

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

- Market Segmentation
- Market Targeting
- Differentiation and Positioning

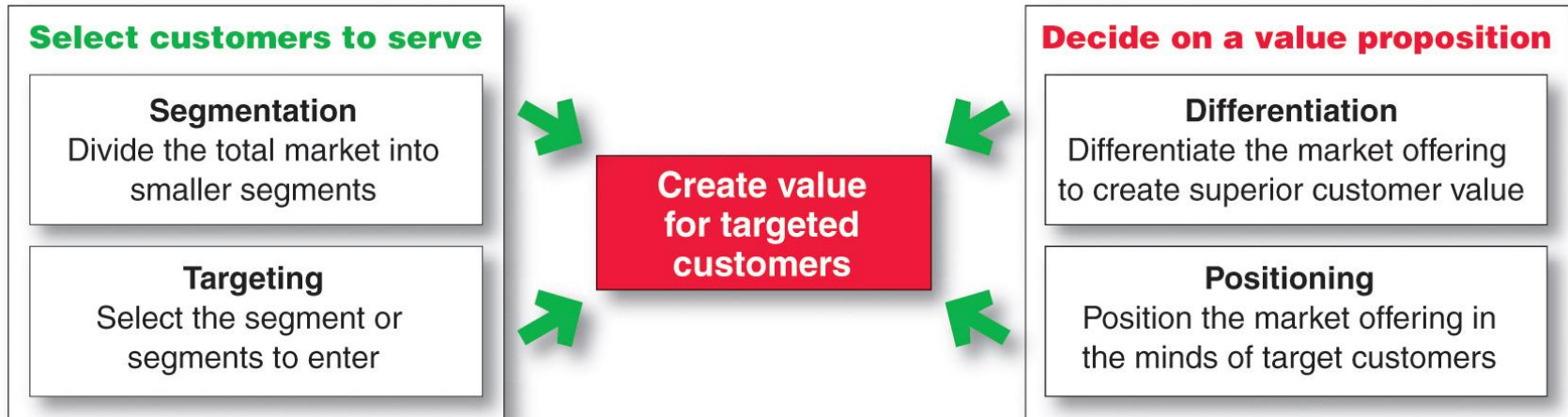


Market Segmentation

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



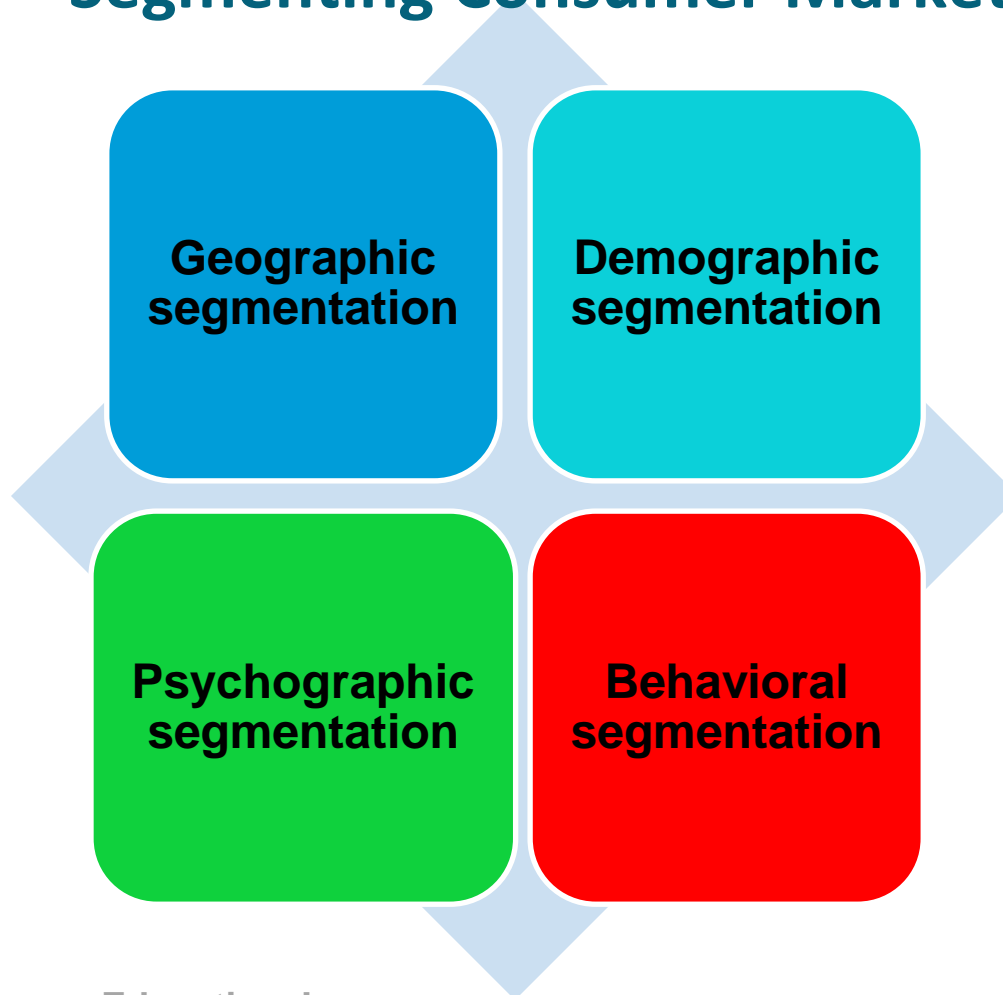
Market Segmentation

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



Market Segmentation

Segmenting Consumer Markets



Market Segmentation

Segmenting Consumer Markets

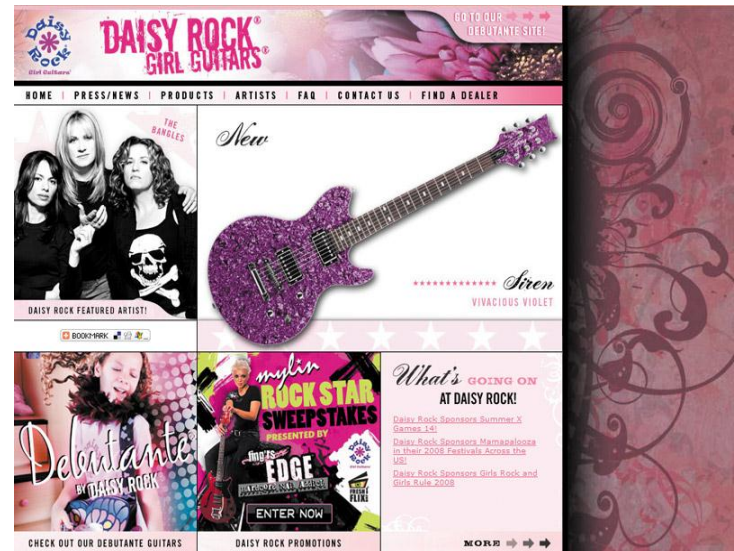
- Geographic segmentation divides the market into different geographical units such as nations, regions, states, counties, or cities



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)

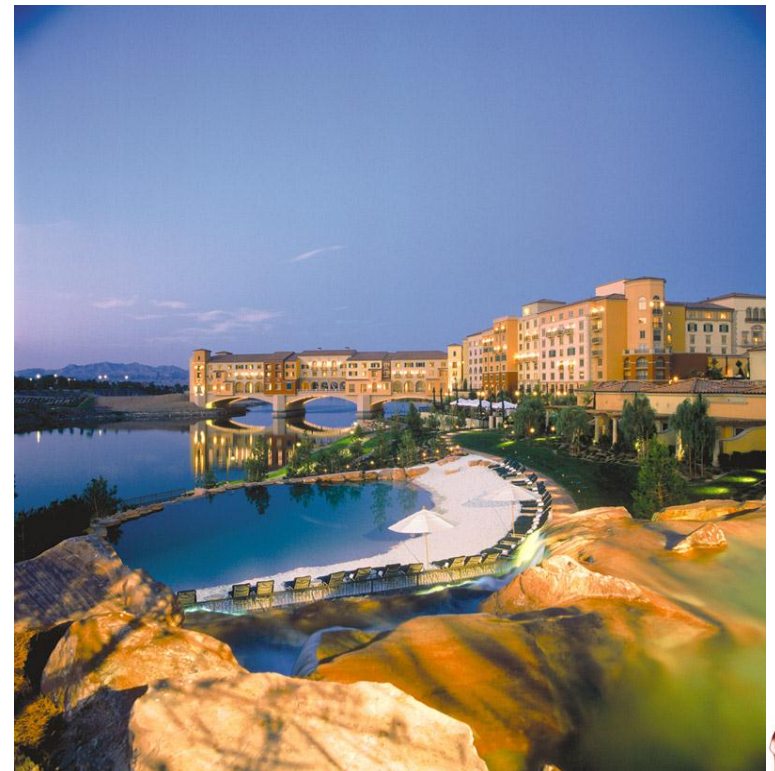


Market Segmentation

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

Choose Wisely.

Choose Claritas.
Solve your marketing challenges with segmentation solutions from Claritas. Our industry-standard segmentation system, PRIZM[®] NE, PSYCLE[®] and ConneXions[™] help you know your audience so you can tailor your marketing programs to them. Depth of knowledge gives you leverage for reaching and retaining your most profitable customers and prospects.

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#18 Kids & Cal-de-Sacs
Livable, suburban, married couples with children—staff the kitchen on Kids & Cal-de-Sacs, an enviable 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 upper-middle-class incomes. Their needs of education, affluence and children transition into large budgets for child centered 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 refers to this trend, a segment of older, multiple singles and couples who live in quiet comfort.

PRINCIPLES OF Marketing



Market Segmentation

Segmenting International markets

Geographic
location

Economic
factors

Political-
legal factors

Cultural
factors



The advertisement features two American Express Business Cards. The top card is a gold card with the text "AMERICAN EXPRESS BUSINESS", card number "3782 456 789 01001", expiration date "03/04", and cardholder name "J H MILLER MILLER AND ASSOCIATES". A line connects this card to the text: "This helps you buy what your small business needs." The bottom card is a silver card with the text "www.OPEN.americanexpress.com", a signature, and the "OPEN SMALL BUSINESS NETWORK" logo. A line connects this card to the text: "This lets you track, organize, categorize, subdivide, examine, break down, cross-reference, combine and archive online what your small business spends." At the bottom of the advertisement, it says: "Now you can access the Expense Management Report and many other online tools. But only if you have the American Express® Business Card. The Card with the savings, rewards and services of OPEN: The Small Business Network™ behind it. Apply now and get an instant decision. Visit OPEN.AMERICANEXPRESS.COM."

PRINCIPLES OF
Marketing



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

Your easy guide to our left-handed catalogue

The specialists in left-handed products for over 30 years

**ANYTHING
Left
HANDED**

Why SHOULD you have to put up with right-handed products?

Have you really **ADAPTED** or just **COMPROMISED**

The first left-handed shop in the world - in London since 1968

Award winning website for products and left-handed information

Order by phone, post or fax from our famous catalogue



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

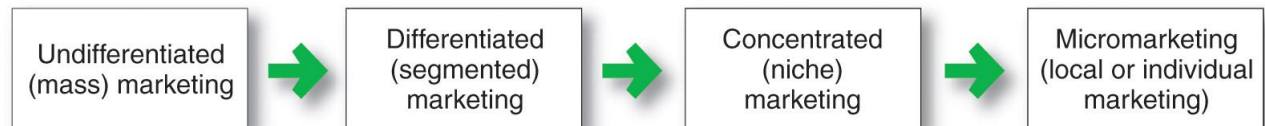
Evaluating Market Segments

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



Market Targeting

Target Marketing Strategies



**Targeting
broadly**

**Targeting
narrowly**

This figure covers a pretty broad range of targeting strategies, from mass marketing (virtually no targeting) to individual marketing (customizing products and programs to individual customers). An example of individual marketing: At myMMs.com you can order a batch of M&Ms with your face and personal message printed on each little candy.



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 Target Market

Depends on:

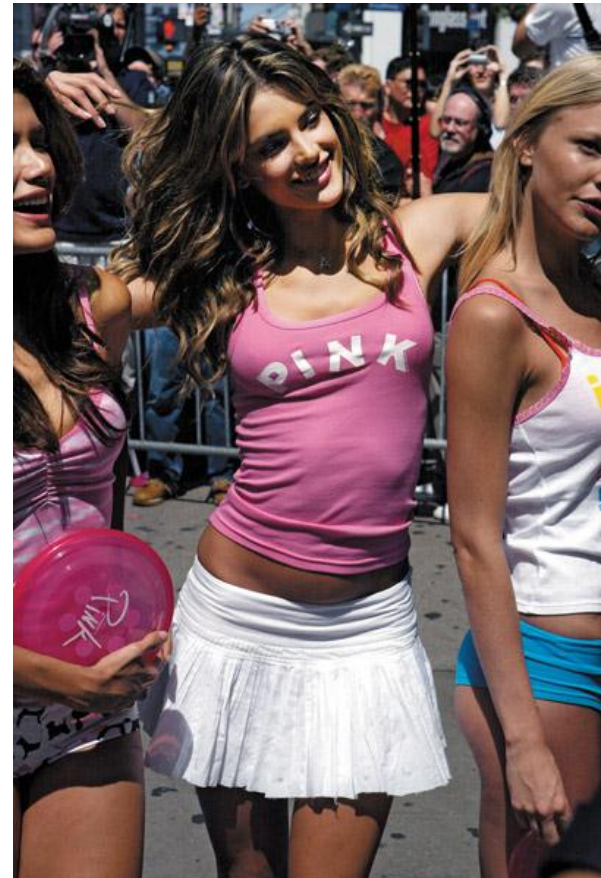
- Company resources
- Product variability
- Product life-cycle stage
- Market variability
- Competitor's marketing strategies



Market Targeting

Socially Responsible Target Marketing

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



Differentiation and Positioning

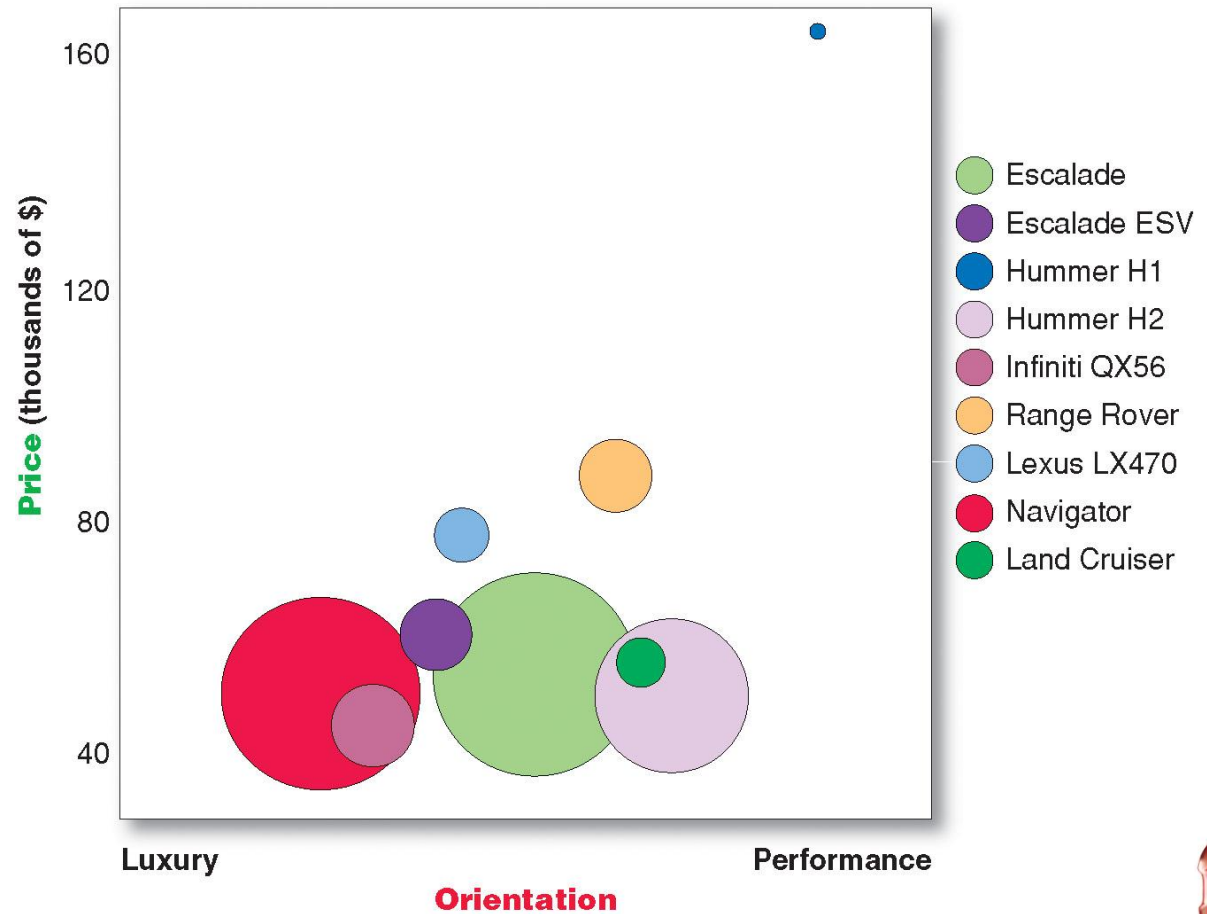
Product position is the way the product is defined by consumers on important attributes—the place the product occupies in consumers' minds relative to competing products

- 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:

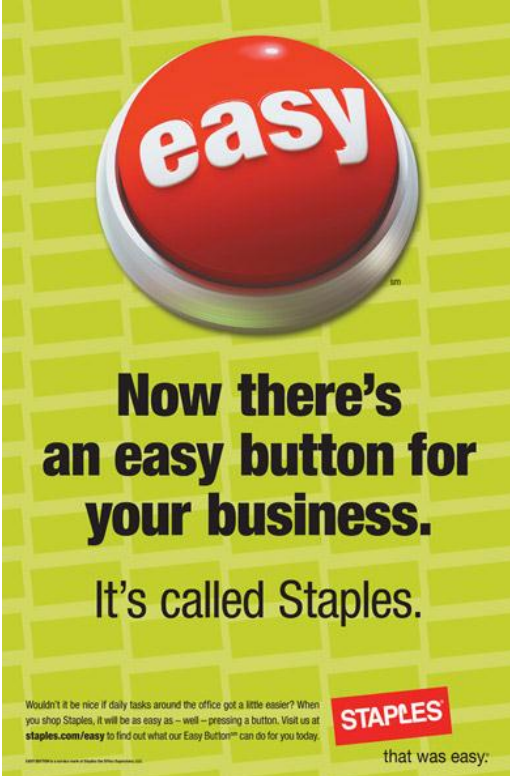
Product differentiation

Service differentiation

Channel differentiation

People differentiation

Image differentiation



The advertisement features a large, 3D red button with the word "easy" in white lowercase letters. Below the button, the text reads: "Now there's an easy button for your business. It's called Staples." At the bottom, there is a small red box with the word "STAPLES" in white, followed by the tagline "that was easy:". A small paragraph of text at the bottom left reads: "Wouldn't it be nice if daily tasks around the office got a little easier? When you shop Staples, it will be as easy as -- well -- pressing a button. Visit us at staples.com/easy to find out what our Easy Button™ can do for you today."



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

		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



Differentiation and Positioning

Developing a Positioning Statement

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



Web link



Communication and Delivering the Chosen Position

Choosing the positioning is often easier than implementing the position.





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Publishing as Prentice Hall

