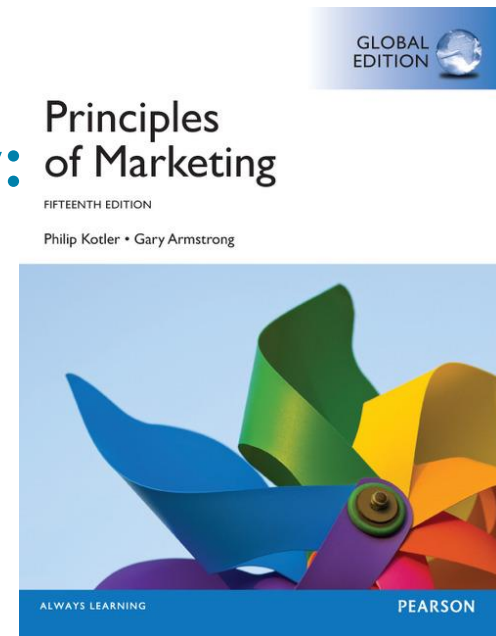# Principles of Marketing
15th ed

Phillip Kotler & Gary Armstrong

CHAPTER SEVEN
Customer-Driven Marketing Strategy: Segmentation, Targeting & Positioning

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Mkt: 202 (Section 3,4)

GLOBAL EDITION

Principles of Marketing

FIFTEENTH EDITION

Philip Kotler • Gary Armstrong

ALWAYS LEARNING
PEARSON

Chapter Learning Outcomes

Topic Outline

▶**7.1** Customer-Driven Marketing Strategy

▶**7.2** Market Segmentation

▶**7.3** Market Targeting

▶**7.4** Differentiation and Positioning

Segmentation, Targeting and Positioning

Segmentation and Targeting

Market segmentation is the process that companies use to divide large heterogeneous markets into small markets that can be reached more efficiently and effectively with products and services that match their unique needs.

Market targeting (targeting) is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter.

Segmentation, Targeting and Positioning

Market Differentiation and Positioning

Differentiation involves actually differentiating the market offering to create superior customer value.

Positioning consists of arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

Market Segmentation

FIGURE | 7.1
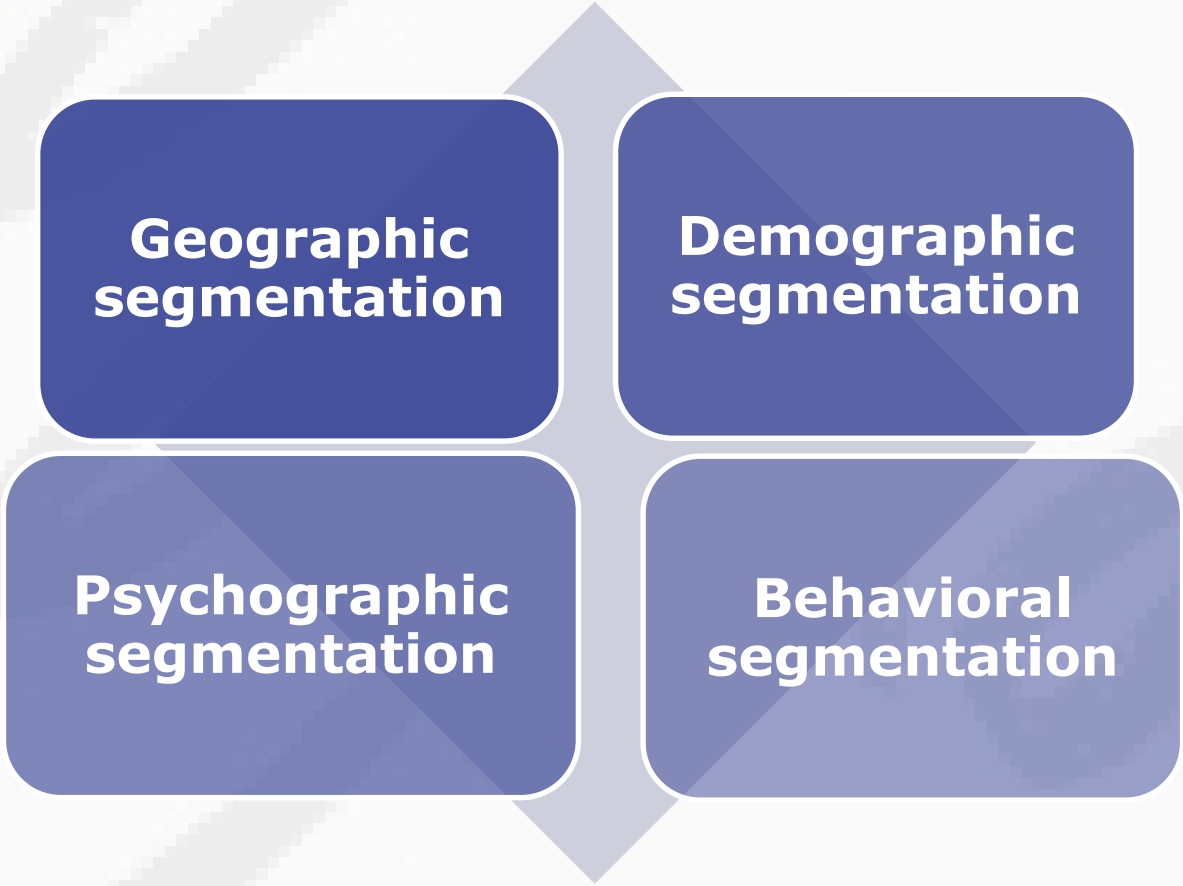Designing a Customer-Driven Marketing Strategy

In concept, marketing boils down to two questions: (1) Which customers will we serve? and (2) How will we serve them? Of course, the tough part is coming up with good answers to these simple-sounding but difficult questions. The goal is to create more value for the customers we serve than competitors do.

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

- 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**

Market Segmentation

Segmenting Consumer Market

Geographic segmentation divides the market into different geographical units such as nations, regions, provinces, parishes, cities, or even neighborhoods.

•e.g : KFC BD menu vs KFC Arabian menu

•Mcdonalds in Brazil Vs Arabia

•MyMacy's

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.

- Age and Life Cycle

- Gender

- Income

Market Segmentation

Demographic 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.

e.g : Kraft JELL-O

Gender segmentation divides the market based on sex (male or female).

e.g : Perfumes, Watches etc.

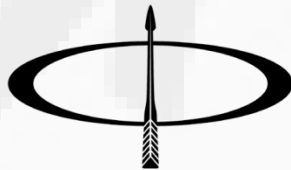**Income** segmentation divides the market into affluent or low-income consumers.

e.g: Rolex Vs Casio watches

Market Segmentation

Psychographic Segmentation

Psychographic segmentation divides buyers into different groups based on social class, lifestyle, or personality characteristics.

PARKER

BlackBerry®

Market Segmentation

Behavioral Segmentation

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

Behavioral Segmentation

Occasion segmentation: Dividing the market into segments according to occasions when buyers get the idea to buy.

e.g: M&M campaign during Christmas and New Year

Benefit Sought: Diving market according to different benefits.

e.g: Gillette campaigns

User Status: Markets segmented into users, non-users, ex-users, potential users.

e.g: Toys R Us campaigns

Market Segmentation

Behavioral Segmentation

Usage Rate: Segmenting market in terms of light, medium and heavy users.

Loyalty Status: Segment the market by customer loyalty. Customers are loyal to

- Brands

- Company

- Stores

Market Segmentation

Using Multiple Segmentation Bases

Marketers rarely limit their segmentation analysis to only one or a few variables. Rather, they often use multiple segmentation bases in an effort to identify smaller, better-defined target group

Market Segmentation

Segmenting Business Markets

Geographic

Demographic

Benefits Sought

User Status

Usage Rate

Loyalty Status

Operating Characteristics

Purchasing Approaches

Situational Factors

Personal Characteristics

Market Segmentation

Segmenting International markets

Geographic location

Economic factors

Political-legal factors

Cultural factors

Market Segmentation

Segmenting International Markets

Inter-market segmentation divides consumers into groups with similar needs and buying behaviors even though they are located in different countries.

- H&M targets fashion conscious yet frugal customers

- Coca Cola & Pepsi targets different people from all around the world

Market Segmentation

Requirements for Effective Segmentation

To be useful, market segments must be:

Measurable

Accessible

Substantial

Differentiable

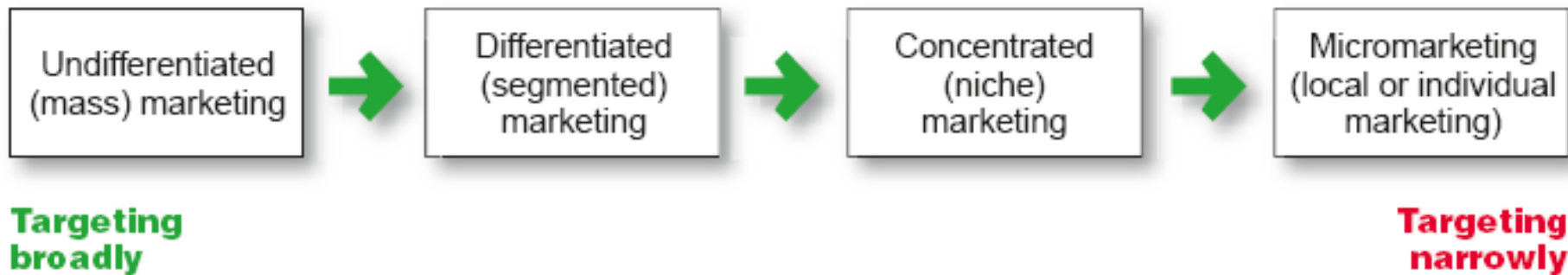**Actionable**

Market Targeting

Target Market

Target market consists of a set of buyers who share common needs or characteristics that the company decides to serve.

Evaluating Market Segments

- Segment size and growth

- Segment structural attractiveness

- Company objectives and resources

Market Targeting

FIGURE | 7.2
Marketing Targeting Strategies

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

Targeting broadly

Targeting narrowly

Market Targeting

Selecting Target Marketing Segments

Undifferentiated marketing targets the whole market with one offer

- Mass marketing

- Focuses on common needs rather than what's different
  - Mango bar
  - Mr mango

Market Targeting

Selecting Target Marketing Segments

Differentiated marketing targets several different market segments and designs separate offers for each.

• Goal is to achieve higher sales and a stronger position

• More expensive than undifferentiated marketing

Market Targeting

Selecting Target Marketing Segments

Concentrated marketing targets a large share of one or a few smaller segments or niches.

- Limited company resources

- Knowledge of the market

- More effective and efficient

Market Targeting

Selecting Target Marketing Segments

Micromarketing is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations.

- Local marketing

- Individual marketing

- Location based marketing (SoLoMo)

Market Targeting

Selecting Target Marketing Segments

Local marketing involves tailoring brands and promotion to the needs and wants of local customer groups

- Cities

- Neighborhoods

- Stores

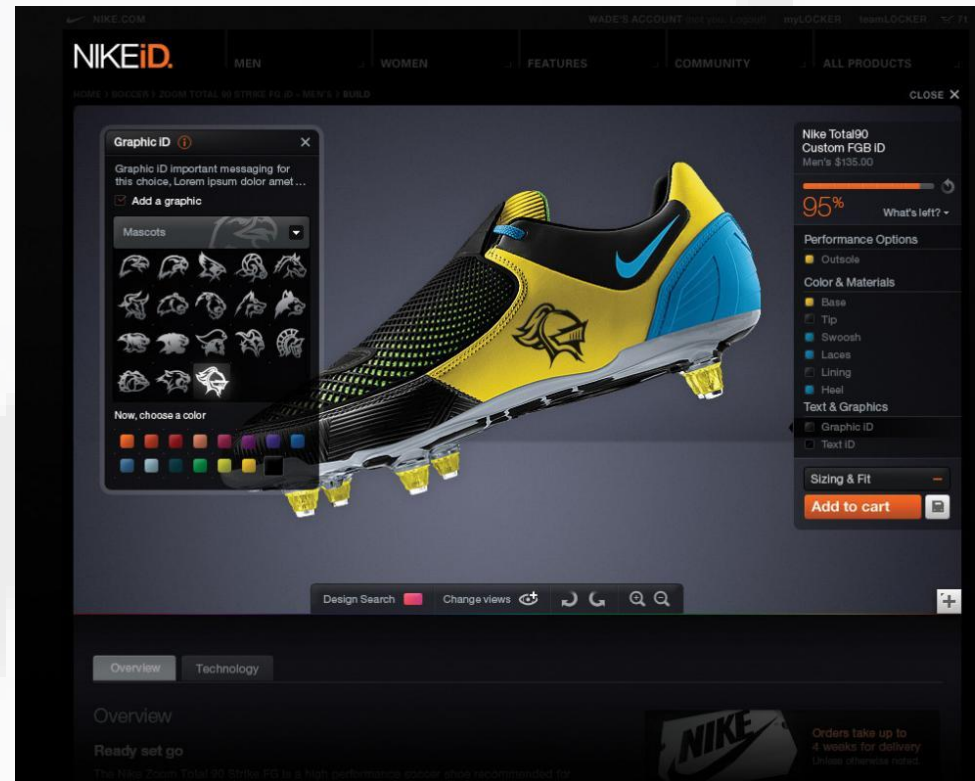
e.g: Your neighborhood grocery store

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

- Customized marketing or

mass customization

- Markets-of-one marketing

e.g: Nike ID

Market Targeting

Choosing a Targeting Strategy

Factors	Undifferentiated (mass marketing)	Differentiated (concentrated marketing)
Company resources	Low	High
Product variability	Low Variability	High variability
Product life cycle	During the introduction stage	During maturity stage
Market variability	Similar buyer behavior	Different buyer behavior
Competitor's market strategy	Differentiated strategy here gains a good advantage	Undifferentiated can be suicidal

Market Targeting

Socially Responsible Target Marketing

Concern for vulnerable segments (Children) with controversial or potentially harmful products.

- Cigarettes

- Internet abuses

- Barbie Accessories for little girls

- McDonalds Happy Meal leading to unhealthy eating habit

Differentiation and Positioning
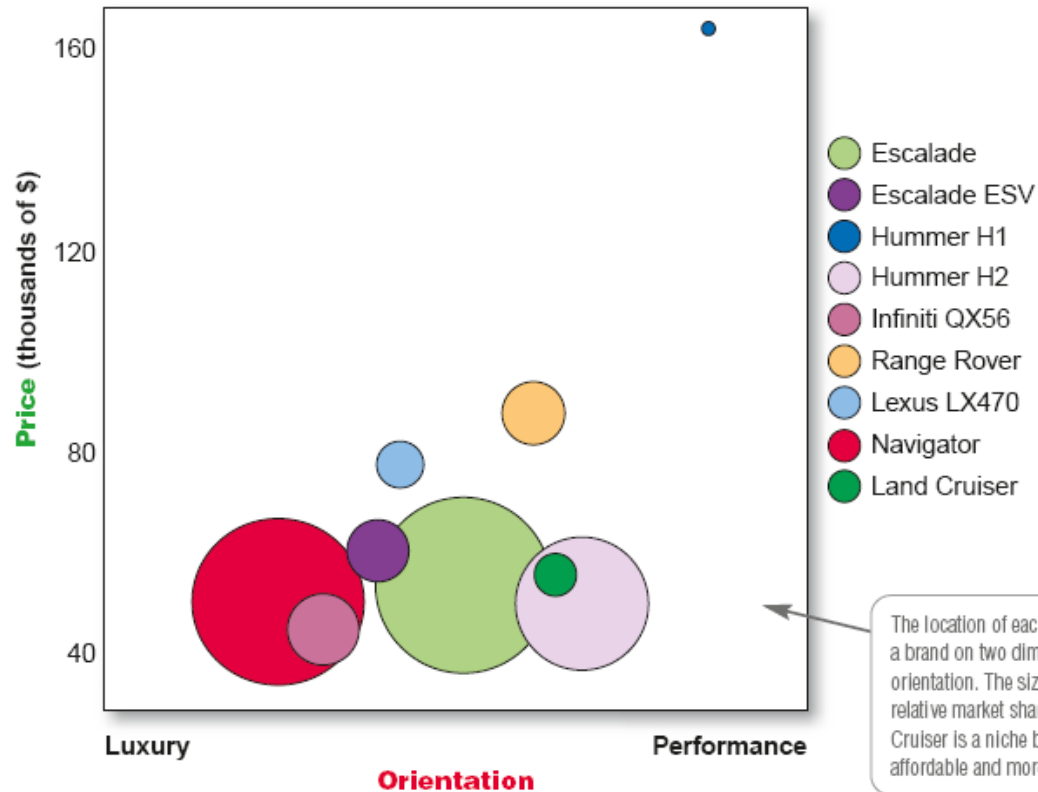
Positioning

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

FIGURE | 7.3

Positioning Map:
Large Luxury Sport
Utility Vehicles

Price (thousands of \$)

- Escalade
- Escalade ESV
- Hummer H1
- Hummer H2
- Infiniti QX56
- Range Rover
- Lexus LX470
- Navigator
- Land Cruiser

Luxury — **Orientation** — **Performance**

The location of each circle shows where consumers position a brand on two dimensions: price and luxury-performance orientation. The size of each circle indicates the brand's relative market share in the segment. Thus, Toyota's Land Cruiser is a niche brand that is perceived to be relatively affordable and more performance oriented.

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

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

Identifying Possible Value Differences and Competitive Advantages

Identifying a set of possible competitive advantages to build a position by providing superior value from:

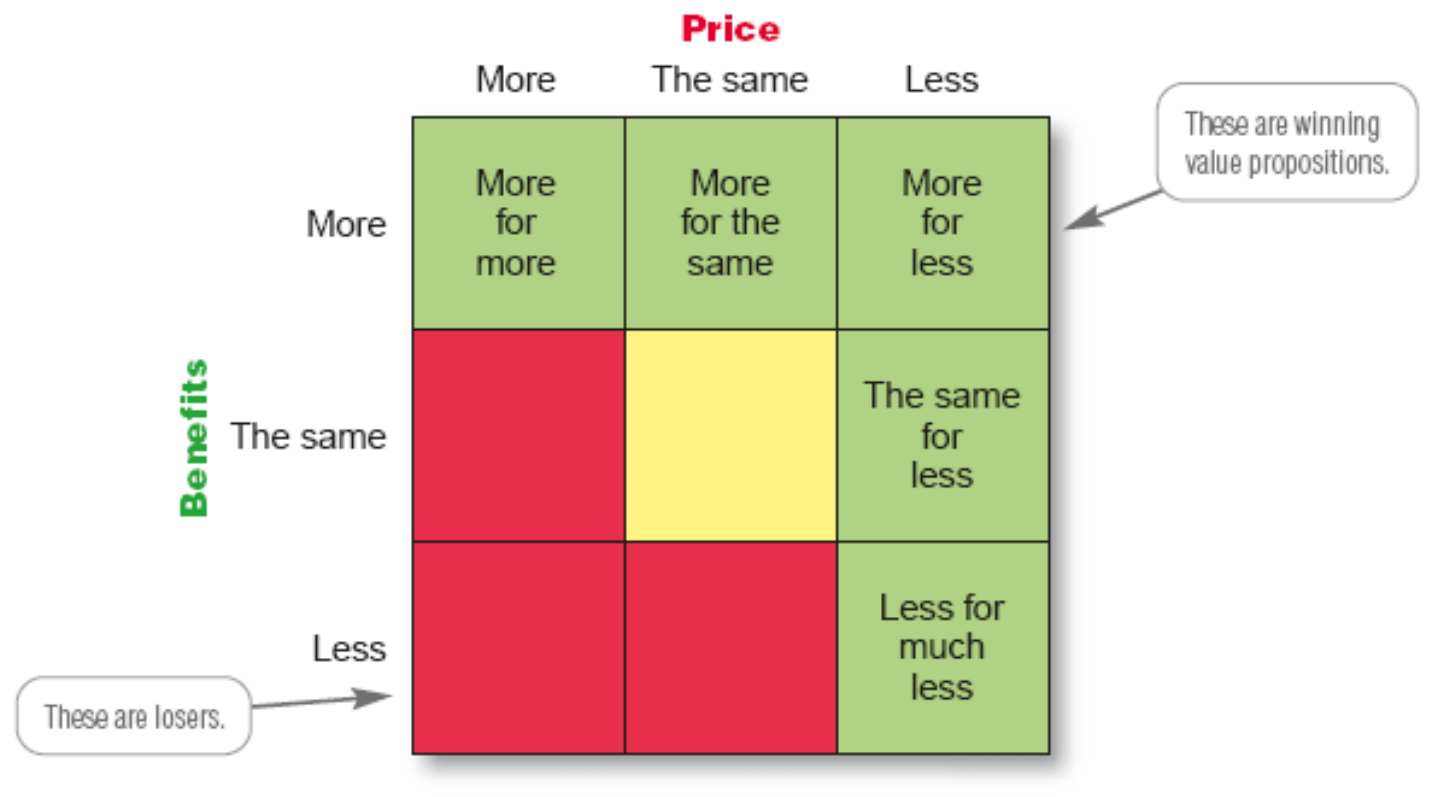| Product differentiation |
|---|
| Service differentiation |
| Channel differentiation |
| People differentiation |
| Image differentiation |

Differentiation and Positioning

Choosing the Right Competitive Advantage

Difference to promote should be:

Important	Distinctive	Superior	Communicable

Preemptive	Affordable	Profitable

Differentiation and Positioning

FIGURE | 7.4

Possible Value Propositions

Differentiation and Positioning

Developing a Positioning Statement

A statement that summarizes company or brand positioning using this form:

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

"To busy multi-taskers 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"

Communication and Delivering the Chosen Position

Delivering the chosen position

• A company must take steps to deliver and communicate the desired position to target consumers.

• Designing the marketing mix involves working out the tactical details of the positioning strategy.

• The company must hire good service people, develop good retailer relation, develop sales and advertising and communicate its' superior service to the customers.

Choosing the positioning is often easier than implementing the position.

Thank You