

Ch-7: Customer driven marketing strategy

Segmentation, Targeting and Positioning

Building The Right Relationships With
The Right Customers

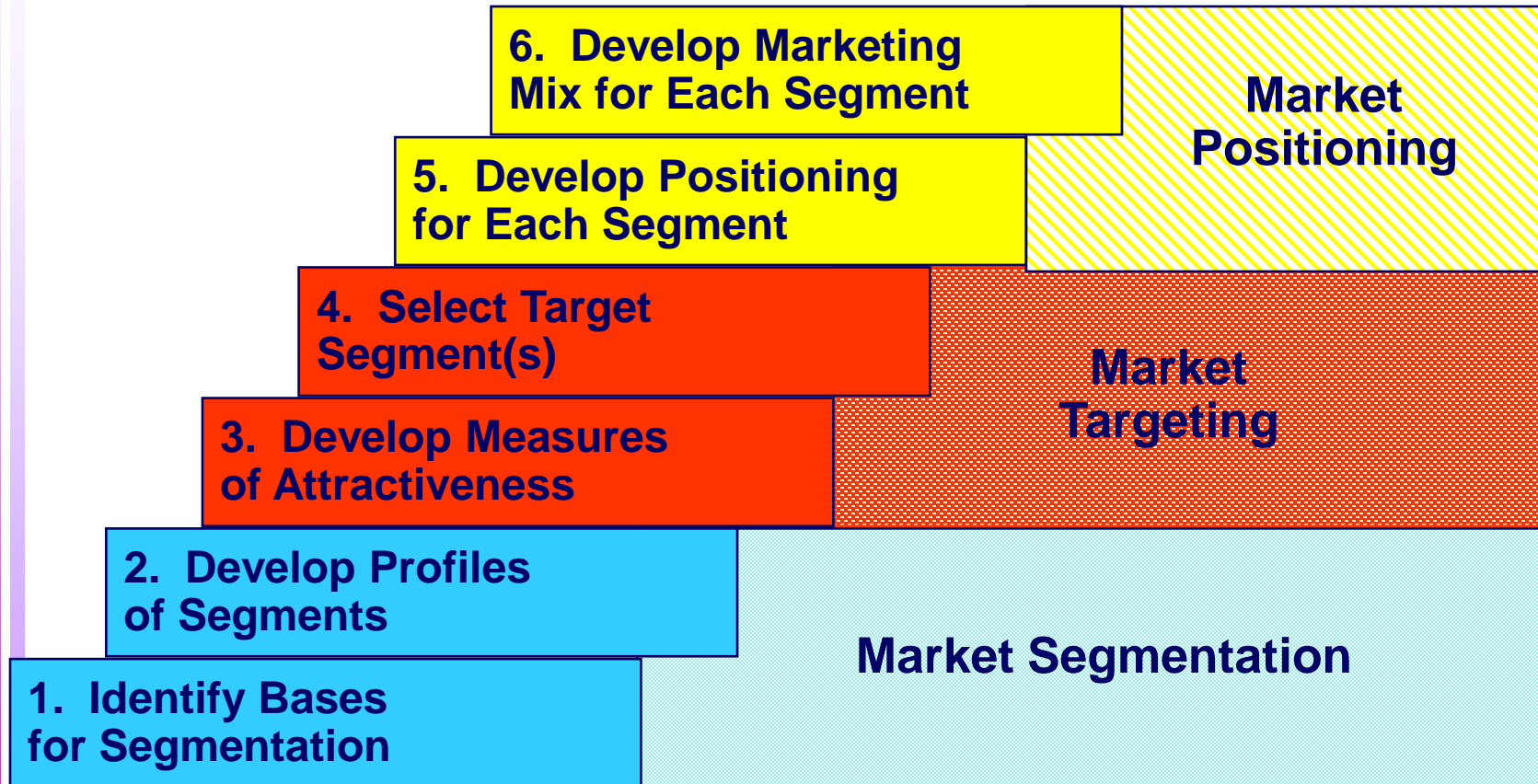
What have we learnt and What's New?

- What marketing is
- Strategic planning and marketing process
- Complex environments in which marketing operates
- Consumer Buyer Behavior

What's New (Key marketing strategy decisions)

- How to divide up markets into meaningful customer groups (market segmentation)
- Select which customer groups (one or more) to serve (target marketing)
- Create marketing offers that best serve targeted customers (positioning)

Steps in Segmentation, Targeting, and Positioning



Mass marketing or Market segmentation?

- Mass production, mass distribution, mass promotion about the same product in about the same way to all consumers. Coca Cola

Why? Lowest cost, highest margin

- Market segmentation - distinct needs, characteristics, or behavior who might require separate products or marketing mixes. P&G – laundry detergent, Sunsilk shampoo, Toyota

Bases for Segmenting Consumer Markets

CHARACTERISTICS

1. Demographic



2. Geographic



3. Behavioristic



4. Psychographic



Variables for Segmenting Consumer Market

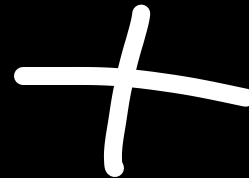
- **Geographic segmentation:** nations, states, regions, cities. Largest display store in Dhaka, Medium in Chittagong, Sylhet, Small in Rajshahi. Starbucks: more coffee and dessert for the Southern states customers.
- **Demographic segmentation:** age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality. Most popular and widely used bases.
 - **Age and life-cycle stage:** baby gap, gap kids, gap maternity
 - **Gender:** clothing, cosmetics, toiletries, magazines. Facial cleansing, eye brow, mascara
 - **Income:** automobiles, clothing, cosmetics, and travel. Target affluent customers or low income consumers. Grameen users
- **Psychographic segmentation:** social class, lifestyles or personality characteristics. Mercedes. K2 cigarette

Variables for Segmenting Consumer Market

- **Behavioral segmentation:** dividing groups on the basis of knowledge of, attitude toward, use of, or response to a product. Cold Ovaltine, Mobil oil users
 - **Occasions:** coke in the morning, water resistant watch, panjabi on Eid, marriage saree
 - **Benefits sought:** different toothpaste, different laundry detergents, different shampoo, different body lotion.
 - **User status:** non-users, ex-users, potential users, first time users, regular users. Blood bank (regular donors, first-time donors, ex donors).
 - **Usage rate:** Heavy users make up only 15 - 20% of all buyers but consumer 50 - 55% of all products. Extremely loyal or always search for lower price
 - **Loyalty Status:** brand (Sony), stores (Agora), company (GE)

Variables for Segmenting Business Market

- **Demographical segmentation:** dividing groups on the basis of industry, company size. **Swiss color** (leather industry, garments industry, painting industry)
- **Operating Variables:** many services, fewer services, heavy users or non users
- **Purchasing Approaches:** Engineer dominated, financially dominated, marketing dominated
- **Situational factors:** urgency (quick or sudden delivery)
- **Personal Characteristics:** High loyalty, Buyer-seller similarity.



Requirements for Effective Segmentation

To be useful market segments must be:

- **Measurable:** size, purchasing power, and profiles can be measured. Scattered customers difficult to measure (left handed people)
- **Accessible:** effectively reached and served. (heavy user of fragrance are single men and women who party lately)
- **Substantial:** large or profitable enough to serve. (automobile manufacturer develop car for people of height more than 7 feet)

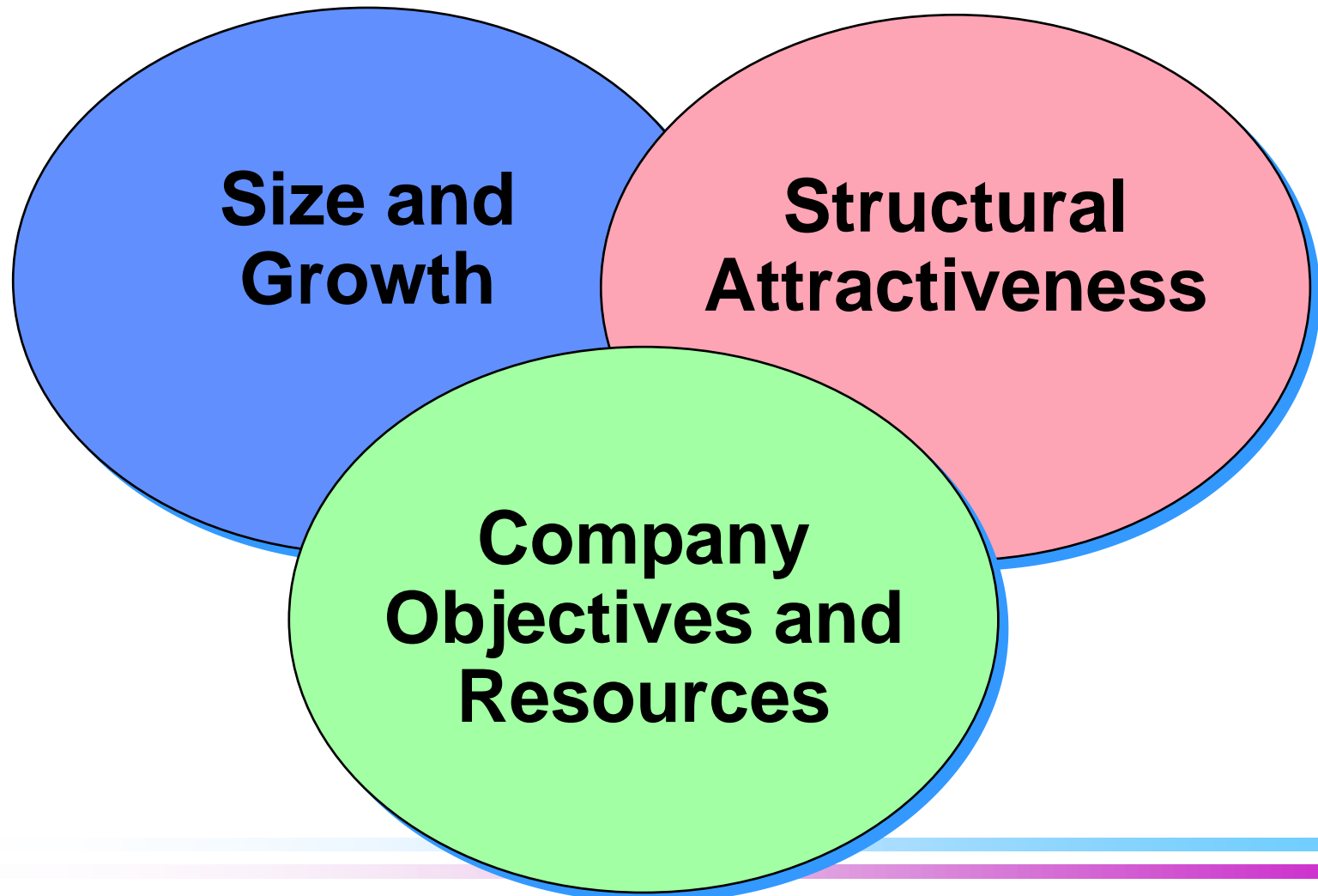
Requirements for Effective Segmentation (cont)

- **Differentiable:** conceptually distinguishable and respond differently to different marketing mix elements and programs. (If married and unmarried women respond similarly to a sale on perfume, they do not constitute separate segment)
- **Actionable:** Sufficient resources, marketing capabilities I.e effective marketing programs can be designed for attracting and serving the segments.

Staff limitation- one small airline identified seven market segments, its staff was too small to develop separate marketing programs for each segment.

Target Marketing: *evaluate and select*

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



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Evaluating market segments

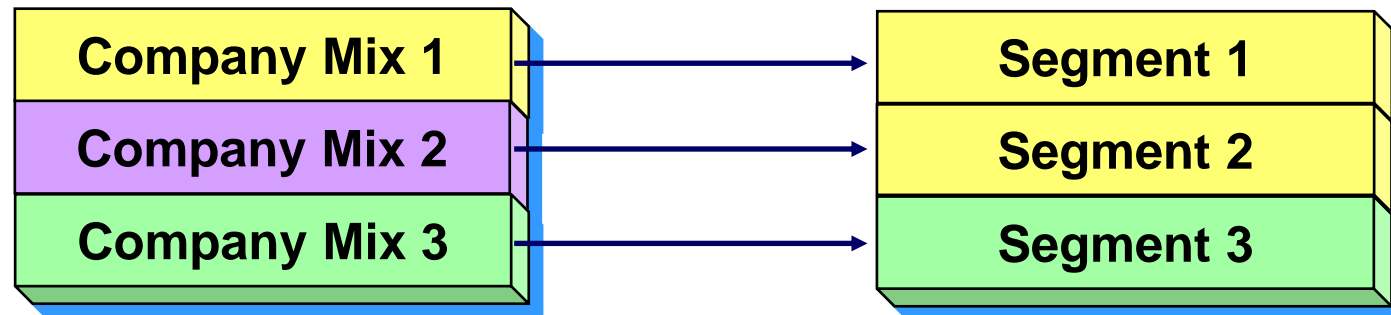
Three factors:

- **Segment size and growth:** right size and growth. Relative. (small firm may not be able to serve large segment, so they should choose smaller segment with high profit)
- **Segment structural attractiveness:** strong competitors, substitute products, power of buyers, powerful suppliers
- **Company objectives and resources:** make sense for long run objectives and have required resources. (economy is improving but luxury car producer BMW can not enter that middle class segment because it will affect their brand image).

Market Coverage Strategies



A. Undifferentiated Marketing



B. Differentiated Marketing



C. Concentrated Marketing

Target Marketing: *evaluate and select*

Selecting target market segments

Target marketing strategies:

- **Target broadly (undifferentiated / mass marketing):** ignore market segments, go after the whole market with one offer. Coca-cola, keep down cost
- **Differentiated marketing:** target several market segments and designs separate offers for each. GM (cars for every “purse, purpose, personality”); P&G – more total market share. Increase cost
- **Concentrated (niche) marketing:** large share of one or a few segments or niches, ignored by larger competitors. limited resources, gain operating economies through specialization. Volkswagen – small car market.

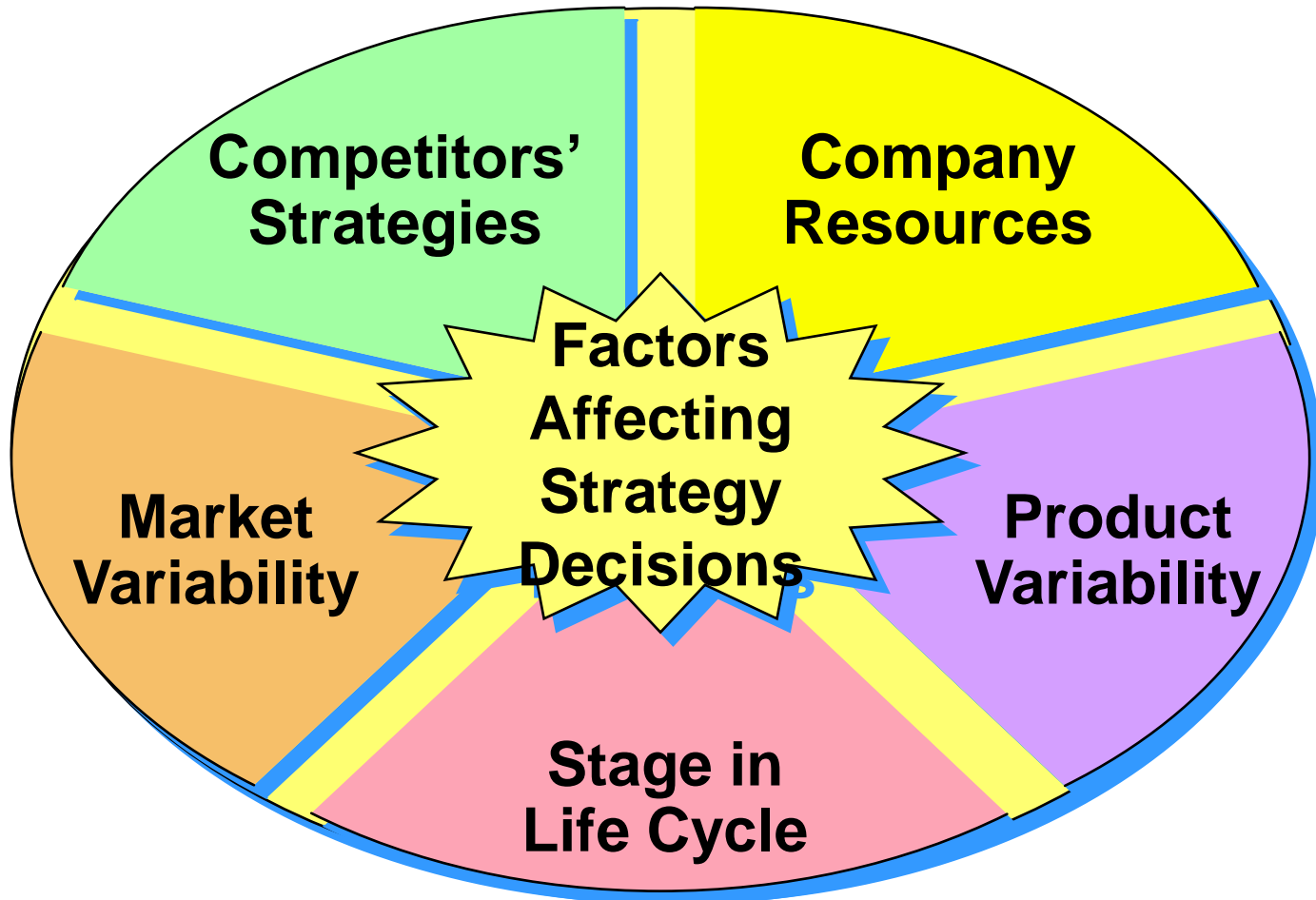
Target Marketing: *evaluate and select*

Selecting target market segments

Target marketing strategies (continued):

- **Micromarketing:** tailor products and marketing programs to the needs and wants of specific individuals and local customer groups.
 - *Local Marketing:* local customer groups – cities, neighborhoods, Retailers. Customize each store's merchandise and promotions.
 - *Individual Marketing:* individual customers. Dell computer.

Choosing a Market-Coverage Strategy



Target Marketing: *evaluate and select*

Choosing a Target Marketing Strategy Depends on:

- **Company resources:** limited resources – concentrated marketing.
- **Product variability:** Uniform products, undifferentiated marketing. **Steel.** Variety products, differentiation or concentration. **Automobiles.**
- **Product's life-cycle stage:** new product, one version, undifferentiated or concentrated marketing. Mature stage, Differentiated.
- **Market variability:** same tastes, buy same amounts, react same way to marketing offers, undifferentiated.
- **Competitors' marketing strategies:** competitors use differentiated or concentrated, then undifferentiated is suicidal. Competitors use undifferentiated, then differentiated gain advantage.

Positioning for Competitive Advantage

Arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers. Bata – durable, Tide – powerful, Toyota – economy, Cadillac/Mercedes – luxury, Dettol soap – health and hygiene.

Choosing a Positioning Strategy

The positioning task consists of three steps:

- **Identifying possible competitive advantages:** offer consumers greater value, either through lower prices or by providing more benefits that justify higher prices. *Offer and deliver.*

In what specific ways company can differentiate its offer?

Market offer can be differentiated along the lines of product, services, channels, people, or image.

Positioning for Competitive Advantage

- Product differentiation: little variation (chicken, steel); highly differentiated (automobiles, clothing, furniture).
 - Form – size, shape (aspirin – color, coating, shape)
 - Features – Oral – B (added blue dye in the center bristles that fades)
 - Durability – vehicles, kitchen appliances, must not be subject to rapid technological obsolescence (PC, Video cameras)
 - Reliability – which company, which manufacturer? (real estate)
 - Reparability – (auto mobiles)
- Services differentiation: speedy, convenient, careful delivery.
- Personnel differentiation: better trained personnel. (courteous, professional, smiley)
- Channel differentiation: channels' coverage, expertise, and performance. Caterpillar, Dell, Avon (smooth functioning through direct channels)
- Image differentiation: company or brand image created over time. Sony
- Symbols: McDonald's golden arches, apple for Apple computer, Coca Cola (red), IBM (blue).

Positioning for Competitive Advantage

- **Choosing the right competitive advantages:** How many differences to promote and which ones.
 - **How many differences to promote:** only one benefit (crest – anticavity protection), more than one benefit (Lever 2000 – three-in-one bar soap I.e. offering cleansing, moisturizing and deodorizing benefits).

Which differences to promote:

- important- the difference delivers a highly valued benefit to target buyers
- Distinctive- offering what competitor is not doing or doing it in a more distinctive way
- Superior- the difference is superior to other ways that customers obtain the same benefit.
- Communicable- the difference is communicable and visible to buyers.
- Preemptive- competitors cannot easily copy the difference.
- Affordable-buyers can afford to pay for the difference
- Profitable- the company can introduce the difference profitably.

Positioning for Competitive Advantage

- **Selecting an overall positioning strategy:** value proposition – the full positioning of brand.

Five winning value propositions upon which companies can position their products:

- **More for more:** upscale product at higher price (Mercedes-Benz automobiles; Haagen-Dazs ice cream)
- **More for the same:** Lexus (better sales and service experience) vs Mercedes
- **The same for less:** Wal-Mart, Best Buy, 'IBM Clone'
- **Less for much less:** Maruti 800 (small space , very less price)
- **More for less:** winning value proposition. P&G laundry detergent (best cleaning and everyday low price), Dell.

MORE FOR MORE



This is a fine piece of research--thoughtfully designed, deeply instrumented, and genuinely interesting in asking and answering important questions. And it is especially gratifying to note the result: this is the highest priced showerhead at Lowe's now, but still their best seller. It is a solid example of what breakthrough design should do: create premium value for enterprises, while giving customers something they love and think is worth the money.

Questions or Comments

Thank You