



Chapter Seven

Customer-Driven Marketing Strategy:

Creating Value for Target Customers

Customer-Driven Marketing Strategy: Creating Value for Target Customers

Topic Outline

- Customer-Driven Marketing Strategy
- Market Segmentation
- Market Targeting
- Differentiation and Positioning



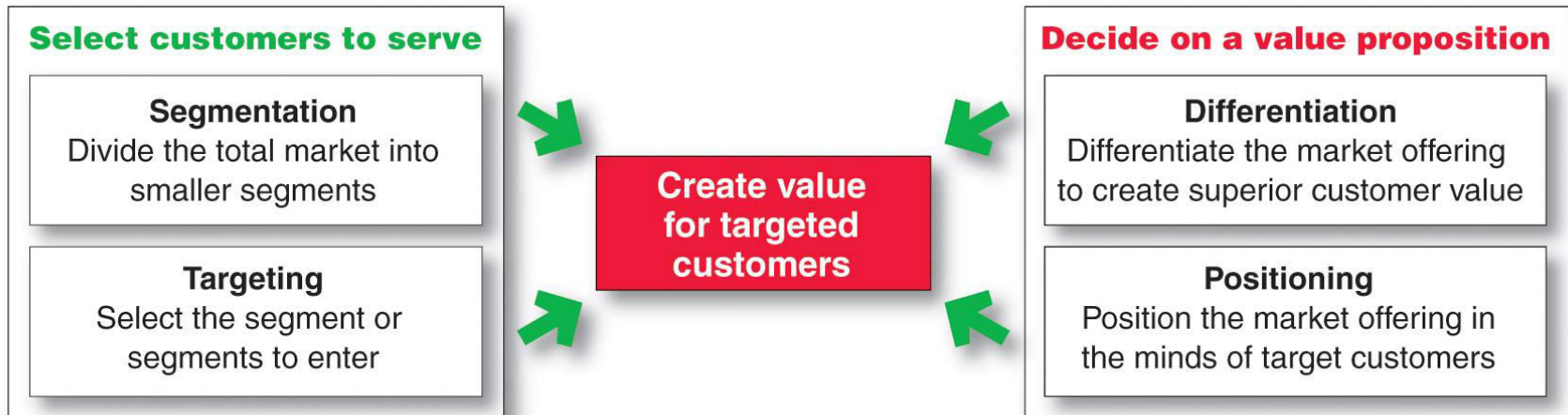
Market Segmentation

Market segmentation

Dividing a market into smaller segments with distinct needs, characteristics, or behavior that might require separate marketing strategies or mixes.



Market Segmentation



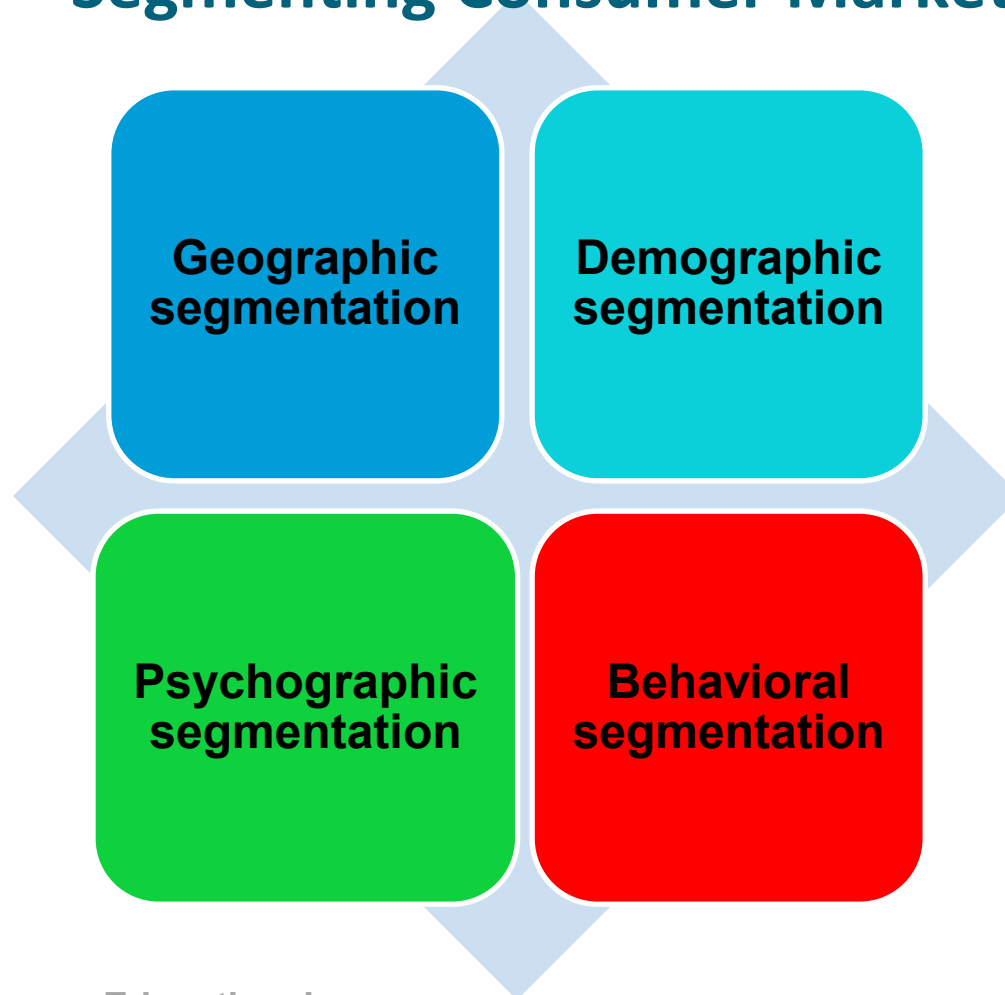
Market Segmentation

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



Market Segmentation

Segmenting Consumer Markets



Market Segmentation

Segmenting Consumer Markets

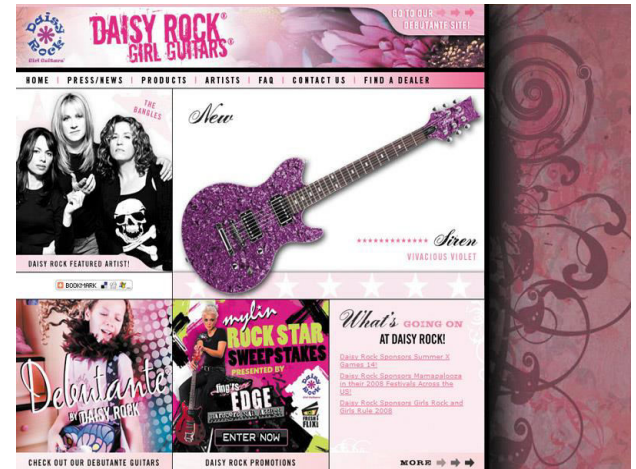
- **Geographic segmentation** divides the market into different geographical units such as nations, regions, states, counties, or cities



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)

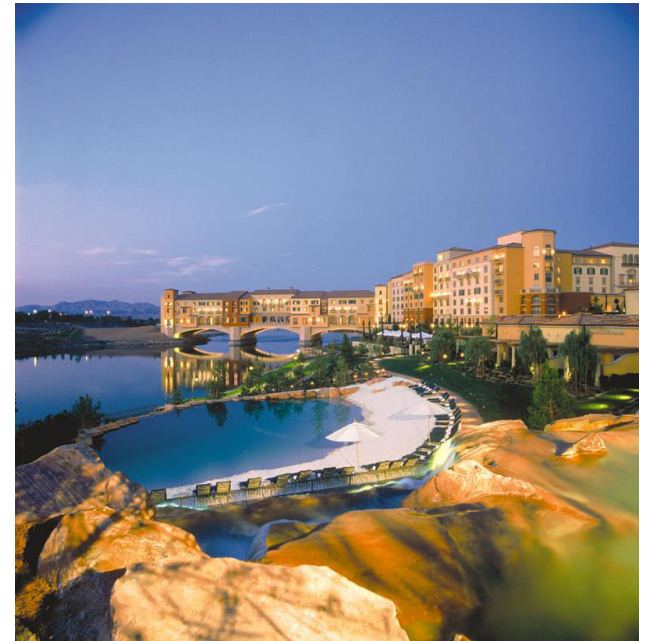


Market Segmentation

Segmenting Consumer Markets

Income segmentation divides the market into affluent, middle-income 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



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



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Solve your marketing challenges with segmentation solutions from Claritas. Our industry-standard segmentation systems, 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 & Cool-Dis-Sect
Upward mobility, married couples with children—that's the story of Kids & Cool-Dis-Sect, an exclusive lifestyle of large families in recently built subdivisions. With a high rate of Hispanic and Asian Americans, this segment is a refuge for college education, white-collar professions, and entrepreneurial jobs and opportunities. These households of education, affluence and children translate into large outlets for child-oriented products and services.

#21 City Power
The steady rise of cities, beautiful Americans over the past decade has produced one segment by product: middle class, home owning suburbanites who are aging in place. Other than rising to retirement consumption, City Power reflects this trend: a segment of adults, without single and couples who live in quiet comfort.



Market Segmentation


Segmenting International markets

Geographic
location

Economic
factors

Political-
legal factors

Cultural
factors



The advertisement features a dark blue background with a faint geometric pattern. At the top right is a gold American Express Business Card with the text "AMERICAN EXPRESS BUSINESS", card number "3782 456789 01001", and cardholder name "J H MILLER WILLER AND ASSOCIATES". Below it, a line of text reads: "This helps you buy what your small business needs." In the center is a gold OPEN Small Business Network card with the text "www.OPEN.americanexpress.com", a signature, and "OPEN SMALL BUSINESS NETWORK". To its right, a line of text reads: "This lets you track, organize, categorize, subdivide, examine, break down, cross-reference, combine and archive online what your small business spends." At the bottom, a paragraph of text states: "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."



Market Segmentation

Segmenting International 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

An advertisement for 'Anything Left Handed' featuring a large left hand holding a sign, with various left-handed products like scissors, knives, and pens shown in a vertical strip on the left. The ad includes text about being specialists for over 30 years, a website award, and contact information.

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 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

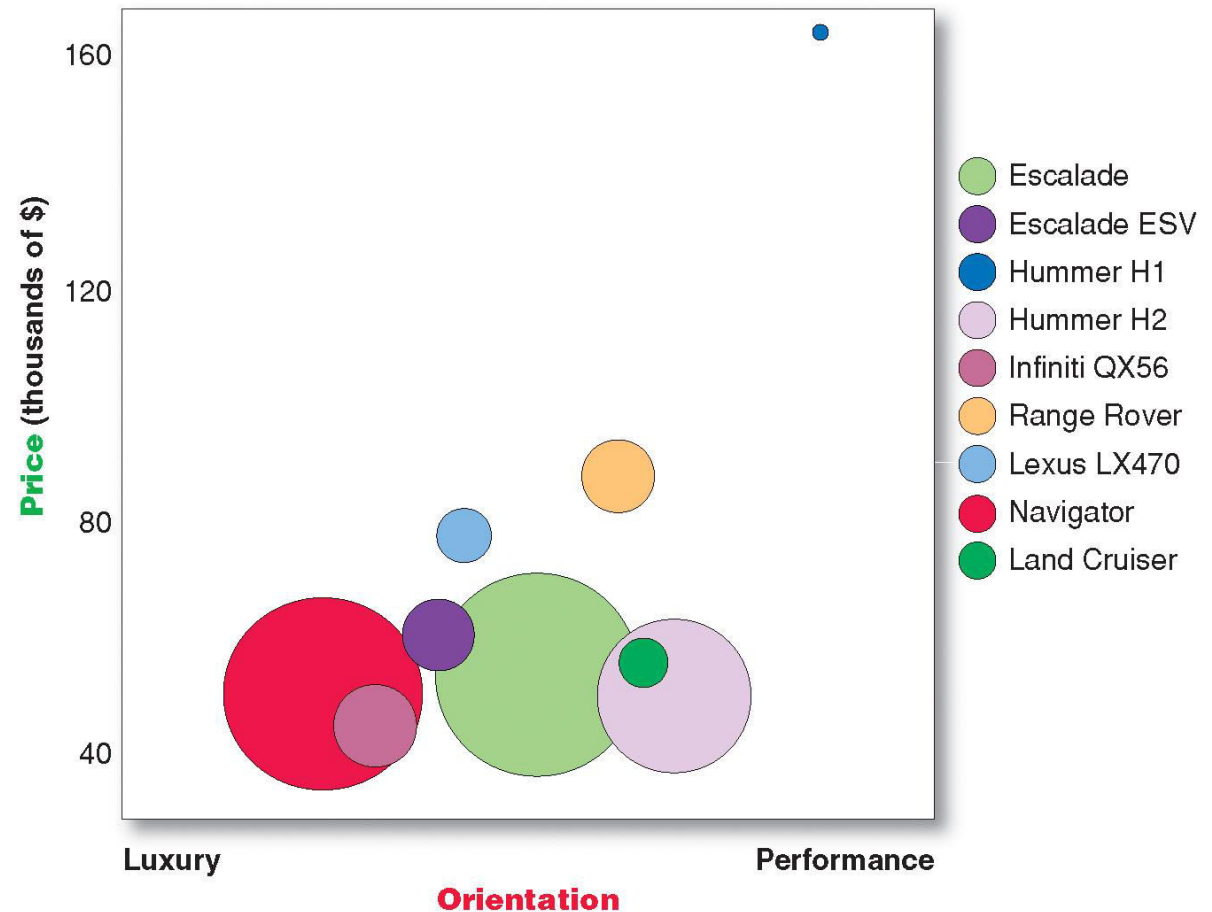
Impressions

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
- Communicating and delivering the chosen position to the market



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:

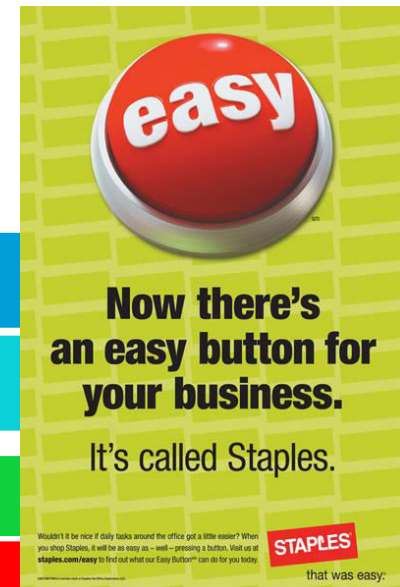
Product differentiation

Service differentiation

Channel differentiation

People differentiation

Image differentiation



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)



Communication and Delivering the Chosen Position

Choosing the positioning is often easier than implementing the position.





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