Chapter 7:
Customer-Driven Marketing Strategy
Creating Value for Target Customers
AirAsia has developed a competitive advantage by targeting price-conscious, short haul travelers who don’t mind a no-frills service if it means lower fares.
Customer-Driven Marketing Strategy

Learning Objectives

• **Objective 1:** Define the major steps in designing a customer-driven marketing strategy: market segmentation, targeting, differentiation, and positioning.

• **Objective 2:** List and discuss the major bases for segmenting consumer and business markets.
Customer-Driven Marketing Strategy

Learning Objectives

• **Objective 3:** Explain how companies identify attractive market segments and choose a market-targeting strategy.

• **Objective 4:** Discuss how companies differentiate and position their products for maximum competitive advantage.
Learning Objective 1

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

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

FIGURE | 7.1
Designing a Customer-Driven Market Strategy
Learning Objective 1

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

Learning Objective 2

• List and discuss the major bases for segmenting consumer and business markets.

Market Segmentation
Market segmentation requires dividing a market into smaller segments with distinct needs, characteristics, or behaviors that might require separate marketing strategies or mixes.
Market Segmentation

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

Segmenting Consumer Markets

- Geographic segmentation
- Demographic segmentation
- Psychographic segmentation
- Behavioral segmentation
Geographic segmentation divides the market into different geographical units such as nations, regions, states, counties, cities, or even neighborhoods.
Demographic segmentation divides the market into segments based on variables such as age, life-cycle stage, gender, income, occupation, education, religion, ethnicity, and generation.
Market Segmentation

Segmenting Consumer Markets

**Age and life-cycle stage segmentation** divides a market into different age and life-cycle groups.

**Gender segmentation** divides a market into different segments based on gender.

**Income segmentation** divides a market into different income segments.
Psychographic segmentation divides a market into different segments based on social class, lifestyle, or personality characteristics.
Behavioral segmentation divides a market into segments based on consumer knowledge, attitudes, uses of a product, or responses to a product.
Segmenting Consumer Markets

Behavioral Segmentation

- Occasions
- Benefits sought
- User status
- Usage rate
- Loyalty status
Multiple segmentation is used to identify smaller, better-defined target groups.

Experian’s Mosaic USA system classifies U.S. households into one of 71 lifestyle segments and 19 levels of affluence.
Segmenting Business Markets

Consumer and business marketers use many of the same variables to segment their markets.

Additional variables include:
• Customer operating characteristics
• Purchasing approaches
• Situational factors
• Personal characteristics
Market Segmentation

Segmenting International Markets

- Geographic location
- Economic factors
- Political and legal factors
- Cultural factors
Market Segmentation

Requirements for Effective Segmentation

- Measurable
- Accessible
- Substantial
- Differentiable
- Actionable
Intermarket segmentation involves forming segments of consumers who have similar needs and buying behaviors even though they are located in different countries.
Customer-Driven Marketing Strategy

Learning Objective 2

• List and discuss the major bases for segmenting consumer and business markets.

Market Segmentation
Customer-Driven Marketing Strategy

Learning Objective 3

• Explain how companies identify attractive market segments and choose a market-targeting strategy.

Market Targeting
Evaluating Market Segments

• Segment size and growth

• Segment structural attractiveness

• Company objectives and resources
A **target market** is a set of buyers who share common needs or characteristics that the company decides to serve.
Market Targeting

Selecting Target Market Segments

FIGURE | 7.2
Market-Targeting Strategies
Market Targeting

Selecting Target Market Segments

**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

Selecting Target Market Segments

Concentrated marketing targets a large of a smaller market.

- Limited company resources
- Knowledge of the market
- More effective and efficient
Micromarketing is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations.

- Local marketing
- Individual marketing
Local marketing involves tailoring brands and promotion to the needs and wants of local customer segments.

- Cities
- Neighborhoods
- Stores
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
Market Targeting

Selecting Target Market Segments

Choosing a targeting strategy depends on

• Company resources
• Product variability
• Product life-cycle stage
• Market variability
• Competitor’s marketing strategies
Market Targeting

Selecting Target Market Segments

Socially Responsible Target Marketing

- Benefits customers with specific needs
- Concern for vulnerable segments
Customer-Driven Marketing Strategy

Learning Objective 3

• Explain how companies identify attractive market segments and choose a market-targeting strategy.

Market Targeting

Evaluating Market Segments

Selecting Target Market Segments
Learning Objective 4

• Discuss how companies differentiate and position their products for maximum competitive advantage.

Differentiation and Positioning
Differentiation and Positioning

**Product position** is the way the product is defined by consumers on important attributes.
Positioning maps show consumer perceptions of marketer’s 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

Choosing a Differentiation and Positioning Strategy

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 differentiate along the lines of:

- Product
- Services
- Channels
- People
- Image
Choosing a Differentiation and Positioning Strategy

Choosing the Right Competitive Advantage

A difference to promote should be:

- Important
- Distinctive
- Superior
- Communicable
- Preemptive
- Affordable
- Profitable
Differentiation and Positioning

Choosing a Differentiation and Positioning Strategy

Selecting an Overall Positioning Strategy

Value proposition is the full mix of benefits upon which a brand is positioned.
Choosing a Differentiation and Positioning Strategy

Positioning statement summarizes company or brand positioning using this form: **To** (target segment and need) our **(brand)** is **(concept)** that **(point of difference)**
Differentiation and Positioning

Choosing a Differentiation and Positioning Strategy

Positioning Statement Example for Evernote:

“To busy multitaskers who need help remembering things, Evernote is a digital content management application that makes it easy to capture and remember moments and ideas from your everyday life using your computer, phone, tablet, and the Web.”
Choosing the positioning is often easier than implementing the position.

Establishing a position or changing one usually takes a long time.

Maintaining the position requires consistent performance and communication.
Customer-Driven Marketing Strategy

Learning Objective 4

• Discuss how companies differentiate and position their products for maximum competitive advantage.

Differentiation and Positioning

Positioning Maps

Choosing a Differentiation and Positioning Strategy

Communicating and Delivering the Chosen Position