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

Select customers to serve
- Segmentation: Divide the total market into smaller segments
- Targeting: Select the segment or segments to enter

Create value for targeted customers

Decide on a value proposition
- Differentiation: Differentiate the market offering to create superior customer value
- Positioning: Position the market offering in the minds of target customers
Market Segmentation

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

- Geographic segmentation
- Demographic segmentation
- Psychographic segmentation
- Behavioral segmentation
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 (mass) marketing**
- **Differentiated (segmented) marketing**
- **Concentrated (niche) marketing**
- **Micromarketing (local or individual marketing)**

**Targeting broadly**

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.

**Targeting narrowly**

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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
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.

- **Price (thousands of $)**
- **Luxury**
- **Performance**

Legend:
- Escalade
- Escalade ESV
- Hummer H1
- Hummer H2
- Infiniti QX56
- Range Rover
- Lexus LX470
- Navigator
- Land Cruiser
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

Now there's an easy button for your business.

It's called Staples.
Differentiation and Positioning

Choosing the Right Competitive Advantage

Difference to promote should be:

- Important
- Distinctive
- Superior
- Communicable
- Preemptive
- Affordable
- Profitable
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.