's position-the place the product occupies in consumers' minds relative to competing products

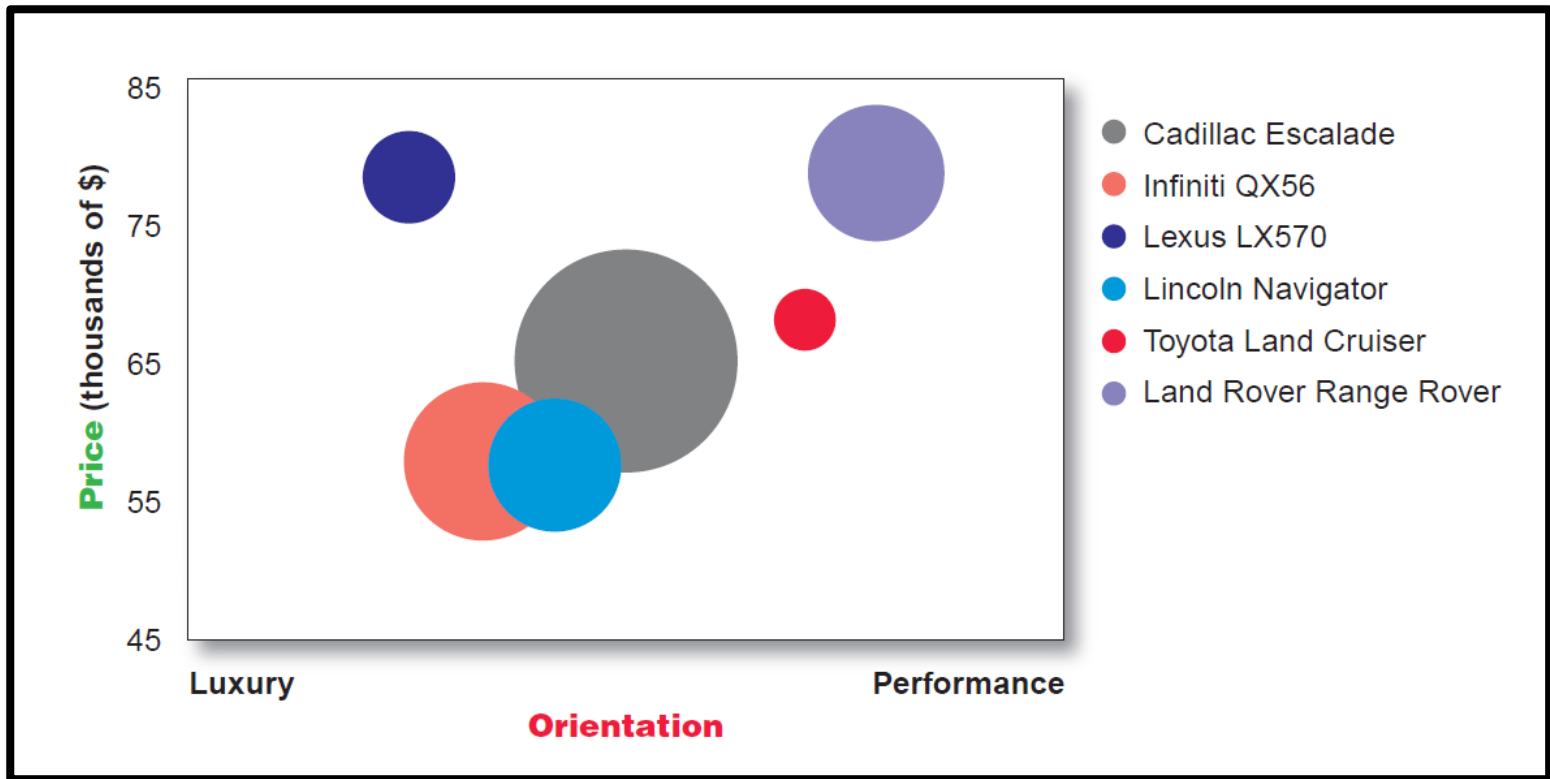
A product's position-It is the complex set of perceptions, impressions and feelings that consumers have for the product relative to competing products

Consumers position products with or without the help of marketers

# POSITIONING MAPS

Show consumers perceptions about a co.'s brands vs. competing products on important buying dimensions

## FIGURE 6.3 - POSITIONING MAP: LARGE LUXURY SUVs



# CHOOSING A DIFFERENTIATION AND POSITIONING STRATEGY

Identifying a set of differentiating competitive advantages on which to build a position

Choosing the right competitive advantages

Selecting an overall positioning strategy

## 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

# IDENTIFYING POSSIBLE VALUE DIFFERENCES AND COMPETITIVE ADVANTAGES

A firm can create differentiation on:

- Product
- Services
- Channels
- People
- Image



Seventh Generation, a maker of household cleaning supplies, differentiates itself not by how its products perform but by the fact that its products are greener

# CHOOSING THE RIGHT COMPETITIVE ADVANTAGES

Choose whether to promote a single benefit or multiple benefits

Promote differences that are:

Important

Distinctive

Superior

Communicable

Pre-emptive

Affordable

Profitable



# CHOOSING THE RIGHT COMPETITIVE ADVANTAGES

Purex Complete 3-in-1 is positioned on multiple benefits

The challenge is to convince customers that one brand can do it all



## Value proposition

- The full positioning of a brand—the full mix of benefits on which it is positioned

# 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

**More for more**

Provide the most upscale product and charge a higher price to cover the higher costs

**More for the same**

Attack a competitor's positioning by introducing a brand offering comparable quality at a lower price

**The same for less**

Offer similar products at much reduced prices  
Developing imitative but lower-priced brands

**Less for much less**

Meet consumers' lower performance or quality requirements at a much lower price

**More for less**

Offer the best products at the lowest prices

# DEVELOPING A POSITIONING STATEMENT

A statement that summarizes company or brand positioning using this form: To (target segment and need) our (brand) is (concept) that (point of difference)

*To busy, mobile professionals who need to always be in the loop, **Blackberry** is a wireless connectivity solution that gives you an easier, more reliable way to stay connected to data, people and resources while on the go.*

# COMMUNICATING AND DELIVERING THE CHOSEN POSITION

All the company's marketing mix efforts must support the chosen positioning strategy

If the co. decides to build a position on better quality and service, it must first *deliver* that position

Through concrete action not talk, a co. can build a consistent believable more-for-more position

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