

CUSTOMER-DRIVEN MARKETING STRATEGY

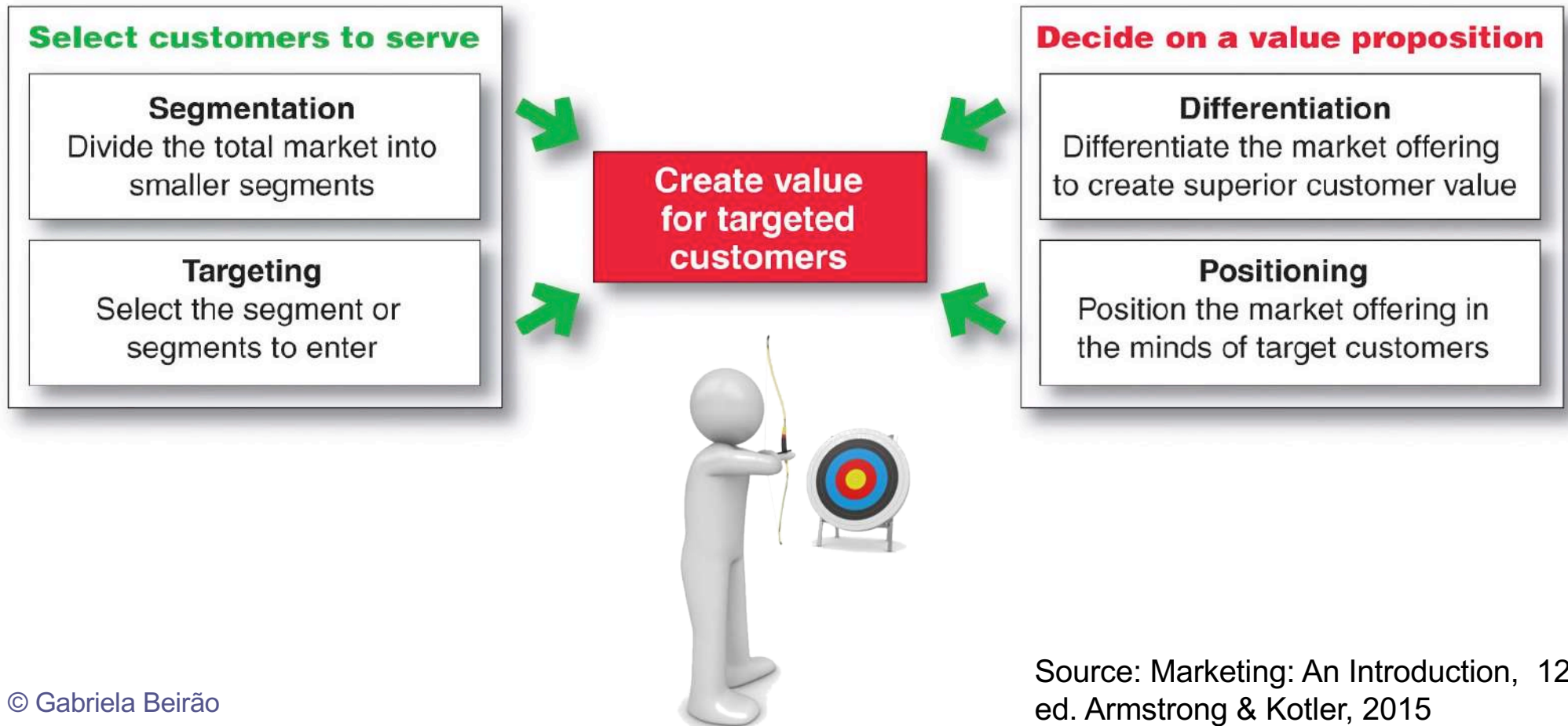
IDENTIFYING MARKET SEGMENTS AND TARGETS

Bibliography:

Kotler and Keller (2012), Marketing Management, 14ed.,
Pearson, cap. 8

Customer-Driven Marketing Strategy

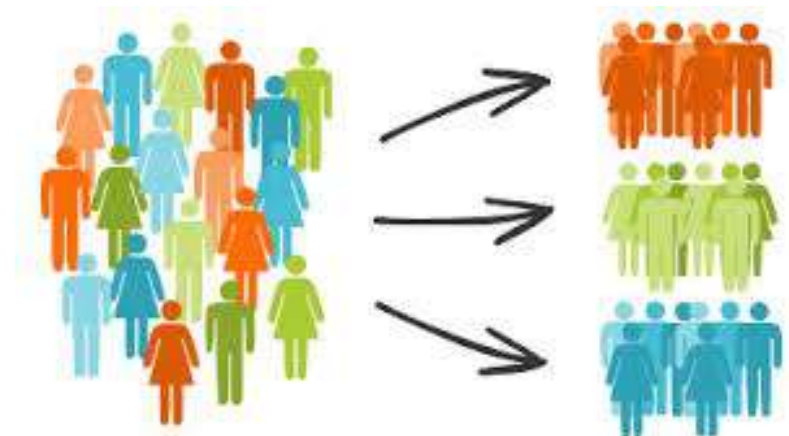
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Segmentation

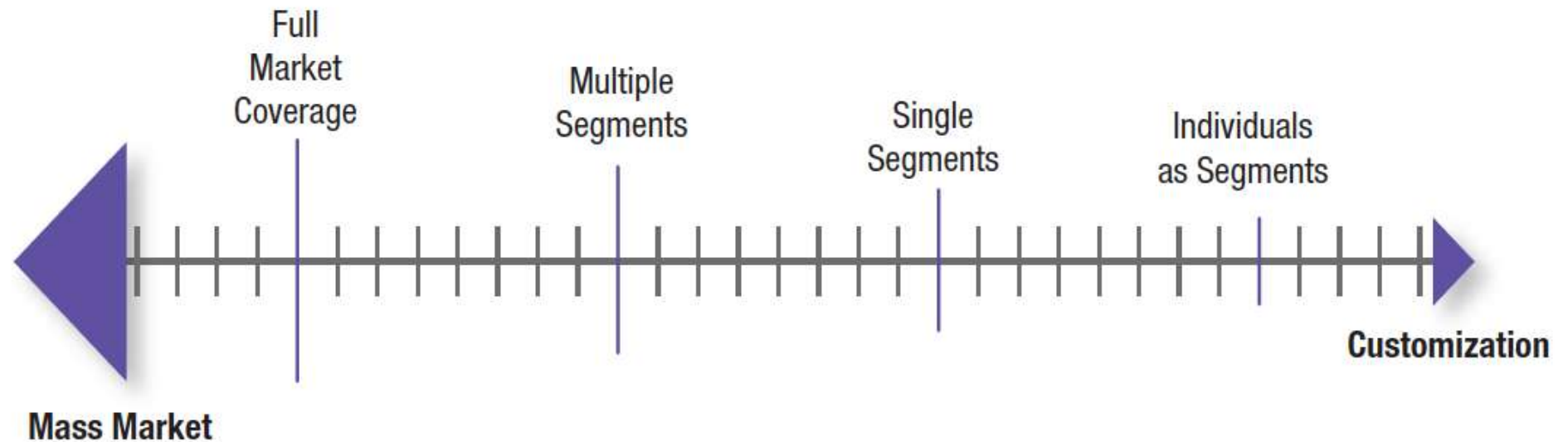
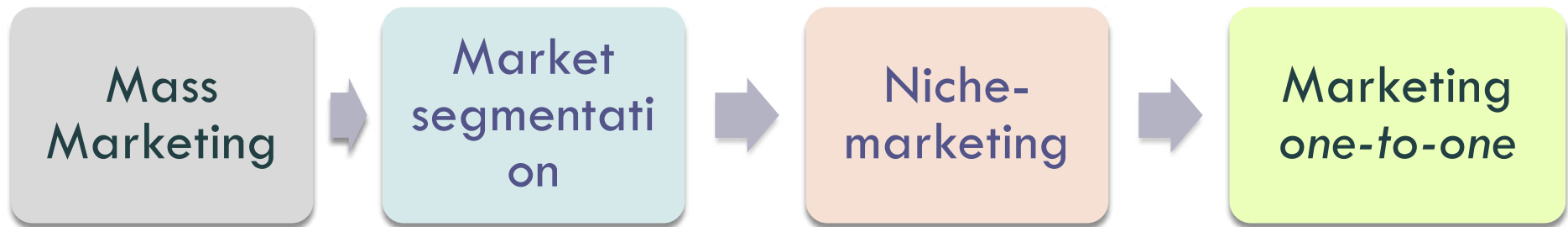
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- ❑ Customers are all different!
- ❑ To better respond to specific customer needs and wants, it's important to identify segments.
- ❑ Market segmentation is a process of dividing a market into well-defined groups of customers who share a similar set of preferences, needs and wants.



Levels of Segmentation

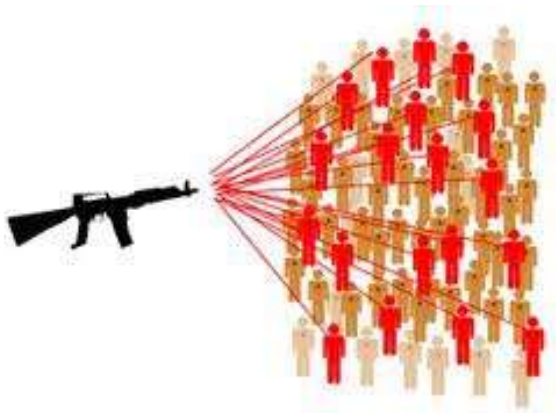
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Mass marketing

5

- Develop of a single marketing mix, which is offered to all customers in a global market.
- Least cost production paradigm
 - ▣ Example: Ford T



Marketing segmentation

6

- Development of solutions adapted to the specific needs of the different market segments.
- Segment – a well- defined group of customers who share similar needs and wants.
 - ▣ Example: Inditex group has several different brands



Niche marketing

7

- Focusing on a small segment of customers with specific needs and preferences.
- Niche – narrow customer group seeking a distinctive mix of benefits within a segment.
- Examples:
 - ▣ Allegiant airlines flies leisure travelers from smaller markets
 - ▣ Vegan restaurants
 - ▣ Environmentally friendly cars:
 - Toyota Prius



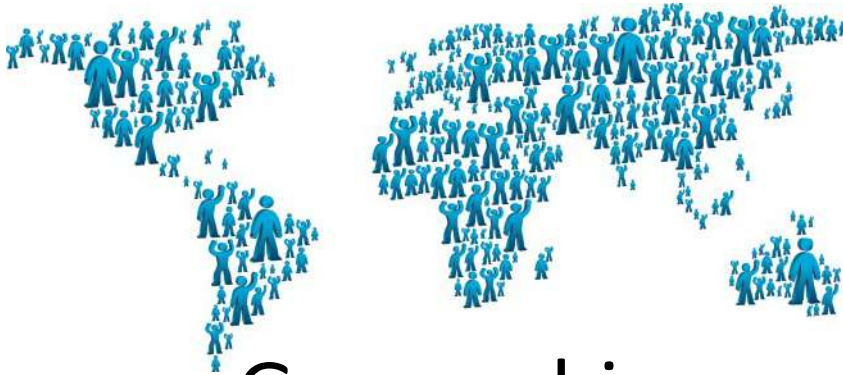
Marketing one-to-one

8

- Individualize market offerings to meet each customer's preference.
 - ▣ Traditional services, such as tailors.
 - ▣ New technologies enable companies to customize marketing: “*mass customization*”.
 - ▣ **Mass customization** is the process by which firms interact one-to-one with masses of customers to design products and services tailor-made to individual needs.
 - **Example:**
 - Dell allow customers to choose computers components and functionalities.

Variables for Segmenting Consumers

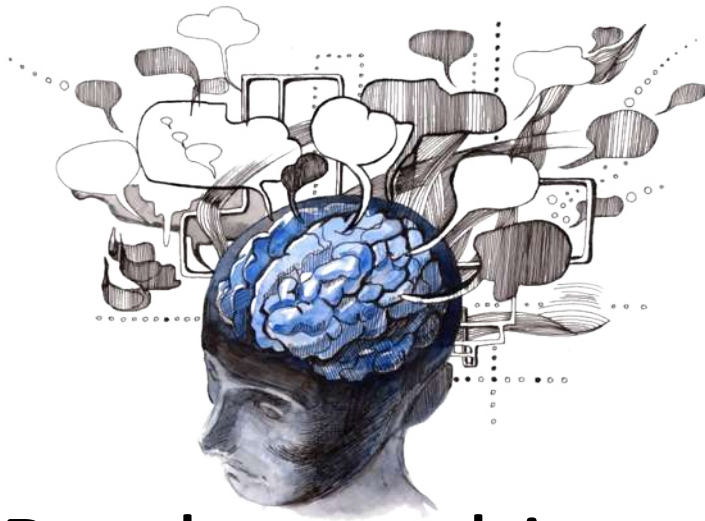
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Geographic



Demographic



Psychographic



Behavioral

Geographic segmentation

10

- Geographic segmentation divides the market by nations, states, regions, counties, cities, or even neighborhoods.
- Companies are localizing their products, advertising, promotion, and sales efforts to fit the needs of individual regions



- ▣ Espresso coffee at McDonalds in Portugal.
- ▣ Walmart operates Supermercado de Walmart stores, which feature signage, product assortments, and bilingual staff that are more relevant to local Hispanic customers, in stores located in strongly Hispanic neighborhoods

Demographic segmentation

11

- Demographic segmentation divides the market on variables such as age, family size, family life cycle, gender, income, occupation, education, religion, generation, and ethnicity.
 - Different offerings for men and women, ex apparel, Gillette for men and woman
 - Disney Cruise Lines targets primarily families with children—most of its destinations and shipboard activities are designed with parents and their children in mind
 - Generation: Generation Alpha (born 2011-2025), Centennials (iGen or Gen Z (born 2010-1996)), Millennials (GenY (born 1981-1995)), Generation X (born 1965-1980), Baby Boomers (born 1946-1964), Silent generation (born 1928-1945)



Psychographic segmentation

12



- Psychographic segmentation divides buyers into different groups on the basis of psychological/personality traits, lifestyle, social class, or values.
- Porsche example (SRI International)
 - Top Guns (27%) - ambition, power, control
 - Elitists (24%) - old money, car is just a car
 - Proud Patrons (23%) - car is reward for hard work
 - Bon Vivants (17%) - car is for excitement, adventure
 - Fantasists (9%) - car is form of escape



Behavioral segmentation

13

- Behavioral segmentation divides buyers into segments based on their knowledge, attitudes, uses, or responses to a product.
 - **Benefits and Needs:** different benefits that customers seek from a product (quality, economy, service, look, ...)
 - Schwinn's bikes are for riders who want a functional, durable, and stylish bike to commute or ride casually in urban areas."
 - Fitbit makes health and fitness tracking devices aimed at buyers in three major benefit segments: Everyday Fitness, Active Fitness, and Performance Fitness
 - **User and Usage**
 - Occasions; User status; Loyalty status; Usage rate; Attitudes)

Behavioral segmentation

14

▣ User and Usage:

- ❖ **Usage occasions:** when customers get the idea to buy, actually make their purchases, or use the purchased items
 - Starbucks welcomes autumn season with its pumpkin spice latte
- ❖ **User status:** nonusers, ex-users, potential users, first-time users, and regular users of a product
 - ❖ to get new parents, P&G assures that Hospitals have their diapers and then promotes them as “the #1 choice of hospitals.”
- ❖ **Loyalty status:** Hard-core loyals, split loyals, shifting loyals, switchers.
- ❖ **Usage rate:** light, medium, and heavy users
 - ❖ CKE Restaurants, focus on a target of “young, hungry men.”
- ❖ **Attitude toward offering:** enthusiastic, positive, indifferent, negative, and hostile.



Bases for Segmenting B2B Markets

15

Demographic

Industry, company size, location

Operating Variables

Technology, user status, customer capabilities

Purchasing Approach

Power structure, nature of existing relationship

Situational Factors

Urgency, specific application, size of order

Personal Characteristics

Buyer-seller similarity, loyalty, risk attitude

Requirements for effective segmentation

16

To be useful, market segments must be:

- ❑ **Measurable:** The size, purchasing power, and characteristics of the segments can be measured.
- ❑ **Substantial:** The segments are large or profitable enough to serve.
- ❑ **Accessible:** The segments can be effectively reached and served.
- ❑ **Differentiable:** The segments are conceptually distinguishable and respond differently to different marketing mix elements and programs.
- ❑ **Actionable:** Effective programs can be designed for attracting and serving the segments.

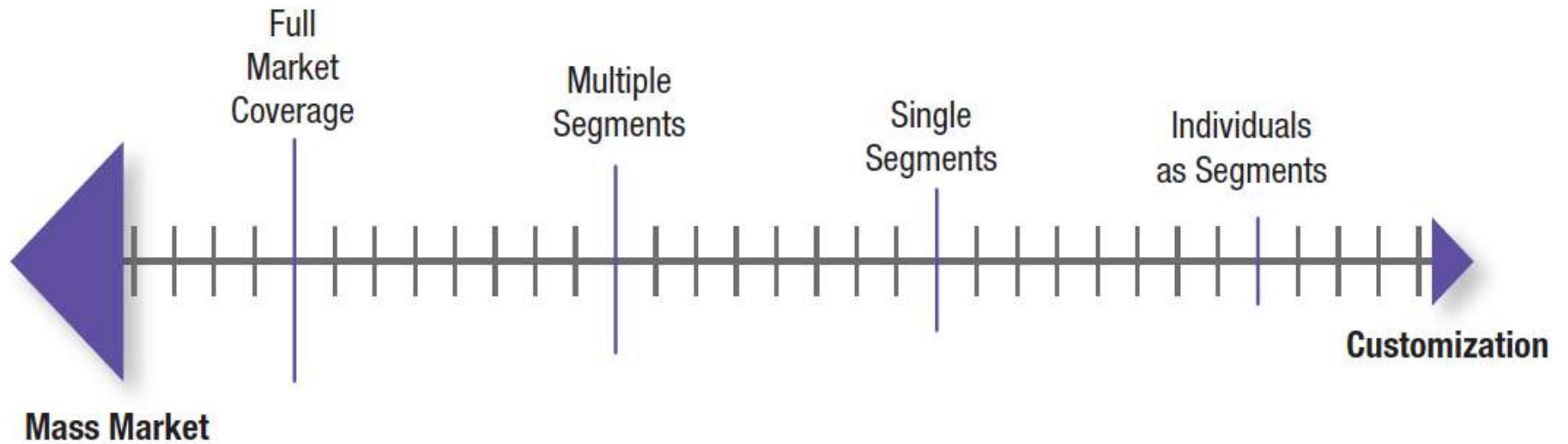
Selecting target markets

17

- **Target market:** Set of buyers sharing common needs or characteristics that the company decides to serve
- Considering segment's attractiveness and the company's objectives and resources, several strategies can be defined:
 - Full market coverage
 - Multiple segment specialization
 - With **Product** specialization
 - With **Market** specialization
 - Single-segment concentration
 - Individual marketing

Selecting Market Segments

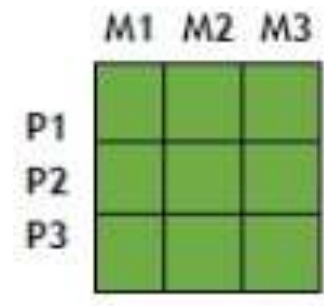
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Full market coverage

19

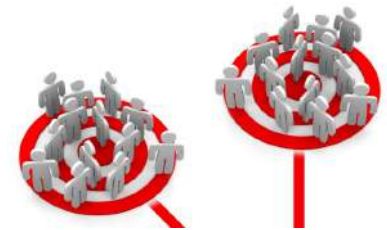
- A firm attempts to serve all customer groups with all the products they might need.
 - ▣ **Advantage:** broad market coverage, satisfying a wide range of customer needs.
 - ▣ **Disadvantage:** high costs
- Only very large firms such as Microsoft (software market), General Motors (vehicle market), and Coca-Cola (nonalcoholic beverage market) can undertake a full market coverage strategy.



Multiple Segment specialization

20

- A firm selects a subset of all possible segments, each objectively attractive and appropriate.
 - ▣ Advantage: risk diversification.
 - ▣ Disadvantage: effort dispersion.



- Example: Sonae is a multinational company with a diversified portfolio of businesses in retail, financial services, technology, shopping centres, telecommunications.



Product/service specialization

21

- The firm sells a certain product or service to several different market segments.
- **Advantage:** The firm builds a strong reputation in the specific product/service area.
- **Disadvantage:** the product or service may be supplanted by an entirely new technology.
- Ex: Corticeira Amorim (cork), Delta cafés (coffee)

	M1	M2	M3
P1			
P2			
P3			



Market specialization

22

- The firm concentrates on serving many needs of a particular customer segment.
- **Advantage:** The firm builds a strong reputation among this customer segment.
- **Disadvantage:** the customer segment may suffer budget cuts or shrink in size
- Example: Johnson & Johnson, Unilever - specialization in consumer products

	M1	M2	M3
P1			
P2			
P3			

Single-segment concentration

23

- The firm markets to only one particular segment
 - **Advantage:** specialization and deep knowledge of the segment needs and achieves a strong market presence
 - **Disadvantage:** dependency on a single segment.
- **Example:**
 - Allegiant Air has found a niche flying leisure travelers from smaller markets.
 - Porsche concentrates on the sports car enthusiast

	M1	M2	M3
P1			
P2			
P3			

Individual marketing

24

- Ultimate level of segmentation: ‘segments of one’, ‘customized marketing’, or ‘one-to-one marketing’
- Individualized market offerings
- Mass customization: ability to meet each customer’s requirements
 - ▣ Dell allows customers to customize computers



Example: P&G: Competing with Itself — and Winning

25

- ❑ P&G brands compete directly with each other.
- ❑ Reason for its many brands—different people want different sets of benefits
- ❑ Strategy in laundry detergent segments
 - Identified numerous segments and subsegments
 - Six different laundry detergent brands in the United States (Tide, Gain, Cheer, Era, Dreft, and Bold).
 - Positioned each segment differently- **offers a unique value proposition to a distinct segment of customers**
 - Identified narrow niches within each segment
 - dozens of versions of Tide - from Tide Original, Tide Coldwater, or Tide Pods to Tide Free & Gentle, Tide Vivid White + Bright, Tide Colorguard, Tide plus Febreze, or Tide with a Touch of Downy.

BRAND POSITIONING

Bibliography:

Kotler and Keller (2012), Marketing Management, 14ed.,
Pearson, cap. 10

Positioning

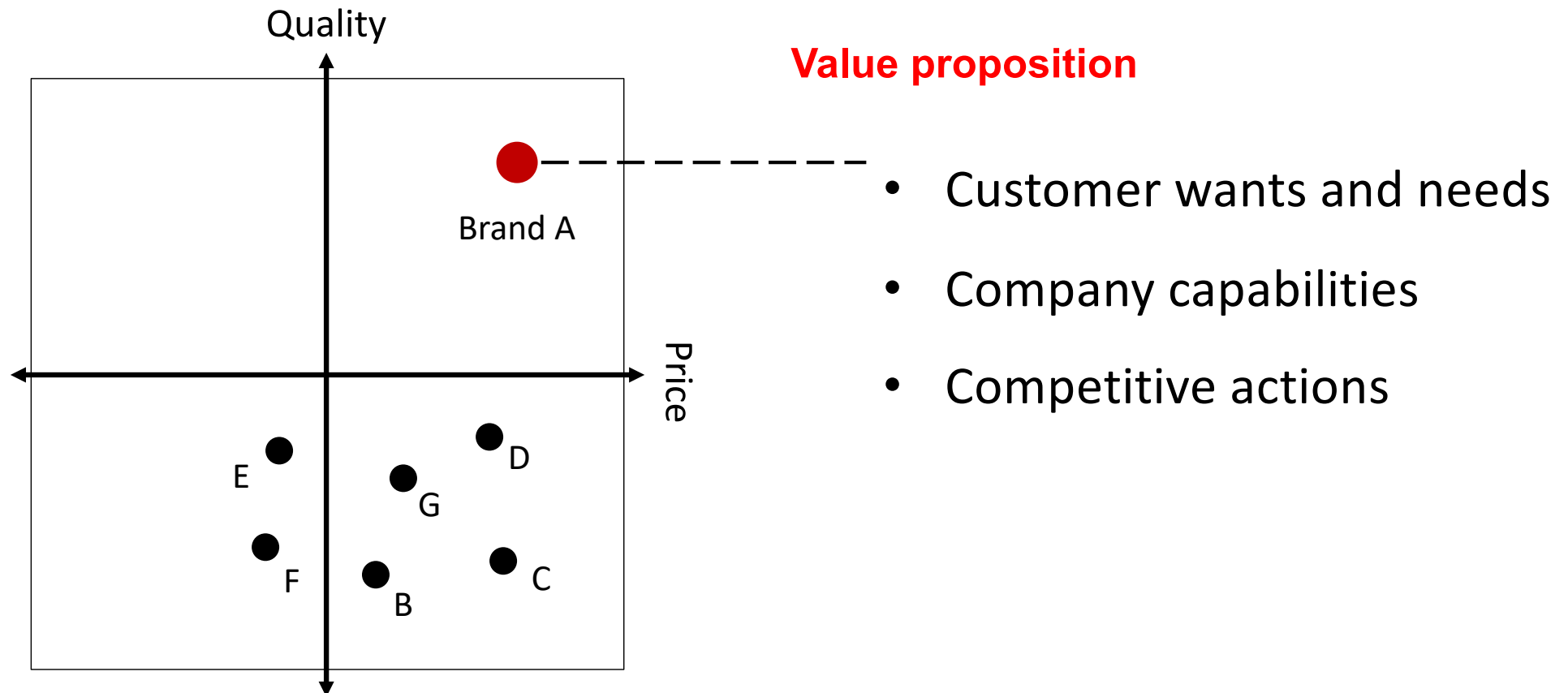
27

- The act of designing a company's offering and image to occupy a distinctive place in the minds of the target market.
- Reflects the company's strategy and its competitive advantage.
 - ▣ An offering that is valued by customers
 - ▣ Is unique and different from competitors
 - ▣ Hard to imitate
- Conveying category membership
 - ▣ Announcing category benefits
 - ▣ Comparing to exemplars
 - ▣ Relying on the product descriptor



Brand Positioning

28

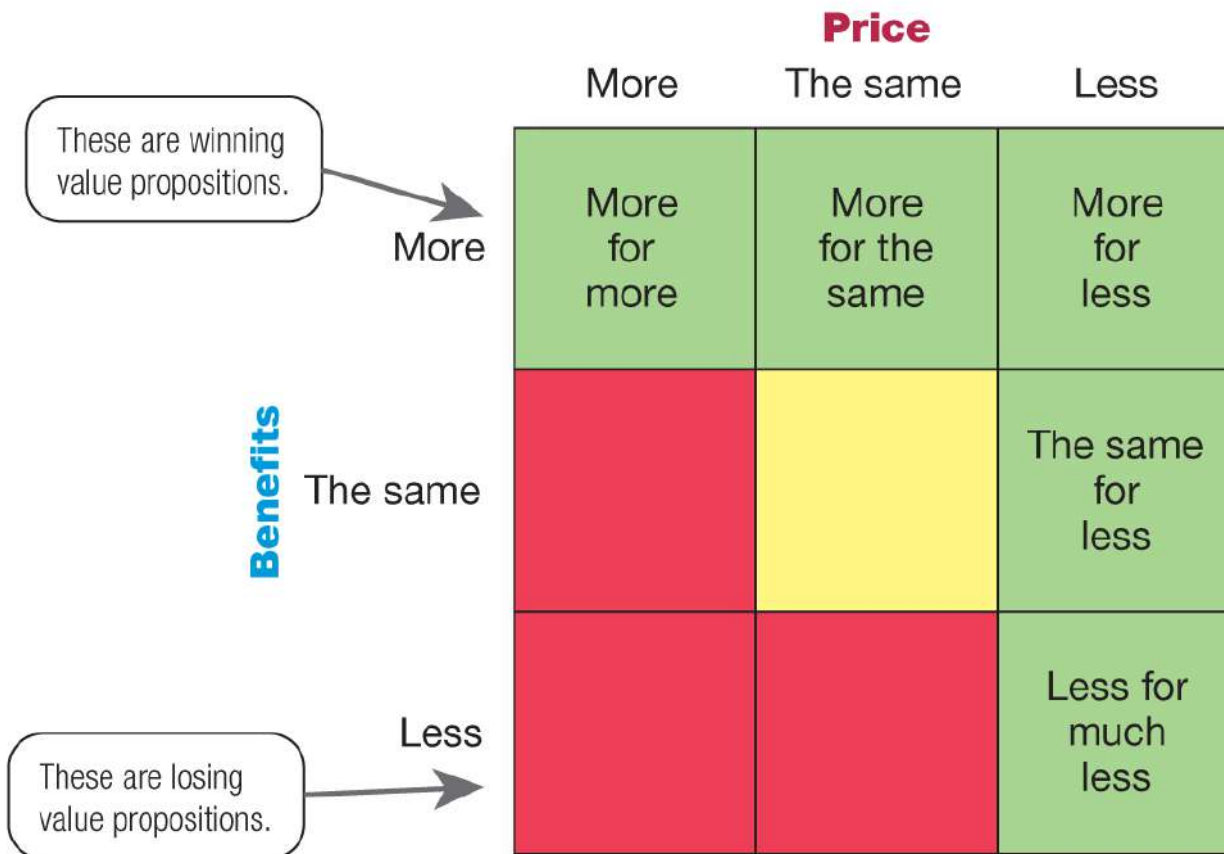


Value proposition is the full mix of benefits upon which a brand is positioned.

Differentiation and positioning

29

Selecting an overall positioning strategy



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

Value Proposition Examples

30

Company (Product)	Target Customers	Key Benefit	Price Premium	Value Proposition
Volvo (station wagons)	Safety-conscious upscale families	Durability and safety	20%	The safest, most durable wagon in which your family can ride.
Domino's (pizza)	Convenience-minded pizza lovers	Delivery speed and good quality	15%	A good hot pizza, delivered promptly to your door, at a moderate price.

A customer-focused value proposition gives customers a persuasive reason to buy your product.

Positioning examples

31

- Tide is positioned as a powerful, all-purpose family detergent; Ivory is positioned as the gentle detergent for fine washables and baby clothes.
- At Subway restaurants, you “Eat Fresh;” at Olive Garden, “When You’re Here, You’re Family;” and at Applebee’s you’re “Eatin’ Good in the Neighborhood.”
- ***But positioning is not what you do to a product. Positioning is what you do to the mind of the customer.***
 - Thus Volvo tells us that it makes “the safest car”; BMW is “the ultimate driving machine”; and Porsche is “the world’s best small sports car.”
 - Avis is remembered for its motto: “We’re number two. We try harder.” And 7- Up is remembered for its “Uncola” strategy.

Points of Parity / Difference

32

Points of Parity POP



Points of Difference POD



Points of Parity (POP)

33

- Attribute or benefit associations that are not necessarily unique to the brand but may in fact be shared with other brands.
- Category points of parity:
 - Attributes or benefits that consumers view as essential to a legitimate and credible offering within a certain product or service category
 - (Ex: requirements to be a 4* hotel)
- Competitive points of parity
 - Associations designed to overcome perceived weaknesses of the brand in light of competitors' points-of-difference.

Points of Difference (POD)

34

- Attributes/benefits that consumers strongly associate with a brand, positively evaluate, and believe they could not find to the same extent with a competitive brand

Safety as a corporate value at VOLVO



VOLVO TOP IIHS SAFETY PICKS

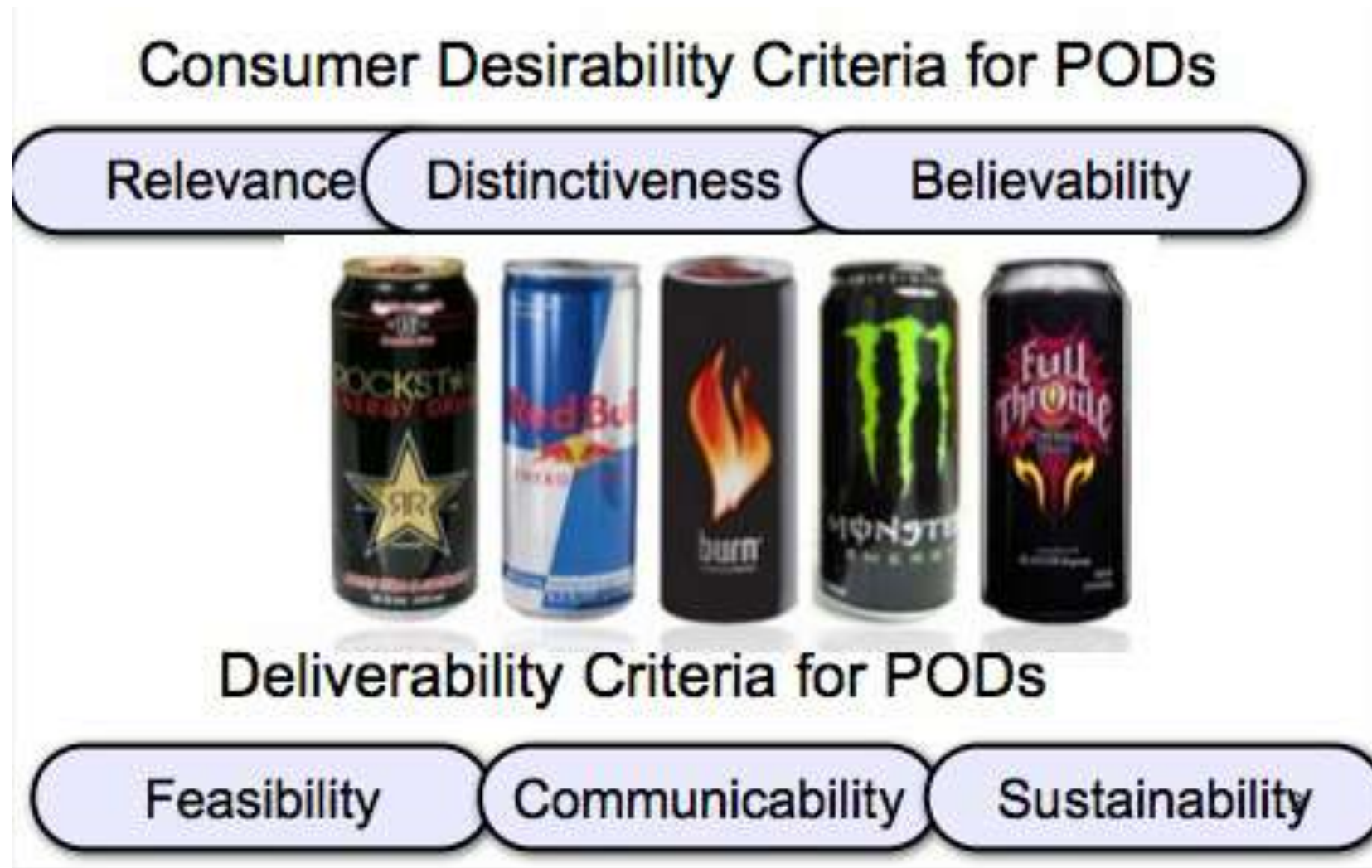


"An automobile is driven by people. Safety is and must be the basic principle in all design work"

Quote from the Volvo founders.

Criteria for choosing points of difference and parity

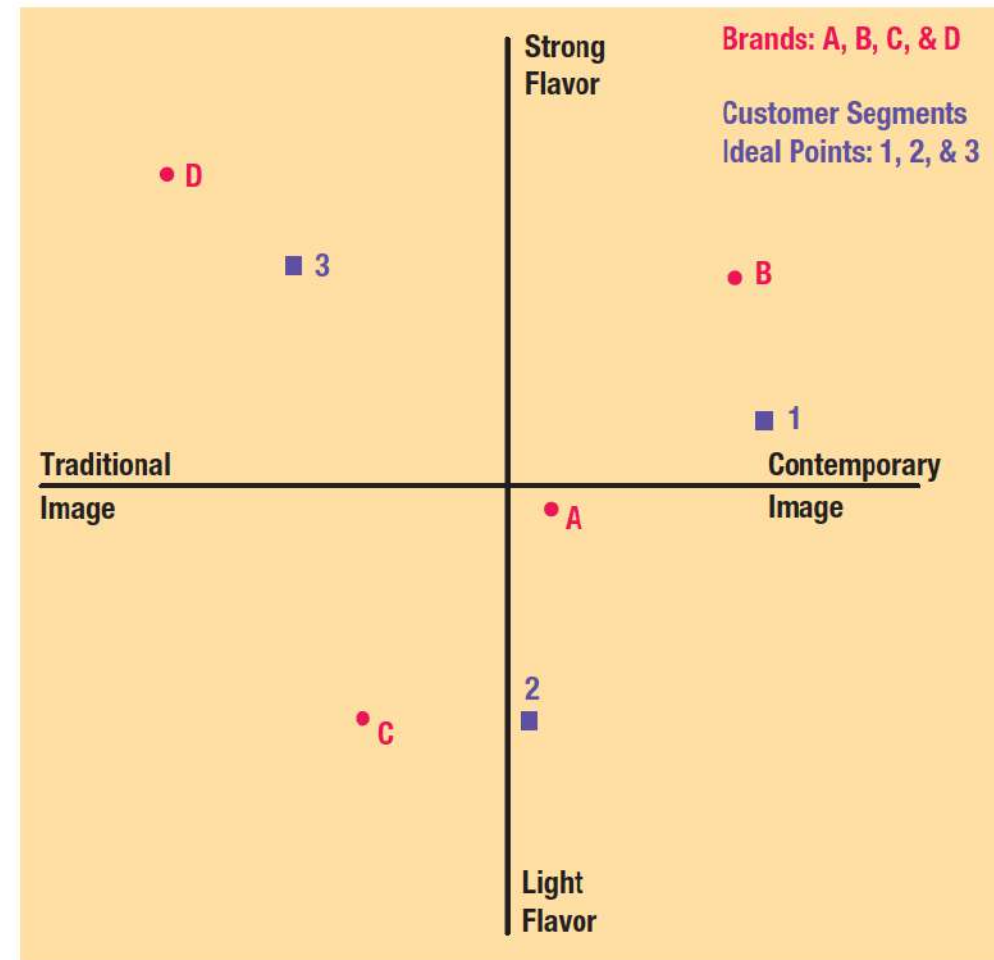
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Points-of-Difference and Points-of-Parity

36

- Choosing specific POPs and PODs
 - ▣ Competitive advantage
 - ▣ Means of differentiation
 - ▣ Perceptual map
 - ▣ Emotional branding



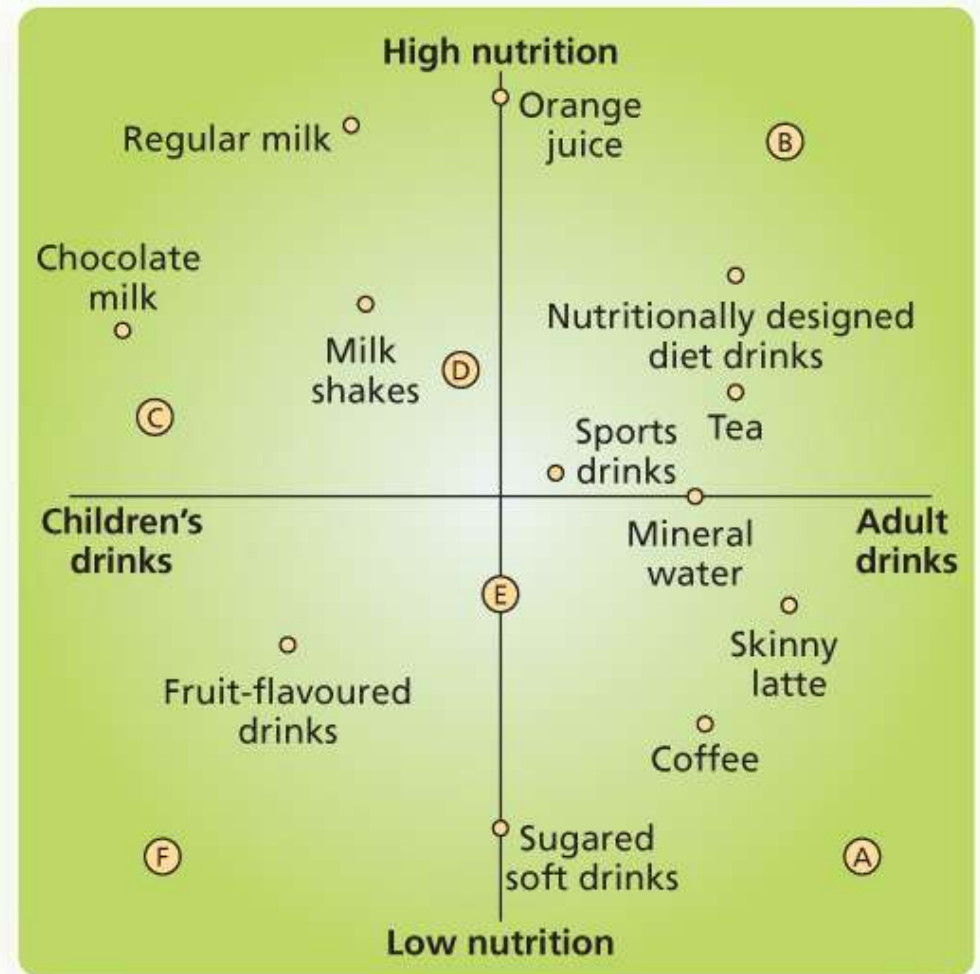
Example: Using perceptual maps to change positioning

MILK DRINKS FOR KIDS: POSITIONING A NEW PRODUCT

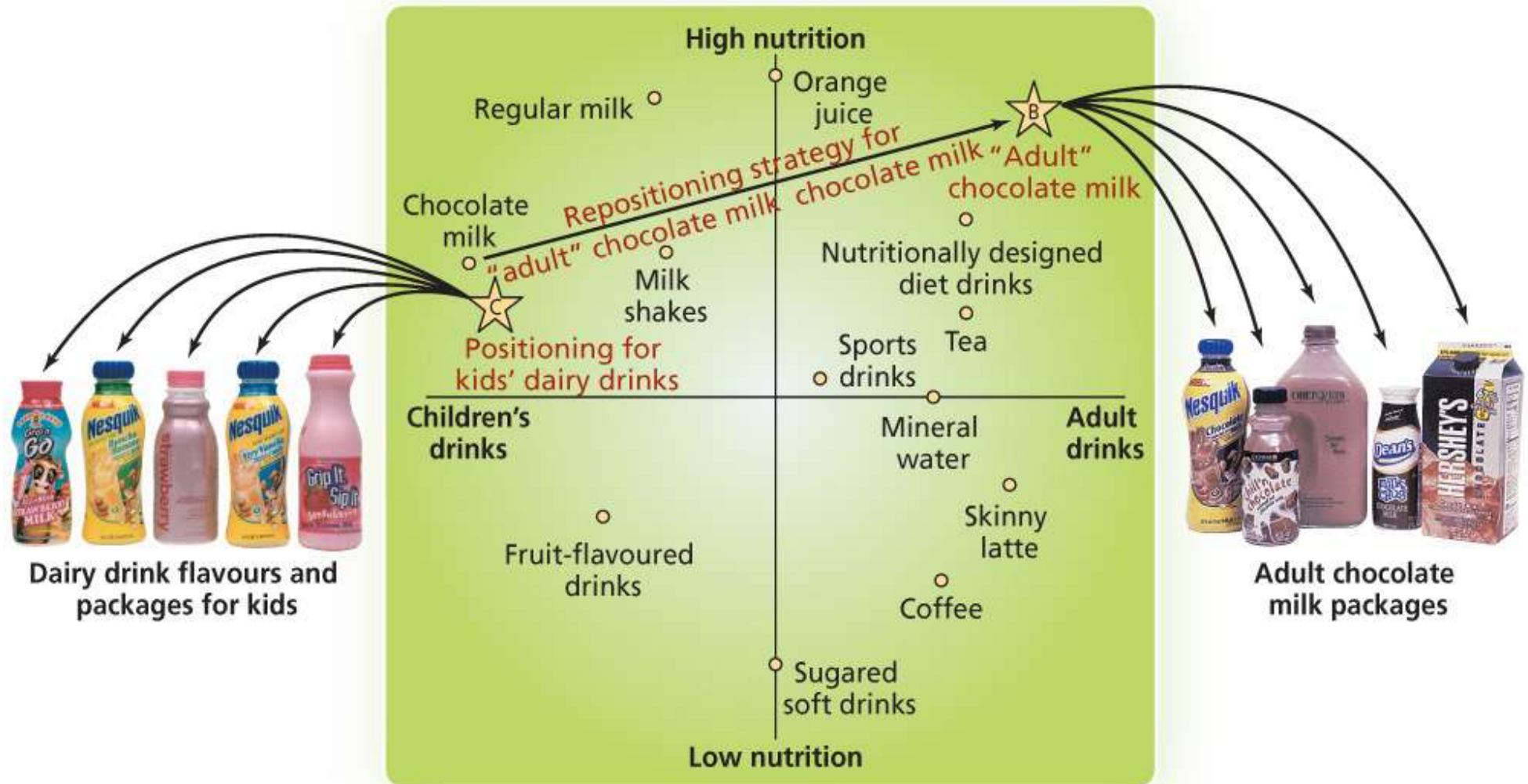
Nutrition is a special concern for American school children, where childhood obesity is growing. Study the perceptual map at the right and identify (a) in which lettered location a beverage company might position new milk drinks and (b) what the product and some flavors might be to appeal to schoolchildren.

CHOCOLATE MILK FOR ADULTS: REPOSITIONING AN EXISTING PRODUCT

Several years ago dairies got the idea to target chocolate milk sales at a new market—adults. Note on the perceptual map where adults positioned chocolate milk then and suggest (a) in which lettered location dairies might reposition chocolate milk targeted at adults and (b) what kind of packaging might appeal to them.



Example: Using perceptual maps to change positioning



POD and POP example

39

		 
points of differences	<p>product variety</p> <ul style="list-style-type: none"> - Hot and Cold - Coffee and Tea blends <p>product pricing</p> <ul style="list-style-type: none"> - SGD189 to SGD339 - Most affordable <p>availability</p> <ul style="list-style-type: none"> - Island-wide in various retail outlets - Online 	<p>product variety</p> <ul style="list-style-type: none"> - Hot - Coffee blends <p>product pricing</p> <ul style="list-style-type: none"> - SGD319 to SGD1198 - Most expensive <p>availability</p> <ul style="list-style-type: none"> - Nespresso boutiques - Online
points of parity		<ul style="list-style-type: none"> - Convenience - Product characteristics - Quality coffee - Advertising platforms