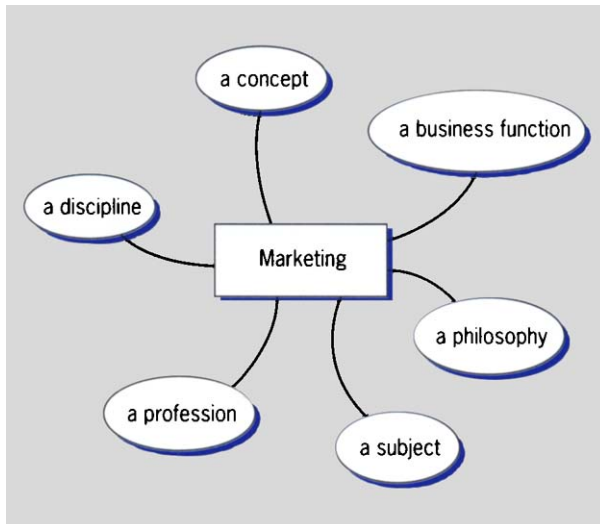


## 1

# A framework for market orientation

## What is market orientation?

Marketing can be viewed as:



**Figure 1.1** *The marketing concept*

This theme explores why marketing and customers are an important aspect of management and who your customers are. Without a clear understanding of the organisation's orientation towards its customers, a manager will fail to contribute effectively to its profitability and sustainability. This is presented as a framework for market orientation and is intended to support managers in making a contribution to the growth and development of the organisation.

The Chartered Institute of Marketing (CIM) definition below illustrates that marketing is much more than just a concept.

Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.

Source: Chartered Institute of Marketing (2006)

According to the CIM definition, marketing is actually a planned, organised and ongoing activity. If undertaken correctly, marketing can provide the organisation with the ability to differentiate and compete more effectively.

The strategic importance of pricing, branding and positioning is explored in this theme to set the context for profitability and growth.

In this theme you will:

- ◆ Learn about market orientation and what it means for you as a manager
- ◆ Understand the marketing mix and its contribution to growth and development
- ◆ Recognise and develop customer groups and set aims, targets and conditions for success
- ◆ Understand what resources are required for effective market orientation.

## The shape of marketing

Organisations that have successfully adopted the marketing concept are said to be market oriented. This means they have progressed from focusing on what they can make and then trying to sell it, to supplying what they know customers actually want. There is a long history behind the study of market orientation. Some of the key milestones are:

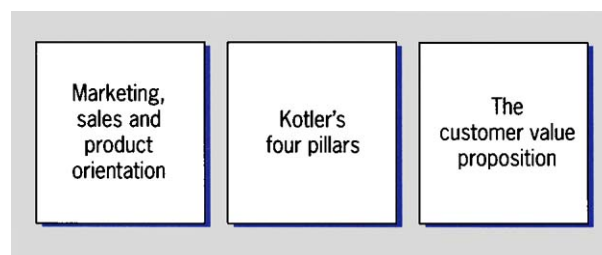


Figure 1.2 Frameworks for marketing

### Marketing, sales and product orientation

Frameworks for marketing can be oriented in a number of ways, all of which at some point in the life cycle of an organisation can have a value.

Some organisations are said to be product-led which means that focus is given to making superior products.

Some organisations are sales-led, which suggests they place some emphasis on persuading customers to buy using a range of communication methods.

Marketing-led organisations develop their products or services to meet the needs of the customer.

All of these types of orientation have a place in the market economy, but product and sales orientation are likely to need to give way to marketing orientation at a point in the product lifecycle.

<i>Product Orientation</i>	<i>Sales Orientation</i>	<i>Marketing Orientation</i>
Product-led organisations focus on what they can make and on improving the product over time (perhaps this product-led approach is due to their expertise or resources, or maybe because this is how it has always been done in the company).	Sales-led organisations place the emphasis on aggressive selling and/or promotion (on the assumption that their sales efforts will help them to gain an advantage over the competition).	Marketing-led organisations focus on the needs of their target customers and aim to provide products and services that meet those needs at a profit (which usually involves planning and research).

**Table 1.1** *Types of orientation*

The main difference between a marketing-led organisation and a sales or product-led organisation, is that the former has both the desire and the ability to understand and fulfil customer needs. Rather than trying to manufacture or sell something that does not meet the needs of the marketplace, marketing orientated organisations make an effort to understand the marketplace and the various external environmental changes that might present opportunities or that might pose threats in the future.

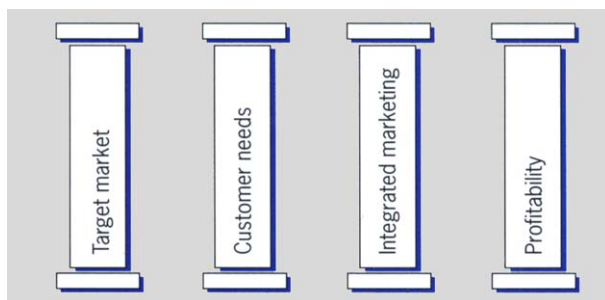
**Key Point:** The marketing concept involves matching the internal strengths and resources of an organisation, to the opportunities that exist in the external environment.

Organisations that embrace the marketing concept aim to identify the internal strengths of the organisation, so that they can be matched to the external opportunities that exist. At the same time, they aim to identify any internal weaknesses, so that they can be minimised in order to reduce the effect of any external threats.

In this way, an organisation can work to its strengths and take advantage of any assets and competencies it holds, provided of course these assets and competencies are considered attractive to the market.

**The four pillars**

For Kotler (1997), the marketing concept rests on ‘four pillars’: the target market, customer needs, integrated marketing and profitability.



**Figure 1.3** *Four pillars*

- 1. Identify and define your target market** No organisation can operate successfully in every market because product or service is not for everybody. Organisations do best when they define their target markets and implement a tailored marketing program.

Example from a publishing company:

A good example is a title about how to find a job. The author could say that everyone needs to get a job at some point, so the title is good for all adults. He or she might seek a heavy, broad promotional campaign selling the title's detailed information on writing resumes and cover letters and conducting interviews successfully.

But the publisher knows that the broad market of job-seeking adults is divided into a variety of target segments. These could include adults, college students and blue-collar workers. Other niches that would be interested in buying career-oriented books include colleges, outplacement firms and state governments.

- 2. Determine your customers' needs** A quick analysis points out segments with widely varying needs. So, the obvious next step is to determine what those needs are.

Continuing with the publishing example let's first look at the college market, which has various buyers with diverse needs.

- ◆ College teachers are looking for books that could be used as textbooks or for supplementary material. They need information that is presented sequentially, discussion questions at the end of each chapter and perhaps an accompanying instructor's guide.
- ◆ Students need concise, clear and inexpensive information that will give them the facts they need to find a job quickly.
- ◆ Career placement officers need to increase the number of college students that graduate with jobs.
- ◆ Alumni associations need to provide alumni with useful information that will increase the value of their Alma Mater and increase the size of donations to the school.
- ◆ College bookstores want to make a profit selling books.

As you can see, buyers in any one segment have varying needs. Selling to all of them with the same literature and the same appeal will do little to increase your sales. Marketing to them, according to their individual needs, will have much better results. Understand the buyers in each of your target segments and market to them as individuals and you will sell more products or services.



3. **Integrated marketing** The organisation following a marketing concept would not end the strategy here. All parts of the marketing process must be coordinated or the results will be diluted. There are four parts that must be integrated into marketing campaigns: the product and its distribution, price and promotion. We will look at these in more detail later.
4. **Profitability** This is the end goal, but may not be the short-term goal. The aim is to set up processes and systems that will generate profits, but not at the expense of customer satisfaction and doing the right things.

These pillars remain the key tenets of a market and customer oriented approach, but they have been refined by organisations and theorists.

## A new approach to the definition of marketing

After considering many definitions of marketing, McDonald & Wilson (2002) proposed a new marketing definition as follows:

**Marketing is a process for:**

- ◆ Defining markets – quantifying the needs of the customer groups (segments) within these markets.
- ◆ Determining the value propositions to meet these needs.
- ◆ Communicating these value propositions to all those people in the organisation responsible for delivering them and getting their buy-in to their role.
- ◆ Playing an appropriate part in delivering these value propositions to the chosen market segments.
- ◆ Monitoring the value actually delivered.

Referring specifically to the function of marketing, McDonald & Wilson (2002) also emphasise that:

‘...it will be ineffective unless the whole company is market driven (‘customer driven’, ‘customer-needs driven’, ‘demand driven’ are other expressions for the same thing). This market-driven philosophy has to be led from the board downwards.’

Source: McDonald & Wilson (2002)

### Defining markets and understanding value

This usually means focusing on a market or a segment of a market and making an effort to understand what value (such as the benefits from the product or service) the customers want or need. An important part of this process is also the identification of the critical

success factors i.e. one or more of the key things an organisation must get absolutely right in order to compete successfully in a market or a market segment.

### **Determining the value propositions**

Having understood what value or benefits the customer wants, an organisation needs to examine:

- ◆ how the industry structure might change (use of electronic delivery channels)
- ◆ the value to be delivered which could be related to the 4 C's i.e. 'Cost', 'Convenience', 'Communications' and 'Consumer wants and needs' as identified by Schultz, Tannenbaum & Lauterborn (1993).

The outcome is likely to be a strategic marketing plan covering the next 3 years.

### **Deliver value propositions**

Based on the strategic plan, value can be delivered by considering the sequence of activities by which an organisation transforms its inputs into outputs of a greater value. Examples include:

- ◆ research and development
- ◆ inbound and outbound logistics (how goods and services are moved around)
- ◆ service levels
- ◆ the ingredients in the product or service mix
- ◆ the supply chain
- ◆ the use of technology to support operations.

### **Monitoring the value**

Monitoring can take various forms and this particular stage emphasises the cyclical nature of the overall process.

It is important to monitor and assess the current view of the value required by customers and whether this has changed over time.

The organisation will also probably want to monitor the value it receives against the marketing objectives such as the volume of sales by product type, or the assessment of customer profitability.

Monitoring value may also involve the analysis of customer-based measures specific to the organisation, which may, for instance, be known as Customer Lifetime Values (CLV), Customer Relationship Management (CRM) or key account criteria.

This basic process of reviewing customer needs, planning, delivering and monitoring forms the framework for most marketing activities and focuses attention on the value that the organisation can provide to its customers.

## Activity 1

### The customer value proposition

#### Objectives

This activity will help you to:

- ◆ explore your own and your organisation's customer value proposition
- ◆ understand the importance of the customer and any other priority stakeholders.

#### Task

- 1 Why is the customer the most important person a company has to deal with? Write down some notes about the way your organisation perceives its customers.

- 2 What is the orientation of the organisation – product, sales or market/customer led?

**3 The decision to buy**

Put yourself in the purchasing position. Which of the following would contribute to your decision to buy a holiday or not from a particular company assuming location and price were about right?

- A tourism or travel association guarantee
- Good before-sales service
- The assurance of good after-sales service
- Additional facilities or activities offered as part of the purchase price
- Special transport arrangements
- A cash discount
- Vouchers or gifts on purchase
- Discounts on future holidays
- Good credit facilities
- Good reputation of the provider
- Persuasive advertising
- Ease and convenience of purchase
- Online payment security guarantees
- Pleasant surroundings

**4 Think benefits not products**

Outline the features and benefits for customers of your main products or services. The aim here is to identify the value proposition and the first stage is to think benefits.

<i>Service or product</i>	<i>Features</i>	<i>Benefits</i>
Example from a hotel room rental service	Family rooms available with interconnecting doors	Children safe and close by Parents' peace of mind



- 5 What services or goods are combined with the proposition offered by your company to add value. Think here about the four C's i.e. 'Cost', 'Convenience', 'Communications' and 'Consumer wants and needs' as identified by Schultz, Tannenbaum & Lauterborn (1993).  
 What service levels do you provide and are they the services that customers want?

<i>Core service</i>	<i>Value added through</i>			
	<i>Cost</i>	<i>Convenience</i>	<i>Communications</i>	<i>Consumer wants and needs</i>

## Feedback

You have been asked to think carefully about your own and your organisation's attitudes to customers and the benefits you can provide to your customers. A definition of the value that your organisation's products or services can add is an important first stage of the market oriented framework.

The decision to buy – this example highlights the range of reasons with which an individual will come to the purchasing decision. Having made a basic decision about the price and location of the holiday there may be many reasons why you chose the one you did, or you chose not to take the holiday with a particular organisation. Similar forces are at work when individuals and organisations prepare to buy from you. The essence of a good marketing framework is to define the value proposition so that you know what your customers value most highly and you are in a position to make precisely that offer clearly and succinctly.

It may be worth checking the features and benefits you have identified with others in the organisation or even with customers. Are your perceptions the same as theirs?

## The marketing mix

Developing and maintaining a balanced and appropriate marketing mix is crucial to marketing and business success.

To achieve marketing success, the right product must be presented to the right people in the appropriate manner, at the right price, at the right time. If a supplier can bring all of these different processes and elements together in a complementary manner, the resulting marketing mix could be a source of considerable competitive advantage.

### What is the marketing mix?

Although the marketing mix can be the source of competitive advantage, the marketing mix can also be viewed as a management tool. Each individual element of the marketing mix should be analysed and if necessary, adapted to ensure that the right balance is achieved to give the product or service the very best chance of success in the market place.

The traditional marketing mix is also sometimes referred to as the 4 Ps as illustrated below.

<i>Marketing mix element</i>	<i>Description and relevance of the Marketing Mix Element</i>
PRODUCT	This relates to the nature or quality of the product or service concerned and/or the image that may be associated with users or consumers of the product or service. Besides understanding how a product or service can meet the basic needs of customers, marketers also need to consider the relative position held by their product or service in a given market, compared to alternative products or services that might be available from the competition.
PRICE	This relates to the market price of the product or service and pricing policy. Marketers need to ensure that their product or service is priced appropriately, so that both sales and also acceptable profits are achieved. Products or services may be priced at different ends of the price spectrum depending on the nature of the product or service offering, the perceived status of the supplier, or the pricing tactics and strategies adopted by competitors.
PLACE	This relates to the manner in which a given product or service is distributed to the consumer or the end user. For various reasons, some suppliers will distribute their products or services via a network of distributors, while others will supply their product or service direct to the consumer or end user. Decisions concerning the distribution of products or services will be taken in the light of various factors such as the nature of the product or service, the resources available to the organisation concerned, or because of opportunities presented by the availability of new technology.
PROMOTION	This relates to the manner in which the product or service is promoted to wholesalers, to retailers or to consumers/end users (which of course depends on the nature of the distribution policy and other factors). Since promotion is a term that is used to encompass advertising, personal selling, sales promotion, direct marketing, public relations and other methods of customer communication, this element of the marketing mix is also sometimes called the 'The Communications Mix'.

**Table 1.2** *The traditional marketing mix (the 4 Ps)*

After considering the various elements of the traditional marketing mix, you may start to appreciate that each of the 4 elements are related to each of the other elements of the mix. In other words, if one element is changed in some way, it will have an effect on one or more of the other elements of the mix.

For instance, if after appropriate research has been conducted, it is decided that a product should be improved and re-positioned in the marketplace, in order to appeal to a slightly different market, consideration must also be given to the other elements of the marketing mix. Although the successful re-positioning of a product is not easy to achieve, some motor manufacturers such as Skoda and Seat have managed to gain some success in re-positioning their car ranges.

When re-positioning a product that involves an improvement in product quality together with the aim of enhancing market perception of the product, it is very likely that the price will need to be increased. The price increase will be needed to recover the additional costs involved in re-development and also to more closely match the prices offered by competitors. Under these circumstances, although customers would no doubt prefer lower prices, increased prices are also likely to match customer expectations i.e. customers will expect to pay more for improved



quality and conversely may associate lower prices with lower quality.

Apart from adjusting the price in the light of a change to the product, the other elements of the marketing mix might also need some adjustment. Under the circumstances, the distribution policy might need to be more exclusive, perhaps involving the use of only a small number of carefully selected distributors for the improved product. The promotional mix might also need to be re-formulated, so that the content of the messages emphasises the features and benefits of the re-positioned product. Even the promotional methods and communications channels used to promote the product would probably need to be re-considered, so that they match the new product image.

### A successful mix

The increase in service sector businesses has led to the development of the extended marketing mix. This very briefly incorporates three new factors. People, processes and physical evidence.

<i>Extended Element</i>	<i>Description and relevance of the Extended Marketing Mix Element</i>
PEOPLE	This relates to the people employed within the organisation, to individuals associated with the organisation, or any other relevant personal stakeholders. Because people can add value through superior service and effective communication and because people are often the interface between customer and supplier, the importance of all employees should never be underestimated. Individuals should be clear about their own role and responsibilities and how they can add value for the benefit of everyone (perhaps by improving service levels, quality, making suggestions etc).
PROCESSES (or PROCESS)	This relates to any process connected to the marketing function i.e. any processes that might involve the customer and which could take place before, during or after a sale. It is often said that many great products or services have failed because efficient and effective processes or systems did not support these products. Processes and/or systems must make it easy for the customer to communicate, or easy for the customer to buy.
PHYSICAL EVIDENCE	This relates to the visual impression gained as a result of exposure to a range of physical evidence as diverse as vehicles, buildings, the decoration or cleanliness of offices, rooms or venues, the quality and style of stationery and written materials and the nature, style and cleanliness of clothing worn by representatives of a particular organisation. Just like all the other elements of the marketing mix, this element needs to be compatible with the others in the marketing mix or the organisation concerned.

**Table 1.3** *The extended marketing mix*

The marketing mix is a useful analytical tool for managers and marketers alike. It forms the basis for many of the decisions made about an organisation's direction.

## Activity 2

### The marketing mix

#### Objectives

This activity will help you to understand how the marketing mix works in practice.

#### Task

- 1 In each of the following scenarios identify the elements of the marketing mix that are being analysed and resolved.

Scenario 1 – The marketing team were keen to define the product in less than ten words. They had discovered during market research that people found it difficult to say what the product was never mind what it could do for them.

Scenario 2 – Financial control measures were being put in place in the organisation. If spiraling costs weren't reduced the offer would have to be changed and that might mean going into whole new markets. It had been a tempting thought that a higher value product might be the next move, but research suggested that competitors in the higher level market were struggling even more than they were.

Scenario 3 – The issue wasn't about the service or even how it was delivered. There was a general malaise, triggered by a few key people leaving, and this was translating into fewer orders.



Scenario 4 – They just couldn't get enough goods to the shops. It might sound like an enviable position, but it actually meant lost sales. They needed a new system for ordering, perhaps including advance ordering and different distribution channels to supplement those that they were using.

- 2 What elements of the marketing mix are a priority for consideration in your organisation?

## Feedback

- 1 In each of the scenarios there are specific issues that need to be addressed. These can be related to one or more of the areas of the extended marketing mix. Compare your answers to those that follow.

Scenario 1 – In this case the issues are product definition and promotion. The product is ill defined and the messages being communicated are confusing. Without clarity from the manufacturer the customer will be unclear about the product.

Scenario 2 – Product and price are in question here. The product definition is wavering if they are considering giving it a significantly higher value. Price reduction may be required to get the goods moving again.

Scenario 3 – This is about people in the organisation believing in the service being provided. The impact of a general malaise, especially among those interfacing with customers can be significant.

Scenario 4 – This is about place and processes. The distribution channels are not working and they are right not to just focus on the logistics of getting the products to the shops, but to think of new ways of getting the goods to the end users. This will involve new processes for ordering, returns and marketing.

- 2 Using the information from the marketing mix you should be able to identify at least one issue for your organisation related to marketing your product or services. Think about whether any other factors come into play. It is rare that a single factor is causing a problem.

## What managers need to know

Although a manager's specific role in market orientation will depend on their role and function within an organisation, there are good reasons for all managers to be keenly interested in this fundamental element of the business. Piercy (2002) offers a review of what he thinks managers need to know in the process of going to market.

<i>Category</i>	<i>The Details</i>
Customers	Understanding customers and focusing on the market offering we make to them and what it produces in superior customer value.
Market strategy	Choosing market targets and building a strong market position based on differentiating capabilities to create a robust and sustainable value proposition to customers driven by networks of critical relationships.
Implementation	Driving the things that matter through the corporate environment to the marketplace.

**Table 1.4** *What managers need to know* Source: Adapted from Piercy (2002)

Piercy believes that managers do not need to get involved in the technical detail, so in his opinion they do not need to know in detail about pricing theories, market research techniques, advertising theory, buyer behaviour models and so on.

Piercy takes a skeptical view of marketing theory, but the point is well made that customer focus is central to the organisation's survival and prosperity. Marketing cannot exist in a vacuum, separate from other functions. Marketing orientation is a culture that needs to be adopted at all levels and in all areas of the organisation to be effective. It is an overriding business philosophy that applies to internal customers (other functions within an organisation) as well as to external customers. It will also impact on the way an organisation works with its suppliers.

### Internal and external customers

Customers come in all shapes and sizes and managers first need to recognise who their customers are. Internal customers matter and the relationships developed internally can mean the difference between implementation and collapse. An internal customer is anyone for whom you provide a service within the organisation. It is as important to understand their wants and needs as your external customers and thereby create a culture that supports delivery of the right products and services.

## **Overcoming barriers to successful market orientation**

Few intend to put up barriers to the delivery of a good service, but practice and tradition can lead to the development of a number of barriers. It is arguably one of the key leadership roles of a manager to help break down these barriers.

### **Culture**

Culture is intrinsically rooted in the organisation but may be working against a corporate view of customer value. Structural changes may be required to realign the organisation to focus employees on the customer. Mission, vision and objectives can be altered to draw attention to the requirement to meet customer needs. Capital investment projects need to clearly target improvements in customer service. Too often organisations will implement a new process for stock taking or customer ordering and in the process of development lose sight of the ultimate goal. Logistical efficiencies may be delivered at the cost of customer satisfaction.

When cultural differences emerge, the result may be power battles and political infighting. None of which are likely to support customer needs. A manager's insight and leadership is required to see beyond vested interests and refocus on objectives.

### **Decision-making**

Managers need to make the decisions required to see through complex action plans and strategies. Marketing has developed techniques and tools that are very specialised and require specialist analysis. The role of the manager is not to undertake the analysis but to use the results to inform and develop strategies for implementation. Effective use of specialist support is essential to ensure that decisions are made, delays are reduced and action is taken. Knowing how much you need to know is one part of this process and knowing where to get the information is the other.

### **Resources and skills**

Having the right resources, people, information systems in place to help make the decisions can also be a barrier for many cash strapped organisations. A manager needs to be in a position to negotiate for appropriate resources and information. It's a balancing act between a realistic assessment of the information and resources available and the potential value of additional or other resources to improve customer service.

The role of the manager is to facilitate, to get the best out of people and to recognise opportunities. The manager in any function will need to create an environment where directed and strategically

focused action can take place and to identify areas in which the organisation will need specialist expertise in marketing or selling.

Resources may be required to find out more about the customer, to help individuals understand their customers or to find out more about what competitors are doing. This may include bringing in expertise such as market researchers, branding and pricing specialists.

Product decisions may involve legal advice to ensure compliance, patent and copyright issues are sorted out. Resources for promotions may include:

- ◆ advertising including e-advertising, TV and newspaper advertising
- ◆ direct marketing including telemarketing and e-marketing
- ◆ selling face to face
- ◆ maintaining effective public relations
- ◆ selling via brochures, exhibitions and events
- ◆ sponsoring events or related products
- ◆ packaging the product using text, images, colour and shape.

Today's customer is almost as concerned about how the offer is delivered, where it is sited, and the channel by which they order it, as price. Customers are busy, discerning and well-informed. Easy ordering and delivery with a high quality of service are often a deciding factor for them. Any framework for marketing orientation needs to consider carefully IT, packaging, distribution, logistics and merchandising.

Resources required to support people in the organisation include IT systems, Customer Relations Systems and training.

### Activity 3

#### A manager's role

#### Objectives

This activity will help you to:

- ◆ define the limits and scope of your responsibility for marketing orientation and customer focus
- ◆ understand the contribution you can make to customer focus in your organisation.

**Task**

- 1 The aim of this activity is to outline your responsibilities and where you would bring in other resources and expertise to support growth and development in the organisation.

Who are your customers?

**Internal customers**

**External customers**

- 2 What elements of your role as a manager are directed towards customers?

- 3 What barriers do you need to overcome?

**Cultural**

**Decision-making**



**3** What resources and skills do you think could contribute to the development of customer focus in your organisation?



### Feedback

It may seem strange to think about these areas of the business if you do not have a direct responsibility for marketing in your organisation. The aim of this activity is to support you in recognising that you do have a role and you can make a contribution. There may be elements of the marketing mix that you can affect. You may be able to support a cultural change towards a customer focus. You may be able to spot a barrier to organisational goals that others cannot see.

## Customer characteristics

An important principle in marketing is focus and in particular the need to focus on a specific group (or groups) of potential customers. Usually potential customers are categorised into groups, whose members have various common characteristics.

It is usually far more effective and efficient to identify and select a particular section of the market that will become the focus of marketing activities, than to expect to appeal to every single member of the population. This is because very few (if any) organisations can successfully meet the needs of everyone, in part because they simply do not have the resources to do so. So, marketing is about recognising that only a proportion of the population will ever be potential customers and that only a percentage of these will become customers of a particular business.

## What is segmentation?

The market can be split into 'segments' by using a range of different segmentation criteria. In practice it is unlikely that one single segmentation variable will be used to categorise a group of potential customers, as one single segmentation variable such as age, will usually be far too general.

A number of segmentation variables usually need to be combined to develop the profile of a typical customer. In this way, the marketing effort can be designed to appeal to the target market segment.

The availability and use of new technologies and systems does enable some organisations to both identify and profile potential customers more easily than ever before. The challenge to marketers and managers however, is to constantly remain in touch with the technologies involved and the possible benefits and disadvantages each might bring.

## The different types of customer

A market may consist of a group, or groups of customers that can be described as market segments. These customers can be 'segmented' by a various criteria and each different market segment may respond to communications, in a different manner. That means communications should be specifically designed and targeted and based on a sound understanding of the individuals, or the organisations involved.

Broadly speaking, markets fall into:

- ◆ 'Personal' Segments (often called 'Consumer' Segments)
- ◆ 'Business' Segments (often called 'Corporate' Segments)

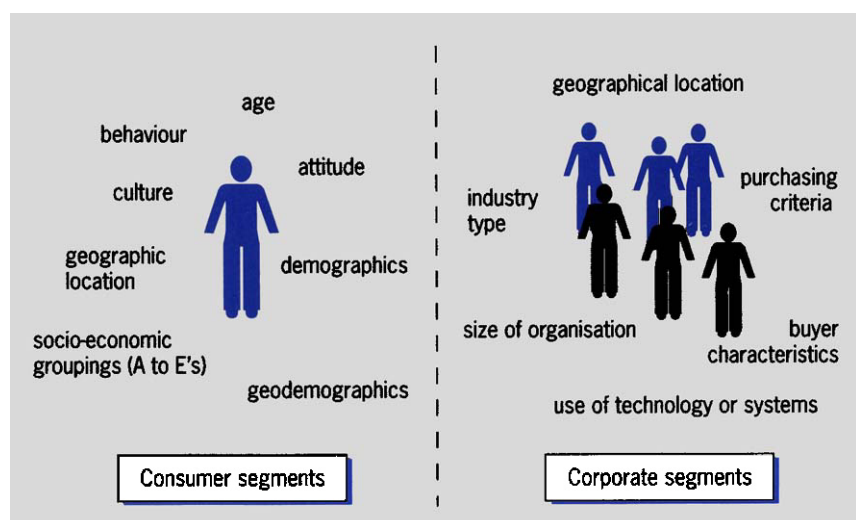


Figure 1.4 Segmentation

## Understanding consumer segments

A market can consist of a wide range of individuals each with different characteristics and preferences. A market segment on the other hand, consists of group of individuals that have common characteristics and is therefore a sub-group. The characteristics shared by the sub-group will not be shared by the market as a whole.

Consumers can be segmented (grouped) in many ways, including by:

- ◆ age
- ◆ attitude
- ◆ behaviour
- ◆ culture
- ◆ demographics
- ◆ geographic location
- ◆ geodemographics (e.g. ACORN and Pinpoint)
- ◆ socio-economic groupings (A to E's).

## Understanding business segments

Corporate customers can also be grouped in many ways including by:

- ◆ buyer characteristics (either individual or DMU characteristics)
- ◆ geographical location
- ◆ industry type
- ◆ purchasing criteria (large or small purchase/quality standards etc)
- ◆ size of organisation (measured by staff levels, turnover, profits or outlets)
- ◆ use of technology or systems.

## What is targeting?

Targeting follows the process of segmentation. Targeting is about focusing marketing effort and any marketing communications on the most profitable and potentially productive market segments.

How to target the most appropriate segments

There are some important factors to consider if targeting is to be precise and effective. These factors are:

- ◆ segment attractiveness and viability
- ◆ segment size and growth potential
- ◆ segment profitability
- ◆ segment identity and compatibility.

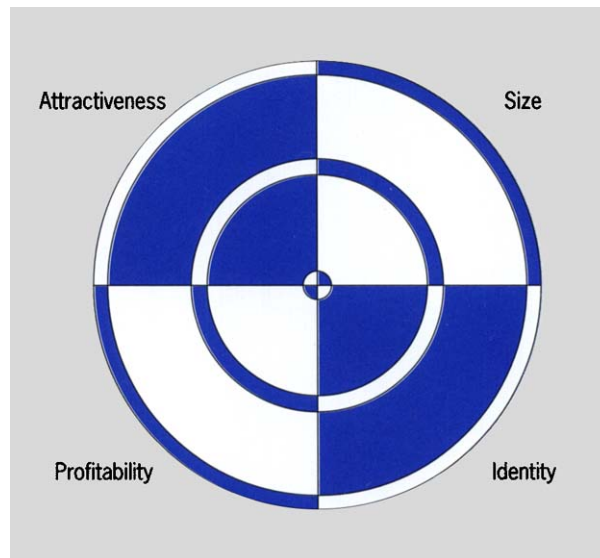


Figure 1.5 Targeting

### **Segment attractiveness and viability**

Market segments will appear attractive if there are external opportunities that match the internal strengths of the organisation concerned. Low cost airlines operate efficiently on a low cost basis and the positioning of their service appeals to a market segment that appreciates the 'low cost, no frills approach'.

Besides this matching process, there also needs to be a sufficient number of people within the chosen market segment, to make the operation viable. The low overheads of the airlines' operations and their ability to communicate successfully with a selected nationwide audience, is a major factor in their success.

### **Segment size and growth potential**

Research needs to be conducted to establish the size of the targeted market segment and its potential for growth. Unless there is significant potential, either for gaining an appropriate share of the market within the segment, or for growing the market segment, other options should be considered.

### **Segment profitability**

When deciding to enter new markets, it is usual to prioritise by ranking key factors. A key factor when prioritising these potential foreign markets is the issue of market profitability.

### **Segment compatibility**

This compatibility or 'degree of fit' between the chosen market segment and the supplier or a product or service, should be as close and meaningful as possible. Compatibility is a question of determining whether you have the right set of skills, resources and competencies to deliver the service or products.

## Match makers

Depending on the resources of the organisation and the opportunities available, various targeting options can be evaluated. The following three issues should therefore also be considered when embarking on the targeting process:

- ◆ Matching resources with opportunities
- ◆ Targeting individual segments
- ◆ Targeting multiple segments

### Matching resources with opportunities

Very few organisations have the resources or the desire, to target the whole market for a given product or service. Even if extensive resources do exist, because of the need to identify with the target market, some form of selective targeting will usually exist.

### Targeting individual segments

There are many different bases for segmenting of the market, although one segmentation variable might be far more important than any other.

For example, one possible target market segment for a holiday tour operator promoting a 'summer sun vacation' might look something like this:

Age:	18 to 30
Gender:	Male
Socio-economic groups:	C2/D/E
Neighbourhood:	urban dwellers
Occupation:	manual/unskilled/students in higher education

Even though a number of segmentation variables are involved, they combine to form one single target market segment, which is then targeted by the tour operator.

### Targeting multiple segments

Multiple segments may include presenting a clearly defined offer to a range of customers. Amazon for instance provides a range of categories based on age, subject, media, authors, and type of goods. The aim is to make as many customers as possible feel able to find the category of goods they are looking for whilst seeing the full range available to them from the website.



## Activity 4

### Knowing your customers

#### Objectives

This activity will help you to:

- ◆ understand more about your customers and how they are segmented and targeted
- ◆ explore how target setting contributes to the success of the organisation.

#### Task

Your task is to find out as much information as you can about a significant customer. You may find you need to ask someone in the marketing department, someone in sales or consider an internal customer that you know well.

- 1 Identify one of your organisation's main customers?
- 2 How are customer groups segmented and in what segment does this customer fall?
- 3 What are this customer's needs?
- 4 What benefits does the customer prioritise?

<i>Customer</i>	<i>Customer segment</i>	<i>Customer needs</i>	<i>Benefits prioritized by the customer</i>

- 5 Summarise the nature of your target segments, their viability, size, profitability, growth potential, compatibility and identity

6 Given all of this information note down at least three ways in which targeting contributes to the success of the organisation or three ways targeting could be used more effectively.

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## Feedback

Segmentation and targeting may look like a precise science, but customers are fickle and for ever changing their wants and needs. Your role as a manager is try to keep up with the customers, by carrying out an analysis like this regularly. It is beneficial whether you work with internal or external customers. It will also help you to predict where they are going next. A very useful piece of analysis is to be looking at the benefits perceived by customers from your products and services. It may be worth finding out if there is any current market research on what your customers really think. For internal customers it may be of value to ask them.

## Action list

Review the activities you have completed for this theme and write down any action points that you can use to support you and your team in creating or improving the market or customer focus in your organisation.

## ◆ Recap

This theme begins to establish a framework for marketing and customer focus in an organisation. The central tenet of the framework is that customer focus needs to be embedded throughout the organisation and not imposed from above, or implemented in a crisis.

### **Learn about market orientation and what it means for you as a manager**

- ◆ Market orientation impacts on all levels and all the individuals in the organisation.
- ◆ The concept of customer focus should permeate all the objectives, attitudes and behaviours exhibited in the organisation.
- ◆ As a manager there are a number of roles you can take to contribute to customer focus, such as supporting new attitudes, overcoming barriers, working effectively with colleagues and internal customers and most of all understanding customers.

### **Understand the marketing mix and its contribution to growth and development**

- ◆ The extended marketing mix encourages managers to think about a range of issues in the analysis and development of a product or service.
- ◆ The mix consists of product, price, place, promotion, people, processes, physical evidence.

### **Recognise and develop customer groups and set aims, targets and conditions for success**

- ◆ Understanding your customers is a pre-requisite for market and customer orientation.
- ◆ The analysis of segments and strategies for targeting are useful tools for developing your customers and tracking their needs and wants. This will help you to set conditions for success.

### **Understand what resources are required for effective market orientation**

- ◆ Resources to support an organisation fully develop and grow their customer bases are reviewed.
- ◆ Resources may be in the form of expertise such as market research and PR. They can also be in the form of information, budgets and people.

## ▶▶ More @

**McDonald, M. and Wilson, H. (2002) *The New Marketing*, Butterworth-Heinemann**

The New Marketing presents a comprehensively revised blueprint for the marketing process affected by technological developments and the associated 'information revolution'. Built around the leading concept of a value exchange with customers, it provides essential advice on how to harness the latest technology and incorporate it effectively into marketing practice.

**Piercy, N. F. (2002) *Market-Led Strategic Change: A Guide to Transforming the Process of Going to Market*, Butterworth-Heinemann, pp. 7–11**

This book takes a fresh approach to the concept of marketing and seeks to debunk some of the myths. It has a central focus on customer value and creative strategic thinking in the context of realistic and practical examples.

**Porter, M. E. (1980) *Competitive Strategy: Techniques for Analysing Industries and Competitors*, Free Press**

A seminal text on strategies to support growth and development. Its focus is on analysis of the business environment and how organisations perform.

**Institute of Sales and Marketing Management [www.ismm.co.uk](http://www.ismm.co.uk) [accessed January 2006]**

**Chartered Institute of Marketing (2002) [www.cim.co.uk](http://www.cim.co.uk) [accessed January 2006]**

**What's New In Marketing (WNIM) [www.wnim.com](http://www.wnim.com) [accessed January 2006]**

Full references are provided at the end of the book.