

PRINCIPLES OF
Marketing

Chapter Seven

Customer-Driven Marketing Strategy

Creating Value for Target Customers



Customer-Driven Marketing Strategy: Creating Value for Target Customers

Topic Outline

- Customer-Driven Marketing Strategy
- Market Segmentation
- Market Targeting
- Differentiation and Positioning



Market Segmentation

Market segmentation is the process that companies use to divide large, heterogeneous markets into small markets that can be reached more efficiently and effectively with products and services that match their unique needs



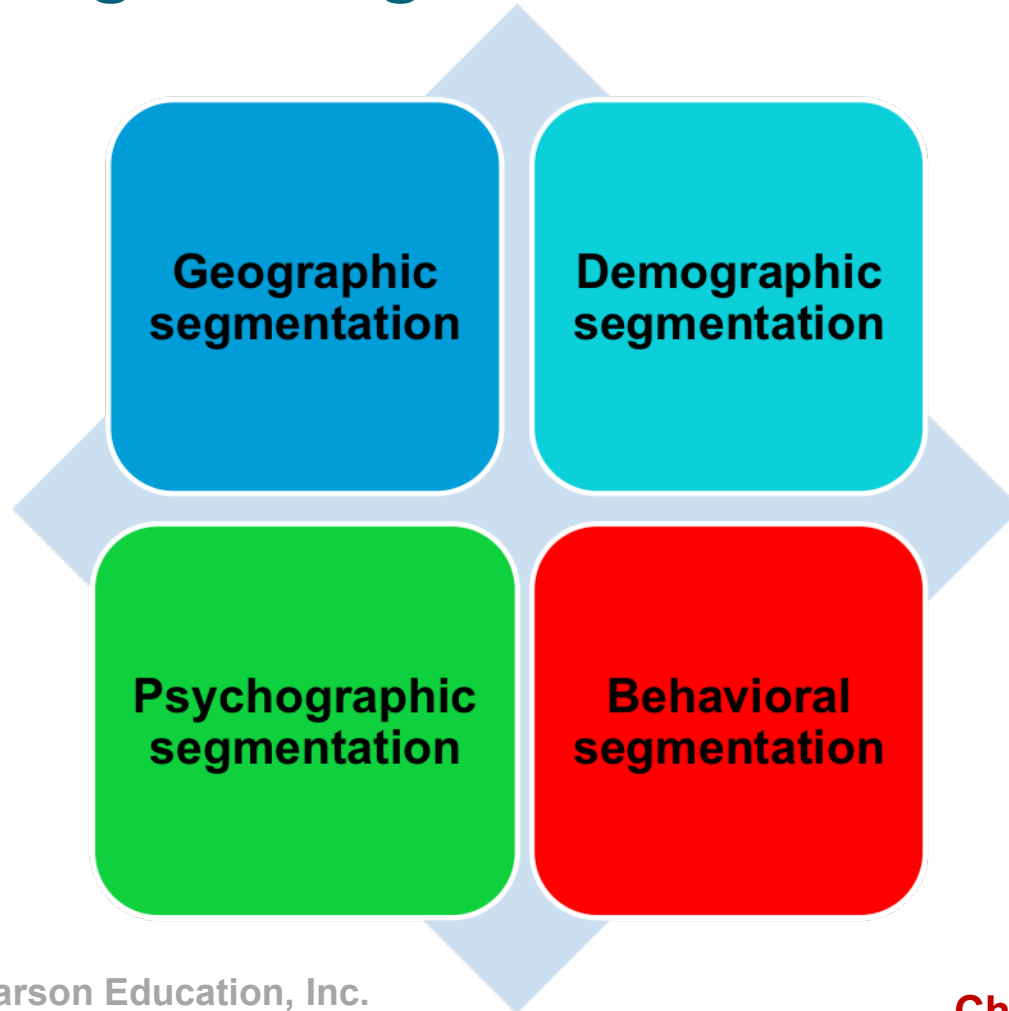
Market Segmentation

- Segmenting consumer markets
- Segmenting business markets
- Segmenting international markets
- Requirements for effective segmentation



Market Segmentation

Segmenting Consumer Markets



Market Segmentation

Segmenting Consumer Markets

Geographic segmentation divides the market into different geographical units such as nations, regions, states, counties, or cities



Market Segmentation

Segmenting Consumer Markets

Demographic segmentation divides the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality



Market Segmentation

Age and life-cycle stage segmentation is the process of offering different products or using different marketing approaches for different age and life-cycle groups

Gender segmentation divides the market based on sex (male or female)



Market Segmentation

Segmenting Consumer Markets

Income segmentation divides the market into affluent or low-income consumers

Psychographic segmentation divides buyers into different groups based on social class, lifestyle, or personality traits



Market Segmentation

Segmenting Consumer Markets

Behavioral segmentation divides buyers into groups based on their knowledge, attitudes, uses, or responses to a product

- Occasions
- Benefits sought
- User status
- Usage rate
- Loyalty status



Market Segmentation

Using Multiple Segmentation Bases

Multiple segmentation is used to identify smaller, better-defined target groups

Geodemographic segmentation is an example of multivariable segmentation that divides groups into consumer lifestyle patterns



Market Segmentation

Using Multiple Segmentation Bases

- PRIZM NE classifies every American household into 66 unique segments organized into 14 different social groups
- These groups segment people and locations into marketable groups of like-minded consumers that exhibit unique characteristics and buying behavior based on a host of demographic factors



Market Segmentation

Segmenting International markets

Geographic
location

Economic
factors

Political-
legal factors

Cultural
factors



Market Segmentation

Segmenting Business Markets

Intermarket segmentation divides consumers into groups with similar needs and buying behaviors even though they are located in different countries



Market Segmentation

Requirements for Effective Segmentation

To be useful, market segments must be:

Measurable

Accessible

Substantial

Differentiable

Actionable



Market Targeting

Selecting Target Market Segments

- Target market consists of a set of buyers who share common needs or characteristics that the company decides to serve



Market Targeting

Evaluating Market Segments

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



Market Targeting

Target Marketing Strategies

Undifferentiated marketing targets the whole market with one offer

- Mass marketing
- Focuses on common needs rather than what's different



Market Targeting

Target Marketing Strategies

Differentiated marketing targets several different market segments and designs separate offers for each

- Goal is to achieve higher sales and stronger position
- More expensive than undifferentiated marketing



Market Targeting

Target Market Strategies

- Concentrated marketing targets a small share of a large market
- Limited company resources
- Knowledge of the market
- More effective and efficient



Marketing Targeting

Target Market Strategies

Micromarketing is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations

- Local marketing
- Individual marketing



Market Targeting

Target Market Strategies

Local marketing involves tailoring brands and promotion to the needs and wants of local customer groups

- Cities
- Neighborhoods
- Stores



Market Targeting

Target Market Strategies

Individual marketing involves tailoring products and marketing programs to the needs and preferences of individual customers

- Also known as:
 - One-to-one marketing
 - Mass customization
 - Markets-of-one marketing



Market Targeting

Choosing a Targeting Strategy

Depends on:

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



Market Targeting

Socially Responsible Target Marketing

- Benefits customers with specific needs
- Concern for vulnerable segments
- Children
 - Alcohol
 - Cigarettes
 - Internet abuses



Differentiation and Positioning

Product position is the way the product is defined by consumers on important attributes—the place the product occupies in consumers' minds relative to competing products

- Perceptions
- Impressions
- Feelings



Differentiation and Positioning

- Positioning maps show consumer perceptions of their brands versus competing products on important buying dimensions



Differentiation and Positioning

Choosing a Differentiation and Positioning Strategy

- Identifying a set of possible competitive advantages to build a position
- Choosing the right competitive advantages
- Selecting an overall positioning strategy
- Developing a positioning statement



Differentiation and Positioning

Identifying Possible Value Differences and Competitive Advantages

Competitive advantage is an advantage over competitors gained by offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices



Differentiation and Positioning

Choosing a Differentiation and Positioning Strategy

Identifying a set of possible competitive advantages to build a position by providing superior value from:

Product differentiation

Services differentiation

Channel differentiation

People differentiation

Image differentiation



Differentiation and Positioning

Choosing the Right Competitive Advantage

Difference to promote should be:

Important

Distinctive

Superior

Communicable

Preemptive

Affordable

Profitable



Differentiation and Positioning

Selecting an Overall Positioning Strategy

- Value proposition is the full mix of benefits upon which a brand is positioned



Differentiation and Positioning

Developing a Positioning Statement

- To (target segment and need) our (brand) is (concept) that (point of difference)



Communication and Delivering the Chosen Position

- Choosing the positioning is often easier than implementing the position.

