



Principles of Marketing

**Customer-Driven Marketing
Strategy: Creating Value for
Target Customers**

Learning Objectives

After studying this chapter, you should be able to:

1. Define the three steps of target marketing: market segmentation, target marketing, and market positioning
2. List and discuss the major bases for segmenting consumer and business markets
3. Explain how companies identify attractive consumer and business markets
4. Discuss how companies position their products for maximum competitive advantage in the marketplace

Chapter Concepts:

1. **Market Segmentation**
2. **Marketing Target**
3. **Differentiation and Positioning**
4. **Positioning for Competitive Advantage**

Market Segmentation

1. Discuss the need to understand competitors as well as customers through competitor analysis
2. Explain the fundamentals of competitive marketing strategies based on creating value for customers
3. Demonstrate the need for balancing customer and competitor orientations in becoming a truly market-centered organization

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

- Geographic
- Demographic
- Psychographic
- Behavioral

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

Segmenting Consumer Markets

Demographic segmentation is the most popular segmentation method because consumer needs, wants, and usage often vary closely with demographic variables and are easier to measure than other types of variables

Market Segmentation

Segmenting Consumer Markets

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

Market Segmentation

Segmenting Consumer Markets

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

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

Market Segmentation

Segmenting Consumer Markets

Occasion segmentation divides buyers into groups according to occasions when they get the idea to buy, actually make purchases, or respond to a product

Benefit segmentation requires finding the major benefits people look for in the product class, the kinds of people who look for each benefit, and the major brands that deliver each benefit

Market Segmentation

Segmenting Consumer Markets

User status divides buyers into ex-users, potential users, first-time users, and regular users of a product

Usage rate divides buyers into light, medium, and heavy product users

Loyalty status divides buyers into groups according to their degree of loyalty

Market Segmentation

Segmenting Consumer Markets

Loyalty status divides buyers into groups according to their degree of loyalty

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

Using Multiple Segmentation Bases
Prizm classifications include

- Age
- Educational level
- Income
- Occupation
- Family composition
- Ethnicity
- Housing
- Behavioral and lifestyle factors
- Purchases
- Free-time activities
- Media preferences

Market Segmentation

Segmenting Business Markets

In addition to the same segmentation variables as consumers, business can also be segmented by:

- Customer-operating characteristics
- Purchasing approaches
- Situational factors
- Personal characteristics

Market Segmentation

Segmenting Business Markets

Segmenting international markets

- Geographic location
- Economic factors
- Political and 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, a market segment must be:

- Measurable
- Accessible
- Substantial
- Differentiable
- Actionable

Market Segmentation

Requirements for Effective Segmentation

Measurable examples include the size, purchasing power, and profiles of the segments

Accessible refers to the fact that the market can be effectively reached and served

Market Segmentation

Requirements for Effective Segmentation

Substantial refers to the fact that the markets are large and profitable enough to serve

Differentiable refers to the fact that the markets are conceptually distinguishable and respond differently to marketing mix elements and programs

Market Segmentation

Requirements for Effective Segmentation

Actionable refers to the fact that effective programs can be designed for attracting and serving the segments

Market Targeting

Evaluating Market Segments

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

Market Targeting

Evaluating Market Segments

- Segment size and growth
 - Smaller versus larger segments
 - Growth potential

Market Targeting

Evaluating Market Segments

- Segment structural attractiveness
 - Competition
 - Substitute products
 - Power of buyers
 - Power of suppliers

Market Targeting

Evaluating Market Segments

- Company objectives and resources
 - Competitive advantage
 - Availability of resources
 - Consistent with company objectives

Market Targeting

Selecting Target Market Segments

- Undifferentiated marketing
- Differentiated marketing
- Concentrated marketing
- Micromarketing

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

Selecting Target Market Segments

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

Selecting Target Market Segments

Concentrated marketing targets a small share of a large market

- Limited company resources
- Knowledge of the market
- More effective and efficient

Market Targeting

Selecting Target Market Segments

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

Selecting Target Market Segments

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

- Cities
- Neighborhoods
- Stores

Market Targeting

Selecting Target Market Segments

Local Marketing

- Benefits:
 - Increased marketing effectiveness in competitive markets
 - More customer-specific offerings

Market Targeting

Selecting Target Market Segments

Local marketing

- Challenges:
 - Increased manufacturing and marketing costs
 - Less economy of scale
 - Logistics
 - Dilution of company image

Marketing Targeting

Selecting Target Market Segments

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

Selecting Target Market Segments

- Mass customization** is the process through which firms interact one-to-one with masses of customers to design products and services tailor-made to meet individual needs. Has made relationships with customers important in the new economy.
- Provides a way to distinguish the company against competitors

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

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

- Price and orientation

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

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
- Channels
- People
- Image

Differentiation and Positioning

Identifying Possible Value Differences and Competitive Advantage

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

Differentiation and Positioning

Choosing the Right Competitive Advantages

A difference is worth establishing to the extent that it satisfies the following criteria:

- Important
- Distinctive
- Superior
- Communicable
- Preemptive
- Affordable

Differentiation and Positioning

Selecting an Overall Strategy

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

- More for more
- More for the same
- Same for less
- Less for much less
- More for less

Positioning for Competitive Advantage

Developing a Positioning Statement

Positioning statement states the product's membership in a category and then shows its point-of-difference from other members of the category.

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