Customer-Driven Marketing Strategy
Creating Value for Target Customers

Chapter 6
Dunkin’ Donuts positions itself as serving simple fare at a reasonable price

• This positioning resonated strongly with customers during the recession
• Refreshes its menu keeping in mind the preferences of the customers it attracts
• Ranks number one in the coffee category in a leading customer loyalty survey
Figure 6.1 - Designing a Customer-Driven Marketing Strategy
<table>
<thead>
<tr>
<th><strong>Market segmentation</strong></th>
<th>Dividing a market into smaller segments of buyers with distinct needs, characteristics, or behaviors that might require separate marketing strategies or mixes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market targeting</strong></td>
<td>The process of evaluating each market segment’s attractiveness and selecting one or more segments to enter</td>
</tr>
<tr>
<td><strong>Differentiation</strong></td>
<td>Differentiating the market offering to create superior customer value</td>
</tr>
<tr>
<td><strong>Positioning</strong></td>
<td>Arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers</td>
</tr>
</tbody>
</table>
Segmenting Consumer Markets

- Geographic segmentation
- Demographic segmentation
- Psychographic segmentation
- Behavioral segmentation
Harley-Davidson has traditionally targeted men between 35 and 55 years old, but women are now among its fastest-growing customer segments. Female buyers account for 12 percent of new Harley-Davidson purchases.
• Car-sharing service Zipcar focuses on densely populated metropolitan areas and colleges, positioning itself as a low-cost, low-hassle alternative to owning your own car.

http://www.zipcar.com/
Using Multiple Segmentation Bases

• The Nielsen PRIZM system Claritas
• Based on demographic factors
• Classifies U.S. households into 66 demographically and behaviorally distinct segments
• A set of buyers sharing common needs or characteristics that the company decides to serve
Figure 6.2 - Market Targeting Strategies

- Undifferentiated (mass) marketing
- Differentiated (segmented) marketing
- Concentrated (niche) marketing
- Micromarketing (local or individual marketing)

Targeting broadly → Targeting narrowly
Undifferentiated Marketing

MASS Marketing

• A firm decides to ignore market segment differences and go after the whole market with one offer
• Focuses on what is common in the needs of consumers
• Designs a product that will appeal to the largest number of buyers
Differentiated Segmented Marketing

• A firm decides to target several market segments and designs separate offers for each Hallmark’s three ethnic lines—Mahogany, Sinceramente Hallmark, and Tree of Life—target African-American, Hispanic, and Jewish consumers, respectively
Concentrated Niche Marketing

• A firm goes after a large share of one or a few segments or niches
• Can fine-tune its products, prices, and programs to the needs of carefully defined segments

Thanks to the reach and power of the Web, online nicher Etsy—sometimes referred to as eBay’s funky little sister—is thriving.
Micromarketing

• Tailoring products and marketing programs to the needs and wants of specific individuals and local customer segments
“Deal-of-the-day” Web marketers—such as Groupon—partner with local businesses to offer shopping deals to subscribers based on where they live and what they like.

Groupon partners with retailers in each city to craft attractive offers for area customers.
Marketing in Action Individual

The ultimate in individual marketing: video screens in some stores can determine who’s watching them and change ads accordingly.

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Formative: Market Segmentation

You have been asked by your college/university to help develop a market segmentation strategy for them.

Name your college________________________________________

Using your notes, Discuss and decide as a group what market segments would you encourage them to pursue and why?
DO NOW:
Janet is married with two children. She is a college graduate with a household income of $75,000 per year. What type of segmentation variables are being used to describe Janet?

1. Geographic
2. Demographic
3. Psychographic
4. Behavioral
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1. Geographic
2. **Demographic**
3. Psychographic
4. Behavioral

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.
What does Vals stand for?
VALS is based on selected psychological traits and key demographics instead of values, so we dropped Values and Lifestyles but retained the VALS brand.

What is VALS used for?
U.S. VALS segments English-speaking adults ages 18 years and older on the basis of psychological traits that correlate with purchase behavior and key demographics, enabling users to understand not just what, but why consumers exhibit certain preferences and attitudes. Marketers, strategic planners, new-product designers and others use VALS to:

1. Segment their customers and prospects
2. Select targets
3. Position brands, products, and even policies to the targets
4. Develop communications that resonate with and motivate targets to take action.
In Microsoft Word

What is your Primary?

What is your Secondary?
Understanding customers is critical to marketing. VALS™ strengthens demographic characterizations by explaining the deeper psychological drivers of consumer behavior.

1. Assess how well your "VALS" type represents you
2. Read case summaries on how various companies have used VALS data to improve your marketing efforts.
3. Class discussion on your findings.

http://www.strategicbusinessinsights.com/vals/
Do Now

What are the four steps in creating a marketing strategy?
Differentiation and Positioning

• The company must decide on a value proposition:
  • How it will create differentiated value for targeted segments
  • What positions it wants to occupy in those segments

• Product position - The way a product is defined by consumers on important attributes
Differentiation and Positioning

• A firm can create differentiation on:
  • Product
  • Services
  • Channels
  • People
  • Image

Seventh Generation, a maker of household cleaning supplies, differentiates itself not by how its products perform but by the fact that its products are greener.
Figure 6.3 - Positioning Map: Large Luxury SUVs
Example - Positioning Map

- LOW (Price)
- LOW (Fuel Economy)
+ HIGH (Fuel Economy)
+ HIGH (Price)

Cars

Ferrari
Range Rover
BMW
Saab
Hyundai
Kia
Positioning Map Example
The way the product is defined by consumers on important attributes—the place the product occupies in consumers’ minds relative to competing products—is known as the product’s:

1. Position
2. Perception
3. Benefit
4. Differentiation
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1. Position
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A product’s position is the way the product is defined by consumers on important attributes.
Competitive advantage

• An advantage over competitors gained by offering greater customer value, either by having lower prices or providing more benefits that justify higher prices.
Choosing the Right Competitive Advantages

• Purex Complete 3-in-1 is positioned on multiple benefits
• The challenge is to convince customers that one brand can do it all
Facebook Vs. MySpace

What the competitive advantage did Facebook have over MySpace?

MySpace still has advantages. What are they?

Watch Video on FB advantages
Choosing the Right Competitive Advantages

- Choose whether to promote a single benefit or multiple benefits

**In your notes:** Think Pair Share

How have each of these fast-food companies differentiated their products?

- McDonald's-
- BK-
- Wendy's-
- KFC-
- Subway-
Group Presentations

Product - Positioning Map | template

+ High (define value)

+ High (define value)

Low (define value)

- Low (define value)

A
Positioning is a simple and useful tool. After segmenting a market and then targeting a consumer, you would proceed to position a product within that market.

B
Positioning is all about “perception”. Perception differs from person to person, and so do the results of the positioning map.

C
Products or services are “mapped” together on a “positioning map”, allowing comparison/contrast in relation to each other.

D
Please COMPLETE this Map - draw circle / put in letter / place in quadrant
Additional comments: ___________________________
Do Now:
What is the difference between a positioning map and a positioning statement?
Draw this upside-down T box in your notes
Developing a Positioning Statement

• A statement that summarizes company or brand positioning using a standard format.

• All the company’s marketing mix efforts must support the chosen positioning strategy.
Differentiation and Positioning cont.

- Developing a positioning statement:

  **Format:** “To (target segment and need) our (brand) is (a concept) that (point of difference).”

  [Brand positioning video](#) (Stop at 6 min. mark)
To busy, mobile professionals who need to always be in the loop, the BlackBerry is a wireless business connectivity solution that gives you an easier, more reliable way to stay connected to data, people, and resources while on the go.

Circle (target segment and need) (brand) (a concept) (point of difference)
Rest Stop: Previewing the Concepts

• Define the major steps in designing a customer-driven marketing strategy: market segmentation, targeting, differentiation, and positioning