

WEEK 5-SEGMENTATION, TARGETING AND POSITIONING: (The three elements of strategic marketing) STRATEGIC MARKETING PLANNING:



-Looking at ways to analyse the macro environment to look for trends in the external environment and assess opportunities for growing our business or entering new markets.

-Then we must set objectives / or SMART goals.

-Finally we must determine our marketing strategy, how might we go about achieving them.

DEVELOP MARKETING STRATEGIES:

How do these first three steps set our marketing strategy that will drive everything else we do into delivering it?

- 1. Segment(s) To Target:** Few marketers can be successful today trying to market to everyone with the same product. Thus it is important to decide what part or segment of the market we must target. We must make a segment made up of people or customers whom we can serve best with the products and services we may offer or create to meet their particular needs and wants.
- 2. Competitive differentiation:** We try to do or have something better to offer than our competition, the difference needs to be important to our target market.
- 3. Position in the Customer's Mind:** Get the item on their shopping list, so that the point of difference is clearly understood.
- 4. Design the Marketing Mix:** Marketing designs for one or more products and their target markets using a mix of marketing activities to carry out the strategies.

BASICS OF MARKETING STRATEGY: (how do they work in real practise?)

ENERGY DRINKS: (Soft drink Market)

- 1. Segment the market and select target market(s):** Seldom do we have a product that appeals to everyone, not even Coca-Cola has only one flavour or types these days. So in the soft drink market, focus only on the energy drink category and the types of people who buy them and compose the segment we will target.
- 2. Differentiate your product from the competition:** Finding a point of difference, → If we have an orange flavoured energy drink, since there aren't many of those on the market and we have come up with a great one.
- 3. Position it clearly in the customer's mind:** Get it on peoples shopping lists by creating the perception that our drink is not only different but better than competitors.

ALL IN ALL CREATNG A VERY EFFECTIVE MARKETING STRATEGY, but to deliver it we have to decide on the marketing mix (product, price, place, promotion).

- **1. DIVIDING MARKETS INTO SEGMENTS:** It is important to understand that our strategy is based on dividing consumers or customers into segments, in which each segment is made up of members with similar characteristics, behaviours and needs. (Customers must be segmented into needs and wants which segment the market)
- One method is by demographics: (the statistical analysis of a population) customers are sub-divided according to characteristics such as age, gender, income, etc...

ANCHOR MILK SEGMENTATION: Each form of milk is aimed at a market segment with different demographics:

-Kiwi Classic, Families, Active Kids, Women, Dieters, Milk Lovers

What is the difference? Higher protein, higher calcium, 95-99% fat free, More Vitamin D, Vitamin A, Heart Foundation tick.

-Grocery shoppers can get confused due to so much choice, even in a low-involvement purchase. But for most products, even milk, there are also other influences which may affect their choice the marketers are catering too. E.g. Healthy Lifestyle.

→ **2. PSYCHOGRAPHICS:** analysis of people from the inside, focusing on their psychological make-up. This includes, interest, values, attitudes, lifestyles.

Customer segments can differ by wants and needs during the day; e.g. in McDonalds (eating habits at a particular time of the day), in the morning's people desire sausages and pancakes, meanwhile in the afternoon people desire chicken wrap. This helps to develop McDonald's menu so they can operate 24/7.

-**Porsche demographics:** Middle-aged men with high incomes brackets living in large cities etc...

Psychographics: the bigger the price tag the bigger the purchase involvement. Predominant buyers will be high achievers, status seekers, extension of personality, etc...

This helps us develop better marketing communications such as advertising for this target market.

Often business' describe market segments by names that people can relate too.

E.g. Air New Zealand customer segment Psychographics:

-**SOCIALITIES:** 29% Bart Simpson, look for airline to stimulate them

-**TERRITORIALISTS:** 26% Mr Burns, close relationship to space

-**JADED FLYERS:** 18% Mo the bartender, hard to please, been there done that

-**COCOONERS** 17% Lisa Simpson, get there, entertain themselves

-**POSITIVIST:** 10% Marge Simpson, love to travel, engage with everything

When differences in buying behaviour are influenced by where people live: **GEOGRAPHIC SEGMENTATION:** segmenting the market into different geographic units such as cities, regions or even other countries. Allows companies to customise and sell products that meet the needs of people based on where they live.

Tourism New Zealand's marketing is designed to attract travellers from different countries. The New Zealand "100% Pure You" campaign targets different countries that has been successful for well over 10 years now and is being modified slightly to put the emphasis on the people themselves enjoying activities in New Zealand → 100% Pure YOU: different advertisements have been produced for each of the different countries in the campaign. How New Zealand is sold to the world is now on a **PERSONAL LEVEL** (previously tourism NZ relied on the beauty of NZ to bring in tourists, now they are personalising the experience).

2. DIFFERENTIATION: Finding a point of difference (Do I have a sustainable competitive advantage?)

-Can we identify or create a difference or differentiated that are important to our customer and will set us apart from our competitors? → Finding a sustainable point of difference that customers will not be able to copy is extremely difficult. More and more good marketers are focusing just on great service, something that is not easy to copy OR do better.

-**DIFFERENTIATION STRATEGIES:** Important points of difference (these need to be important to the customer)

-Added value benefits customers (so we are selected over competitors)

-Low cost or other differentiation:

-Lighter, faster, easier to use, better service, lasts longer, more choice etc...

SUBWAY continues to add value for customers and competitive advantage: e.g. Healthier options, more menu options, school lunch programmes, reward programme (Subcard) etc... (One of the fastest growing franchisers in the world)

3. POSITIONING BASICS: Finding or creating a point of difference is seldom enough, we must communicate it effectively by consistently telling why the product is better by some important attribute. Making our story so memorable that it will be remembered and added to the customer's shopping list; great marketers do this by utilising their logo and slogan and having consistent brand communication.

REPOSITIONING: sometimes we have to rethink our business strategy which may change the value proposition, our points of difference, call for a new image, a new look, everything we do to communicate the new perception we want customers to have of us. e.g. How Air New Zealand changes its image after a failed merger in 2000:

(totally repositioned itself over a period of 10 years) -Became perceived as a smart company from a unique country

-Was prepared to lead industry innovation, became service and performance driven, was able to have a bit of uniquely kiwi fun. → Result: World's Best Airline Award 2010&2012

It's promotional budget is quite small compared to other airlines, strategic use of social media (youtube) with humour and uniqueness has entertained and created a perception of an airline that would be fun to fly with. youtube costed less and reached an equivalent amount of customers as television would have. **POSITIONING IS ABOUT CREATING THE DESIRED BRAND PERCEPTION:** Positioning is the battle of the mind, trying to create the right perception of your brand. e.g. UoA .v.s. AUT

WHY TWO LOW-CALORIE COKES: Diet coke v.s. Coke Zero (white and black.. {significance??})

-Same number of calories, same ingredients, different taste and bottle design. Evidently each is aimed at a different target market. Diet coke=women, Coke Zero= men → DIFFERENT POSITIONING, creating different perceptions (demographically) between two different products. Thus increasing sales for coca cola; particularly among men. Different, slogan/tag line created for both, differently styled advertising campaigns.

POTATOES ARTICLE: THERE ARE FOUR KEY UNDERLYING TRENDS THAT EFFECT THE ENTIRE MARKET;

- Variety: Fresh potatoes are still part of the diet, but they face growing competition.
- Health & diet: Perception that potatoes are not as healthy as alternatives.
- Time poverty: Fresh potatoes perceived as needing more preparation and taking longer to cook.
- Availability of fresh produce and perceptions of quality: Buying smaller quantities of fresh potatoes.

KEY FINDINGS;

- 97% of the population are eating fresh potatoes
- 53% of New Zealanders consume fresh potatoes four times a week or more
- 41% of New Zealanders consume processed potatoes fortnightly or more
- 21% of New Zealanders are eating fresh potatoes every day.
- 44% of the population have decreased their fresh potato consumption in the past few years

FUN PRAGMATIC PARENTS: 16%
CLASSIC PROVIDERS: 25%
OLD FASHIONED IDEALISTS: 17%
HEALTH CONCERNED COOKS: 16%
EXPERIMENTAL INDULGERS: 13%
QUICK SOLUTION SEEKERS: 14%

- Life stage is a contributing factor.

- Supermarkets are still the most common place to buy potatoes. The visual appearance of the potatoes and purpose or usage is the main reason for selecting fresh potatoes.

Fresh – The Success & Challenges;

- Potatoes are a staple of the New Zealand diet and 97% of New Zealanders eat them. However, the regular fresh potato consumer is a declining market. They are an older consumer with shrinking households.
- Even amongst these 'loyal' consumers there is a majority that still branch out into new types of carbohydrate alternatives because what we crave is variety.
- Variety is the real challenge for the fresh potato market.

QUALITATIVE INVESTIGATION is typically undertaken to scope out a quantitative measurement project.

During the Qualitative Investigation phase researchers talk to a relatively small sample of consumers in quite specific depth. The objectives are to gain a greater understanding of the rational factors which drive current behaviour and to uncover unarticulated emotive factors that really drive behaviour.

QUANTITATIVE MEASUREMENT This phase typically follows the Qualitative Investigation. A much larger, randomly selected sample of consumers is interviewed with the aid of a structured questionnaire designed using the knowledge gained during the qualitative phase. The size of the consumer sample is representative of the wider population in whose behaviour the researcher is interested in. The size of the sample in this project was 757 potato eating consumers.

SATISFYING THE CUSTOMER: MARKETING, SALES AND CUSTOMER SUPPORT:

-Marketers need to learn how to adapt to the customers; customers faced with complex purchase decisions (e.g. cars) can now find extensive information online about products, prices, competitors, customer's service rankings, safety issues, and other factors.

CONSUMER MARKET: Individuals or households that buy goods and services for personal use.

ORGANISATIONAL MARKET: Companies, government agencies, and other organisations that buy goods and services either to resell or to use in the creation of their goods and services.

-Classical economics suggest that consumer behaviour would follow a rational process of first recognising a need and then gathering information, identifying alternative solutions and finally making the choice from the alternatives. Researchers now understand that consumer behaviour tends to be far less logical and far more

complicated. The emerging field of behavioural economics is starting to offer better insights into customer behaviour by incorporating a broader (and somewhat less-flattering) view of the way people make decisions. **COGNITIVE DISSONANCE:** Tension that exists when a person's beliefs don't match his or her behaviours;; a common example is buyer's remorse, when someone regrets a purchase immediately after making it.

CULTURE: The cultures (and subgroups within cultures) that people belong to shape their values, attitudes, and beliefs and influence the way they respond to the world around them.

SOCIOECONOMIC LEVEL: In addition to being members of a particular culture, people also perceive themselves as members of a certain social class-upper, middle, lower or somewhere in between. In general, members of various classes pursue different places, and react to different media-or at least like to believe they do.

REFERENCE GROUPS: Individuals are influenced by reference groups that provide information about product choices and establish values that they perceive as important. Reference groups can be either membership or aspirational. As the name suggests, membership groups are those to which consumers actually belong, such as families, networks of friends, clubs and work groups. In contrast, consumers are not members of aspirational reference groups but use them as role models for style, speech, opinions and various other behaviours.

SITUATIONAL FACTORS: These factors include events or circumstances in people's lives that are more circumstantial but can influence buying patterns. E.g coupon or celebrating a holiday or even a bad mood → retail therapy

SELF-IMAGE: Many consumers tend to believe 'you are what you buy' so they make or avoid choices that support their desired self-images. Marketers capitalise on people's needs to express their individuality through their purchases by emphasising image value or g/s.

THE ORGANISATIONAL CUSTOMER DECISION PROCESS:

-An emphasis on economic payback or other rational factors: org. choices are based on a more rational analysis of needs and alternatives.

-A formal buying process

-Greater complexity in product usage

- The participation and influence of multiple people

-Close relationships with buyers

STRATEGIC MARKETING PLANNING: The process of examining an organisations current marketing situation, assessing opportunities and setting objectives and then developing a marketing strategy to reach those objectives.

MARKET PENETRATION: Selling more of a firm's existing products into the markets it already serves

PRODUCT DEVELOPMENT: Creating new products for a firm's current markets

MARKET DEVELOPMENT: Selling existing products to new markets

DIVERSIFICATION: Creating new products for new markets

MARKET SHARE: A firm's portion of total sales in a market

MARKETING STRATEGY: An overall plan for marketing a product; includes the identification of target market segments. A positioning strategy and a marketing mix.

MARKET: A group of customers who need or want a particular product and have the money to buy it

MARKET SEGMENTATION: The division of a diverse market into smaller, relatively homogeneous groups with similar needs, wants and purchase behaviours.

DEMOGRAPHICS: The study of statistical characteristics of a population

GEOGRAPHICAL SEGMENTATION: Categorization of customers according to their geographical location.

PSYCHOGRAPHICS: Classification of customers on the basis of their psychological makeup, interests and lifestyles.

BEHAVIOURAL SEGMENTATION: Categorisation of customers according to their relationship with products or response to product characteristics.

TARGET MARKETS: Specific customer groups or segments to whom a company wants to sell a particular product.

POSITIONING: Managing a business in a way designed to occupy a particular place in the minds of target customers.

MARKETING MIX:

PRODUCT: A bundle of value that satisfies a customer need or want

PRICE: The amount of money charged for a product or service.

PLACE (distribution channels): Systems for moving goods and services from producers to customers; also known as marketing channels.

PROMOTION: A wide variety of persuasive techniques used by companies to communicate with their target markets and the general public.

Customer communication involves the activities used to communicate with and promote products to target markets.

