

The meek shall inherit the earth, but they'll not increase market share.

WILLIAM G. MCGOWAN

Core strategy

PART four

Chapter 10 Segmentation and positioning ■ **Chapter 11** Relationship marketing
■ **Chapter 12** Competitive strategy

PART FOUR OF PRINCIPLES OF MARKETING covers core strategy, the centre of the marketing process.

Within core strategy, marketing knowledge is made into the strategies that guide marketing action. Businesses mostly succeed by concentrating on a group of customers they can serve better than anyone else. **Chapter 10** explains how markets can be broken down into customer segments and how to choose the ones to target. It then looks at ways to address the target segments by creating mental associations that attract customers to the product or services.

A Levi's ad once claimed that 'quality never goes out of style'. That has become a byword for much of modern marketing, as marketers try to escape from making single transactions with customers to establishing relationships that both enjoy.

Chapter 11 examines how customer satisfaction, quality, value and service contribute to relationship marketing.

Increasingly, it is not enough for marketers to look at customers; they must also look at what their competitors are doing and respond to them. **Chapter 12** shows that success in marketing does not mean direct confrontation with competitors. It is often best to find new ways to please customers that build upon a business's unique strengths.

I don't know the key to success but the key to failure is trying to please everyone.

BILL CROSBY

Segmentation and positioning

CHAPTER



Chapter objectives

After reading this chapter, you should be able to:

- Define market segmentation and market targeting.
- List and discuss the primary bases for segmenting consumer and business markets.
- Explain how companies identify attractive market segments and choose a market-coverage strategy.
- Define differentiation and market positioning.
- Explain why companies seek to differentiate their markets and use positioning strategies.
- List and discuss the principal ways in which companies can differentiate their products.
- Explain how companies can position their products for maximum competitive advantage in the marketplace.

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Prelude case drivedreamcars.com

Friday night, after a longer and harder week than usual, Gordon drove out of the staff car park onto the expressway in his trusty old diesel estate. It was not the time for speeding. The traffic was heavy, the night closing in and soothing Classic FM on the radio.

'You're wanting the Ferrari Testosterone, yes?'

All was relaxing until a lad in a white van swerved and pushed into the lane two cars up front while gesticulating in a manner consistent with his FCUK sticker in his rear window. A line of drivers' minds were dragged from the FM-induced mood as they slammed on brakes.

The traffic flow restarted and Brahms calmed.

Within minutes, the diesel estate pulled into the garage between a Bentley Mulsanne S and a Porsche 911 Carrera Tiptronic. Rob walked across. 'You're wanting the Ferrari Testosterone, yes?' After a brief familiarisation and swapping of keys, Gordon left the family diesel and delicately eased the Ferrari out of the garage. The 300 bhp engine behind the driver's seat sounded so Ferrari. The car so light; the engine so eager. A slight touch on the accelerator and the car exploded forwards. The machine was eager to go but better to ease into the car's huge potential rather than playing on a busy road.

Classic FM did not fit the enthusiasm and burr of the Ferrari and no radio stations ever played anything remotely appropriate at this time on Friday night. An old Bruce Springsteen album was in the CD player. It kicked off with *Born to Run* – 'Chrome wheeled, fuel injected and steppin' out over the line' – a rising song to blast in the weekend. Life could not get much better than this, but it did.

Out of the city and on to country lanes, there, at the side of the road, was the lad with his white van. This time he was not gesticulating at other road users but at his motor that was not running. Gordon smiled and waved, as Springsteen burst into 'Thunder Road', and let the prancing horse free.

This is not a fairy tale. On Monday morning the Ferrari turned back into a diesel estate and another week of work began. But next Friday it was to be a family car with a difference – a Maserati

3200 GT. The cars are part of the stable of the Classic Car Club, a membership organisation that hires out cars to drool over. For about £1,995 (€3,300) a year, members hire cars based on a points system that varies with time of year, weekend or weekday and make of car. The price includes everything but fuel. Some of the cars are true classics, such as the Triumph TR6, Daimler V8, E-type and Mark II Jaguars. Others, including a Porsche Boxter, TVR and Aston Martin, are more modern but still interesting to drive. All for averaging £50 per driving day – less than a normal car hire and certainly for a lot less than owning a classic car. As the *Independent on Sunday* commented, 'I've scratched my head long and hard to find a catch: there isn't one.'

Whatever the dream that the Classic Car Club offers to its members, the club has its owners scratching their heads too. All members want to hire the same exotic open-topped cars on sunny weekends in summer. Many times the stock of cars is all out while on other occasions most rest in the garage. Downtime can also be a problem. These cars are real classics and some are ageing. Breakdowns can and do occur and take cars off the road for weeks. There are also the speeding fines incurred by members who do not realise they can exceed the speed limit from a standing start in seconds in a car that is designed to attract attention.¹

Questions

1. What allows a small business, like the Classic Car Club, to succeed against huge global players in the car hire business and is it a business concept that could work elsewhere in the world?
2. Being a small company looking for a membership that is a very small fraction of the total population, how should the club promote itself and what is its target market?
3. How could the club increase its income and even the load on its cars by appealing to additional market segments or segmenting its own customer base?

Introduction

Organisations that sell to consumer and business markets recognise that they cannot appeal to all buyers in those markets or at least not to all buyers in the same way. Buyers are too numerous, too widely scattered and too varied in their needs and buying practices. Companies vary widely in their abilities to serve different segments of the market. Like the Classic Car Club, rather than trying to compete in an entire car hire market, companies identify the parts of the market they can serve best. Segmentation is thus a compromise between mass marketing, which assumes everyone can be treated the same, and the assumption that each person needs a dedicated marketing effort.

Few companies now use mass marketing. Instead, they practise **target marketing** – identifying market segments, selecting one or more of them, and developing products and marketing mixes tailored to each. In this way, sellers can develop the right product for each target market and adjust their prices, distribution channels and advertising to reach the target market efficiently. Instead of scattering their marketing efforts (the ‘shotgun’ approach), they can focus on the buyers who have greater purchase interest (the ‘rifle’ approach).

Figure 10.1 shows the major steps in target marketing. **Market segmentation** means dividing a market into distinct groups of buyers with different needs, characteristics or behaviours, who might require separate products or marketing mixes. The company identifies different ways to segment the market and develops profiles of the resulting market segments. **Market targeting** involves evaluating each market segment’s attractiveness and selecting one or more of the market segments to enter. **Market positioning** is setting the competitive positioning for the product and creating a detailed marketing mix. We discuss each of these steps in turn.

Market segmentation

Markets consist of buyers, and buyers differ in one or more ways. They may differ in their wants, resources, locations, buying attitudes and buying practices. Through market segmentation, companies divide large, heterogeneous markets into smaller segments that can be reached more efficiently with products and services that match their unique needs. In this section we discuss levels of market segmentation, and in the following six sections we deal with the important topics of segmenting consumer markets, segmenting business markets, segmenting international markets, multivariate segmentation, developing market segments, and requirements for effective segmentation.

Target marketing—Directing a company’s effort towards serving one or more groups of customers sharing common needs or characteristics.

Market segmentation—Dividing a market into distinct groups of buyers with different needs, characteristics or behaviour, who might require separate products or marketing mixes.

Market targeting—The process of evaluating each market segment’s attractiveness and selecting one or more segments to enter.

Market positioning—Arranging for a product to occupy a clear, distinctive and desirable place relative to competing products in the minds of target consumers. Formulating competitive positioning for a product and a detailed marketing mix.



Figure 10.1 Six steps in market segmentation, targeting and positioning

Levels of market segmentation

Because buyers have unique needs and wants, each buyer is potentially a separate market. Ideally, then, a seller might design a separate marketing programme for each buyer. However, although some companies attempt to serve buyers individually, many others face larger numbers of smaller buyers and do not find complete segmentation worthwhile. Instead, they look for broader classes of buyers who differ in their product needs or buying responses. Thus, market segmentation can be carried out at many different levels. Companies can practise no segmentation (mass marketing), complete segmentation (micromarketing) or something in between (segment marketing or niche marketing).

Mass marketing

Mass marketing—Using almost the same product, promotion and distribution for all consumers.

Companies have not always practised target marketing. In fact, for most of the twentieth century, major consumer-products companies held fast to **mass marketing** – mass producing, mass distributing and mass promoting about the same product in about the same way to all consumers. Henry Ford epitomised this marketing strategy when he offered the Model T Ford to all buyers; they could have the car ‘in any colour as long as it is black’. That cost Ford the world market leadership that it has never regained.

The traditional argument for mass marketing is that it creates the largest potential market, which leads to the lowest costs, which in turn can translate into either lower prices or higher margins. However, many factors now make mass marketing more difficult. For example, the world’s mass markets have slowly splintered into a profusion of smaller segments – from those living near the Arctic to the tropics; from the grey market to the gay market. It is increasingly hard to create a single product or programme that appeals to all of these diverse groups. The proliferation of advertising media and distribution channels has also made it difficult to practise ‘one size fits all’ marketing.

Not surprisingly, many companies are retreating from mass marketing and turning to segmented marketing.

After pioneering the genre as a rock channel on cable TV, Music Television (MTV) is facing increasingly intensive competition from the likes of BSkyB and Emap’s Kiss TV and Kerrang. MTV is fighting back with the military precision of the ex-soldier who runs the European operation. The competition is taking some market share but MTV continues its double digit growth by addressing a series segments in the youth market. While MTV base is becoming a more conventional TV channel showing reality TV shows, such as *The Osbornes*, the company uses its decentralized structure to track twists and turns in national music markets. It then splatters sub-sections of their 16-year to 34-year-old target market with channels covering soul/R&B, pop, rock, hip-hop, indie, and any other music trend that may arrive. Despite the diversity of musical tastes across the world, one of MTV’s tricks is to run advertising across a mix of appropriate channels, therefore offering broadcast advertising across narrowcast channels.²

Segmenting markets

A company that practises **segment marketing** recognises that buyers differ in their needs, perceptions and buying behaviours. The company tries to isolate broad segments that make up a market and adapts its offers to match more closely the needs of one or more segments.

At 55 years of age, Roger de Haan retired with a £1bn (€1.66bn) pension from SAGA, the company he created. SAGA's success came from a range of businesses focusing on the needs of the 55-plus age group. Why this focus? Because youth-oriented marketers had neglected Europe's ageing population whose disposable income is 8 per cent above the average (all age groups below 55 have disposable incomes below average!). SAGA products range from holidays through insurance to radio stations. Other marketers are following de Haan's lead. The Aktiv Markt supermarket chain in Austria and Germany is having great success with its stores designed for pensioners and is using a 'third-age suit' that designers don to help them empathise with ageing drivers. There is even a market research agency, Senioragency International, specialising in the needs of the growing segment.³

Segment marketing—Adapting a company's offerings so they more closely match the needs of one or more segments.

Segment marketing offers several benefits over mass marketing. The company can market more efficiently, targeting its products or services, channels and communications programmes towards only consumers that it can serve best. The company can also market more effectively by fine-tuning its products, prices and programmes to the needs of carefully defined segments. And the company may face fewer competitors if fewer competitors are focusing on this market segment.

Niche marketing

Market segments are normally large identifiable groups within a market – for example, luxury car buyers, performance car buyers, utility car buyers and economy car buyers. **Niche marketing** focuses on subgroups within these segments. A *niche* is a more narrowly defined group, usually identified by dividing a segment into subsegments or by defining a group with a distinctive set of traits who may seek a special combination of benefits. For example, property developers have recognised a niche within the grey market. Further segmenting the grey market, the Palms runs gay and lesbian retirement communities and Rainbow Vision runs retirement homes for the same niche market.⁴

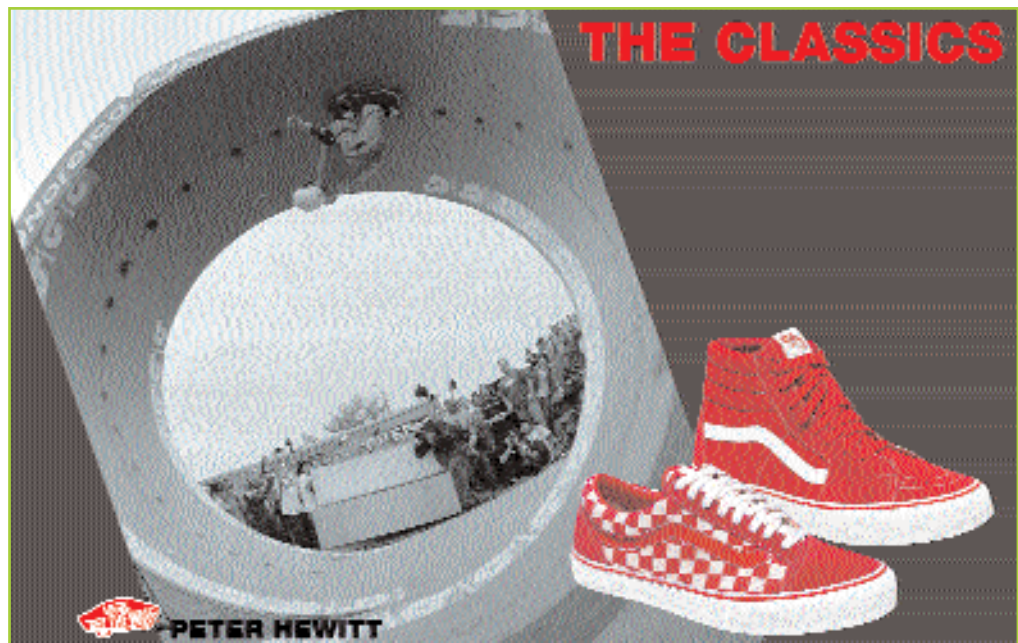
Whereas segments are fairly large and normally attract several competitors, niches are smaller and normally attract only one or a few competitors. Niche marketers have to understand their niches' needs so well that their customers willingly pay a price premium. For example, Ferrari gets a high price for its cars because its loyal buyers feel that no other automobile comes close to offering the product–service–membership benefits as Ferrari.

Niching offers smaller companies an opportunity to compete by focusing their limited resources on serving niches that may be unimportant to, or overlooked by, larger competitors. For example, Mark Warner succeeds by selling to distinct holiday niches: all-inclusive family watersports holidays in southern Europe to northern Europeans, and no-kids holidays for older people who want some peace and quiet. However, large companies also practise niche marketing. For example, Nike makes athletic gear for aerobics, jogging and football, but also for smaller niches such as fell running and street hockey.

Niche marketing—Adapting a company's offerings to more closely match the needs of one or more subsegments where there is often little competition.

Niche marketing: Vans specialises in making thick-soled trainers for skateboarders.

SOURCE: Vans Inc. Copyright © 2001 Vans Inc. Reprinted with permission.



In many markets today, niches are the norm. As an advertising agency executive observed: ‘There will be no market for products that everybody likes a little, only for products that somebody likes a lot.’ Others assert that companies must ‘niche or be niched’.

Micromarketing

Segment and niche marketers tailor their offers and marketing programmes to meet the needs of various market segments. At the same time, however, they do not customise their offers to each individual customer. Thus, segment marketing and niche marketing fall between the extremes of mass marketing and micromarketing. **Micromarketing** is the practice of tailoring products and marketing programmes to suit the tastes of specific individuals and locations. Micromarketing includes *local marketing* and *individual marketing*.

Local marketing

Local marketing involves tailoring brands and promotions to the needs and wants of local customer groups – cities, neighbourhoods and even specific stores. Thus, IKEA customises each store’s merchandise and promotions to match its local clientele. C&A’s difficulties, which have forced it to pull out of some European markets, have been blamed upon the centralisation of their buying in Brussels.

Local marketing has some drawbacks. It can drive up manufacturing and marketing costs by reducing economies of scale. It can also create logistical problems as companies try to meet the varied requirements of different regional and local markets. And a brand’s overall image may be diluted if the product and message vary in different localities. Still, as companies face increasingly fragmented markets, and as new supporting technologies develop, the advantages of local marketing often outweigh the drawbacks.

Micromarketing—A form of target marketing in which companies tailor their marketing programmes to the needs and wants of narrowly defined geographic, demographic, psychographic or behavioural segments.

Having few top US or UK artists in their stable, Bertelsmann Music Group (BMG) has led the pop music industry in signing local European acts. Their early lead is paying off in an otherwise lacklustre industry, although everyone's profits are down. 'It is better for a record company to sell 10m copies of one album than 1m copies of ten', explains Deutsche Morgan Grenfell's Tom Hall. It takes an awful lot of Thrills [Dublin-based country rockers] to match the transatlantic success of White Stripes!⁵

Local marketing helps a company to market more effectively in the face of pronounced regional and local differences in community demographics and lifestyles. It also meets the needs of the company's 'first-line customers' – retailers – who prefer more fine-tuned product assortments for their neighbourhoods. It maintains local variety and colour, but at a cost.

Individual marketing

In the extreme, micromarketing becomes **individual marketing** – tailoring products and marketing programmes to the needs and preferences of individual customers. Individual marketing has also been labelled 'markets-of-one marketing', 'customised marketing' and 'one-to-one marketing' (see Marketing Insights 10.1). The prevalence of mass marketing has obscured the fact that for centuries consumers were served as individuals: the tailor custom-made the suit, the cobbler designed shoes for the individual, the cabinet maker made furniture to order.

Customers can still enjoy such 'customised marketing'. Vick Nagle's Constant Tailoring still visits 'gentleman customers' to measure, try and complete tailored clothes made of only the best fabric. Ashby Pine works out of a small workshop-cum-display area in Ashby de la Zouch making made-to-measure furniture. Both owners love their materials and craftsmanship. Ashby Pine has clear objectives: 'We have managed our business down to the level of having a few good customers whom we enjoy working with.'

New technologies are permitting many larger companies to return to customised marketing. More powerful computers, detailed databases, robotic production, and immediate and interactive communication media such as email, fax and the Internet – all have combined to foster 'mass customisation'.⁶ **Mass customisation** is the ability to prepare on a mass basis individually designed products and communications to meet each customer's requirements. Consumer marketers are now providing custom-made products in areas ranging from hotel stays and furniture to clothing and bicycles.

The move towards individual marketing mirrors the trend in consumer *self-marketing*. Increasingly, individual customers are taking more responsibility for determining which products and brands to buy. Consider two business buyers with two different purchasing styles. The first sees several salespeople, each trying to persuade him to buy their product. The second sees no salespeople but rather logs on to the Internet, searches for information on and evaluations of available products, interacts electronically with various suppliers, users and product analysts, and then makes up her own mind about the best offer. The second purchasing agent has taken more responsibility for the buying process, and the marketer has had less influence over her buying decision.

Individual marketing— Tailoring products and marketing programmes to the needs and preferences of individual customers.

Mass customisation— Preparing individually designed products and communication on a large scale.

10.1 If it will digitise, it will customise

Sounds like *Star Wars*; soon in all stores. Suited for Sun, a swimwear manufacturer, uses a computer/camera system in retail stores to design custom-tailored swimsuits for women. The customer puts on an 'off the rack' garment, and the system's digital camera captures her image on the computer screen. The shop assistant applies a stylus to the screen to create a garment with perfect fit. The customer can select from more than 150 patterns and styles, which are re-imaged over her body on the computer screen until she finds the one that she likes best. The system then transmits the measurements to the factory, and the one-of-a-kind bathing suit is mailed to the delighted customer in a matter of days. Such mass customisation is becoming common. Using the Internet, many suppliers are cutting out stores and working directly with customers.

- **www.barbie.com** enables you to make your own Special Friend of Barbie choosing skin tone, eye colour, hairdo and hair colour, clothes, accessories and name. There is also a questionnaire for detailing your doll's likes and dislikes. When Barbie's Special Friend arrives in the mail, the doll's name is on the packaging along with a computer-generated paragraph about her personality.
- *Make your own CD*. Several Web companies offer the chance to customise a CD. Simply run through their catalogue, sample tracks, submit your list and your CD is in the mail. Customisers include emusic.com and cdj.co.uk.
- *Paris Miki*. At this Tokyo eyeglass store the Mikissimes Custom Designed Eyewear System allows technicians to design lenses and frames that conform to the shape of the customer's face. Using a monitor, styles are superimposed on a scanned image of the person's face. The customer then chooses a style, the glasses are made up and the person walks out with their customised glasses.
- *The watchfactory* website can help you design an almost infinite variety of watches assembled from standard parts and costing the same as off-the-shelf designs.

Although consumer goods are now being marketed one-to-one, business-to-business marketers have been providing customers with tailor-made goods for some time. Often they can supply products and services cheaper and quicker than it used to take to make standardised ones. Particularly for small companies, mass customisation provides a way to stand out against larger competitors. *ChemStation* was a pioneer of this way of doing business.

ChemStation, a small industrial-detergent company, offers its industrial customers individually concocted soap formulas. What cleans a car won't work to clean an aircraft or equipment in a mineshaft. Information collected by ChemStation about a specific customer's cleaning needs is fed into their Tank Management System (TMS)

...10.1

database. Next, they develop a special 'detergent recipe' for the customer, assign it a number, and enter the formula into the TMS. Then, plant workers enter the customer's recipe number into a machine, which mixes up a batch of the special brew. ChemStation then delivers the mixture to a tank installed at the customer's site. The company monitors usage and automatically refills the tank when supplies run low. The customisation system gives customers what they need and reduces costs, resulting in higher margins. Mass customisation also helps ChemStation to lock out competitors. No one – not even the customer – knows what goes into each formula, making it hard for a customer to switch suppliers.

Three trends are behind the growth in one-to-one marketing. The first is the increasing emphasis on customer value and satisfaction. The second is data warehouses allowing companies to store trillions of bytes of customer information. Computer-controlled factory equipment and industrial robots can now quickly readjust assembly lines. Finally, the Internet ties it all together and makes it easy for a company to interact with customers, learn about their preferences and respond. True marketing: giving customers what they want, rather than what the company can produce.

SOURCES: Adapted from Don Peppers, Martha Rogers and Bob Dorf, 'Is your company ready for one-to-one marketing?', *Harvard Business Review* (January–February 1999), pp. 151–60; Angus Kennedy, *The Internet: The Rough Guide* (2003); 'All yours', *The Economist* (1 April 2000), pp. 65–6; 'Mass customisation: a long march', *The Economist* (14 July 2001), pp. 79–81.

Ageing rock band Marillion established a dialogue with their fans prior to completing their as yet unnamed album set for release by EMI. While still recording in their Racket Club Studio, they emailed 30,000 fans on their database. Fans pre-ordering the album will receive an extra CD and additional artwork in which they will be named. Within two weeks of emailing they had 5,500 orders, some offering tremendous support to the band: 'I only want one [CD] but I'm sending 500 quid (£830) because I want to be part of it.' The pre-ordering made the fans happy, and enabled Marillion to cut a good deal with EMI since the record company was guaranteed a hit.⁷

As the trend towards more interactive dialogue and less advertising monologue continues, self-marketing will grow in importance. As more buyers look up consumer reports, join Internet product-discussion forums and place orders, marketers will have to influence the buying process in new ways. They will need to involve customers more in all phases of the product-development and buying process, increasing opportunities for buyers to practise self-marketing.

Segmenting consumer markets

There is no single way to segment a market. A marketer has to try different segmentation variables, alone and in combination, to find the best way to view the market structure. Table 10.1 outlines the major variables used in segmenting consumer markets. Here we look at the major *geographic*, *demographic*, *psychographic* and *behavioural variables*.

Geographic segmentation

Geographic segmentation—
Dividing a market into
different geographical units
such as nations, states,
regions, counties, cities or
neighbourhoods.

Geographic segmentation calls for dividing the market into different geographical units, such as nations, states, regions, counties, cities or neighbourhoods. A company may decide to operate in one or a few geographical areas, or to operate in all areas but pay attention to geographical differences in needs and wants.

International lifestyles are emerging, but there are counter forces that continue to shape markets. Cross-cultural research has defined five ‘mentality fields’ for cars in Europe.⁸ These show how much language demarcates common cultures and ways of life:

1. The north (Scandinavia).
2. The north-west (the United Kingdom, Iceland, and parts of Norway, Belgium and the Netherlands).
3. The centre (German mentality field extending to Switzerland and parts of Eastern Europe).
4. The west (the French-speaking area, including parts of Switzerland and Belgium).
5. The south (the Mediterranean, covering Spanish, Portuguese, Italian and Greek languages).

Self-expression is important to car buyers in all the geographical regions, but the similarity ends there. The western groups seek quality and practicality, the south want value for money, while the north-western group sees their car in very personal terms. The differences influence the cars they buy and how they are equipped. Although all developed nations worry about the environment, they do so in different ways. In Italy, France and the UK, motorists do not see their car as a source of pollution, while in Germany, demand for environmentally friendly cars is growing fast.

Climatic differences lead to different lifestyles and eating habits. In countries with warm climates, social life takes place outdoors and furniture is less important than in Nordic countries. Not noticing the different sizes of kitchens has caused many marketing mistakes. Philips started making profits in the Japanese market only after it made small coffeemakers to fit the cramped conditions there. In Spain, Coca-Cola withdrew its two-litre bottle after finding it did not fit local refrigerators.⁹

Many companies today have regional marketing programmes within national boundaries – localising their products, advertising, promotion and sales efforts to fit the needs of individual regions, cities and even neighbourhoods. Others are seeking to cultivate yet untapped territory. For example, IKEA expanded globally using its large blue-and-yellow stores and dedicated out-of-town sites that serve countries using a handful of stores. IKEA changed its strategy when acquiring the Habitat furniture chain from Storehouse. The small stores gave it access to passing trade and new customer segments who are less willing to travel. The Habitat chain also serves small towns. In making this significant shift, IKEA is also following the European trend towards town-centre shopping complexes. Having seen American urban decay, European politicians are resisting out-of-town developments.

Table 10.1 Market segmentation variables for consumer markets

Variable	Typical breakdowns
Geographic	
Region	These can vary in scale from, say, Europe, through groupings of countries (Scandinavia), nations (Finland), to regions within countries (Lapland).
Country size	Giant (USA), large (Germany, Spain), medium (The Netherlands, Australia) or small (Malta, Lithuania).
City size	Under 5,000; 5,000–20,000; 20,000–50,000; 50,000–100,000; 100,000–250,000; 250,000–500,000; 500,000–1,000,000; 1,000,000–4,000,000; 4,000,000 and over.
Density	Urban, suburban, rural.
Climate	Tropical, sub-tropical, temperate, etc.
Demographic	
Age	Under 6, 6–11, 12–19, 20–34, 35–49, 50–64, 65+.
Gender	Male, female.
Family size	1–2, 3–4, 5+.
Family life cycle	Young, single; young, married, no children; young, married, youngest child under 6; young, married, youngest child 6 or over; older, married with children; older, married, no children under 18; older, single; other.
Income	Under €10,000; 10,000–15,000; 15,000–20,000; 20,000–30,000; 30,000–50,000; 50,000–75,000; 75,000–100,000; 100,000 and over.
Occupation	Professional and technical; managers, officials and proprietors; clerical, sales; craftsmen, foremen; operatives; farmers; retired; students; homemakers; unemployed.
Education	Grade school or less; some high school; high school graduate; university; postgraduate; professional.
Religion	Catholic, Protestant, Jewish, Islamic, etc.
Race	White, Black, Polynesian, Chinese, etc.
Nationality	American, British, German, Scandinavian, Latin American, Middle Eastern, Japanese, etc.
Psychographic	
Social class	Lower lowers, upper lowers, working class, middle class, upper middles, lower uppers, upper uppers.
Lifestyle	Achievers, believers, strivers.
Personality	Compulsive, gregarious, authoritarian, ambitious.
Behavioural	
Purchase occasion	Regular occasion, special occasion.
Benefits sought	Quality, service, economy.
User status	Non-user, ex-user, potential user, first-time user, regular user.
Usage rate	Light user, medium user, heavy user.
Loyalty status	None, medium, strong, absolute.
Readiness state	Unaware, aware, informed, interested, desirous, intending to buy.
Attitude towards product	Enthusiastic, positive, indifferent, negative, hostile.

Demographic segmentation

—Dividing the market into groups based on demographic variables such as age, sex, family size, family life cycle, income, occupation, education, religion, race and nationality.

Life-cycle segmentation—

Offering products or marketing approaches that recognise the consumer's changing needs at different stages of their life.

Demographic segmentation

Demographic segmentation consists of dividing the market into groups based on variables such as age, gender, sexual orientation, family size, family life cycle, income, occupation, education, religion, ethnic community and nationality. Demographic factors are the most popular bases for segmenting customer groups. One reason is that consumer needs, wants and usage rates often vary closely with demographic variables. Another is that demographic variables are easier to measure than most other types of variable. Even when market segments are first defined using other bases – such as personality or behaviour – their demographics need to be known to assess the size of the target market and to reach it efficiently.

Age

Consumer needs and wants change with age. Some companies use age and **life-cycle segmentation**, offering different products or using different marketing approaches for different age and life-cycle groups. For example, Life Stage vitamins come in four versions, each designed for the special needs of specific age segments: chewable Children's Formula for children from 4 to 12 years old; Teen's Formula for teenagers; and two adult versions (Men's Formula and Women's Formula). Johnson & Johnson developed Affinity Shampoo to help women over 40 overcome age-related hair changes. McDonald's targets children, teens, adults and senior citizens with different ads and media.

LEGO's range shows the limits of age-based segmentation. For babies there are Duplo rattles (0 to 3 months), then there are round-edged activity toys made of two or three pieces (3 to 18 months). All these have the familiar LEGO lugs so that they will fit on to LEGO products. Next come Duplo construction kits or toys (2 to 5 years). Duplo bricks look like LEGO bricks, but are twice the size so that young children can manipulate but not swallow them. By the age of 3, children have developed the manipulative skills that allow them to progress to LEGO Basic. The progression is made easy by the small LEGO bricks fitting to Duplo ones.

Age-based segmentation works until children are 5 years old when fewer and fewer girls buy LEGO and boys' interests diversify. In comes LEGO Pirates (6–12 years), Railways (6–12), Technic (7–12), Model Team (9–12) and so on. Lego's product for the new millennium is Mindstorm, intelligent LEGO bricks. The result of a 10-year, DKr100 million (€13.4m) project, the bricks are programmed via an infrared transmitter connected to a PC.¹⁰ ”

Marketers are continually trying to stretch the age envelope. Teletubbies and Rugrats are entertainment aimed at kids still wearing nappies. Both based on intensive market research, the movies project diametrically opposed views of life. They do, however, share one feature that has always been a feature of teen fads: parents don't like them.¹¹

At the other end of childhood Sega and Sony are trying to extend computer gaming technology into business markets. Sega, which has typically focused on the teen market, is now targeting older customers. According to a Sega licensing executive, Sega's core market of 10 to 18-year-olds 'sit in their bedrooms playing games for hours'. Then, however, 'they turn 18 and discover girls . . . and the computer gets locked away'. To retain these young customers as they move into new life-cycle stages, Sega is launching a range of products for adults.¹²

Ethnic segmentation

The multi-ethnic communities within Europe define market segments for all manner of goods: clothes, music, cosmetics and many others. The communities also nurture businesses that appear beyond their own ethnic boundaries.

Gulam Kaderbhoj Noon has expanded his ethnic foods business to a wider community. In just over ten years he has made his Noon Products Europe's largest Indian ready-made meals business. Among his early inventions was Bombay Mix, a spicy nuts and nibbles snack food. He sells 3 million meals a month, many of which are the own-brands of leading grocers. He insists on authentic recipes, methods and ingredients rather than flavourings. Turmeric grows all over India, he explains, '[but] there's one area with a reputation for the very best, and that's the turmeric I want. It's such a small thing in terms of cost, but it's the pains you go to that counts. All good food is in its ingredients.'¹³

Ethnic segmentation—

Offering products or marketing approaches that recognise the special strengths or needs of an ethnic community.

Life-cycle stage

Life-cycle stage is important in recreation markets. In the holiday market, for instance, Club 18–30 aims at young singles seeking the four Ss: sun, sand, sea and sex. This boisterous segment does not mix well with the families that the Club Mediterranean caters for. Children's activities and all-day child care are an important part of the latter's provision. Meanwhile, Saga Holidays caters for older people and keeps prices low by offering off-peak holidays.¹⁴

Gender

Gender segmentation is usual in clothing, hairdressing, cosmetics and magazines. Recently, marketers have noticed other opportunities for gender segmentation. For example, both men and women use most deodorant brands. Procter & Gamble, however, developed Secret as the brand specially formulated for a woman's chemistry, and then packaged and advertised the product to reinforce the female image. In contrast, Gillette's association with shaving makes its deodorant male oriented.

The car industry has also begun to use gender segmentation extensively. Women are a growing part of the car market. 'Selling to women should be no different than selling to men', notes one analyst. 'But there are subtleties that make a difference.'¹⁵ Women have different frames, less upper-body strength and greater safety concerns. To address these issues, car makers are redesigning their cars with bonnets and boots that are easier to open, power steering in small cars, seats and seat belts that fit women better. They have also increased their emphasis on safety, highlighting features such as airbags and remote door locks. In their advertising, some manufacturers target women directly. Indeed, much TV advertising of small cars is now aimed at women and large advertising spreads are designed especially for women consumers in such magazines as *Cosmopolitan* and *Vogue*.

A growing number of websites also target women. For example, Handbag.com promotes itself as 'The Ultimate Accessory – a lifeline for most women. Somewhere to keep everything you need to see you through the day.' With women now representing 45 per cent of Web users – up from 10 per cent five years ago – there is an increasing number of portals dedicated to women. Examples are Charlottestreet.com and Freeserve's Icircle. IPC, publishers of *Marie Claire* and many other magazines, have launched Beme.com. 'The

Gender segmentation—

Dividing a market into different groups based on sex.

channels on the site are very mood based', according to editor Claire Simmonds. The look of the site betrays its origin in the home of many classy women's magazines. Besides being easy to navigate, the site is stylish, easy on the eyes and only contains ads carefully vetted to fit its ambience.¹⁶

Income

Income segmentation—
Dividing a market into different income groups.

Income segmentation is often used for products and services such as cars, boats, clothing, cosmetics and travel. Many companies target affluent consumers with luxury goods and convenience services. The brands behind the French LVMH group's initials betray its focus on affluent consumers: Louis Vuitton luggage, Moët & Chandon champagne and Hennessy cognac. Besides its *haute couture* activities, LVMH owns Parfums Christian Dior, has taken control of Guerlain, the French fragrance house, and is stalking Van Clef & Arpels, the Paris-based jeweller. Others aiming at the super luxury market are Vertu's €20,000 mobile phones and high-frill, high-price Bangkok Airways. The mother of all battles is for the super luxury cars where Rolls-Royce's new RR01 (€250,000) from BMW will soon be joined by the Bentley Continental GT (€150,000) from VW, the Maybach (€300,000) from DaimlerChrysler, Lamborghini's LB-140 and Aston Martin's AM305 from Ford.¹⁷

However, not all companies grow by retaining their focus on the top-income segment. By developing more sophisticated stores with added range and value, established retailers have allowed new entrants to succeed by targeting less affluent market segments. KwikSave, Lidl and Aldi have taken advantage of this opportunity with a lean organisation, narrow product ranges, economically located stores and a no-frills operation that keeps prices down. Similarly, Christine zu Salm turned Germany's unsuccessful TM3 TV channel into Neun Live, a small but profitable operation, by producing low-cost, low-brow interactive programmes that have been criticised by the media establishment.¹⁸

Geodemographics

Geodemographics—
The study of the relationship between geographical location and demographics.

Geodemographics is an increasingly used segmentation method. Originally developed by the CACI Market Analysis Group as ACORN (A Classification Of Residential Neighbourhoods), it uses 40 variables from population census data to group residential areas. Geodemographics is developing fast. ACORN has been joined by PIN (Pinpoint Identified Neighbourhoods), Mosaic and Super Profile. Linking them to consumer panel databases is increasing the power of basic geodemographic databases. CCN Marketing has since extended this process to cover the EU using its EuroMOSAIC (Table 10.2).

Table 10.2 CCN EuroMOSAIC households across Europe (%)

Category	Name	B	D	IRL	I	NL	N	E	S	GB
E01	Elite suburbs	8	16	6	4	5	18	1	8	12
E02	Service (sector) communities	22	20	29	12	14	7	17	18	16
E03	Luxury flats	9	7	2	5	8	8	7	3	5
E04	Low-income inner city	5	9	10	8	11	10	1	8	9
E05	High-rise social housing	–	3	–	8	11	4	1	7	5
E06	Industrial communities	12	13	5	19	14	10	18	12	19
E07	Dynamic families	17	8	10	13	14	15	5	9	14
E08	Lower-income families	9	4	12	8	6	7	7	7	8
E09	Rural/agricultural	14	14	21	17	13	17	23	19	6
E10	Vacation/retirement	4	6	4	5	4	3	19	9	6

Psychographic segmentation

Psychographic segmentation divides buyers into groups based on social class, lifestyle or personality characteristics. People in the same demographic group can have very different psychographic make-ups.

Social class

In Chapter 7, we described social classes and showed how they affect preferences in cars, clothes, home furnishings, leisure activities, reading habits and retailers. Many companies design products or services for specific social classes, building in features that appeal to them. In the UK, Butlin's holiday camps cater for working-class families. They cater for the whole family, but prominent attractions are variety shows, bingo, slot machines, discos, dancing and organised entertainment. The camps are very busy and the emphasis is upon fun. Much of the accommodation is basic, regimented, crowded and self-catering. In contrast, Center Parcs has a carless woodland layout with an emphasis on the outdoors and relaxation. Further up-market is Club Med whose ski and sea resorts have an emphasis on exotic locations and good food as well as activities.¹⁹

Lifestyle

As discussed in Chapter 7, people's interest in goods is affected by their lifestyles. Reciprocally, the goods they buy express their lifestyles. Marketers are increasingly segmenting their markets by consumer lifestyles. For example, General Foods used lifestyle analysis in its successful repositioning of Sanka decaffeinated coffee. For years, Sanka's staid, older image limited the product's market. To turn this situation around, General Foods launched an advertising campaign that positioned Sanka as an ideal drink for today's healthy, active lifestyles. The campaign targeted achievers of all ages, using a classic achiever appeal that Sanka 'Lets you be your best'. Advertising showed people in adventurous lifestyles, such as kayaking through rapids.

Lifestyle segments are either off-the-shelf methods from agencies or customised methods for individual companies. Many companies opt for off-the-shelf methods because of their familiarity and the high cost and complexity of developing their own. The ad agency Young and Rubican's Cross-Cultural Consumer Characterisation (4Cs) is a typical off-the-shelf method. It has three main segments:

- *The constrained.* People whose expenditure is limited by income. It includes the *resigned poor* who have accepted their poverty, and the more ambitious *struggling poor*.
- *The middle majority.* This segment contains *mainstreams* – the largest group of all – *aspirers* and *succeeders*.
- *The innovators.* A segment consisting of *transitionals* and *reformers*.

The *succeeders* are a successful group of people who like to feel in control. By showing travellers in complete control of a situation in which they had lost their American Express traveller's cheques and had them quickly returned, American Express advertising would appeal to this segment. They would be equally attracted to the ability to customise their Mercedes car. In contrast, *mainstreams* need security. They will buy well-known, safe major brands and avoid risk. Highly educated *reformers* would have none of that. They would trust their own judgement and try new ideas. These people are at the forefront of many new trends, such as ecologically friendly products and new tourist destinations.

Lifestyle segments can be superimposed on other segmentation methods. For instance, Third Age Research recognises the different lifestyles of older people. It identifies the *explorers* who like to take up new activities, the *organisers*, the *apathetic*, the *comfortable*, the *fearful*, the *poor me*, the *social lion* and the *status quo*.

Psychographic

segmentation—Dividing a market into different groups based on social class, lifestyle or personality characteristics.

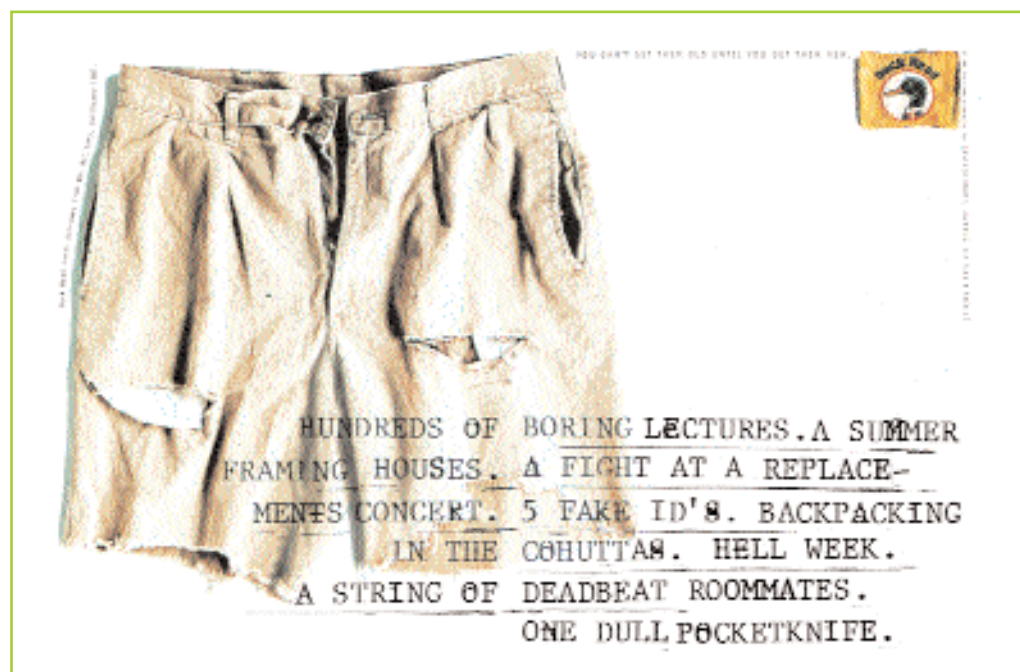
Based on a study of over 2,000 respondents and 30,000 'snacking occasions', Nestlé developed its own lifestyle segments of the snacking market. Two major segments it identified were the very different *depressive chocolate lovers* and *energetic males*. The *depressive chocolate lovers* are predominantly young women who buy fast food and eat chocolate. They eat chocolate at any time, but particularly when depressed, to unwind or when bored in the evening at home. For these people taste is important, so they buy expensive products, like boxed chocolates, for themselves. Terry's Chocolate Orange, All Gold, Cadbury's Milk Flake and Black Magic appeal to them. In contrast, *energetic males* are young and disproportionately middle-income lads. They live at a fast pace, work hard, eat fast food and are reckless shoppers. Work tires them, but they exercise regularly and like lively places. They also eat chocolate in a hurry in the evening, at lunch or at mid-morning or afternoon breaks. Boxed chocolates are not for them, but they get their energy fix from countlines like Mars and Snickers.

Being multidimensional, lifestyle segments provide a rich picture of consumers. The *depressive chocolate lovers* and *energetic males* may be of the same age and social class, but their lifestyle segments start to tell us about the people and what appeals to them. An ad for the *energetic males* needs to be lively, social and fast – the product grabbed firmly and eaten.

Personality

Marketers have also used personality variables to segment markets, giving their products personalities that correspond to consumer personalities. Successful market segmentation strategies based on personality work for products such as cosmetics, cigarettes, insurance

Lifestyle segmentation: Duck Head targets a casual student lifestyle, claiming 'You can't get them old until you get them new.'
SOURCE: Duck Head Apparel Co.



and alcohol. Honda used personality segmentation to power its way into the US market. Now Italian Vespa and British Triumph are following their lead:

Bikes are about freedom. Honda ads shows a delighted child bouncing up and down on his bed while the announcer says, 'You've been trying to get there all your life.' The ad reminds viewers of the euphoric feelings they got when they broke away from authority and did things their parents told them not to do. The ads appeal to trendsetters and independent personalities in all age groups – 15 per cent are purchased by the over-50 group. Thus, Honda is appealing to the rebellious, independent kid in all of us. Meanwhile, Vespa motor-scooters attract cool individualists and their campaign is backed by Vespa boutiques. That is a different sort of individuality from that portrayed in Triumph motorcycles' product placement in *Mission Impossible 2* or the rebellious images of Marlon Brando's outlaw bikers in *The Wild Ones*.²⁰

Behavioural segmentation

Behavioural segmentation divides buyers into groups based on their knowledge, attitudes, uses or responses to a product. Many marketers believe that behaviour variables are the best starting point for building market segments.

Occasions

Buyers can be grouped according to occasions when they get the idea to buy, make their purchase or use the purchased item. **Occasion segmentation** can help firms build up product usage. For example, most people drink orange juice at breakfast, but orange growers have promoted drinking orange juice as a cool and refreshing drink at other times of the day. Mother's Day and Father's Day are promoted to increase the sale of confectionery, flowers, cards and other gifts. The turkey farmer Bernard Matthews fought the seasonality in the turkey market. In some European countries the American bird was as synonymous with Christmas as Santa Claus. He had a problem. In most families, Christmas dinner was the only meal big enough to justify buying such a big bird. His answer was to repackage the meat as turkey steaks, sausages and burgers, and promote them for year-round use. His reformulated turkey is so successful that he is now reformulating New Zealand lamb.

Kodak uses occasion segmentation in designing and marketing its single-use cameras in multi-packs for partygoers or wedding guests. Weddings are such an important ritual in all cultures that whole industries focus on servicing these high-spending events.

Benefits sought

A powerful form of segmentation is to group buyers according to the different *benefits* that they seek from the product. **Benefit segmentation** requires finding the main benefits people look for in the product class, the kinds of people who look for each benefit and the major brands that deliver each benefit. One of the best examples of benefit segmentation was for the toothpaste market (see Table 10.3). Research found four benefit segments: economic, medicinal, cosmetic and taste. Each benefit group had special demographic, behavioural and psychographic characteristics. For example, the people seeking to prevent decay tended to have large families, were heavy toothpaste users and were conservative. Each segment also favoured certain brands. Most current brands appeal to one of these segments. For example, Crest tartar-control toothpaste stresses protection and appeals to the family segment; Aim looks and tastes good and appeals to children.

Behavioural segmentation—

Dividing a market into groups based on consumer knowledge, attitude, use or response to a product.

Occasion segmentation—

Dividing the market into groups according to occasions when buyers get the idea to buy, actually make their purchase, or use the purchased item.

Benefit segmentation—

Dividing the market into groups according to the different benefits that consumers seek from the product.

Table 10.3
Benefit segmentation of
the toothpaste market

Benefit segments	Demographics	Behaviour	Psychographics	Favoured brands
Economy (low price)	Men	Heavy users	High autonomy, value oriented	Brands on sale
Medicinal (decay prevention)	Large families	Heavy users	Hypochondriacal, conservative	Crest
Cosmetic (bright teeth)	Teens, young adults	Smokers	High sociability, active	Aqua-Fresh, Ultra Brite
Taste (good tasting)	Children	Spearmint lovers	High self-involvement, hedonistic	Colgate, Aim

SOURCES: Adapted from Russell J. Haley, 'Benefit segmentation: a decision-oriented research tool', *Journal of Marketing* (July 1968), pp. 30–5; see also Haley, 'Benefit segmentation: backwards and forwards', *Journal of Advertising Research* (February–March 1984), pp. 19–25; and Haley, 'Benefit segmentation – 20 years later', *Journal of Consumer Marketing*, 1 (1984), pp. 5–14.

Colgate-Palmolive used benefit segmentation to reposition its Irish Spring soap. Research showed three deodorant soap benefit segments: men who prefer lightly scented deodorant soap; women who want a mildly scented, gentle soap; and a mixed, mostly male segment that wanted a strongly scented, refreshing soap. The original Irish Spring did well with the last segment, but Colgate wanted to target the larger middle segment. Thus it reformulated the soap and changed its advertising to give the product more of a family appeal.²¹

In short, companies can use benefit segmentation to clarify why people should buy their product, define the brand's chief attributes and clarify how it contrasts with competing brands. They can also search for new benefits and launch brands that deliver them.

User status

Some markets segment into non-users, ex-users, potential users, first-time users and regular users of a product. Potential users and regular users may require different kinds of marketing appeal. For example, one study found that blood donors are low in self-esteem, low risk takers and more highly concerned about their health; non-donors tend to be the opposite on all three dimensions. This suggests that social agencies should use different marketing approaches for keeping current donors and attracting new ones. Britain's voluntary Blood Transfusion Service tapped into the low self-esteem of many blood donors by sending out videos extolling the importance of their blood group: 'your type O blood makes you a universal donor critical to help people of blood groups O, A, B and AB in emergencies' or 'your type AB negative blood group is extremely rare'.

A company's market position will also influence its focus. Market share leaders will aim to attract potential users, whereas smaller firms will focus on attracting current users away from the market leader. Golden Wonder concentrated on regular users to give it a dominant market share with its Pot Noodle and Pot Rice. It was first on the market with its dehydrated snack meals in pots, but new entrants took sales from it. It gained 80 per cent market share by

making its brand more appealing to existing users. Kellogg's took a different approach with its Bran Flakes breakfast cereal. Rather than keeping to the original health-conscious users, it aimed at non-users by promoting the superior flavour of the product.

Usage rate

Some markets also segment into light, medium and heavy-user groups. Heavy users are often a small percentage of the market, but account for a high percentage of total buying. For example, the owner of a pub in a mining town knows that 41 per cent of the adult population of the village buy beer. However, the heavy users accounted for 87 per cent of the beer consumed – almost seven times as much as the light users. Clearly, the owner would prefer to attract heavy users to his pub rather than light users.

Airlines' frequent flyer programmes are aimed at heavy users who, because they are business travellers, also buy expensive tickets. British Airways Executive Club blue card members get free AirMiles each time they travel and other priority benefits when booking and checking in. As usage mounts, Club members are upgraded to silver and gold cards, each giving extra benefits and services. Almost all airlines offer similar incentives, but since benefits mount with usage, it pays the frequent flyer to be loyal. Some operators share their schemes to provide wider benefits to the regular traveller.

Several converging new technologies have young people as heavy users. Once stereotyped as heavy users of clothes and pop music, today's young are leading the market in computer games, use of the Internet and mobile phones. The convergence has not been lost on marketers. The latest generation of computer games machines enable Internet access as well as having the ability to play CD music and DVD movies – all media highly used by the young. This convergence explains why Apple's iPod digital jukebox dominated Internet searches and purchases in the run-up to Christmas 2003. It brings together the young market with its heavy Internet use, interest in popular music, an Internet-based product used in downloading and a cute way of storing 10,000 tracks.²²

Loyalty status

Many firms are now trying to segment their markets by loyalty and are using loyalty schemes to do it. They assume that some consumers are completely loyal – they buy one brand all the time. Others are somewhat loyal – they are loyal to two or three brands of a given product, or favour one brand while sometimes buying others. Still other buyers show no loyalty to any brand. They either want something different each time they buy or always buy a brand on sale. In most cases, marketers split buyers into groups according to their loyalty to their product or service, then focus on the profitable loyal customers.

Loyalty schemes go beyond the continuity programmes that have been used for decades. They seek to build a relationship between the buyer and the brand. In Australia members of Unilever's Omomatic Club – for people with front-loading washing machines – get newsletters, brochures, samples and gift catalogues. 'Front loaders' are rare in Australia, so the club keeps Unilever in touch with a micromarket that its Omomatic detergent is made for. Nestlé's Casa Buitoni Club is for people interested in an Italian lifestyle and cooking. The pasta market is fragmented and penetrated by retailers' own brands, so the club aims to build loyalty and Buitoni's brand heritage of focusing on enthusiasts. The Swatch Club was formed after Swatch studied the market for cult objects. Members are helped to build up their Swatch collection and offered special editions.

The effectiveness of loyalty schemes and segmentation by loyalty is limited by how people buy. Loyal customers are few and very hard to find in most markets. Most customers are promiscuous and polygamous in their relationship with brands. Those with favoured brands will promiscuously try alternatives occasionally, and most customers choose from a repertoire of favourites. But even the polygamous brand users change their repertoires and make opportunistic purchases. There is also a limit to the attention customers devote to some

brands, plus the low cost of switching from one brand to another. In many markets, attempts to build brand loyalty will, like most sales promotions, last only as long as the campaign. There is also a danger of loyalty being displaced from the brand to the loyalty scheme – the air miles acquired becoming more important than the airline flown.²³

Buyer-readiness stage

Buyer-readiness stages—
The stages that consumers normally pass through on their way to purchase, including awareness, knowledge, liking, preference, conviction and purchase.

A market consists of people in different **buyer-readiness stages** of readiness to buy a product. Some people are unaware of the product, some are aware, some are informed, some are interested, some want the product, and some intend to buy. The relative numbers at each stage make a big difference in designing the marketing programme. Car dealers use their databases to increase customer care and to estimate when customers are ready to buy. Guarantees lock customers into having the first few services from a dealer, but after that, the dealer can estimate when services are needed. Close to the due date the customer is sent a reminder or rung to arrange for a service. Some time later the dealer can estimate that the customer is getting ready to buy a new car and can then send out details of new models or deals. Contract publishers, such as Condé Nast and Redwood, now produce contract magazines that fit customers' readiness stage. Usually used to support luxury goods sales, Redwood prepares a 15,000 run of a magazine sent to young people who have initially responded to Army recruitment advertising.²⁴

Indiscriminate mailing that does not take into account the buyer-readiness stage can damage relationships. By sending unwanted brochures the dealer becomes a source of junk mail. Even worse, the satisfaction of recent customers reduces if they are told about a better deal or replacement model soon after their purchase.

Attitude towards product

People in a market can be enthusiastic, positive, indifferent, negative or hostile about a product. Door-to-door workers in a political campaign use a given voter's attitude to determine how much time to spend with that voter. They thank enthusiastic voters and remind them to vote; they spend little or no time trying to change the attitudes of negative and hostile voters. They reinforce those who are positive and try to win the votes of those who are indifferent. In such marketing situations, attitudes can be effective segmentation variables.

The world charity Oxfam needs to keep donations up and costs down. Segmentation helps it do this. It values all donors, but treat segments differently. A lot of its income is from *committed givers* who donate regularly, but want low involvement with the charity. They get *Oxfam News*, special appeals and gift catalogues. *Oxfam Project Partners* want and get much more contact with Oxfam. These are further segmented by their choice of project, on which they get regular feedback. Through this scheme, Oxfam, like Action Aid, develops a relationship between the giver and the final recipient. *Leading donors* receive special customer care and information about how their money was spent. Many donors can give little time to Oxfam, but other groups enjoy working in the charity's shops or are enthusiastic *lottery ticket vendors*.²⁵

Segmenting business markets

Consumer and business marketers use many of the same variables to segment their markets. Business buyers segment geographically or by benefits sought, user status, usage rate, loyalty status, readiness state and attitudes. Yet business marketers also use some additional variables which, as Table 10.4 shows, include business customer *demographics* (industry, company size), *operating characteristics*, *buying approaches*, *situational factors*, and *personal characteristics*.²⁶

Table 10.4 Primary segmentation variables for business markets

Demographics
Industry. Which industries that buy this product should we focus on? Company size. What size companies should we focus on? Location. What geographical areas should we focus on?
Operating variables
Technology. What customer technologies should we focus on? User/non-user status. Should we focus on heavy, medium or light users, or non-users? Customer capabilities. Should we focus on customers needing many services or few services?
Purchasing approaches
Purchasing function organisations. Should we focus on companies with highly centralised or decentralised purchasing organisations? Power structure. Should we focus on companies that are engineering dominated, financially dominated or marketing dominated? Nature of existing relationships. Should we focus on companies with which we already have strong relationships or simply go after the most desirable companies? General purchase policies. Should we focus on companies that prefer leasing? Service contracts? Systems purchases? Sealed bidding? Purchasing criteria. Should we focus on companies that are seeking quality? Service? Price?
Situational factors
Urgency. Should we focus on companies that need quick delivery or service? Specific application. Should we focus on certain applications of our product rather than all applications? Size of order. Should we focus on large or small orders?
Personal characteristics
Buyer–seller similarity. Should we focus on companies whose people and values are similar to ours? Attitudes towards risk. Should we focus on risk-taking or risk-avoiding customers? Loyalty. Should we focus on companies that show high loyalty to their suppliers?

SOURCES: Adapted from Thomas V. Bonoma and Benson P. Shapiro, *Segmenting the Industrial Market* (Lexington, MA: Lexington Books, 1983); see also John Berrigan and Carl Finkbeiner, *Segmentation Marketing: New methods for capturing business* (New York: Harper Business, 1992).

The table lists important questions that business marketers should ask in determining which customers they want to serve. By going after segments instead of the whole market, companies have a much better chance to deliver value to consumers and to receive maximum rewards for close attention to consumer needs. Thus Pirelli and other tyre companies should decide which *industries* they want to serve. Manufacturers buying tyres vary in their needs. Makers of luxury and high-performance cars want higher-grade tyres than makers of economy models. In addition, the tyres needed by aircraft manufacturers must meet much higher safety standards than tyres needed by farm tractor manufacturers.

Within the chosen industry, a company can further segment by *customer size* or *geographic location*. The company might set up separate systems for dealing with larger or multiple-location customers. For example, Steelcase, a big producer of office furniture, first segments customers into 10 industries, including banking, insurance and electronics. Next, company salespeople work with independent Steelcase dealers to handle smaller, local or regional Steelcase customers in each segment. Many national, multiple-location customers, such as Shell or Philips, have special needs that may reach beyond the scope of individual dealers. So Steelcase uses national accounts managers to help its dealer networks handle its national accounts.

Within a given target industry and customer size, the company can segment by *purchase approaches and criteria*. For example, government, university and industrial laboratories typically differ in their purchase criteria for scientific instruments. Government labs need low prices (because they have difficulty in getting funds to buy instruments) and service contracts (because they can easily get money to maintain instruments). University labs want equipment that needs little regular service because they do not have service people on their payrolls. Industrial labs need highly reliable equipment because they cannot afford downtime.

Table 10.4 focuses on business buyer *characteristics*. However, as in consumer segmentation, many marketers believe that *buying behaviour* and *benefits* provide the best basis for segmenting business markets. For example, a recent study of the customers of Signode Corporation's industrial packaging division revealed four segments, each seeking a different mix of price and service benefits:

1. *Programmed buyers*. These buyers view Signode's products as not very important to their operations. They buy the products as a routine purchase, usually pay full price and accept below-average service. Clearly this is a highly profitable segment for Signode.
2. *Relationship buyers*. These buyers regard Signode's packaging products as moderately important and are knowledgeable about competitors' offerings. They prefer to buy from Signode as long as its price is reasonably competitive. They receive a small discount and a modest amount of service. This segment is Signode's second most profitable.
3. *Transaction buyers*. These buyers see Signode's products as very important to their operations. They are price and service sensitive. They receive about a 10 per cent discount and above-average service. They are knowledgeable about competitors' offerings and are ready to switch for a better price, even if it means losing some service.
4. *Bargain hunters*. These buyers see Signode's products as very important and demand the deepest discount and the highest service. They know the alternative suppliers, bargain hard and are ready to switch at the slightest dissatisfaction. Signode needs these buyers for volume purposes, but they are not very profitable.

This segmentation scheme has helped Signode to do a better job of designing marketing strategies that take into account each segment's unique reactions to varying levels of price and service.²⁷

Segmenting international markets

Few companies have either the resources or the will to operate in all, or even most, of the more than 170 countries that dot the globe. Although some large companies, such as Unilever or Sony, sell products in more than 100 countries, most international firms focus on a smaller set. Operating in many countries presents new challenges.²⁸ The different countries of the world, even those that are close together, can vary dramatically in their economic, cultural and political make-up. Thus, just as they do within their domestic markets, international

Chapter 10 Segmentation and positioning

firms need to group their world markets into segments with distinct buying needs and behaviours.

Companies can segment international markets using one or a combination of several variables. They can segment by *geographic location*, grouping countries by regions such as western Europe, the Pacific Rim, the Middle East or Africa. Countries in many regions have already organised geographically into market groups or ‘free-trade zones’, such as the European Union, the Association of South-East Asian Nations (ASEAN) and the North American Free Trade Association (NAFTA). These associations reduce trade barriers between member countries, creating larger and more homogeneous markets.

Geographic segmentation assumes that nations close to one another will have many common traits and behaviours. Although this is often the case, there are many exceptions. For example, although the United States and Canada have much in common, both differ culturally and economically from neighbouring Mexico. Even within a region, consumers can differ widely:

Many marketers think everything between the Rio Grande and Tierra del Fuego at the southern tip of South America is the same, including the 400 million inhabitants. They are wrong. The Dominican Republic is no more like Argentina than Sicily is like Sweden. Many Latin Americans do not speak Spanish, including 140 million Portuguese-speaking Brazilians and the millions in other countries who speak a variety of Indian dialects.

Some world markets segment on *economic factors*. For example, countries might group by population income levels or by their overall level of economic development. Some countries, such as the so-called Group of Eight – the United States, the United Kingdom, France, Germany, Japan, Canada, Italy and Russia – have established highly industrialised economies. Other countries have newly industrialised or developing economies (Singapore, Malaysia, Taiwan, South Korea, Brazil, Mexico and now China). Still others are less developed (India, sub-Saharan Africa). A company’s economic structure shapes its population’s product and service needs and, therefore, the marketing opportunities it offers.



Intermarket segmentation: teenagers in the developed world show surprising similarity, no matter where they live. Thus, many companies target teenagers with worldwide campaigns.

SOURCE: Jeff Baker, Getty Images, Inc. – Hulton Archive Photos (left); SW Productions, Getty Images, Inc. (right).

Political and legal factors such as the type and stability of government, receptivity towards foreign firms, monetary regulations and the amount of bureaucracy can segment countries. These factors can play a crucial role in a company's choice of which countries to enter and how. *Cultural factors* can also segment markets. International markets can group according to common languages, religions, values and attitudes, customs and behavioural patterns.

Segmenting international markets by geographic, economic, political, cultural and other factors assumes that segments should consist of clusters and countries. However, many companies use a different approach, called *intermarket segmentation*. Using this approach, they form segments of consumers who have similar needs and buying behaviour even though they are from different countries. For example, BMW, Mercedes-Benz, Saab and Volvo target the world's well-to-do, regardless of their country. Similarly, an agricultural chemical manufacturer might focus on small farmers in a variety of developing countries:

These [small farmers], whether from Pakistan or Indonesia or Kenya or Mexico, appear to represent common needs and behaviour. Most of them till the land using bullock carts and have little cash to buy agricultural inputs. They lack the education . . . to appreciate fully the value of using fertiliser and depend on government help for such things as seeds, pesticides and fertiliser. They acquire farming needs from local suppliers and count on word-of-mouth to learn and accept new things and ideas. Thus, even though these farmers are continents apart and even though they speak different languages and have different cultural backgrounds, they may represent a homogeneous market segment. ”

Multivariate segmentation

Most of the time companies integrate ways of segmenting markets. We have already mentioned how Lego segments by age until children develop different interests, and how Third Age Research first focuses on older people, then forms lifestyle segments. There are several ways of combining segments.

Simple multivariate segmentation

Many companies segment markets by combining two or more demographic variables. Consider the market for deodorant soaps. Many different kinds of consumer use the top-selling deodorant soap brands, but gender and age are the most useful variables in distinguishing the users of one brand from those of another. In the United States, men and women differ in their deodorant soap preferences. Top men's brands include Dial, Safeguard and Irish Spring – these brands account for over 30 per cent of the men's soap market. Women, in contrast, prefer Dial, Zest and Coast, which account for 23 per cent of the women's soap market. The leading deodorant soaps also appeal differently to different age segments. For example, Dial appeals more to men aged 45 to 68 than to younger men. Women aged 35 to 44, however, are more likely than the average woman to use Dial. Coast appeals much more to younger men and women than to older people – men and women aged 18 to 24 are about a third more likely than the average to use Coast.

Advanced multivariate segmentation

In multivariate segmentation, segments are formed using a number of variables simultaneously. We have already introduced some of these – for example, geodemographic segmentation based on census data, and lifestyle segments based on psychographic variables. Since multivariate segments are composed of several dimensions, they provide a much fuller picture of the consumer.

A multinational drug company used to segment its market geographically until it found that its sales budgets were limited by legislation. That meant that it had to use its detailers (ethical drug salespeople) more carefully. It developed its multivariate segments using the prescribing habits of doctors for numerous drugs. It identified nine segments of doctors with clear marketing implications. Among them were:

- *Initiators* who prescribed a wide range of drugs in large volumes, but were also eager to try new ones. They were opinion leaders and researchers, but did not have time to see detailers. This group is hard for detailers to see, but critical to the success of new products. They were recognised as ‘thought leaders’ and had special, research-based promotions and programmes designed for them.
- *Kinderschrecks* have quite high prescription rates and were willing to see detailers, but had few children patients. They are an accessible and attractive target, but not for children or postnatal products.
- *Thrifty housewives* were often married women with children who did not run their medical practice full time. They had few patients, prescribed very few drugs and were usually unavailable to detailers. This segment was not attractive.

This allowed the drug company to select target markets for campaigns and help detailers when selling to them.²⁹



Multistage segmentation

It is often necessary to segment a market first one way and then another. For example, most multinationals segment their markets first regionally or nationally (macrosegmentation) and then by another means inside each area (microsegmentation). This can reflect the changing needs of geographical areas or the autonomy that is given to local managers to run their businesses. Often the macrosegmentation is demographic while microsegmentation is psychographic or behavioural. A Swedish study of an industrial market shows a clear split.³⁰ At the macro level, the most commonly used methods are geographical, firm size, organisation (how customer firms are structured), age of firm and age of the chief executive. At the micro level there is more variety: firms’ goals, market niches, competition, competitive advantage, expansion plans, personal needs, type of work done, customer type and size of customers.

At times, segmentation may reach to three or more levels. In industrial markets, for instance, a third level could be the individuals within a buying centre – the likely user of a

machine tool being approached in a different way to the financial director who would have to pay for it.

Developing market segments

Segmenting markets is a research-based exercise with several stages. These apply irrespective of whether the method used is simple demographics or complex and multivariate.

1. *Qualitative research.* Exploratory research techniques find the motivations, attitude and behaviour of customers. Typical methods are focus-group interviewing, elicitation interviews or repertory grid techniques. At the same time, the researcher can find out the customers' view of competitive products. It is easy for a maker to define the competition in terms of those making similar products, whereas the customers take a broader view. Once brewers realised that people sometimes drank mineral water or soft drinks instead of beer, they knew the structure of their market was changing.
2. *Quantitative research.* Quantitative research identifies the important dimensions describing the market. Data are gathered by mail or personal interviews from enough customers to allow analysis. The sample size will depend upon the level of accuracy needed, the limits of the statistical techniques to be used and the need for sufficient information on each segment. The usual minimum is 100 interviews per segment; if, therefore, there are three or four unequal segments, several hundred completed questionnaires will do. These are used to produce a structured questionnaire measuring:
 - attributes and their importance ratings;
 - brand awareness and brand ratings;
 - product-usage patterns;
 - attitude towards the product category; and
 - demographics, psychology and media habits.
3. *Analysis.* The data collected depend on the sort of analysis to be used. The most common process is the use of *factor analysis* to remove highly correlated variables, then *cluster analysis* to find the segments. Other techniques are available. Practitioners often use *Automatic Interaction Detection* (AID), and *conjoint analysis* is growing in popularity.
4. *Validation.* It is important to check whether the segments are real or have occurred by chance. *Cluster analysis* has an ability to extract interesting-looking clusters from random data, so this stage is critical. Validation can be by analysing the statistics from the analysis, replicating the results using new data, or experimenting with the segments.
5. *Profiling.* Each cluster is profiled to show its distinguishing attitudes, behaviour, demographics and so forth. Usually the clusters get a descriptive name. We saw some of these earlier: *thrifty housewives* and *initiators* among doctors, *organisers* and *explorers* among older people, or the *energetic male* and *depressive chocolate eater*.

Requirements for effective segmentation

Clearly there are many ways to segment a market, but not all segmentations are effective. For example, buyers of table salt may divide into blond and brunette customers, but hair colour obviously does not affect the purchase of salt. Furthermore, if all salt buyers bought the same amount each month, believed all salt is the same and wanted to pay the same price, the company would not benefit from segmenting this market.

To be useful, market segments must have the following characteristics:

Chapter 10 Segmentation and positioning

- **Measurability.** The size, buying power and profiles of the segments need measuring. Certain segmentation variables are difficult to measure. For example, there are 30 million left-handed people in Europe – almost equalling the entire population of Canada – yet few firms target them. The crucial problem may be that the segment is hard to identify and measure.
In contrast, the one-time repressed gay market is becoming increasingly important. Some companies, such as Massow Financial Services or the travel agents Sensations and D Tours, are specialising in the gay market. Others, such as the British Tourist Authority, KLM, Royal Shakespeare Company and Absolut Vodka, have products and campaigns tailored to the community. Estimates put the gay market between 6 and 20 per cent of the population and Mintel's Pat Neviani-Aston admits that reliable estimates are few because of people's residual unwillingness to reveal their true sexuality.
- **Accessibility.** Can market segments be effectively reached and served? Some mainstream campaigns – including, IKEA in Scandinavia and P&G's Lenor in Germany – have used gay themes. However, word of mouth is very important in the often tightly knit gay community. To this can be added the gay media, such as *Blue Magazine*, and gay venues.
- **Substantiality.** The market segments are large or profitable enough to serve. This is certainly true of the gay market, described by the *Wall Street Journal* as 'the most profitable market in the country'. The gay community shares many of the features of young heterosexuals that makes it very attractive, explains Pat Neviani-Aston: 'dual income, no kids, fairly affluent, higher than average number of holidays, into fashion, cultural events, theatre, good restaurants and hotels'.
- **Actionability.** Effective programmes need to attract and serve the segments. There are many cases of this being possible within the gay community. Both Absolut Vodka and Bacardi have strong campaigns built around the gay scene. Both British Airways and the British Tourist Authority have partnered with IGLTA (International Gay and Lesbian Travel Association) to attract US gay customers.

Measurability—The degree to which the size, purchasing power and profits of a market segment can be measured.

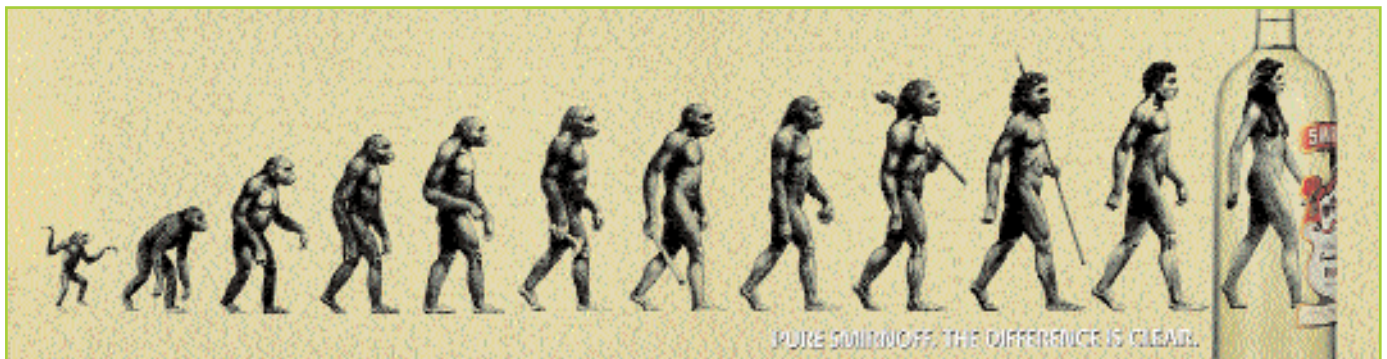
Accessibility—The degree to which a market segment can be reached and served.

Substantiality—The degree to which a market segment is sufficiently large or profitable.

Actionability—The degree to which effective programmes can be designed for attracting and serving a given market segment.

Market targeting

Marketing segmentation reveals the firm's market-segment opportunities. The firm now has to evaluate the various segments and decide how many and which ones to target. At this point we will look at how companies evaluate and select target segments.



This Smirnoff vodka ad leaves its target market in little doubt.

SOURCE: Smirnoff, Lowe Howard-Spinks Agency, Illustrator: Bob Hersey.

Evaluating market segments

In evaluating different market segments, a firm must look at two dimensions: segment attractiveness and company fit.

Segment attractiveness

The company must first collect and analyse data on current sales value, projected sales-growth rates and expected profit margins for the various segments. Segments with the right size and growth characteristics are interesting. But 'right size and growth' are relative matters. Some companies will want to target segments with large current sales, a high growth rate and a high profit margin. However, the largest, fastest-growing segments are not always the most attractive ones for every company. Smaller companies may find that they lack the skills and resources needed to serve the larger segments, or that these segments are too competitive. Such companies may select segments that are smaller and less attractive, in an absolute sense, but that are potentially more profitable for them.

A segment might have desirable size and growth and still not be attractive from a profitability point of view. The company must examine several significant structural factors that affect long-run segment attractiveness. For example, the company should assess current and potential *competitors*. A segment is less attractive if it already contains many strong and aggressive competitors. The relative *power of buyers* also affects segment attractiveness. If the buyers in a segment possess strong or increasing bargaining power relative to sellers, they will try to force prices down, demand more quality or services, and set competitors against one another. All these actions will reduce the sellers' profitability. Finally, segment attractiveness depends on the relative *power of suppliers*. A segment is less attractive if the suppliers of raw materials, equipment, labour and services in the segment are powerful enough to raise prices or reduce the quality or quantity of ordered goods and services. Suppliers tend to be powerful when they are large and concentrated, when few substitutes exist, or when the supplied product is an important input.

Business strengths

Even if a segment has the right size and growth and is structurally attractive, the company must consider its objectives and resources for that segment. It is best to discard some attractive segments quickly because they do not mesh with the company's *long-run objectives*. Although such segments might be tempting in themselves, they might divert the company's attention and energies away from its main goals. They might be a poor choice from an environmental, political or social-responsibility viewpoint. For example, in recent years, several companies and industries have been criticised for unfairly targeting vulnerable segments – children, the aged, low-income minorities and others – with questionable products or tactics.

Even powerful companies find it hard making headway in markets where they start weak. RTZ is the world's largest mineral extraction company, but when it moved into bulk chemicals and petroleum, it found it could not compete. Before moving into a segment, a firm should consider its current position in that market. A low *market share* indicates weakness. Has the firm the energy, will or resources to build it up to economical levels? A firm's *growing market share* suggests strength, while, conversely, a declining market share suggests a weakness that entering new segments may not help. If a segment uses a firm's *marketing assets*, then it fits the company's strengths. If not, the segment could be costly to develop. This accounts for Whitbread selling off its 'unbranded' pub chains that it sees as low-margin activities that lack the brand-building potential of Marriott hotels, Brewers Fayre restaurants and David Lloyd sports clubs.³¹

Mars' excursion into the iced confectionery market proved difficult. The European iced confectionery market is growing, Mars has the technology and brands that stretched well into ice-cream, but it did not have freezers in shops. Freezers are usually owned by Unilever's Walls or Nestlé's Lyons Maid, both experts in frozen food, who had no reason to let Mars in. However, Mars' *unique products* and *valued reputation* allowed it to gain market share against established competitors.

Non-marketing dimensions influence the ability of a company to succeed in a segment. Has it *low costs*, or has it *underutilised capacity*? Also, does the segment fit the firm's *technology strengths*? DaimlerChrysler has bought high-technology businesses because it believes it will gain from them information and skills it could use in its core car and truck activities. Final considerations are the resources that the firm can bring to the market. These include appropriate *marketing skills*, *general management strengths* and the chance for *forward or backward integration* into the firm's other activities.

Selecting market segments

Royal Dutch/Shell's directional policy matrix plots market attractiveness of segments against business strengths. We introduced the method, along with GE's matrix, in Chapter 3. Originally developed as a way of balancing business portfolios, it is also well suited to decision making about which markets to target. Figure 10.2 shows an application by an Austrian industrial engineering and construction company.

When a segment fits the company's strengths, the company must then decide whether it has the skills and resources needed to succeed in that segment. Each segment has certain success requirements. If the company lacks and cannot readily obtain the strengths needed to compete successfully in a segment, it should not enter the segment. Even if the company possesses the *required* strengths, it needs to employ skills and resources *superior* to those of the competition to really win in a market segment. The company should enter segments only where it can offer superior value and gain advantages over competitors. The company in Figure 10.2 is not very strong in any of the most attractive segments. Segments 13 and 17 look most appealing because they are moderately attractive and fit the firm's strengths. Segment 3 is similar, but the firm needs to build its strengths if it is to compete there. Segments 1, 6 and 9 are attractive, but do not fit the firm's strengths. The firm has to develop new strengths if it is to compete in them. Without the investment the segments are not worth entering, so the firm has to consider the investment needed to enter more than one. Although the firm's strengths are suitable for segments 2 and 12, they are not attractive.

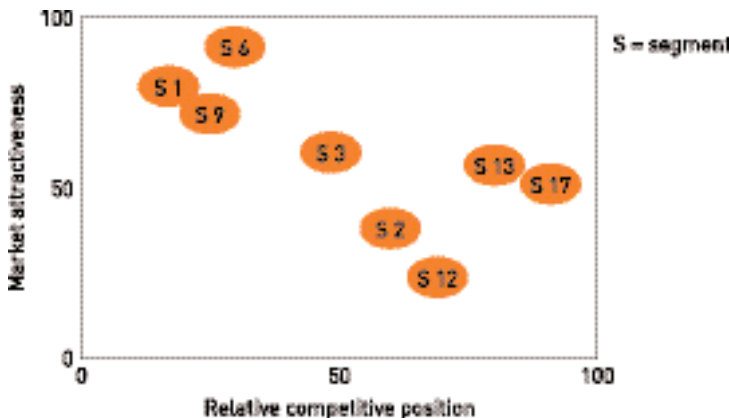


Figure 10.2 Portfolio of customer segments
 SOURCE: Reprinted from 'Systematic positioning', in *European Marketing Academy Proceedings*, 26 April to 9 May 1992, Aarhus, (Dreher, A., Ritter, A., and Mühlbacher, H., 1992), reproduced by kind permission of Hans Mühlbacher.

Segment strategy

Target market—A set of buyers sharing common needs or characteristics that the company decides to serve.

Undifferentiated marketing—A market-coverage strategy in which a firm decides to ignore market segment differences and go after the whole market with one offer.

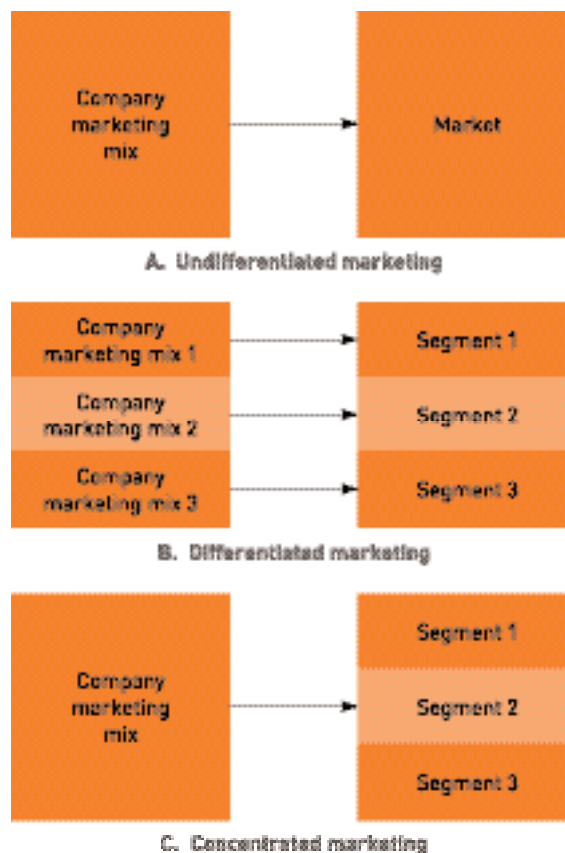
After evaluating different segments, the company must now decide which and how many segments to serve. This is the problem of *target-market selection*. A **target market** consists of a set of buyers who share common needs or characteristics that the company decides to serve. Figure 10.3 shows that the firm can adopt one of three market-coverage strategies: undifferentiated marketing, differentiated marketing and concentrated marketing.

Undifferentiated marketing

Using an **undifferentiated marketing** strategy, a firm might decide to ignore market segment differences and go after the whole market with one offer. This can be because there are weak segment differences or through the belief that the product's appeal transcends segments. The offer will focus on what is *common* in the needs of consumers rather than on what is *different*. The company designs a product and a marketing programme that appeal to the largest number of buyers. It relies on quality, mass distribution and mass advertising to give the product a superior image in people's minds. Advertising and promotions have to avoid alienating segments, and so are often based on product features, like 'Polo, the mint with the hole', or associated with a personality of broad appeal, like Esso's tiger.

Undifferentiated marketing provides cost economies. The narrow product line keeps down production, inventory and transportation costs. The undifferentiated advertising programme keeps down advertising costs. The absence of segment marketing research and planning lowers the costs of market research and product management.

Figure 10.3 Three alternative market-coverage strategies



Most modern marketers, however, have strong doubts about this strategy. Difficulties arise in developing a product or brand that will satisfy all consumers. Firms using undifferentiated marketing typically develop an offer aimed at the largest segments in the market. When several firms do this, there is heavy competition in the largest segments and neglected customers in the smaller ones. The result is that the larger segments may be less profitable because they attract heavy competition. Recognition of this problem has led to firms addressing smaller market segments. Another problem is erosion of the mass market as competitors develop new appeals or segments. For example, Polo mints have faced attacks from competitors aiming at different benefit segments: Extra Strong mints for people who want a strong taste and Clorets as breath fresheners. At the same time, Polo faces direct competition from similarly packaged Trebor Mints in Europe and Duplex in south-east Asia.

Differentiated marketing

Using a **differentiated marketing** strategy, a firm decides to target several market segments and designs separate offers for each. General Motors tries to produce a car for every ‘purse, purpose and personality’. By offering product and marketing variations, it hopes for higher sales and a stronger position within each market segment. GM hopes that a stronger position in several segments will strengthen consumers’ overall identification of the company with the product category. It also hopes for greater repeat buying because the firm’s offer better matches the customer’s desire.

Originally Martini products were not marketed separately. Advertising concentrated on the Martini brand and its exciting international lifestyle: ‘anytime, anyplace, anywhere’. That changed to having the main Martini brands aimed at clearly defined target markets:

- Martini Rosso, the most popular variety, is aimed at a broad sector of the market. Its ads show it being enjoyed by an attractive young couple with ‘Our martini is Rosso’ or by a small chic group relaxing in elegant surroundings: ‘The bitter sweet sensation’.
- Martini Bianco is targeted at people in their twenties who like light alcoholic drinks. It is shown being casually drunk with ice by a sporty, boisterous set, out of doors: ‘The sunny side of life’.
- Martini Extra Dry is for the sophisticated drinker. The advertising focuses on the bottle and the product in an atmosphere of quiet sophistication.

Differentiated marketing typically creates more total sales than does undifferentiated marketing. KLM could fill all the seats on its New York flights charging APEX fares, but its own income and the number of flyers are increased by segmenting the market. In the main cabin or on the upper deck of each Boeing 747–400 taking off from Schiphol Airport, there will be about 300 economy passengers. Some of these, holding restricted APEX tickets costing about €500, will be sitting next to people who have paid over €1,000 for the same flight. They may have booked late or have an open ticket. Forward of them will be about 80 Flying Dutchmen, KLM business-class passengers whose companies paid €3,000 for each seat. In the extreme nose could be about 20 first-class passengers at over €5,000 each. The flight could not operate if everyone paid APEX fares because the Boeing would be full before the airline had covered the operating cost. If only full economy fares were charged, many passengers could not afford to fly, so an economy-class 747–400 could not be justified. Also, some first-class passengers would be deterred from travelling with the crowd. First-class passengers demand big seats, and their catering alone costs over €100 each, but they help maximise the revenue of the airline and the number of people flying.

Differentiated marketing—
A market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each.

Concentrated marketing—
A market-coverage strategy in which a firm goes after a large share of one or a few submarkets.

Concentrated marketing

A third market-coverage strategy, **concentrated marketing**, is especially appealing when company resources are limited. Instead of going after a small share of a large market, the firm goes after a large share of one or a few submarkets. For example, Oshkosh Trucks is the world's largest producer of airport rescue trucks and frontloading concrete mixers. Mills & Boon, which has grown to be one of the world's most successful publishers, targets its inexpensive romantic novels at women in search of romance. The company has researched and knows its market:

- Having the word 'wedding' in a book title guarantees higher sales.
- The heroine is often plain, not gorgeous, to promote reader identification: 'no oil painting in the way of looks'; kind and polite and pleasant and unobtrusive. And best of all, homely.
- The best settings for the story are a hospital or an aircraft (lots of chance for life or death action); doctors and pilots are the best heroes.
- The novels always end happily.³²

Like Mills & Boon, through concentrated marketing, a firm can achieve a strong market position in the segments (or niches) it serves because of its greater knowledge of the segments and its special reputation. It also enjoys many operating economies because of specialisation in production, distribution and promotion. A firm can earn a high rate of return on its investment from well-chosen segments.

At the same time, concentrated marketing can involve higher than normal risks. A particular market segment can turn sour. For example, when the 1980s boom ended, people stopped buying expensive sports cars and Porsche's earnings went deeply into the red. Another risk is larger competitors entering the segment. High margins, the glamour and lack of competition in the sports car market has attracted Mazda, Toyota and Honda as powerful competitors in that market. Fashion changes can also damage the niche's credibility. The yuppies who made Porsche's fortunes in the 1980s are over the recession, but have grown up and now have kids and a different lifestyle. Big, chunky, luxuriously appointed 4 × 4 land cruisers or people carriers are what they want now.

Choosing a market-coverage strategy

Many factors need considering when choosing a market-coverage strategy. The best strategy depends on *company resources*. Concentrated marketing makes sense for a firm with limited resources. The best strategy also depends on the degree of *product variability*. Undifferentiated marketing is suitable for uniform products such as grapefruit or steel. Products that can vary in design, such as cameras and cars, require differentiation or concentration. Consider the *product's stage in the life cycle*. When a firm introduces a new product, it is practical to launch only one version, and undifferentiated marketing or concentrated marketing therefore makes the most sense. In the mature stage of the product life cycle, however, differentiated marketing begins to make more sense. Another factor is *market variability*. Undifferentiated marketing is appropriate when buyers have the same tastes, buy the same amounts and react in the same way to marketing efforts. Finally, *competitors' marketing strategies* are important. When competitors use segmentation, undifferentiated marketing can be suicidal. Conversely, when competitors use undifferentiated marketing, a firm can gain by using differentiated or concentrated marketing.

Core strategy

Core strategy is at the hub of marketing. It is where company strengths meet market opportunities. It has two parts: first, the identification of a group of customers for whom the firm has a differential advantage; and second, positioning its offerings in the customer's mind. Although Fiat has problems, they spend heavily on Formula 1 racing, and retaining Michael Schumacher as their top driver helps position Ferrari as the world's number one sports car. Similarly, O₂ sponsored the English rugby team in the 2003 World Cup to help position their mobile phone operation with masculine respectability.

Not all sponsorship helps position a firm's products as successfully as did Mercedes, Cartier, LloydsTSB, Lucozade, Tetley's beer and Hackett men's clothing store in associating themselves with the success, looks and personality of Jonny Wilkinson, the English rugby team's top scorer. In the 2002 World Cup, sponsors achieved an own goal with the fate of the new Renault Clio, as Thierry Henry picked up a red card and France crashed out. 7-Up did even worse in Ireland where their sponsored Ireland and Manchester United captain, Roy Keane, went home in disgrace before a ball was kicked.³³

Core strategy—The identification of a group of customers for whom the firm has a differential advantage, and then positioning itself in that market.

Differentiation

Consumers typically choose products and services that give them the greatest value. Thus the key to winning and keeping customers is to understand their needs and buying processes better than competitors do, and to deliver more value. To the extent that a company can position itself as providing superior value to selected target markets, either by offering lower prices than competitors do or by providing more benefits to justify higher prices, it gains **competitive advantage**.³⁴

Strong positions are not built upon empty promises. If a company positions its product as *offering* the best quality and service, it must then *deliver* the promised quality and service. Positioning therefore begins with *differentiating* the company's marketing offer, so that it will give consumers more value than competitors' offers do. Marketing Insights 10.2 tells how a German company successfully penetrated the US market. It is not just a matter of being different; success comes from being different in a way that customers want.

Not every company can find many opportunities for differentiating its offer and gaining competitive advantage. In some industries it is harder than others. The Boston Consulting Group explains four types of industry based on the number of competitive advantages and the size of those advantages (see Figure 10.4).

Competitive advantage—An advantage over competitors gained by offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices.



Figure 10.4 The new BCG matrix

10.2 Schott: positioning for success

Positioning came to the help of the German company Schott in marketing Ceran in the US. Ceran, a glass-ceramic material made to cover the cooking surface of electric ranges, seemed to have everything going for it. It was completely non-porous (and thus stain resistant), easy to clean and long-lasting. Also, when one burner is lit, the heat does not spread; it stays confined to the circle directly above the burner. And after 10 years, Ceran hobs still looked and performed like new.

Schott anticipated some difficulty in the US markets. It would have to win over American cooker manufacturers, which would then have to promote Ceran to middle markets – dealers, designers, architects and builders. These middle-market customers would, in turn, influence final consumers. Schott set out to sell Ceran to its target of 14 appliance manufacturers. Schott promoted Ceran's impressive technical and engineering attributes. The appliance companies listened politely to the sales pitch, ordered samples and then . . . nothing.

Market research revealed two problems. First, Schott had failed to position Ceran among the manufacturers' customers. The material was still unknown among final consumers, dealers, designers, architects and builders. Second, the company was attempting to position the product on the wrong benefits. When selecting a hob, customers cared more about appearance and cleanability than sophisticated engineering. Their biggest questions were 'How does it look?' and 'How easy is it to use?'

Based on these findings, Schott repositioned Ceran, shifting emphasis towards the material's inherent beauty and design versatility. An extensive promotion campaign communicated the new position to middle-market and final buyers. Advertising presented the black hob as 'Formalware for your kitchen', as streamlined and elegant as a tuxedo. As a follow-up, to persuade designers to specify Ceran, Schott positioned Ceran as 'More than a rangetop, a means of expression'. To reinforce this beauty and design positioning, ads featured visuals of a geometric grid of a hob with one glowing red burner.

In addition to advertising, a massive public relations effort resulted in substantial coverage in home improvement publications. It also produced a video news release featuring Ceran that was picked up by 150 local TV stations nationwide. To reinforce a weak link in the selling chain, a video helped retail salespeople show customers the benefits of Ceran in their stores.

Ceran is now selling well. All 14 North American appliance makers are buying production quantities of Ceran and use it in several smooth-top models. Schott is the major smooth-top supplier in the US, and smooth tops now account for more than 15 per cent of the electric stove market. At a recent Kitchen & Bath Show, 69 per cent of all range models on display had smooth tops.

SOURCES: Adapted from Nancy Arnott, 'Heating up sales: formalware for your kitchen', *Sales and Marketing Management* (June 1994), pp. 77–8. See also Richard J. Babyak, 'Tabletop cooking', *Appliance Manufacturer* (February 1997), pp. 65–7.

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The four industry types are as follows.

1. **Volume industries**, where there are a few large advantages to be had. The airline industry is one of these. A company can strive for low costs or differentiate by service quality, but can win 'big' on both bases. In these industries, profitability is correlated with company size and market share. As a result, most minor airlines lose money while the main players try to form global alliances to build share. In this case almost all the industry leaders, VW, Hoechst, Hitachi and Unilever are large, low-cost operators providing a high-quality service.
2. **Stalemate industries** produce commodities where there are few potential advantages and each is small. Many old industries like steel and bulk chemicals fall into this category. In these industries it is hard to differentiate products or have significantly lower costs. European firms in these sectors often lose money, since they are unable to compete with products from economies with low-cost labour. Even size and modern plant cannot counter high labour costs.
3. **Fragmented industries** offer many opportunities to differentiate, but each opportunity is small. Many service industries are fragmented. Restaurants are an extreme example: Hard Rock Café has a global reputation and long queues, but its overall share of the market is small. Even market leaders, like McDonald's and KFC, have a small share of the market relative to leaders in other industries. In fragmented industries, profitability is not closely related to size. For many years, global Pizza Hut was not profitable, while every large town has restaurateur millionaires who own few eating places. At the same time, many small restaurants fail each year.
4. **Specialised industries** offer companies many opportunities to differentiate in a way that gives a high pay-off. Pharmaceuticals is a specialised industry. A disproportionately large proportion of the world's most successful companies come from the sector where firms like Novartis, Glaxo Wellcome and Roche are market leaders for particular treatment. Less conspicuous specialised industries are those for scientific instruments and publishing.

Figure 10.5 shows the returns from differentiation using results taken from the Profit Implications of Marketing Strategy (PIMS) study of American and European firms.³⁵ This study shows that firms with the lowest return on investment (RoI) operate in commodity markets where there is no differentiation on quality or anything else, such as the coal industry. Where there is room for differentiation, losers have inferior quality (Russia's Aeroflot) and more returns than winners (Singapore Airlines). The most highly performing group of companies are 'power companies', which have superior quality in differentiable markets

Volume industry—

An industry characterised by few opportunities to create competitive advantages, but each advantage is huge and gives a high pay-off.

Stalemate industry—

An industry that produces commodities and is characterised by a few opportunities to create competitive advantages, with each advantage being small.

Fragmented industry—

An industry characterised by many opportunities to create competitive advantages, but each advantage is small.

Specialised industry—

An industry where there are many opportunities for firms to create competitive advantages that are huge or give a high pay-off.

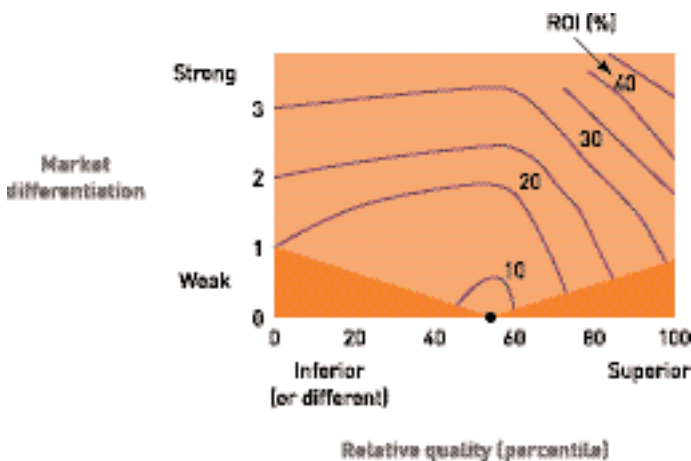


Figure 10.5 How differentiation and quality drive profitability
SOURCE: SPI's Quality/Differentiation Database

(BMW, Lego and Nokia). These are ahead of nichers (such as local airlines), which score lower on quality and RoI than the 'power companies'. According to PIMS, the 'power companies' often have a high market share, since quality, share and RoI are interrelated.

Differentiation may be harder in some industries than others, but creative firms have shown that any market can be differentiated.³⁶ Few people see the brick market as exciting, but one brick company found a way of getting a competitive advantage. Bricks used to be delivered to building sites in a truck that tipped them on to the ground. In the process many bricks got broken or lost. Workers on the site also had to spend time stacking the bricks. The brick company's idea was to put the bricks on pallets that were lifted off the truck by a small integral crane. The idea was so successful that soon all bricks came that way. The firm's next idea was to carry a small off-the-road fork-lift truck with the bricks, so that it could deliver them to the exact spot where the site manager wanted them.

Oil is a *stalemate industry*, but Royal Dutch/Shell remains the leading petroleum retailer by understanding that fuel is a distress purchase that people do not enjoy. They succeed by making their petrol stations easy to use and paying attention to all the other reasons people stop on a journey: to find their way, get a snack, make a phone call or go to a clean toilet.

Differential advantages can be transient. Some companies find many major advantages that are easily copied by competitors and are, therefore, highly perishable. This is particularly true in financial services, where successful ideas are quickly followed by competitors. The Bank of Scotland's Direct Line insurance company succeeded by offering an economic and high-quality personal insurance service through television advertising and telephone selling. It was so successful that established insurers had to follow. Zurich Insurance intends to attack the conservative German and Italian insurance markets in the same way. Like many online business-to-consumer companies, the Internet financial service providers First-e, Egg and Smile have used price, in the form of high interest on current accounts, to get customers to switch their accounts. However, so far their growth has not produced profitability. One reason is that a low price position is easy for others to follow unless a company has huge cost advantages.³⁷

The solution for companies facing the erosion of their advantage is to keep identifying new potential advantages and to introduce them one by one to keep competitors off balance. These companies do not expect to gain a single substantial permanent advantage. Instead, they hope to manage a series of advantages that will increase their share over time. This is how market leaders like Microsoft, Intel, Sony and Gillette have held their position for so long. The true competitive advantage of these firms is their market knowledge, technological expertise, creativity and entrepreneurship, which give them the ability to develop products quickly.

Differentiating markets

In what specific ways can a company differentiate its offer from those of competitors? A company or market offer can be differentiated along the lines of product, services, personnel or image.

Product differentiation

A company can differentiate its physical product. At one extreme, some companies offer highly standardised products that allow little variation: chicken, steel and aspirin. Yet even here, some meaningful differentiation is possible. For example, Perdue claims that its branded chickens are better – fresher and more tender – and gets a 10 per cent price premium based on this differentiation.

Other companies offer products that can be highly differentiated, such as cars, commercial buildings and furniture. Here the company faces an abundance of design parameters. It can offer a variety of standard or optional *features* not provided by competitors. Thus

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Volvo provides new and better safety features, while Lufthansa offers wider seats to business-class flyers.

Companies can also differentiate their products on *performance*. Whirlpool designs its dishwasher to run more quietly; Unilever formulates Radion to remove odours as well as dirt from washing. *Style* and *design* can also be important differentiating factors. Both Dyson in vacuum cleaners and Maclaren in pushchairs produced products that performed well but their huge success owes much to their distinctive designs that adhere to the design mantra that ‘form follows function’. Similarly, companies can differentiate their products on such attributes as *innovation*, *consistency*, *durability*, *reliability* or *repairability*.³⁸

Services differentiation

In addition to differentiating its physical product, the firm can also differentiate the services that accompany the product. Some companies gain competitive advantage through speedy, reliable or careful *delivery*. Harrods, the luxury retailer, delivers to its customers using replica vintage vans – a service particularly popular at Christmas. At the other end of the scale, Domino’s Pizza promises delivery in less than 30 minutes or reduces the price.

Installation can also differentiate one company from another. IBM, for example, is known for its quality installation service for its servers. It delivers all pieces of purchased equipment to the site at one time, rather than sending individual components to sit and wait for others to arrive. And when asked to move IBM equipment and install it in another location, IBM often moves competitors’ equipment as well. Companies can further distinguish themselves through their *repair services*. Many a car buyer would gladly pay a little more and travel a little further to buy a car from a dealer that provides top-notch repair service.

Some companies differentiate their offers by providing a *customer training* service. For instance, GE not only sells and installs expensive X-ray equipment in hospitals, but also trains the hospital employees who will use the equipment. Other companies offer free or paid *consulting services* – data, information systems and advice services that buyers need. For example, reinsurance company M&G provides information and advice to its customers. It also provides specialist help in developing new products.

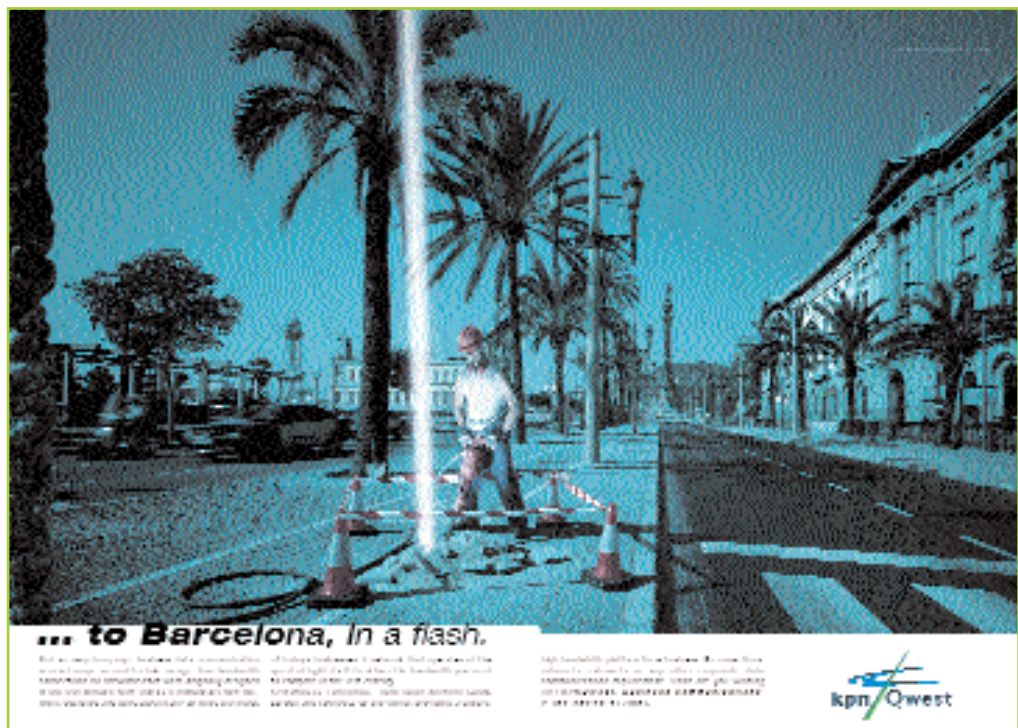
Companies can find many other ways to add value through differentiated services. In fact, they can choose from a virtually unlimited number of specific services and benefits through which to differentiate themselves from the competition. Milliken provides one of the best examples of a company that has gained competitive advantage through superior service:

Milliken sells towels to industrial launderers who rent them out. These towels are similar to competitors’ towels yet Milliken charges a higher price for its towels and enjoys the leading market share. How can this be? The answer is that Milliken ‘decommoditizes’ this product through continuous service enhancement. Milliken trains its customers’ salespeople; supplies prospect leads and sales promotional material to them; supplies on-line computer order entry and freight optimization systems; carries on marketing research for customers; sponsors quality improvement workshops; and lends its salespeople to work with customers on Customer Action Teams.³⁹ ”

Speed of service is a competitive advantage used by many firms. Fast food is now common on the world’s high streets and malls, along with services like one-hour photo processing and Vision Express’s one-hour service for spectacles. These services provide a direct benefit to customers by giving rapid gratification and allowing services to be completed within one

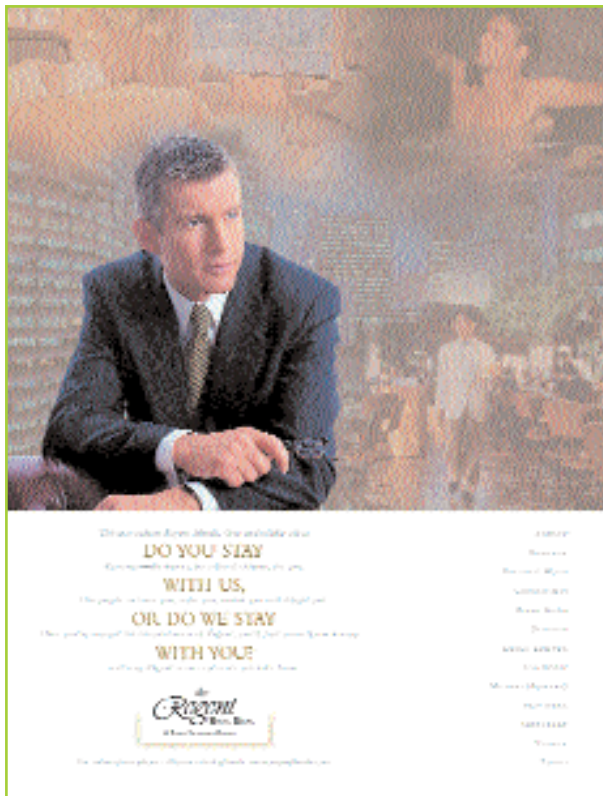
Service differentiation: KPN Qwest's ad focuses on speed as its main competitive advantage.

SOURCE: KPN Qwest. Agency: PPGH JWT Colors. Photographer: Jan Willem Scholten.



shopping trip. Speed also helps sell more expensive goods. Abbey National found that its success in providing large mortgages depended upon how fast it could confirm that it would give a person a home loan. It responded by allowing local managers to make loan decisions rather than processing applications centrally. In the car market Toyota's two-day policy means that it can supply a well-equipped Lexus within two days, while many other luxury car makers expect prospects to wait several weeks for custom-built cars.

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Personnel differentiation:
The Regent Hong Kong's personnel 'welcome you, move you, enrich you and delight you'.
SOURCE: Regent International Hotels.

The success of courier services like TNT and DHL shows that many people are willing to pay extra for a quick, secure service. A study of the importance of service responsiveness to users of small business-computer-based systems shows how speed is valued:

- Eighty-five per cent of users were willing to pay a 10 per cent premium price for same-day service; 60 per cent would pay 20 per cent more; and 40 per cent would pay a 30 per cent premium.
- On average, same-day service was worth twice as much as brand name and distributor reputation, and worth four times more than technical features.

Personnel differentiation

Companies can gain a strong competitive advantage through hiring and training better people than their competitors do. Singapore Airlines enjoys an excellent reputation largely because of the grace of its flight attendants. McDonald's people are courteous, TGI Fridays is fun, Richer Sounds staff are enthusiastic and knowledgeable, and Mark Warner's resort staff are friendly and upbeat.

Personnel differentiation requires that a company should select its customer-contact people carefully and train them well. These personnel must be competent – they must possess the required skills and knowledge. They need to be courteous, friendly and respectful. They must serve customers with consistency and accuracy. And they must make an effort to understand customers, to communicate clearly with them, and to respond quickly to customer requests and problems.

Allied Breweries relates the type of staff they wish to employ to the market segments served. A segmentation study identified four pub segments in Britain and the managers needed to run them. *Local community pubs* needed a good controller who was mature and experienced. He or she had to be 'one of the crowd', be involved in the local community and be an organiser of pub teams and other events. The personality of the manager is the key to success of *broad-based locals*. They need to maintain a high profile and set the mood of the pub and other staff. *Young persons' circuit pubs* need good organisers who are tolerant but firm. These places are very busy at peak times, so service standards have to be high and efficient. Users of *quality traditional dry pubs* expect attention to detail and high professional standards. Good food is important, so the manager's job is more complicated than for other pubs. The manager may not have a strong personality, but organisational and financial skills are important.

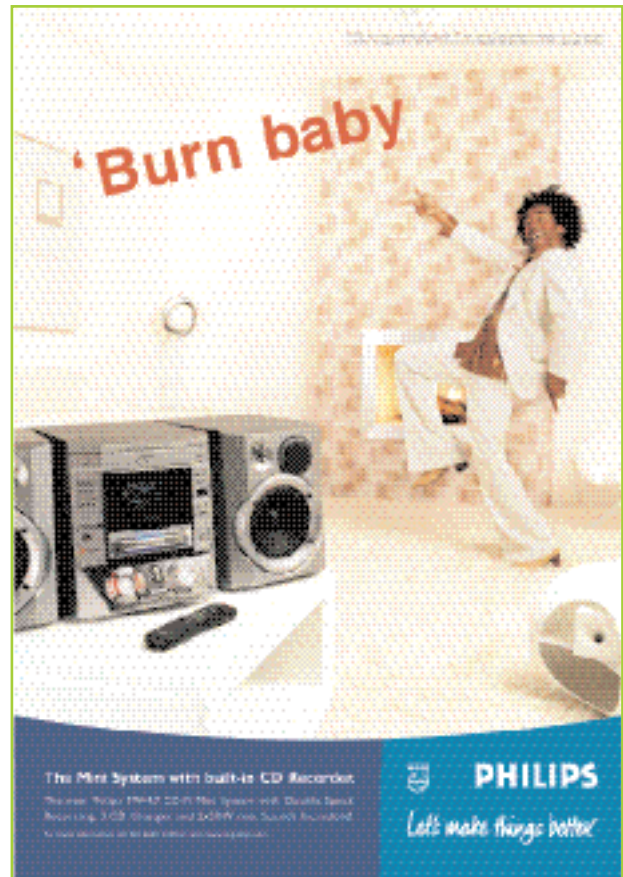
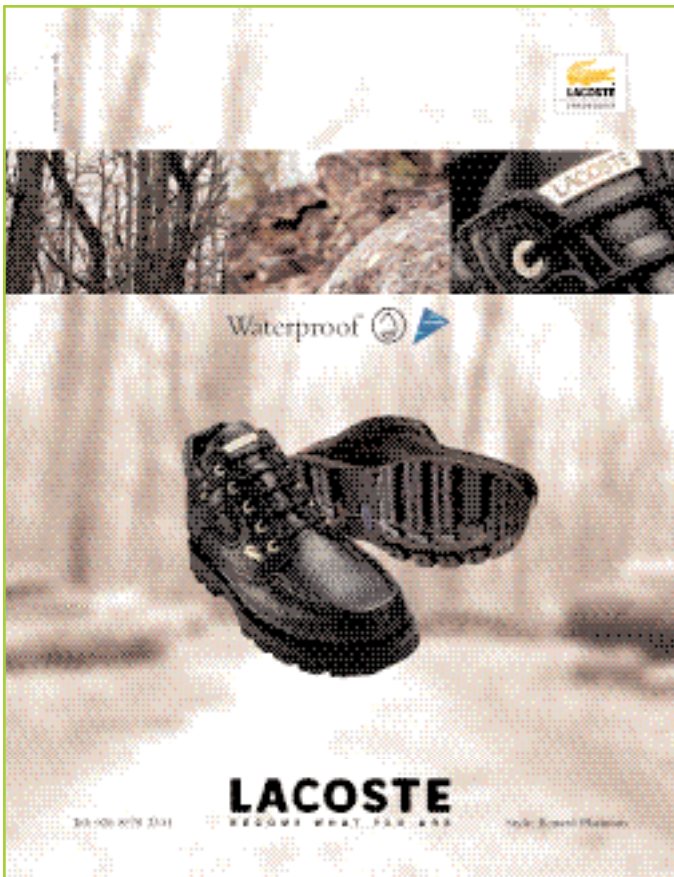
Image differentiation

Even when competing offers look the same, buyers may perceive a difference based on company or brand images. Thus companies work to establish *images* that differentiate them from competitors. A company or brand image should convey a singular and distinctive message that communicates the product's main benefits and positioning. Developing a strong and distinctive image calls for creativity and hard work. A company cannot implant an image in the public's mind overnight using only a few advertisements. If 'IBM means service', this image must be supported by everything the company says and does.

Symbols can provide strong company or brand recognition and image differentiation. Companies design signs and logos that provide instant recognition. They associate themselves with objects or characters that symbolise quality or other attributes, such as the Mercedes star, the Johnnie Walker character, the Michelin man or the Lacoste crocodile. The company might build a brand around some famous person. The perfume Passion is associated with Elizabeth Taylor and Longines watches with an image of Audrey Hepburn from *Breakfast at Tiffany's*. Some companies even become associated with colours, such as Kodak (yellow), Benson & Hedges (gold) or Ferrari (red).

The chosen symbols must be communicated through advertising that conveys the company or brand's personality. The ads attempt to establish a story line, a mood, a performance level – something distinctive about the company or brand. The atmosphere of the physical space in which the organisation produces or delivers its products and services can be another powerful image generator. Hyatt hotels has become known for its atrium lobbies, TGI Friday's restaurants for American memorabilia, and Scruffy Murphy's Pubs with Irish memorabilia. Thus a bank that wants to distinguish itself as the 'friendly bank' must choose the right building and interior design – layout, colours, materials and furnishings – to reflect these qualities. A far cry from the majestic edifices that many banks have inherited.

A company can also create an image through the types of event it sponsors. Perrier, the bottled water company, became known by laying out exercise tracks and sponsoring health sports events. Other organisations have identified themselves closely with cultural events, such as orchestral performances and art exhibits. Still other organisations support popular causes. For example, Heinz gives money to hospitals and Quaker gives food to the homeless.



The crocodile gives instant brand recognition for Lacoste. In the same way, there can be a very strong association between certain colours and companies, like blue for Philips.

SOURCES: (left) Lacoste. Agency: Pentland Group. (right) Philips Consumer Electronics. Agency: Euro RSCG.

Value positioning

Value positioning offers a range of positioning alternatives based on the value an offering delivers and its price. Consumers typically choose products and services that give them the greatest value. Thus, marketers want to position their brands on the key benefits that they offer relative to competing brands. The full positioning of a brand is called the brand's value proposition – the full mix of benefits upon which the brand is positioned. It is the answer to the customer's question 'Why should I buy your brand?'. Volvo's value proposition hinges on safety but also includes reliability, roominess and styling, all for a price that is higher than average but seems fair for this mix of benefits.

Figure 10.6 shows possible value propositions upon which a company might position its products. In the figure, the five green cells represent winning value propositions – positioning that gives the company competitive advantage. The red cells, however, represent losing value propositions, and the centre cell represents at best a marginal proposition. In the following sections, we discuss the five winning value propositions companies can use to position their products: more for more, more for the same, the same for less, less for much less, and more for less.

More for more

'More for more' positioning involves providing the most upscale product or service and charging a higher price to cover the higher costs. Ritz-Carlton Hotels, Mont Blanc writing

Value positioning—A range of positioning alternatives based on the value an offering delivers and its price.

Figure 10.6 Value positions

		Price		
		Less	Same	More
Benefits	More	More for Less	More for the Same	More for More
	Same	The Same for Less	Me too	
	Less	Less for much Less		

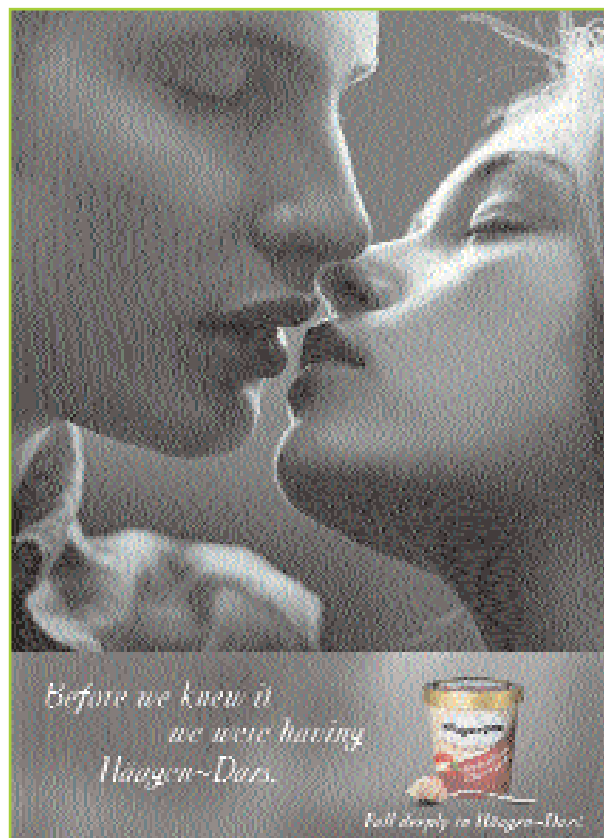
instruments, Bosch-Siemens kitchen appliances or Tod's 133 stud driving shoes⁴⁰ – each claims superior quality, craftsmanship, durability, performance or style and charges a price to match. Not only is the marketing offer high in quality, it also offers prestige to the buyer. It symbolises status and a lofty lifestyle. Often, the price difference exceeds the actual increment in quality.

Sellers offering 'only the best' can be found in every product and service category, from hotels, restaurants, food and fashion to cars and kitchen appliances. Consumers are sometimes surprised, even delighted, when a new competitor enters a category with an

More for more value proposition: Häagen-Dazs produces and commercialises super-premium ice-cream at unusually high prices.

SOURCE: Pillsbury UK Ltd.

Agency: Euros.



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unusually high-priced brand. Starbucks coffee entered as a very expensive brand in a largely commodity category; Häagen-Dazs came in as a super-premium ice-cream brand at a price never before charged. In general, companies should be on the lookout for opportunities to introduce a 'much more for much more' brand in any underdeveloped product or service category. For example, the €400 Dualit Toaster, a hand-assembled appliance, keeps toast warm for 10 minutes.⁴¹

Yet 'more for more' brands can be vulnerable. They often invite imitators who claim the same quality but at a lower price. Luxury goods that sell well during good times may be at risk during economic downturns when buyers become more cautious in their spending.

More for the same

Companies can attack a competitor's more for more positioning by introducing a brand offering comparable quality but at a lower price. For example, Toyota introduced its Lexus line with a 'more for the same' value proposition. In the US the headline read: 'Perhaps the first time in history that trading a \$72,000 (€81,000) car for a \$36,000 car could be considered trading up.' It communicated the high quality of its new Lexus through rave reviews in car magazines, through a widely distributed videotape showing side-by-side comparisons of Lexus and Mercedes-Benz automobiles, and through surveys showing that Lexus dealers were providing customers with better sales and service experiences than were Mercedes dealerships. Many Mercedes-Benz owners switched to Lexus, and the Lexus repurchase rate has been 60 per cent, twice the industry average.⁴²

The same for less

Offering 'the same for less' can be a powerful value proposition – everyone likes a good deal. For example, Amazon.com sells the same book titles as its brick-and-mortar competitors but at lower prices. Discount stores such as Matalan and Aldi use this positioning. They don't claim to offer different or better products. Instead, they offer many of the same brands as other stores but at deep discounts based on superior purchasing power and lower-cost operations.

Other companies develop imitative but lower-priced brands in an effort to lure customers away from the market leader. For example, Advanced Micro Devices (AMD) and Cyrix make less expensive versions of Intel's market-leading microprocessor chips. Many personal computer companies make 'IBM clones' and claim to offer the same performance at lower prices.

Less for much less

A market almost always exists for products that offer less and therefore cost less. Few people need, want or can afford 'the very best' in everything they buy. In many cases, consumers will gladly settle for less than optimal performance or give up some of the bells and whistles in exchange for a lower price. For example, many travellers seeking lodgings prefer not to pay for what they consider unnecessary extras, such as a pool, cable television, attached restaurant, or mints on the pillow. Motel chains such as Motel 6 suspend some of these amenities and charge less accordingly.

'Less for much less' positioning involves meeting consumers' lower performance or quality requirements at a much lower price. In Europe low-cost airlines, such as easyJet, Virgin Express and Ryanair, are proliferating where deregulation allows. It is wrong to think that less for less positioning is for people with less money to spend. Many users are business people whose companies are keen to reduce travel budgets. The most regular users are people working away who use budget airlines to get home more often or people owning villas who visit their summer home for short breaks as well as long holidays. Other heavy users are shoppers travelling to global retail centres, such as Paris, London, New York or Chicago, and golfers flying off for a game in Scotland or Spain.⁴³

More for less

Of course, the winning value proposition would be to offer ‘more for less’. Many companies claim to do this. For example, Dell Computer claims to have better products *and* lower prices for a given level of performance. Procter & Gamble claims that its laundry detergents provide the best cleaning *and* everyday low prices. In the short run, some companies can actually achieve such lofty positions.

Yet in the long run, companies will find it very difficult to sustain such best-of-both positioning. Offering more usually costs more, making it difficult to deliver on the ‘for less’ promise. Companies that try to deliver both may lose out to more focused competitors.

All said, each brand must adopt a positioning strategy designed to serve the needs and wants of its target markets. ‘More for more’ will draw one target market, ‘less for much less’ will draw another, and so on. Thus, in any market, there is usually room for many different companies, each successfully occupying different positions.

The important thing is that each company must develop its own winning positioning strategy, one that makes it special to its target consumers. Offering only ‘the same for the same’ provides no competitive advantage, leaving the firm in the middle of the pack. Companies offering one of the three losing value propositions – ‘the same for more’, ‘less for more’, and ‘less for the same’ – will inevitably fail. Here, customers soon realise that they’ve been underserved, tell others, and abandon the brand.

Product positioning

Product position—The way the product is defined by consumers on important attributes – the place the product occupies in consumers’ minds relative to competing products.

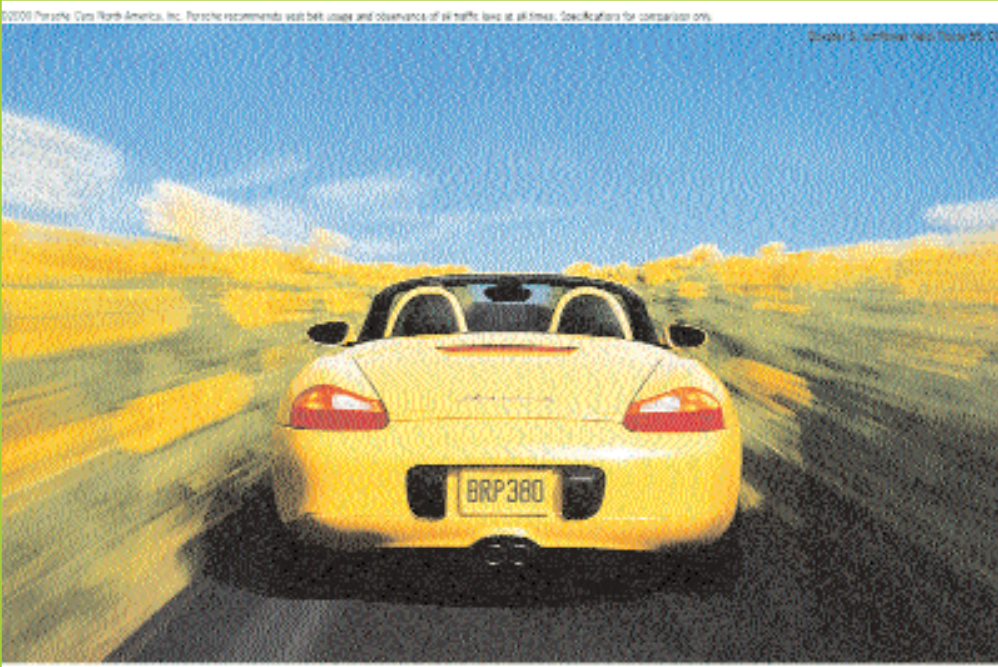
A **product’s position** is the way the product is *defined by consumers* on important attributes – the place the product occupies in consumers’ minds relative to competing products. Thus Tide is positioned as a powerful, all-purpose family detergent, Radion removes odours, and Fairy is gentle. Skoda and Subaru are positioned on economy.

Some say Mark Fields has the best job in the world. He runs Premier Auto Group, Ford’s luxury car arm, from his office in a Georgian town house in Berkeley Square, London. Although all his brands are made by Ford, he aims to grow all his brands by positioning that keeps them separate and clear in the customer’s mind: ‘You try to keep a certain image or profile that makes customers not only buy a car, but join a club.’

The product positions of all the range are not yet sorted. Jaguar is ‘The art of performance’, Volvo is ‘For life’, Lincoln is ‘American luxury’ and Range Rover ‘The best 4 × 4 by far’. Still to be determined is the product position of the low-volume, expensive but mouth-watering Aston Martin. His desire is to increase its 651 per year current sales five-fold in five years. And without referring to 007, Goldfinger and ejector seats? ””


A firm’s *competitive advantage* and its *product’s position* can be quite different. A competitive advantage is the strength of a company, while a product’s position is a prospect’s perception of a product. A competitive advantage, like low costs or high quality, could influence a product’s position, but in many cases it is not central to it. One of Ford’s competitive advantages is the ability of Jaguar to share engineering with Lincoln/Mercury, although the products are far apart in the customers’ minds.⁴⁴

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Consumers are overloaded with information about products and services. They cannot re-evaluate products every time they make a buying decision. To simplify buying decision making, consumers organise products into categories – that is, they ‘position’ products, services and companies in their minds. A product’s position is the complex set of perceptions, impressions and feelings that consumers hold for the product compared with competing products. Consumers position products with or without the help of marketers. But marketers do not want to leave their products’ positions to chance. They *plan* positions that will give their products the greatest advantage in selected target markets, and they *design* marketing mixes to create these planned positions.

Positioning was popularised by advertising executives Al Ries and Jack Trout.⁴⁵ They saw it as a creative exercise done with an existing product:

Positioning starts with a product, a piece of merchandise, a service, a company, an institution or even a person. . . . But positioning is not about what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position products in the mind of the prospect.



They argue that current products generally have a position in the minds of consumers. Thus Rolex is thought of as the world's top watch, Coca-Cola as the world's largest soft-drink company, Porsche as one of the world's best sports cars, and so on. These brands own those positions and it would be hard for a competitor to steal them.

Ries and Trout show how familiar brands can acquire some distinctiveness in an 'overcommunicated society', where there is so much advertising that consumers screen out most of the messages. A consumer can know only about seven soft drinks, even though there are many more on the market. Even then, the mind often knows them in the form of a *product ladder*, such as Coke > Pepsi > Fanta or Hertz > Avis > Budget. In such a ladder, the second firm usually has half the business of the first firm, and the third firm enjoys half the business of the second firm. Furthermore, the top firm is remembered best.

People tend to remember *no. 1*. For example, when asked 'Who was the first person successfully to fly the Atlantic Ocean?', people usually answer 'Charles Lindbergh'. When asked 'Who was the second person to do it?', they draw a blank. That is why companies fight for the no. 1 position. In reality, the first people to fly the Atlantic were Alcock and Brown, but Charles Lindbergh won the publicity battle.

Ries and Trout point out that the 'size' position can be held by only one brand. What counts is to achieve a no. 1 position along some valued attribute, not necessarily 'size'. Thus 7-Up is the no. 1 'Uncola', Porsche is the no. 1 small sports car and Foster's is Australia's top-selling lager. In the United States, Heineken is 'the' imported beer because it was the first heavily promoted imported beer. The marketer should identify an important attribute or benefit that can convincingly be won by the brand. In that way brands hook the mind in spite of the incessant advertising bombardment reaching consumers.

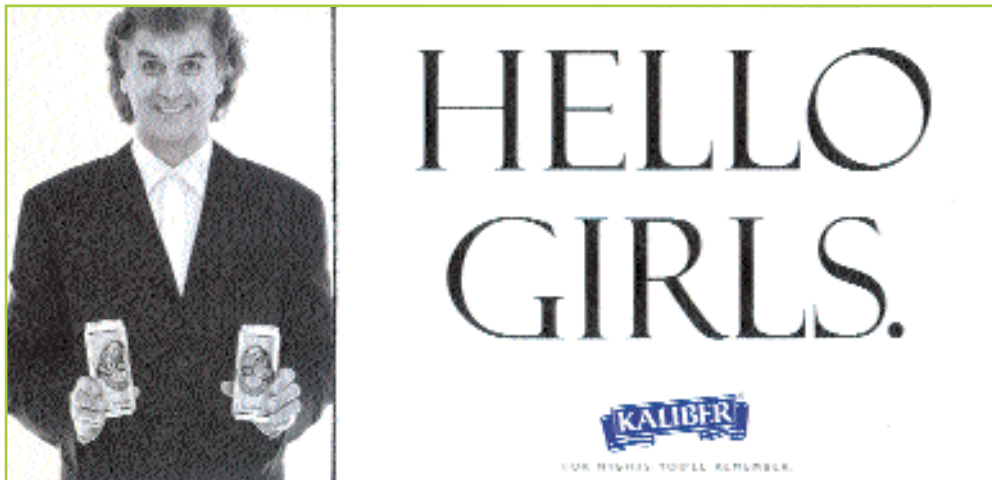
According to Ries and Trout, there are three positioning alternatives:

1. The first strategy they suggest is to strengthen a brand's *current position* in the mind of consumers. Thus Avis took its second position in the car rental business and made a strong point about it: 'We're number two. We try harder.' This was believable to the consumer. 7-Up capitalised on *not* being a cola soft drink by advertising itself as the Uncola.
2. Their second strategy is to search for a new *unoccupied position* that is valued by enough consumers and grab it: 'Cherchez le creneau', 'Look for the hole'. Find a hole in the market and fill it, they say. Vidal Sassoon's Wash & Go was based on recognising that the fashion for exercise meant that people washed their hair frequently, quickly and away from home. By combining a shampoo and hair conditioner in one the company was able to fill a latent market need. Similarly, after recognising that many housewives wanted a strong washing powder to treat smelly clothes, Unilever successfully launched Radion.
3. Their third strategy is to *deposition* or *reposition* the competition. Most US buyers of dinnerware thought that Lenox china and Royal Doulton both came from continental Europe. Royal Doulton countered with ads showing that Lenox china is from New Jersey, but theirs came from England. In a similar vein, Stolichnaya vodka attacked Smirnoff and Wolfschmidt vodka by pointing out that these brands were made locally, but 'Stolichnaya is different. Similarly, it is Russian.' GUINNESS®, the world's leading stout, has strong Irish associations. However, the focus on individuality in its Rutger Hauer 'Pure Genius' campaign has allowed Murphy's and Beamish to attack GUINNESS® brand's Irish heritage. A final example is KALIBER®, Alcohol Free Premium Lager, drunk by people who want a good time or, as Billy Connolly says in its ads posted next to those for Wonderbra, 'Hello girls!'.

Ries and Trout essentially deal with the psychology of positioning – or repositioning – a current brand in the consumer's mind. They acknowledge that the positioning strategy might call for changes in the product's name, price and packaging, but these are 'cosmetic changes done for the purpose of securing a worthwhile position – in the prospect's mind'.



This award-winning campaign attracted immense attention without offending women. Sales of Wonderbra were reported to have more than doubled as a result.
SOURCE: Playtex.



This poster ad promotes a distinct advantage of no-alcohol beer when meeting the girl in the Wonderbra.
SOURCE: Diageo Ireland, part of the Diageo plc group of companies. The KALIBER word and UNICORN device are trademarks. Copyright © Guinness & Co. Created by Euro RSCG Agency.

Positioning strategies

Marketers can follow several positioning strategies. These strategies use associations to change consumers' perception of products.

Product attributes position many technical products. The positioning of Nokia's 6600 is based on integration: 'Zoom in and take a picture or video. View it in full colour . . . Add text and send a multimedia message . . . Save it . . . Transfer wirelessly over Bluetooth . . .'; while much of BMW's advertising promotes individual *technical items*, such as fresh air filters. In the exclusive watch market Breitling, Baume & Mercier and Audemars Piguet's positioning are on their mechanical movements. Some of their designs leave the mechanisms exposed and one ad argues 'Since 1735 there has never been a quartz Blancpain. And there never will be.'

Benefits offered, or the needs they fill, position many products – Crest toothpaste reduces cavities, Aim tastes good and Macleans Sensitive relieves the pain of sensitive teeth. In the confectionery industry, Italian Baci and Ferrero Rocher are gifts, while Mars and Snickers bars satisfy hunger.

Huhtamaki is Finland's largest industrial company but LEAF, its confectionery division, is only tenth in size worldwide. It developed competitive advantage in 'functional chewing and bubble gums'. Its Xylitol Jenkki Xylifresh, probably 'the world's most researched chewing gum', has been used as a reference standard by medical schools measuring dental hygiene. LEAF's other functional gums include BenBits ExtraFresh and Fresh 4 Ever breath fresheners, and vitamin-enriched E.Z.C. Its sugar-based confectionery includes vitamin-enriched +Energi and Läkerol throat soother.



Bentley and Breitling: A true partnership in prestige, technical sophistication and performance. The brands even share the same first letter and corporate logos with wings.

SOURCE: Breitling SA.

BENTLEY

PRESTIGE AND PERFORMANCE United under a "winged B", Breitling and Bentley share the same passion for perfection. Likewise standards of reliability, precision and authenticity. A world where cutting edge technology merges with noble traditions. The ultimate blend of prestige and performance. Symbolizing this communion of ideals, Breitling participated in the styling of the instrumentation and designed the dashboard clock for the Bentley Continental GT. Breitling also accompanied the victory of Team Bentley in the legendary Le Mans 24 Hours race.

EXCLUSIVITY AND TECHNICAL EXCELLENCE For decades of fine mechanisms, Breitling has created an exceptional chronograph named Bentley Motors. The culmination of sophisticated aesthetic research, this wrist instrument mirrors certain signature features of the famous British car manufacturer, such as the knurled finish on the bezel, inspired by the Bentley controls. Dedicated to the automobile world, it features two exclusive mechanisms as well as a high performance "motor" assembled and "prepared" in the Breitling Chronométric workshops.

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INSTRUMENTS FOR PROFESSIONALS®

Chapter 10 Segmentation and positioning

Usage occasions position many products. Mentadent Night Action toothpaste, for instance, is for evening use. In the summer, Gatorade is positioned as a drink for replacing athletes' body fluids; in the winter, it can be positioned as the drink to use when the doctor recommends plenty of liquids. KitKat and After Eight mints sell alongside Snickers and Ferrero Rocher, but the positioning is on usage occasion. Internationally, KitKat means 'Have a break', while After Eight is an after-dinner mint to share.

Red Bull, a soft drink created by a small Austrian company, is a huge success across Europe. According to its sales director: 'We don't want to be compared with the soft drink market. Of course, Red Bull has quite a key position in the market, but it is mainly a sports drink.' Red Bull's origin is in the huge Japanese market for energy drinks. Each can has 80 milligrams of caffeine, a third more than the equivalent amount of Coca-Cola. This has made the drink popular with teetotaler young ravers who can consume several cans a night.⁴⁶

Users help position products. Johnson & Johnson improved the market share for its baby shampoo from 3 per cent to 14 per cent by repositioning the product towards a new *user category* of adults who wash their hair frequently and need a gentle shampoo. Often products are positioned by associating them with their *user class*. Nescafé Gold Blend increased sales dramatically after showing a series of ads romancing thirty somethings, as did Tango soft drinks as a result of the youthful 'You've been Tangoed' campaign.

Activities are often used to sell expensive products. The Geneva-based SMH group positions its watches using sports. Thus Rado has come to specialise in tennis, Omega in sailing and aerospace, 'the first and only watch on the moon', and Longines in skiing and aviation.⁴⁷ This positioning activity goes beyond advertising and promotions. Rolex positions its watches using adventurers and backs this with its Sfr450,000 (€298,000) Awards for Enterprise. Over 30 people are Rolex Laureate for their original and creative schemes. The take-off of TAG Heuer as a brand traces back to Steve McQueen wearing a Heuer chronograph and driving the then mythical Heuer-sponsored sports car in the movie *Le Mans*. Since then, TAG Heuer has grown to be Formula 1's official time keeper as it stuck determinedly to its motor sports positioning.⁴⁸

Personalities often help positioning. Prestigious brands are often positioned using successful personalities who can add to a product's character. American Express runs ads showing caricatures of famous businesspeople who are also users; Jameson Irish Whiskey uses sportsmen in its positioning; and Hugo Boss identifies successful people as models in its 'Men at Work' campaign.

Many argue that Real Madrid bought David Beckham because of his value in the store, rather than his value on the ball. With Tiger Woods and Michael Jordan, David Beckham is a sports and media superstar with access to the world's huge and growing market for sports sponsorship and the worldwide interest they create in the game they play as well as their team. *Fortune Magazine* estimated that Michael Jordan's career brought basketball \$10bn (€11bn). So important is catching the stars that Nike has signed promising 13-year-old Freddy Adu for \$1 million, gambling that he will be the next Pelé.⁴⁹

Audi is German – ‘Vorsprung durch Technik’.

SOURCE: Audi UK. Agency: BBH.

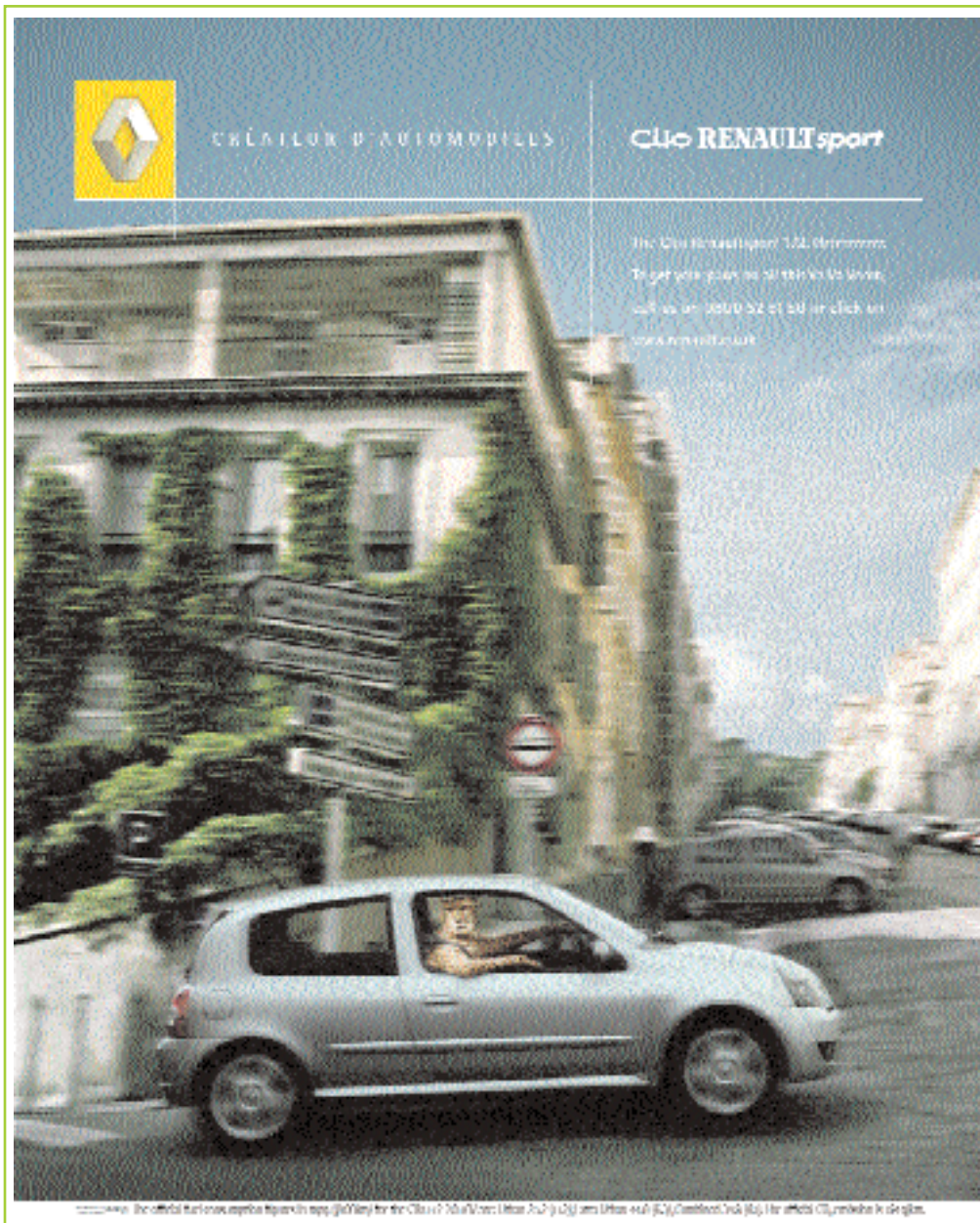


Cult positioning is synonymous with children’s products. The quiet don, J.R.R. Tolkien, would have gasped at his lifelong work, *Lord of the Rings*, helping sell kids’ lunch boxes and potato crisps. However, Time Warner’s expected \$400 million (€450m) syndication and merchandising income from the trilogy is greater than the film’s production cost. Cult positioning helps shift huge volumes on merchandise if associated with a success, but only one or two films a year are blockbusters and the attractiveness of merchandise varies considerably. For example, huge amounts were lost in the toy industry when *Star Wars* prequel merchandise did not shift in the predicted volumes. Contrast that with the phenomenal success of the *Harry Potter* books and movies.

Cult positioning has the ability to shift large volumes of merchandise and add interest to a moribund product, but cults have unpredictable impact and duration. Additionally, the loyalty and awareness is to the cult, not the product, be it *Dr Who*, *Bob the Builder* or Hornby’s *Thomas the Tank Engine* and *Harry Potter* model railways. The result is the need for the users of cult positioning to bid for merchandising rights and jump from cult to cult as they go in and out of fashion.⁵⁰

Origin positions product by association with its place of manufacture. Much of Perrier’s success depended on the sophistication its French origin gave to it. Similarly, Audi’s ‘Vorsprung durch Technik’ positioned its cars as German, and Renault’s ‘Créateur d’automobiles’ as French. Drinks are often positioned using origin. The positioning of Foster’s and Castlemaine XXXX lagers uses their Australian heritage, plus masculine humour to reinforce their character. Marketing Insights 10.3 shows how a leading European company has positioned a whole range of its beers using *origin*.

Other brands can help position products. Clinique’s advertising for its ‘skin supplies for men’ prominently features a Rolex watch. Where firms have traditionally crafted products, such as Wilkinson Sword or Holland & Holland shotguns, these lend glamour to more recent products – in these instances, shaving products and men’s clothing respectively. After Volkswagen bought the Czech Skoda company, it used the Volkswagen name to transfer some



Renault is French – ‘Créateur d’automobiles’.

SOURCE: Renault UK/Publicis.

of its strong reputation to Skoda. ‘Volkswagen were so impressed, they bought the company’ ran one press ad. The responsible ad agency, G&K, explains: ‘The Volkswagen connection hit the spot. People immediately latched on to it. It allowed susceptible people [who might be persuaded to buy a Skoda] a route into the brand.’ Dealers reported an instant 50 per cent sales increase. With VW engineering and Skoda ‘more for less’ positioning, sales and customer loyalty have continued to grow. Ads still play on Skoda’s past reputation but its Fabia 1.4 became the *What Car?* Car of the Year 2000. In 2002 its V8 engine B-plus project will project the company into the executive car market.⁵¹

Competitors provide two positioning alternatives. A product can be positioned directly *against a competitor*. For example, in ads for their personal computers, Compaq and Dell directly compared their products with IBM personal computers. The direct-selling computer company dan compares its performance with all other suppliers: ‘1st in repurchase intention,

10.3 The place is the thing

Towns have long used famous characters to position the locations and give them a theme. Often these have some historical association, having been born, lived or died there. Some of Europe's more conspicuous cases are Mozart's Salzburg, Wagner's Bayreuth and Shakespeare's Stratford-upon-Avon. Other towns have positioned themselves with mythical or literary characters, such as Nottingham's Robin Hood (whose enemy supposedly lived there) or Ashby-de-la-Zouch's Ivanhoe (who fought the Black Knight at Ashby Castle).

Besides using people to position places, places position portfolios of products. Belgian Interbrew is Europe's largest brewer. It retains its hold on the European market by trading on the geographical heritage of its products. The company certainly has plenty of heritage to trade on. First trading in Belgium as Den Hoorn in 1366, it changed its name to Artois 400 years later. Stella Artois remains Belgium's favoured tittle; elsewhere it is marketed as being 'reassuringly expensive'. Another one of Interbrew's brands, Bass, can probably lay claim to the best product placement of all time, having a prominent position in Manet's *A Bar at the Folies Bergère*. Other beers it promotes are Boddingtons, 'the cream of Manchester', Newcastle Brown and Caffrey's Irish beer.

Whitbread, once owner of many of Interbrew's drinks, positions its restaurant chains geographically. Their Pizza Hut and TGI Friday are both positioned as American although the Hut is for families and the TGI is for twenty-somethings. Café Rouge is French, Costa Coffee continental, Brewers Fayre 'Olde Englande' and Beefeaters British and carnivore.

With manufacturers increasingly chasing low wages, there are signs that the 'Made in . . .' label may help keep some jobs in high-wage economies. Consumers shun Prada bags that are not made in Italy, Louis Vuitton from outside France and non-Swiss Cartier. The resistance may stretch beyond luxury goods as local consumers react against the disloyalty of firms. Dyson vacuum cleaner sales dropped sharply in Europe when the firm broadcast that it was switching manufacture from Europe to Malaysia.

SOURCES: Michelin Green Guides to Austria, Germany and Great Britain; Alison Smith, 'Whitbread to shake up restaurants', *Financial Times* (1 November 2000), p. 27; Dan Bilefsky, 'Interbrew offer set to raise €3.3bn', *Financial Times* (9 November 2000), p. 33; Mike Levy, 'Marketing Cinderellas', *Marketing Business* (July/August 2000), pp. 26–7; Fred Kapner, 'The last sector where Made in Europe matters', *Financial Times* (4 December 2003), p. 16; Peter Marsh, 'Dust is settling on the Dyson clean-up', *Financial Times* (12 December 2003), p. 12.

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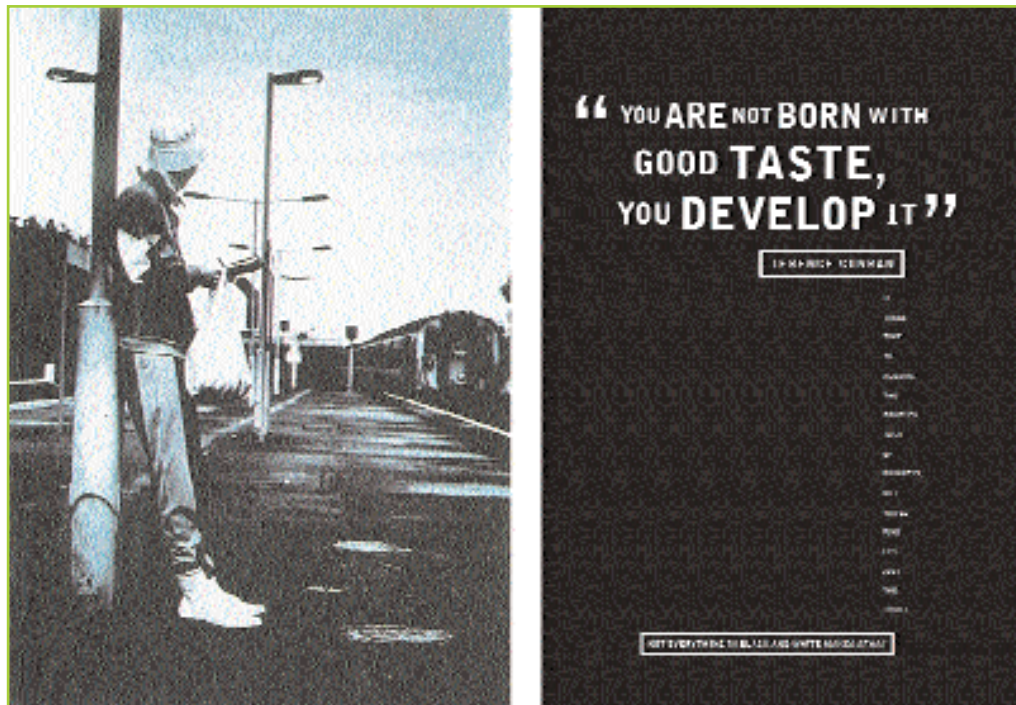
Positioning strategies: Breitling has chosen to position its watches on the attributes of precision and reliability.
SOURCE: Breitling SA.



Positioning strategies: the 'Norwegian footwear' slogan used by Viking is an example of a positioning strategy based on origin.
SOURCE: Mann (Norway) October 2000.

GUINNESS® brand's stark advertising emphasises its unique position in the marketplace.

SOURCE: Diageo Ireland, part of the Diageo plc group of companies. The Guinness word is a trademark. Copyright © Guinness & Co. © Guinness Ltd. All rights reserved.



1st in repair satisfaction', and so on. In its famous 'We're number two, so we try harder' campaign, Avis successfully positioned itself against the larger Hertz. A product may also be positioned *away from competitors* – 7-Up became the no. 3 soft drink when it was positioned as the 'Uncola', the fresh and thirst-quenching alternative to Coke and Pepsi. River Island Expeditions positions its holidays, its adventures for travellers, away from package holidays and the tourists who go on them. It says: 'The traveller is active; he goes strenuously in search of people, of adventure, of experience. The tourist is passive; expects interesting things to happen to him. He goes "sight-seeing" (Daniel J. Boorstin, 1962).'

Product class membership is the final means of positioning. For example, Van Den Bergh's I Can't Believe It's Not Butter is clearly positioned against butter, while other yellow fats are promoted as cooking oils. Camay hand soap is positioned with bath oils rather than with soap.

Marketers often use a *combination* of these positioning strategies. Johnson & Johnson's Affinity shampoo is positioned as a hair conditioner for women over 40 (product class and user). And in its Christmas campaigns, Martell cognac and Glenlivet malt whisky both neglect the lucrative 18- to 35-year-olds to concentrate on the over-35s (*usage situation* and *user*).

Choosing and implementing a positioning strategy

Some firms find it easy to choose their positioning strategy. For example, a firm well known for quality in certain segments will go for this position in a new segment if there are enough buyers seeking quality. In many cases, two or more firms will go after the same position: for instance, British Airways and Lufthansa in the European business market. Then, each will

have to find other ways to set itself apart, such as Lufthansa's promise of reliability and wider seats, and BA's lie-flat seats and executive lounges. Each firm must differentiate its offer by building a unique bundle of competitive advantages that appeal to a substantial group within the segment.

Having identified a set of possible competitive advantages upon which to build a position, the next stages are to select the right competitive advantages and effectively communicate the chosen position to the market.

Selecting the right competitive advantages

Suppose a company is fortunate enough to have several potential competitive advantages. It must now choose the ones upon which it will build its positioning strategy. It must decide *how many* differences to promote and *which ones*.

How many differences to promote?

Many marketers think that companies should aggressively promote only one benefit to the target market. Ad man Rosser Reeves, for example, said a company should develop a **unique selling proposition (USP)** for each brand and stick to it. Each brand should pick an attribute and tout itself as 'no. 1' on that attribute. Buyers tend to remember 'no. 1' better, especially in an over-communicated society. Thus Crest toothpaste consistently promotes its anti-cavity protection, and Mercedes promotes its great automotive engineering. What are some of the 'no. 1' positions to promote? The most significant ones are 'best quality', 'best service', 'lowest price', 'best value' and 'most advanced technology'. A company that hammers away at one of these positions and consistently achieves it will probably become best known and remembered for it.

The difficulty of keeping functional superiority has made firms focus on having a unique **emotional selling proposition (ESP)** instead of a USP. The product may be similar to competitors' products, but it has unique associations for consumers. Leading names like Rolls-Royce, Ferrari and Rolex have done this. Other cars outperform Ferrari on the road and track, but 'the red car with the prancing horse' is the world's no. 1 sports car. Many Formula One racing drivers still dream of racing a Ferrari, and Ferrari pay the 'world's best driver' €40 million a year to make sure he can keep winning for them.⁵²

Other marketers think that companies should position themselves on more than one differentiating factor. This may be necessary if two or more firms are claiming to be best on the same attribute. Steelcase, an office furniture systems company, differentiates itself from competitors on two benefits: best on-time delivery and best installation support. Volvo positions its automobiles as 'safest' and 'most durable'. Fortunately, these benefits are compatible – a very safe car is also very durable.

Today, in a time when the mass market is fragmenting into many small segments, companies are trying to broaden their positioning strategies to appeal to more segments. For example, Beecham promotes its Aquafresh toothpaste as offering three benefits: 'anti-cavity protection', 'better breath' and 'whiter teeth'. Clearly, many people want all three benefits, and the challenge is to convince them that the brand delivers all three. Beecham's solution was to create toothpaste that squeezed out of the tube in three colours, thus visually confirming the three benefits. In doing this, Beecham attracted three segments instead of one.

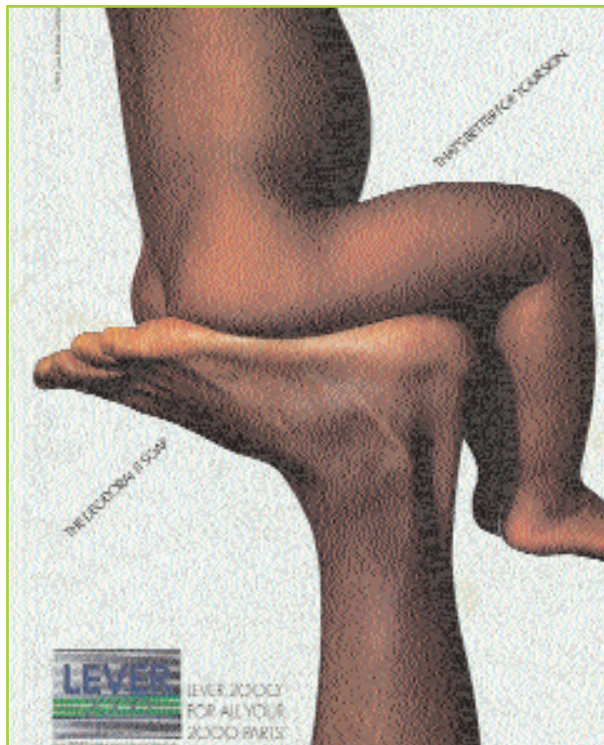
However, as companies increase the number of claims for their brands, they risk disbelief and a loss of clear positioning. Usually, a company needs to avoid three serious positioning errors. The first is **underpositioning** – that is, failing to position the company at all. Some companies discover that buyers have only a vague idea of the brand, or that they do not really know anything special about it. This has occurred with dark spirits – whisky and brandy –

Unique selling proposition (USP)—The unique product benefit that a firm aggressively promotes in a consistent manner to its target market. The benefit usually reflects functional superiority: best quality, best services, lowest price, most advanced technology.

Emotional selling proposition (ESP)—A non-functional attribute that has unique associations for consumers.

Underpositioning—A positioning error referring to failure to position a company, its product or brand.

Unilever positioned its best-selling Lever 2000 soap on three benefits in one: cleansing, deodorising, and moisturising.
SOURCE: Unilever plc.



where young drinkers have drifted away from them. United Distillers and Hiram Walker aim to reverse this trend with their Bell's and Teacher's brands by targeting 25- to 35-year-old men. There is much focus on extending the use of both brands as a mixer. This is an anathema to many whisky drinkers, but United Distillers has successfully promoted it as a mixer in both Spain and Greece. The second positioning error is **overpositioning** – that is, giving buyers too narrow a picture of the company. Thus a consumer might think that the Steuben glass company makes only fine art glass costing €1,000 and up, when it also makes affordable fine glass starting at around €50.

Finally, companies must avoid **confused positioning** – that is, leaving buyers with a confused image of the company. For example, Burger King has struggled without success for years to establish a profitable and consistent position. Since 1986, it has undertaken five separate advertising campaigns, with themes ranging from 'Herb the nerd doesn't eat here' and 'This is a Burger King town', to 'The right food for the right times' and 'Sometimes you've got to break the rules'. This barrage of positioning statements has left consumers confused and Burger King with poor sales and profits.⁵³

Implausible positioning occurs when the positioning strategy stretches the perception of the buyers too far. Toyota recognised this when it created the Lexus brand rather than try to stretch its highly respected name into the luxury car market. When TiVo personal video recorders were first launched in the US priced from \$300 (€337) to \$600, customers did not buy. The reason was that people did not believe what the ad showed. It contained a man watching a live game on TV, pausing the game to get a drink, then restarting the 'live' game where he left off. Since TiVo's can digitally record and play back at the same time, the benefit the ad shows is real but people could not believe the claim. TiVo is soon to be relaunched at a lower price and promoting the machines' more believable long recording time per disc (40 hours) and digital quality. Some market positions, while attracting one group of customers, can alienate others and so backfire.

Overpositioning—

A positioning error referring to too narrow a picture of the company, its product or a brand being communicated to target customers.

Confused positioning—A positioning error that leaves consumers with a confused image of the company, its product or a brand.

Implausible positioning—Making claims that stretch the perception of the buyers too far to be believed.

Which differences to promote?

Not all brand differences are meaningful or worthwhile. Not every difference makes a good differentiator. Each difference has the potential to create company costs as well as customer benefits. Therefore, the company must carefully select the ways in which it will distinguish itself from competitors. A difference is worth establishing insofar as it satisfies the following criteria:

- *Important.* The difference delivers a highly valued benefit to target buyers.
- *Distinctive.* Competitors do not offer the difference, or the company can offer it in a more distinctive way.
- *Superior.* The difference is superior to other ways by which customers might obtain the same benefit.
- *Communicable.* The difference is communicable and visible to buyers.
- *Pre-emptive.* Competitors cannot easily copy the difference.
- *Affordable.* Buyers can afford to pay for the difference.
- *Profitable.* The company can introduce the difference profitably.

Many companies have introduced differentiations that failed one or more of these tests. The Westin Stamford hotel in Singapore advertises that it is the world’s tallest hotel, a distinction that is not important to many tourists – the fact scared many. AT&T’s original picturevision phones failed, partly because the public did not think that seeing the other person was worth the phone’s high cost. Philips Laservision failed too. Although the laser disks gave excellent picture quality, there were few disks available and the machines could not record. These drawbacks meant that consumers saw Laservision as offering no advantage over videotape machines.

Some competitive advantages are too slight, too costly to develop, or too inconsistent with the company’s profile. Suppose that a company is designing its positioning strategy and has narrowed its list of possible competitive advantages to four. The company needs a framework for selecting the one advantage that makes the most sense to develop. Table 10.5 shows a systematic way of evaluating several potential competitive advantages and choosing the right one.

In the table, the company compares its standing on four attributes – technology, cost, quality and service – to the standing of its chief competitor. Let’s assume that both companies stand at 8 on technology (1 = low score, 10 = high score), which means that they both have good technology. The company questions whether it can gain much by improving its technology further, especially given the high cost of new technology. The competitor has a better standing on cost (8 instead of 6), and this can hurt the company if the market gets

Competitive advantage	Company standing (1–10)	Competitor standing (1–10)	Importance of improving standing (H–M–L)	Affordability and speed (H–M–L)	Competitor’s ability to improve standing (H–M–L)	Recommended action
Technology	8	8	L	L	M	Hold
Cost	6	8	H	M	M	Watch
Quality	8	6	L	L	H	Watch
Service	4	3	H	H	L	Invest

Table 10.5 Finding competitive advantage

more price sensitive. The company offers higher quality than its competitor (8 instead of 6). Finally, both companies offer below-average service (4 and 3).

At first glance, it appears that the company should go after cost or service to improve its market appeal over the competitor. However, it must consider other factors. First, how important are improvements in each of these attributes to the target customers? The fourth column shows that both cost and service improvements would be highly important to customers. Next, can the company afford to make the improvements? If so, how fast can it complete them? The fifth column shows that the company could improve service quickly and affordably. But if the firm decided to do this, would the competitor be able to improve its service also? The sixth column shows that the competitor's ability to improve service is low, perhaps because the competitor does not believe in service or has limited funds. The final column then shows the appropriate actions to take on each attribute. It makes the most sense for the company to invest in improving its service. Service is important to customers; the company can afford to improve its service and can do it fast, and the competitor will probably not be able to catch up.

Communicating and delivering the chosen position

Once it has chosen a position, the company must take strong steps to deliver and communicate the desired position to target consumers. All the company's marketing-mix efforts must support the positioning strategy. Positioning the company calls for concrete action – it is not just talk. If the company decides to build a position on better quality and service, it must first *deliver* that position. Designing the marketing mix – product, price, place and promotion – involves working out the tactical details of the positioning strategy. Thus a firm that seizes upon a 'high-quality position' knows that it must produce high-quality products, charge a high price, distribute through high-quality dealers and advertise in high-quality media. It must hire and train more service people, find retailers that have a good reputation for service, and develop sales and advertising messages that broadcast its superior service. This is the only way to build a consistent and believable high-quality, high-service position.

Companies often find it easier to come up with a good positioning strategy than to implement it. Establishing a position or changing one usually takes a long time. In contrast, positions that have taken years to build can quickly disappear. Once a company has built the desired position, it must take care to maintain the position through consistent performance and communication. It must closely monitor and adapt the position over time to match changes in consumer needs and competitors' strategies. This is how world-leading brands such as Coca-Cola, Nescafé, Snickers, BMW, Rolex, Estée Lauder, Johnnie Walker and Chanel have remained pre-eminent for so long. The company should avoid abrupt changes that might confuse consumers. Coca-Cola forgot this when it introduced its disastrous new Coke, Marlboro's price cuts made the brand fall from being the most highly valued brand to out of the top ten, and Unilever's hasty introduction of the Persil/Omo Power benefited Procter & Gamble. Violent changes rarely succeed – a product's position should evolve as it adapts to the changing market environment.

Summary

Sellers can take three approaches to a market. *Mass marketing* is the decision to mass-produce and mass-distribute one product and attempt to attract all kinds of buyers. *Target marketing* is the decision to identify the different groups that make up a market and to develop products and marketing mixes for selected target markets. Sellers today are moving away from mass marketing and product differentiation towards target marketing because this approach is more helpful in spotting market opportunities and developing more effective products and marketing mixes.

The key steps in target marketing are market segmentation, market targeting and market positioning. *Market segmentation* is the act of dividing a market into distinct groups of buyers who might merit separate products or marketing mixes. The marketer tries different variables to see which give the best segmentation opportunities. For consumer marketing, the chief segmentation variables are geographic, demographic, psychographic and behavioural. Business markets segment by business consumer demographics, operating characteristics, buying approaches and personal characteristics. The effectiveness of segmentation analysis depends on finding segments that are *measurable, accessible, substantial and actionable*.

Next, the seller has to target the best market segments. The company first evaluates each segment's size and growth characteristics, structural attractiveness and compatibility with company resources and objectives. It then chooses one of three market-coverage strategies. The seller can ignore segment differences (*undifferentiated marketing*), develop different market offers for several segments (*differentiated marketing*), or go after one or a few market segments (*concentrated marketing*). Much depends on company resources, product variability, product life-cycle stage and competitive marketing strategies.

The *core strategy* of a company shows how it will address the markets it has targeted. By *differentiation* it develops the strengths of the company, so that they meet the target markets' needs; then, by market positioning, it manages the way consumers view the company and its products. *Differentiation* helps a firm compete profitably. It gives it a *competitive advantage*. If a firm does not differentiate, it will be like 'all the rest' and be forced to compete on price. Differentiation is harder in some industries than others, but it is rare that a creative marketer cannot differentiate a market in some way.

There are four main ways to differentiate: *product differentiation, service differentiation, personnel differentiation and image differentiation*. The ease of following new technological innovations means that the product is becoming an increasingly difficult way to differentiate. Now service and image are the main ways people distinguish between products. As systems and methods become more common, personnel differentiation becomes more important. A firm's functional strengths give it its competitive advantage. Market positioning is about managing customers' view of the company and its products. It is about perception.

Value-based positioning offers a general positioning alternative based on the value delivered for the price charged. Several potentially successful strategies range from *more for more*, where customers are offered superior products or service at a higher price, to *less for less* which offers basic services at discount prices. Combinations of price and value that are the same as those already in the market are unlikely to succeed, as are offerings that deliver less value to customers.

There are several *positioning strategies* for shifting and holding customers' perceptions. Positioning works by associating products with product attributes or

other stimuli. Successful firms usually maintain a clear differential advantage and do not make violent changes to their market positions.

Discussing the issues

1. What are the benefits of mass marketing versus market segmentation for a business? Discuss in relation to examples of product and service providers.
2. The European Union, with its member states, is now viewed as an attractive and distinctive geographic market segment. Do you agree with this view? To what extent can businesses market in the same way to different consumers in member states? What does this imply about market segmentation?
3. Financial services providers are looking to segment their markets in the face of greater competition and ever more demanding customers. Would segmentation work for financial services? Show how financial services providers might go about segmenting their markets and implementing selected targeting strategies.
4. Famous personalities are often used in advertising products. Think of examples you know and work out what values the personality brings to the brand.
5. Is positioning helpful to not-for-profit organisations? If so, how should a charity select and implement a positioning strategy? If not, why?

Applying the concepts

1. By looking at advertising and at products themselves, we can often see how marketers are attempting to position their products and what target market they hope to reach.
 - Define the positionings of and target markets for Coca-Cola, Pepsi Cola, Red Bull, Tango and 7-Up.
 - Define the positionings of and target markets for KitKat, Lion Bar, Snickers, Aero, Mars Bars and Twix.
 - Do you think that the soft drinks and confectionery industries achieve distinctive positionings and target markets? Are some more clearly defined than others?
2. Alldays, a convenience store, has located two appropriate properties: one in Appleby Magna (postcode DE12 7AQ) and the other in nearby Measham (postcode DE12 7HR). Visit www.upmystreet.com to view the ACORN geodemographics of the two locations and suggest how Alldays' merchandise and promotions should be adjusted to meet the needs of the alternative communities.

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Concluding concepts 10

Coffee-Mate



Powdered or dried milk is a distress product.

Greg, category manager for coffee creamers, was evaluating his ad agency's proposal for Coffee-Mate (Exhibit 10.1). The £25 million (€42 million) a year coffee creamer market was small with a household penetration of only 18 per cent. Despite the growth of private labels to take 37 per cent of the market, Coffee-Mate's £1.5 million advertising budget had enabled it to hold a 55 per cent market share and squeeze both private label and other brands (Complement, Kenco and Compleat). However, budgets were being squeezed so unless the advertising campaign could show some sales gain, there was a danger that the category could be milked to provide income to invest in food products with more growth potential.

Competition in the coffee creamer market

The coffee creamer market is distinct from the declining £43 million instant dry milk market (Marvel, St Ivel Five Pints and Pint Size). Dried or powdered milk

had been associated with slimming (e.g. Marvel adopted this positioning). Dried or powdered milk is not a direct substitute for coffee creamers because of its poor mixing qualities. It is used as a whitener in tea or coffee only in 'emergencies' when the household has run out of milk.

The coffee creamer market is undergoing a change in parallel with consumers' developing tastes for skimmed and semi-skimmed milk in their coffee. Milk is the most popular whitener for coffee. Although cream is thought to be the best whitener, consumers perceive cream as reserved, ritualistic and appropriate for special occasions but not for daily use.

Powdered or dried milk is a distress product, creamers are regarded as an indulgence, although non-users did not see creamers as anything like a substitute for cream and were generally suspicious of the product.

Coffee-Mate is a blend of dried glucose and vegetable fat, but cannot be legally defined as non-dairy, since it also contains milk derivatives. Recent improvements to the product include the relaunch of Coffee-Mate 100 g and 200 g in straight-sided glass jars with paper labels, and a 'Nidoll-contoured' jar with shrink-wrapped label. Packs of

Exhibit 10.1 Proposed TV ad to boost sales

Vision	Sound
<p>Jane and John, an affluent thirty-something couple, are entertaining two other similar couples.</p> <p>They are ending their meal by drinking coffee out of fine china cups and eating After Eights.</p> <p>Jane looks, alarmed, at John. John glances at the empty cream jug.</p> <p>Jane rushes into kitchen and frantically looks for cream (there is none) and milk (all gone).</p> <p>Jane pauses, smiles, then gets out the Coffee-Mate. Jane pours the coffee and adds the Coffee-Mate.</p> <p>Jane returns with coffee. Guest sips the coffee containing Coffee-Mate.</p> <p>John smiles quizzically (and admiringly) at Jane. Jane leans back in her chair, smiling knowingly.</p>	<p>Soft soul music playing throughout.</p> <p>John (to one of the other guests): 'Do you want another cup?'</p> <p>Guest 1: 'Yes, please.'</p> <p>Guest 2: 'Me, too! With cream!'</p> <p>Jane (thinking quickly): 'I'll make it!'</p> <p>Guest 1: 'Lovely, even better than the last one!'</p> <p>Guest 2: 'Yes, how do you do it?'</p> <p>Voice: 'Coffee-Mate, never be without it!'</p>

Exhibit 10.2 Reasons for lapsing and rejection (number of respondents)

Spontaneous response	Lapsing	Rejection
Don't drink coffee	11	22
Drink black coffee	5	6
Prefer milk	50	33
Prefer skimmed milk	5	3
Don't like them	10	18
Leaves coffee too hot	2	1
No need to use them	5	5
Don't think to buy them	1	4
Doesn't mix	4	1
Prefer pure things	4	3
Fattening	2	2
Too rich/creamy	1	2
Other	5	3
Don't know	4	9

500 g and 1 kg are available in cartons with an inner bag. When Coffee-Mate Lite, a low-fat alternative to Coffee-Mate, was introduced, cannibalisation of volume was minimal. The volume generated by Lite is a key feature in the development of the brand, which has experienced a 10 per cent growth in sales volume in the first three years following Lite's launch.

Coffee-Mate consumer

The average Coffee-Mate consumer buys 1.5 kg annually. There is no *strong* demographic bias among coffee creamer buyers although there is a slight skew towards 45–64-year-olds, two-person households and households without children. Heavy buyers of Coffee-Mate have a slight bias towards lower social class, aged 45+, 2–3-person households with children. Coffee-Mate Lite users have a slight bias towards 45–64-year-olds, full-time working housewives and households without children.

AGB Superpanel data suggest that buyers of Coffee-Mate use all brands and types of coffee. The creamer market has a low interest level since it is not a weekly shopping item. Reasons given for lapsed usage were similar to non-users (Exhibit 10.2).

Because Coffee-Mate and Coffee-Mate Lite are 'consumed' with coffee, popularity and demand will also be affected by the annual coffee consumption, which is static at a low 3 kg per head in the UK (about 1.5 cups per day). The figure for Italy, France and Germany is 5 kg and 11–13 kg in the Benelux region and Scandinavia. The National Food Survey suggests that the higher a household's

Exhibit 10.3 Consumption by income group (per person/week)

Weekly income (£)	Weekly expenditure (£)
645+	0.25
475–644	0.19
250–474	0.20
125–249	0.18
0–124	0.17
125+ (no earners)	0.32
0–125 (no earners)	0.19
Old-age pensioners	18.64

SOURCE: National Food Survey, pub. MAFF. Crown copyright material is reproduced under Class Licence Number C01W0000039 with the permission of the Controller of HMSO.

Exhibit 10.4 Consumption by household size (per person/week)

Adults in household	Children in household	Weekly expenditure (£)
1	0	0.27
1	1+	0.15
2	0	0.25
2	1	0.18
2	2	0.15
2	3	0.15
2	4+	0.11
3	0	0.23
3+	1–2	0.16
3+	3+	0.12
4+	0	0.25

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income, the more it spends on coffee (Exhibit 10.3). Childless households are the most intense coffee drinkers (Exhibit 10.4).

Dried milk

The image of powdered milk is as a distress product where the *brand* is *bought*, but the *product* is *tolerated*: 'You tend to buy powdered milk thinking that you will need it when you run out, and occasionally you do.' 'Powdered milk is useful if you run out of real milk. You can make it up and use it just like the real thing, but it doesn't taste too good. You have to be a bit desperate to want to use it.'

Other negatives attach to dry milk. Respondents considered it to be inconvenient to prepare. Frequently its performance is seen as disappointing: it is 'lumpy', resulting in 'bits' floating on the top of their coffee. The product also tends to 'congeal' when spooned into tea or coffee. When made up and poured, the product's poor taste qualities are apparent: 'We have had it in our Cornflakes when we've run out, but quite honestly, it tastes so disgusting that in the future I don't think I'd bother.' 'It's all right for baking, but if you want to use it like real milk, it's not really advisable.'

Whiteners/coffee creamers

Coffee creamers have a more polarised image across users and non-users. *Loyal or confirmed creamer users* regard creamer as almost a treat. These hedonistic and indulgent properties are sometimes enhanced by the brand (e.g. Coffee-Mate) being perceived as having relaxing or comforting benefits: 'Creamers are a little bit of an indulgence. They make coffee taste so much better. They add something to it which improves the taste.' 'First thing in the morning I tend to have coffee with semi-skimmed milk, but towards 11 o'clock I want something which is more relaxing, more substantial, so I have coffee with Coffee-Mate. It seems to be comforting.'

Creamers' taste is a motivating force behind usage. Loyal users appreciate the thicker, creamier taste. Creamers are considered to supplement the taste of coffee, to complement and improve its flavour. For Coffee-Mate, the perceptions are extremely positive. Users enjoy its sweet delivery, stating that they need not add sugar to it. Fans feel that it does produce a creamy cup of coffee whether or not it is added to instant or freshly brewed 'real' coffee: 'Coffee without Coffee-Mate, just made with milk, tastes like it's got something missing.' 'Coffee-Mate kind of lifts the flavour. It makes a richer, better-tasting cup of coffee, whether it be an instant or a real one.'

Non-users' perceptions of coffee creamers are tainted by their negative attitudes towards dried milk. Creamers are something you have put by for an emergency: 'If someone gave me a cup of coffee with creamer in it, I would think they were doing it because they had run out of milk. I wouldn't have thought it was because they like the taste of it. Surely nobody could like the taste.'

Thus, in marked contrast to the users, non-users describe creamers as changing the taste of coffee, masking its pure taste rather than enhancing it. They also criticised its high sugar content, which the consumers

feel delivers a flavour that is unacceptably sweet. They perceive it to be a poor alternative to cream: 'You can always tell when someone's used creamers, it just tastes powdery. It doesn't taste like cream, it has a taste all of its own.' 'Whiteners taste nothing like cream. They taste powdery. You always know when they're there.'

Lapsed users still see creamers as a bit of an indulgence and a treat. However, they feel an element of guilt in using the product: 'I like coffee creamers – I like the taste. But I stopped using them because I felt I was putting on too much weight and I needed to cut down. I just think there is too much in there, it's just glucose syrup and vegetable fat.' 'My husband had to go on a low-cholesterol diet and I figured that there was just too much fat in the coffee creamers. We've become accustomed now to drinking it black, or with very little skimmed milk.'

Health concerns are having an impact upon milk consumption. This change has been prompted by consumers' concern over health in general, and their level of fat intake in particular. Some consumers found it difficult to wean themselves and their families off milk, initially, and then semi-skimmed milk, in favour of the fully skimmed variety. However, many are persistent in adopting an overall preventative health maintenance regime as well as controlling their weight. So, while a few retained the notion that a cup of real coffee made with cream was the ideal, many others considered their ideal to be coffee drunk with just a dash of milk or black. Coffee-Mate is in danger of being redundant since it is perceived to be too close to cream in its taste and texture while its creamy association is increasingly deemed unhealthy. Coffee-Mate Lite may redeem the situation by offering the same benefits of creamy and rich taste without causing injury to health and weight.

Consumer analyses

TGI User Surveys covering instant/ground coffee and powdered milk/coffee creamer markets yielded five potential consumer groups for Coffee-Mate.

'Sharon and Tracy' – experimentalists (sample proportion: 15.4 per cent)

They like to enjoy themselves and try new things. They enjoy spending money happily and seem to be very materialistic and status conscious. They go out frequently and are uninterested in political or environmental issues. Although they are heavy users of instant coffee, they are low-level users of ground coffee. They claim to use

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Nescafé granules and Maxwell House powder most often. They are below-average users of the category and average users of Coffee-Mate, but heavy users of cream.

They are younger (15–44 years) with a mid- to down-market bias (C2D) and children. They are of middle income (£15,000 up to £30,000), but live in state-owned property, in underprivileged areas.

They read many 'low brow' newspapers and the 'mums' magazines such as *Bella*, *Chat* and *Woman*. They are heavy users of commercial terrestrial TV, breakfast programmes and satellite TV and are heavy listeners to pop radio channels. They cannot resist buying magazines and read papers for entertainment rather than for news.

They spend average to high amounts on the main grocery shop. They love shopping for anything, be it food, clothes, kitchen gadgets or whatever. They like to keep up with fashion and believe they are stylish, and feel it is important to try to keep looking young. They will try anything new. They will respond to seeing new things in advertising or in the store.

They are very gregarious and socialise often (heavy users of pubs, wine bars and restaurants). They like to enjoy life and not worry about the future. They holiday abroad (eat, drink and lie in the sun) and like to treat themselves. They tend to spend money without thinking, spend more with their credit card and are no good at saving their money. They feel that it is important for people to think they are doing well. They buy cars for their looks and believe that brands are better than own labels.

They are not really using Coffee-Mate as much as one would have expected.

'Eileen and Mary' – cost constrained, older, conservative (23.6 per cent)

Very price aware, they budget when shopping and look for lowest prices. They are very traditional in their habits (don't like foreign food or foreign holidays). They worry about food ('food is not safe nowadays'), feel safe using products recommended by experts and think fast food is junk. They think it is worth paying more for organic fruit and vegetables and environmentally friendly products, but don't do much about it, perhaps because they can't afford to.

They are light users of instant coffee, using Maxwell House brands most often. They are average users of dried milk but are not really users of Coffee-Mate and never use cream. They are older (55+) and down-market (C2DE). They are not working or are retired in one- or two-person households; hence fewer of this type have children at home. They live in multi-ethnic areas, council areas

and underprivileged areas on a low household income (£5,000–11,000).

They read the tabloid press and *Bella* and *Chat*. They are also heavy users of terrestrial commercial ITV and listen to commercial pop radio stations.

Their expenditure on grocery shopping is low and they tend to shop daily at small grocers. They enjoy shopping, but always look for the lowest prices, decide what they want before they go shopping and budget for every penny. They frequently enter competitions, find saving difficult, save for items they want and like to pay cash.

They are very conservative. They like routine, dislike untidiness, would buy British if they could, have a roast on Sundays and prefer brands to own label. They believe job security is more important than money, would rather have a boring job than no job, and prefer to do rather than take responsibility. Due to both their age and financial constraints, they socialise rarely. Most of this group never entertain friends to a meal, never go to a pub, a wine bar or a restaurant.

'Sarah and Anna' – affluent, young foodies (24.4 per cent)

Unencumbered by children and well off, they love both travelling and food (many claim to be vegetarian). They do not have to budget and can afford to treat themselves to perfume and foreign holidays, preferably more than once a year. They are not interested in additional channels on satellite TV and tend to be light users of all media.

They are heavy users of coffee and ground coffee. They buy decaffeinated, Gold Blend, Alta Rica and Cap Colombie. They are above-average users of creamers, claim to buy Coffee-Mate and Marvel most often, and also use cream.

Aged 35–54, predominantly ABC1, they earn above-average incomes and work full time. They live in areas of affluent minorities, young married suburbs and metro singles, in one- or two-person households.

They read quality newspapers, are light users of commercial radio but they do listen to the radio (usually the BBC) in the car.

They have a high expenditure on their main grocery shop (£71+) but shop infrequently at a large grocery supermarket. They really enjoy cooking and food, read recipes in magazines and like to try out new foods. Their tastes will be varied as they also enjoy travelling abroad on holiday, where they avoid the package trips and like to do as much as possible.

They entertain frequently and invite friends for meals. They also use pubs and wine bars, though not as much

as 'Sharon and Tracy', and they are heavy users of restaurants.

They are health conscious (well, they can afford to be) and claim to include fibre in their diet, eat wholemeal bread, have less fat in their diet and eat fewer sweets and cakes. They are prepared to pay more for food without additives and for environmentally friendly products. They also exercise.

They can afford to treat themselves and prefer to buy one good thing rather than many cheap ones. They also like to keep up with technology and want to stand out from the crowd. In their fortunate position they enjoy life and don't worry about the future.

They claim never to buy any product tested on animals, use recycling banks and disapprove of aerosols more than the population at large. They make use of credit cards, especially for business, like to be well insured and consult professional advisers.

'Dawn and Lisa' – cost constrained, young families (13.9 per cent)

This group is severely constrained by their low incomes. But unlike the previous group, they are often young, working part-time or are unemployed or students. They are also not remotely concerned about health or the environment. Many left school at 15 or 16.

They are heavy users of instant coffee but do not use ground coffee. They buy Nescafé granules and Maxwell House powder. They are below-average users of creamers and never use cream.

This group is biased towards the 15–34 age group and is down-market (C2DE) with low incomes (£5,000–11,000). They tend to live in state housing in fading industrial areas. They have young families and there is a slightly greater bias to larger families than in other groups.

They read the tabloid press, *Bella* and *Chat*, and they are heavy viewers of commercial terrestrial and satellite TV, and heavy listeners to independent radio.

Their expenditure on the main grocery shop is low and they shop daily or once a week at discount grocery stores. They always look for the lowest price, watch what they spend, budget for every penny and look out for special offers. They want to save but find it difficult.

As a result of their difficult financial circumstances, they rarely use wine bars, pubs or restaurants. They claim to enjoy going to the pub, but cannot afford to these days. Similarly, when they can afford a holiday, they prefer to do so in the UK.

They have little time or money to worry about the environment or health issues, and claim that health food

is bought by fanatics. They believe that frozen food is as nutritious as fresh foods. They tend to buy own label, presumably because it is cheaper rather than because they believe own-label goods are better than branded goods.

'Dorothy and Amy' – affluent (22.7 per cent)

This group does not have to be price conscious. They are older, sometimes retired or working part-time, and are well off. Often they own their house outright. They are, however, fairly traditional. They are not interested in travelling abroad, they are not health conscious and they are not media aware.

They are the people most likely to be buying Coffee-Mate. They buy instant coffee to the same degree as the rest of the population and are light users of ground coffee. But they use creamers as well as cream.

Dorothy and Amy are older (55+) and are up-market (AB and C1). They still have a reasonable household income despite being retired (£25,000+) and their children have left home. They are clearly a group who have disposable income and are not worried about budgeting. They are to be found in affluent minorities, older suburbs and young married suburbs.

They are readers of quality press, light viewers of ITV and never listen to commercial radio. They are not media aware, claiming to watch little TV and not to notice posters, and do not expect ads to entertain.

Their expenditure on the main grocery shop is above average. They do not enjoy shopping as much as other groups, are not price conscious but are prudent with money (consider themselves good at saving). They do not want to try new things, are not keen to keep up with the latest fashion and are not concerned with their appearance. They buy foreign goods if possible, will pay extra for quality goods, but are not really indulgent.

This is a group whose attitudes tend to lag. They get a great deal of pleasure from gardening and others often ask their advice on the matter. As a group they are happy with their standard of living. They do not often go to pubs, wine bars or restaurants, but they do have people home for meals.

Questions

1. What are the main benefits of Coffee-Mate and what is limiting its sales?
2. Should Coffee-Mate be mass marketed, aimed at one segment or aimed at multiple segments?

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3. Evaluate the segments from TGI's user survey for target attractiveness and their fit to Coffee-Mate's strengths. Which of the segments would you target and why?
4. Evaluate the proposed ad for the target market and benefits promoted. Will the ad help propel Coffee-Mate's further growth? Create an alternative ad for your chosen target market.
5. How would the promotion of Coffee-Mate change with the benefits promoted and the competition targeted?
6. Defend your choice of famous personalities who could be used to help position Coffee-Mate in each different segment.

SOURCES: Economist Intelligence Unit, *Retail Business*, no. 418 (December 1992); British Market Research Bureau, *Instant Powdered Milk and Coffee Creamers* (1992); company sources.