

Marketing & Customer Value:-

Marketing involves satisfying customers' needs and wants at a profit while being socially responsible. In a hypercompetitive economy with increasingly rational buyers faced with abundant choices, a company can win only by fine-tuning the value delivery process and choosing, providing, and communicating superior value.

- ' **The Value Delivery Process:-** The traditional view of marketing is that the firm makes something and then sells it; however this traditional view of the business process will not work in economies where people face abundant choices. Here the 'mass market is actually splintering into numerous micro-markets, each with its own wants, perceptions, preferences and buying criteria. This realization has put the **Marketing at the beginning of the planning**. Instead of emphasizing making and selling, companies now see themselves as part of a value delivery process.

In any marketing situation, one can discern four distinct steps in the value providing process:

- * Value selection
 - * Value creation/value delivery
 - * Value communication (making a value proposition and communicating it.)
 - * Value enhancement.
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- ' **Value Selection** It is obvious that selecting the value to be offered is the first step in the value delivering process. Everything else follows. Only after selecting the value to be offered, can the firm proceed with production, sales and promotion. What needs to be specifically understood here is that the firm finds out what constitutes value in the estimation of the customer and accepts it as the value to be offered. Value selection is thus not only the first step in the sequence but also the most crucial one.
 - ' **Value Creation / Value Delivery** This constitutes the bulk of the marketing job. What the firm has promised to provide the customer has to be actually provided. The product offering must actually carry the benefits the firm has promised and it must be reached to the customer in the most satisfying manner. Value creation/value delivery signifies the successful execution of the firm promise. Most firms fumble here because they promise to provide all sorts of things, but they fail deliver; their products fail to carry the value they were supposed to carry. The entire firm with all the functions and activities is involved in this step. In creating and delivering the product with all the associated benefits, which the firm has decided to offer, there is a role for technology, design and engineering finance management and the organizational set-up. On Marketing Concept, in this article we outlined up on the idea of integrated management action. What is required in value creation and delivery is integrated management action with marketing taking center stage.
 - ' **Value Communication** After selecting the value to be offered and deciding how the value has to be created /delivered, the firm tries to communicate the value to the customer. In this step, there are actually two components. The firm works out a value proposition and then communicates it to the customer.
 - ' **Making a Value Proposition** In a marketing endeavor, what the firm offers to the customer is not a mere physical product; it offers a value proposition. The product offer consisting of the best possible benefits/value is put forward as a value proposition, explaining how the offer matches the customer requirements and how it works out to be the best among all the competing offers.
 - ' **Communicating the Value Proposition** The firm then, communicates the value proposition to the customer. It explains the uniqueness of its offer through a well-formulated marketing

communication mix. The customer exercise of assessing the value of the offer actually starts from this stage.

’ **Value Enhancement** The firm also continuously and proactively enhances the value. It collects feedback from the consumer about his level of satisfaction with the product and upgrades the value. It actually is a non-stop job for the firm to search for the customer satisfaction level and augment the offer. Competing products, including substitute products, keep attacking the value proposition of the firm.

Expectations of customers too keep changing. The firm has to search for the new expectations of the customers, locate product gaps/ benefits gaps and keep making new and better offers to the customer to stay ahead of the competition in value rankings. Sales promotion gimmicks do not normally serve the purpose of sustained value addition. Sales promotion measures like consumer deals and trade deals result in just a temporary shift in the value-cost equation in favor of the consumer. When the deals are withdrawn, consumers turn away from the product. What is needed is a sustained and ongoing effort, not short-lived big bangs. The effort must be lasting value addition, which normally accrues only through factors like enhancement of the functional utility/ convenience of the product.

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BUYING MOTIVES:- A buying motive is the reason why the customer purchase the goods.

Motive is the driving force behind to purchase the goods. So, motive refers to thought, urge, feeling, emotion and drive which make the buyer to react in the form of a decision. Motivation explains the behaviour of the buyer why they are going to buy the goods. They buy the goods due to several motives such as economic, social, psychological etc. for example in winter seasons we are motivate to purchase the woolen clothes to protect from the cold. Likewise, we are motivated to purchase the fans in summer season to get the relief from the hot. Knowledge of buying motive of customers is important for the producers and suppliers. The needs and desires of customers and their buying behaviour should be properly discussed. This will help them to take proper step for drawing the attention and sale the goods. So, buying motive is concerned with the reasons that impulse the buyer to take the decision for the action. It motives or induces the customers that may be affected due to several reasons such as pride, fashion, fear, safety, love and affection, comfort and convenience and economy. After analyzing and evaluating it, the producers as well as suppliers can effort to develop the product and advertisement creativity. Different authors have classified buying motives in different ways.

According to **Malvin S.Hatrick**, there are two classifications.

a.Primary buying motives: Primary buying motives are related to the basic needs of human being such as hunger, thirst, sleep, sex etc. Due to these needs people get motivated to purchase the goods.

b. Secondary buying motives: Secondary buying motives are those, which are influenced by the society where he is born and lives. It is created after fulfilling the basic needs. These motives are curiosity, comfort, security, love and affection. It can be further classified under three main headings.

Classification of buying motives:

1.Emotional

a.love and affection

b.Curiosity

c.Fashion

d.Pride and Prestige

e.Sex and Romance

f.Fear

2. Rational

a. Economy

b. Utility

c. Comfort and convenience

d. Durability

e. Security

3. Patronage

a. Service Motive

b. Quality

c. Location

d. Store loyalty

e. Friendliness behaviour

1. Emotional Buying Motives: Buying motives based on feelings or passions are known as emotional buying motives. These motives are not based on judgement, but they purchase on the basis of motion. There are some motives/elements which are as follows.

a. Love and affection: It is an important buying motive which includes the buyers to purchase the goods.

Due to love and affection to the children, we buy toys, dress biscuits etc. A husband may buy saris and cosmetics for his wife due to the love and affection.

b. Curiosity: Curiosity is the desire for new experience which motivates the people to buy the specific goods. Thus, to get the new experience, customers purchase the goods.

c. Fashion: It is an important motive that can change the mind of the customers. Generally, customers try to copy particularly the movie stars, sportsmen and athletes etc. So, all the producers advertise their products with the help of these popular personalities.

d. Pride and prestige: Due to the pride and prestige in the society, customers purchase expensive and luxuries goods in order to maintain their status. They purchase toyota car, Karizma motorcycle, fifty-nine inch colour television etc. to get the high position in the society.

e. Sex and Romance: Sex and romance is another important emotional buying motive that induces the customers to purchase the goods. Due to sex and romance, they purchase fancy dress, cosmetic items, perfumes, shaving lotions etc.

f. Fear: People are generally afraid of losing their health, wealth and life. Thus, it motivates to purchase the goods such as insurance policy, hiring lockers in bank and membership of health club etc. These goods or services help them to avoid their fear.

2. Rational Buying Motives: Rational buying motives are those which are based on sound judgement.

They purchase the goods through proper testing, comparing and observing the goods on the basis of price, quality, durability etc. This motive is important to the customers because it helps them to save the unnecessary cost. It includes the following motives.

a. Economy: Under this motives, the customer prefer that products which are more economy or cheap in price. To get more profit and discount, customers purchase such goods. This element attract and encourages the customers to buy such goods in large quantities.

b. Utility: Customers want to purchase that goods which have more or higher utility. Utility satisfies the wants of the customers.

c. Comfort and convenience: Every people has the desire to live in comfort and convenient way as a result they get motivated to purchase such goods which provide comfort and convenience. Customers purchase T.V., DVD, motorcycle, washing machines, heater, cooler, sofa set etc. for their pleasure and comfort.

d. Durability: It is another element of rational buying motive. Due to the durability of the products, customers are motivated to purchase the goods for example toyota car, pulsar motorcycle, sony TV etc are purchased due to their durability to use.

e. Security: It is important to the people. People are not feeling secure from the floods, earthquakes, theft,

dacoits etc. in the society. So, the customers purchase the key lockers, open the bank A/c and keep the watchman etc to be secured.

3. Patronage Buying Motive: When the customers purchase the goods or services on the basis of particular place, special discount, present price, decoration, behaviour and behaviour and other facilities are known as patronage buying motives. Following points are discussed under this motive.

a. Service motive: Service is an important motive which inspires the customers to purchase the goods. Customers purchase the goods to get the services, such as credit facility, home delivery facility, free installation, free repair and maintenance services.

b. Quality: Due to the quality of the goods, customers are motivated to purchase certain goods or services. If products assure the quality, the customers are even ready to pay the higher price of such goods.

c. Location: Location also affects to purchase the goods. Customers prefer to buy those goods which are easily available near their home or locality.

d. Store loyalty: Store loyalty is another important element which plays significant role in buying motive. We purchase different goods due to the loyalty of the store such as attractive appearances, trust in weight, quality, price etc.

e. Friendliness behaviour: Friendliness behaviour of salesman also affects the customers to purchase the goods from the same suppliers which is also discussed under the patronage buying motives.

Factors influencing buying behavior:-

The consumer behaviour or buyer behaviour is influenced by several factors or forces. They are: 1. Internal or Psychological factors 2. Social factors 3. Cultural factors 4. Economic factors 5. Personal factors:

1. Internal or psychological factors:

The buying behaviour of consumers is influenced by a number of internal or psychological factors. The most important ones Motivation and Perception.

2. Social factors:

Man is a social animal. Hence, our behaviour patterns, likes and dislikes are influenced by the people around us to a great extent. We always seek confirmation from the people around us and seldom do things that are not socially acceptable. The social factors influencing consumer behaviour are a) Family, b) Reference Groups, c) Roles and status.

3. Cultural factors:

Kotler observed that human behaviour is largely the result of a learning process and as such individuals grow up learning a set of values, perceptions, preferences and behaviour patterns as the result of socialisation both within the family and a series of other key institutions. From this we develop a set of values, which determine and drive behavioural patterns to a very large extent.

4. Economic Factors:

Consumer behaviour is influenced largely by economic factors. Economic factors that influence consumer behaviour are

- a) Personal Income,
- b) Family income,
- c) Income expectations,
- d) Savings,
- e) Liquid assets of the Consumer,
- f) Consumer credit,
- g) Other economic factors.

5. Personal factor:

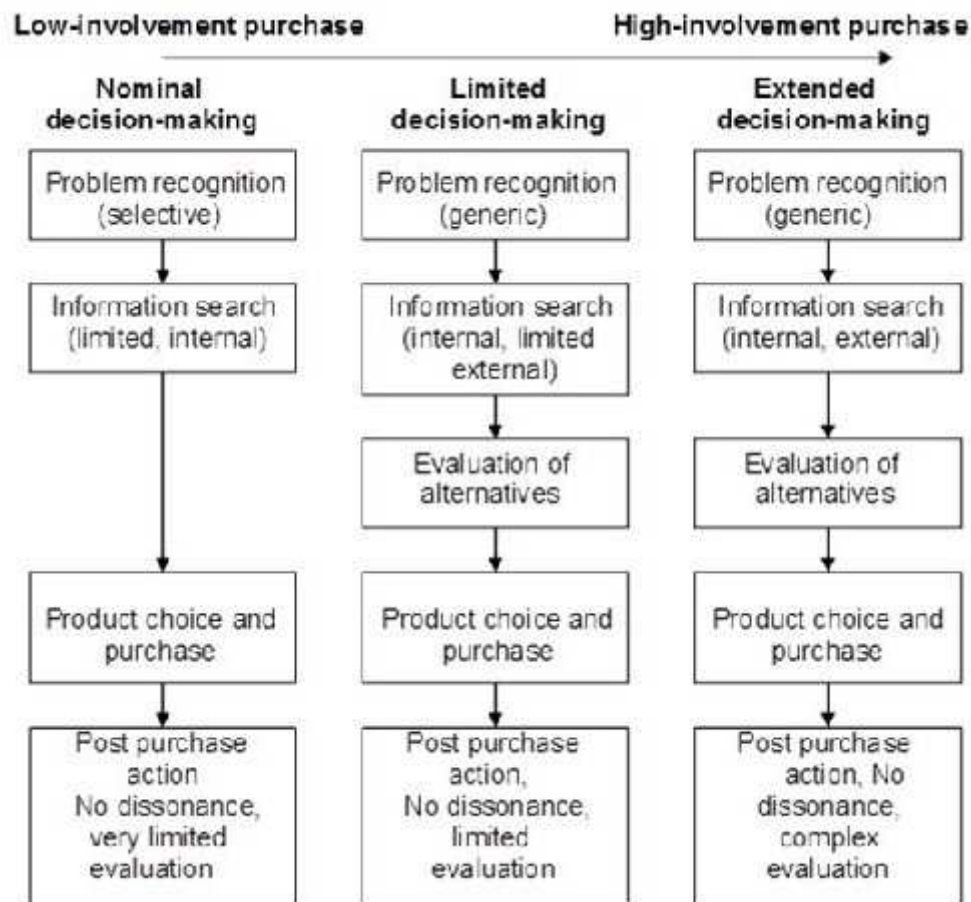
Personal factors also influence buyer behaviour. The important personal factors, which influence buyer behaviour, are a) Age, b) Occupation, c) Income and d) Life Style.

Buying Habits:-

Purchase of the same brand over and over again, more due to absence of dissatisfaction than because of a positive loyalty. Habit buying is associated usually with low involvement products such as toothpaste or shoe polish.

Consumer Buying Behavior

Consumer buying behavior is the study of an individual or a household that purchases products for personal consumption. The process of buying behavior is shown in the following figure –



Stages of Purchasing Process

A consumer undergoes the following stages before making a purchase decision –

Stage 1 – Needs / Requirements

It is the first stage of the buying process where the consumer recognizes a problem or a requirement that needs to be fulfilled. The requirements can be generated either by internal stimuli or external stimuli. In this stage, the marketer should study and understand the consumers to find out what kinds of needs arise, what brought them about, and how they led the consumer towards a particular product.

Stage 2 – Information Search

In this stage, the consumer seeks more information. The consumer may have keen attention or may go into active information search. The consumer can obtain information from any of the several sources. This include personal sources (family, friends, neighbors, and acquaintances), industrial sources (advertising, sales people, dealers, packaging), public sources (mass media, consumer-rating and organization), and experiential sources (handling, examining, using the product). The relative influence of these information sources varies with the product and the buyer.

Stage 3 – Evaluation of Alternatives

In this stage, the consumer uses information to evaluate alternative brands from different alternatives. How consumers go about evaluating purchase alternatives depends on the individual consumer and the specific buying situation. In some cases, consumers use logical thinking, whereas in other cases, consumers do little or no evaluating; instead they buy on aspiration and rely on intuition. Sometimes consumers make buying decisions on their own; sometimes they depend on friends, relatives, consumer guides, or sales persons.

Stage 4 – Purchase Decision

In this stage, the consumer actually buys the product. Generally, a consumer will buy the most favorite brand, but there can be two factors, i.e., purchase intentions and purchase decision. The first factor is the attitude of others and the second is unforeseen situational factors. The consumer may form a purchase intention based on factors such as usual income, usual price, and usual product benefits.

Stage 5 – Post-Purchase Behavior

In this stage, the consumers take further steps after purchase based on their satisfaction and dissatisfaction. The satisfaction and dissatisfaction depend on the relationship between consumer's expectations and the product's performance. If a product is short of expectations, the consumer is **disappointed**. On the other hand, if it meets their expectations, the consumer is **satisfied**. And if it exceeds their expectations, the consumer is **delighted**. The larger the gap between the consumers' expectations and the product's performance, the greater will be the consumer's dissatisfaction. This suggests that the seller should make product claims that faithfully represent the product's performance so that the buyers are satisfied. Consumer satisfaction is important because the company's sales come from two basic groups, i.e., **new customers** and **retained customers**. It usually costs more to attract new customers than to retain existing customers and the best way to retain them is to get them satisfied with the product.

Types of Consumer Purchase Decisions:- Consumers are faced with purchase decisions nearly every day. But not all decisions are treated the same. Some decisions are more complex than others and thus require more effort by the consumer. Other decisions are fairly routine and require little effort. In general, consumers face four types of purchase decisions:

- **Minor New Purchase** – these purchases represent something new to a consumer but in the customer's mind is not a very important purchase in terms of need, money or other reason (e.g., status within a group).
- **Minor Re-Purchase** – these are the most routine of all purchases and often the consumer returns to purchase the same product without giving much thought to other product options (i.e., consumer is brand loyalty).
- **Major New Purchase** – these purchases are the most difficult of all purchases because the product being purchased is important to the consumer but the consumer has little or no previous experience making these decisions. The consumer's lack of confidence in making this type of decision often (but not always) requires the consumer to engage in an extensive decision-making process..
- **Major Re-Purchase** - these purchase decisions are also important to the consumer but the consumer feels confident in making these decisions since they have previous experience purchasing the product.

For marketers it is important to understand how consumers treat the purchase decisions they face. If a company is targeting customers who feel a purchase decision is difficult (i.e., Major New Purchase), their marketing strategy may vary greatly from a company targeting customers who view the purchase decision as routine. In fact, the same company may face both situations at the same time; for some the product is new, while other customers see the purchase as routine. The implication of buying behavior for marketers is that different buying situations require different marketing efforts.

Business Market: All the businesses that purchase goods or services to modify them for the purpose of reselling are collectively called as the business market. Business markets have derived demand that basically originates from the consumer demand.

Business Buying Process

Business buying process is quite different from the consumer buying process, because in this case the business market is involved in different set of characteristics and demands. The companies doing business in business markets adopt separate marketing strategies. The business buying process is split into eight stages. The new task buying contains all of these steps whereas the straight or modified rebuy may skip some of them. These stages are as follows.

- Problem Recognition
- Description of General Need
- Specification of Product
- Search of Supplier
- Proposal Solicitation
- Selection of Supplier
- Order-Routine Specification
- Performance Review

1. **Problem Recognition:** In the first stage of business buying process, a certain problem is recognized by someone in the organization, so that it can be solved through the purchase of any new product or service. The external or internal stimuli result in the creation of such recognized problem. In case of internal stimuli, the management of the organization may determine to manufacture a new product or any production machine become damaged that needs certain new parts. Another internal reason may be that the supplier is not providing effective goods at a fair price. On the other hand the external elements may be in the form of any new idea of a product at a trade show or seeing new advertisements or any favorable offering by a sales person etc.
2. **Description of General Need:** This stage starts when a clear need has been identified by the organization. In this step description about the general need has been prepared which shows general characteristics and the quantity of the required product. In case of simple items, this process is linear whereas in case of complex items in the process involves a team of buyer, engineers and other professionals who work together to agree on the desired product. The

significance of reliability, price, durability and other features are ranked for the desired product or service by the team.

- 3. Specification of the Product:** In this stage, the organization that is involved in the business buying process prepares a detailed list of the technical specifications of the desired product through value analysis conducted by the engineering team. In value analysis, careful studies are made to determine the cost reduction production process for the redesigning or standardization of the desired product or service. The professional team covers the best features and characteristics required in purchasing the product. The selling organizations can also use this step to increase their sales.
- 4. Search of Supplier:** In this step of the business buying process, the buying organization searches the suppliers in order to make a purchase with the best one. For this purpose a list of competitive vendors is prepared by the buying organization through the use of supplier directories, aid of a computer (internet), or contacting other organization for obtaining of recommended names. The internet is increasingly becoming a platform for such searching now-a-days as most of the organizations are entering into this virtual world. In case of buying of new and expensive product, the more time is consumed in searching of suitable suppliers that can best meet the specifications of the required product. The suppliers should keep themselves enrolled on the relative directories to make their good reputation in the market. Moreover the sales person should also target the supplier searching organizations in the business markets.
- 5. Proposal Solicitation:** In this stage the suppliers are asked to submit their proposals. In some cases, some suppliers send only their salespersons or simple catalogs. But when the desired product is expensive and complex than proper formal presentations and detailed written proposals are required from the qualified suppliers. The marketers of the business organizations should also be skillful in writing and presentation of business proposals to the buying organizations.
- 6. Selection of Supplier:** At this stage the final supplier is selected from the list of potential suppliers who have submitted their proposals to the buying organization. The selection team of the buying organization reviews the proposals of all suppliers and list the offered attributed on the basis of the rank of importance. Following are some of the main attributes that serve as the basis for the selection of potential suppliers.
 - Quality of product
 - Delivery time
 - Ethical corporate behavior
 - Reasonable price
 - Honest communication
 - Past performance and reputation

- Repair and maintenance services etc

7. Order-Routine Specification: The order-routine specifications are prepared in this step which contains the order having a final list of the specifications, the selected supplier, delivery time, quantity required, price and repair and maintenance services etc.

8. Performance Review: This is the last stage of the business buying process in which the performance of the supplier is reviewed by the buying organization. For this purpose the buying organization contacts with the customers or users of the purchased product and ask them to provide their experience of using that product. Mainly the Consumer Behavior or the satisfaction level of users serves as the basis of the performance reviewing factor for the product purchased from business supplier. The performance review helps in future decision of the business buying process in the form of straight rebuy, modified re buy or new task buying. The selling organization also takes into account the same factors that would affect in the performance review by the buying organization.

Positioning is a [marketing strategy](#) that aims to make a [brand](#) occupy a distinct position, relative to competing brands, in the mind of the customer. Companies apply this strategy either by emphasizing the distinguishing features of their brand (what it is, what it does and how, etc.) or they may try to create a suitable image (inexpensive or premium, utilitarian or luxurious, entry-level or high-end, etc.) through [advertising](#). Once a brand is positioned, it is very difficult to reposition it without destroying its credibility. It is also called [product positioning](#).

Positioning is one of the most powerful marketing concepts and the meaning of positioning was rather limited in the earlier years when marketing was just getting started which focused on the concept of reputation. Positioning then became “the place a brand occupies in the mind of its target audience”.^[1] Under this meaning many companies now use the concept of positioning as a part of their everyday marketing activities or strategies and is also used as a tool for explaining how consumers can relate to foreign markets easier.^[2]

tasks involved in positioning

1. Know your target audience well

You should know about your audience, but if you don't know what they need to hear, you would be squandering your time and would be barking up the wrong tree with your right message. Knowing your target audience involves knowing the specific needs of the audience as well.

2. Identify the product features

It is very important for the marketers that they themselves are aware of the features and benefits of the products. It is well said that you really can't sell something unless and until you yourself are convinced of it. A marketer selling a smart phone should himself also use the same smart phone handset for the customers to believe him.

3.Unique selling Propositions

Every product should have USPs; at least some features which are unique and different from those previously launched products in the market. The organizations must create USPs of their brands and effectively communicate the same to the target audience.

4. Never make a mistake of underestimating your competitor

A marketer must be knowledge about his competitor's offerings. You need to convince the consumer how your product is better than the competitors. The marketers must always strive hard to have an edge over their competitors.

5. Promote the benefits:

You need to choose the right theme for the advertisement. You need to use the catchy, out of the box taglines. The advertisement should strongly highlight the benefits of the products.

6. Maintaining brand positioning:

For an effective positioning it is essential for the marketers to continue to live up to the expectations of the end - users

Segmentation, Targeting and Positioning

Segmenting Consumer Markets

- ✓ Can demographics be used to group consumers according to needs or responses that differ by gender, household size, family status, income, occupation, education, religion, race, nationality, social class?
- ✓ Can geographic variables be used to group consumers according to needs or responses that differ by nation, region, state, city, postal code, climate, distance?
- ✓ Can psychographic variables be used to group consumers according to needs or responses that differ by lifestyle, activities, interests?
- ✓ Can behavioral and attitudinal variables be used to group consumers according to needs or responses that differ by benefits expected, usage occasion, user status, loyalty status, technological orientation, attitudes, price sensitivity?

Segmenting Business Markets

- ✓ Can demographics be used to group business customers according to needs or responses that differ by industry, business size, business age, ownership structure?
- ✓ Can geographic variables be used to group business customers according to needs or responses that differ by nation, region, state, city, climate, postal code, distance?
- ✓ Can behavioral and attitudinal variables be used to group business customers according to needs or responses that differ by benefits expected, usage occasion, user status, loyalty status, technological orientation or usage, purchasing patterns, attitudes, supplier standards and evaluation?

Nivea
Avon



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AVON

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Vstupte
do
světa krásy



General Mills
Home Depot



What are some commonly used
demographic, geographic and behavior
descriptors?



Demographic Descriptors	Examples of Categories
Age	Under 2, 2-5, 6-11, 12-17, 18-24, 25-34, 35-49, 50-64, 65 and over
Sex	Male, female
Household life cycle	Young, single; newly married, no children; youngest child under 6; youngest child 6 or over; older couples with dependent children; older couples without dependent children; older couples retired; older, single
Income	Under \$15,000, \$15,000-24,999; \$25,000-74,999, etc.
Occupation	Professional, manager, clerical, sales, supervisor, blue collar, homemaker, student, unemployed
Education	Some high school, graduated high school, some college, graduated college
Events	Birthdays, graduations, anniversaries, national holidays, sporting events
Race and ethnic origin	Anglo-Saxon, African-American, Italian, Jewish, Scandinavian, Hispanic, Asian

Austria-based Red Bull is a company with one product, an energy drink containing the amino-acid taurine. While working for Unilever, Dietrich Mateschitz traveled often to Asia, where he tried syrups that Asian businessmen drank to revitalize. His experience there led him to spot a market opportunity, and after modifying the drink to appeal to Western palates, he launched Red Bull in 1986. Its signature, a slim, silver-colored, 8.3 ounce can, has been an enormous hit with its target youth segment across the globe. For the year 2001, Red Bull had sales of \$51 million in the United States alone and captured 70 percent of the energy-drink market worldwide. By 2009, its global revenue had passed the \$1.8 billion mark.

From Stanford University on California's West Coast to the beaches of Australia and Thailand, Red Bull has managed to maintain its hip, cool image, with virtually no mass-market advertising. It has instead opted for a grass-roots campaign. "In terms of attracting new customers and enhancing consumer loyalty, Red Bull has a more effective branding campaign than Coke or Pepsi,"

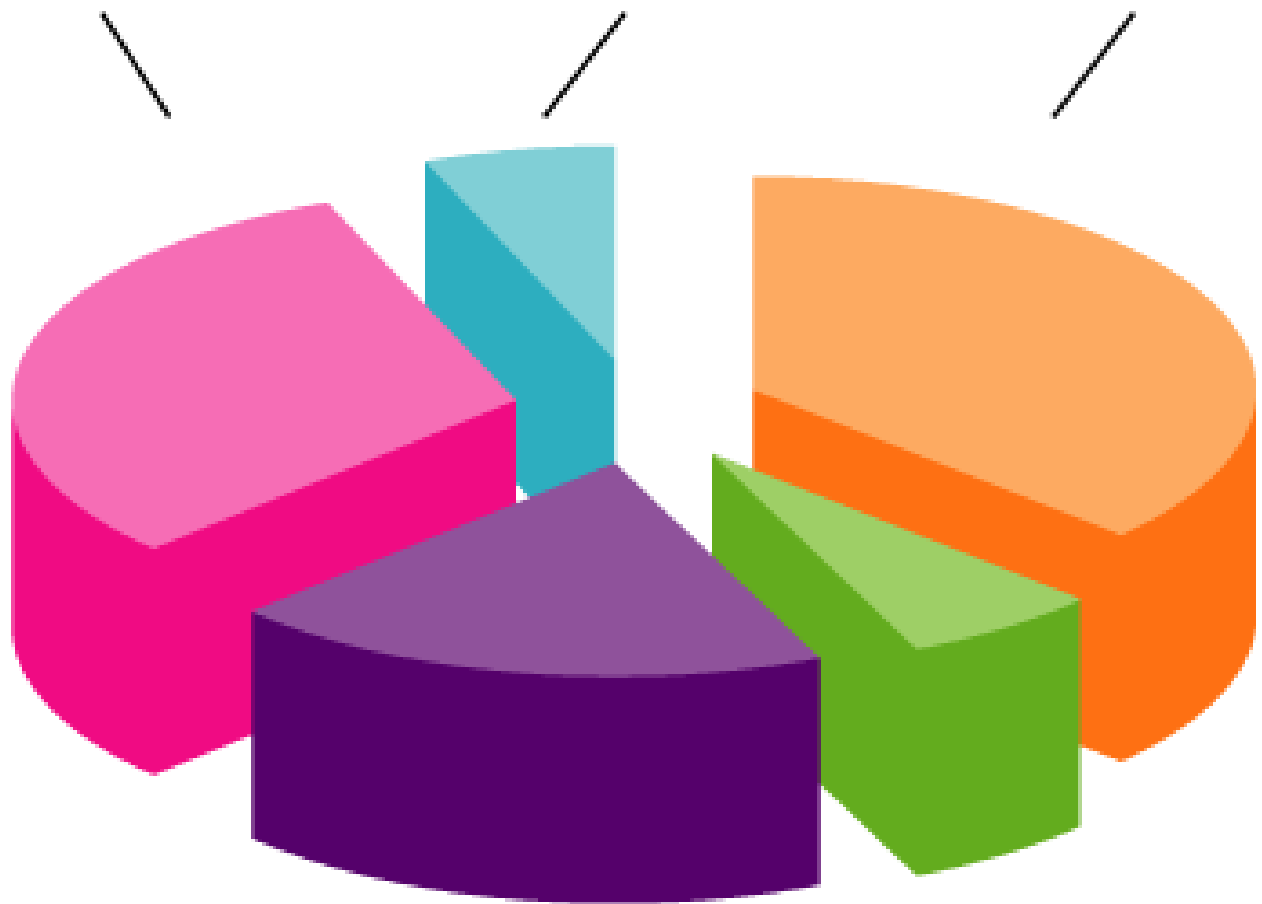
said Nancy F. Koehn, professor of business administration at Harvard Business School and author of *Brand New: How Entrepreneurs Earned Consumers' Trust from Wedgwood to Dell*. Red Bull used Collegiate Brand Managers to promote the drink via free samples handed out at student parties. The company also organized extreme sports events, for example, cliff diving in Hawaii or skateboarding in San Francisco, reinforcing the brand's extreme, on-the-edge image.

The beverage industry giants were taking note. Coke ran a stealth marketing campaign, where Coke was packaged in a slim can, reminiscent of Red Bull's packaging, and offered to customers in hip, trendy bars and clubs in New York City.

Traditionalists
(31.2%)

Quiet reminiscers
(6%)

Racy role models
(37.1%)

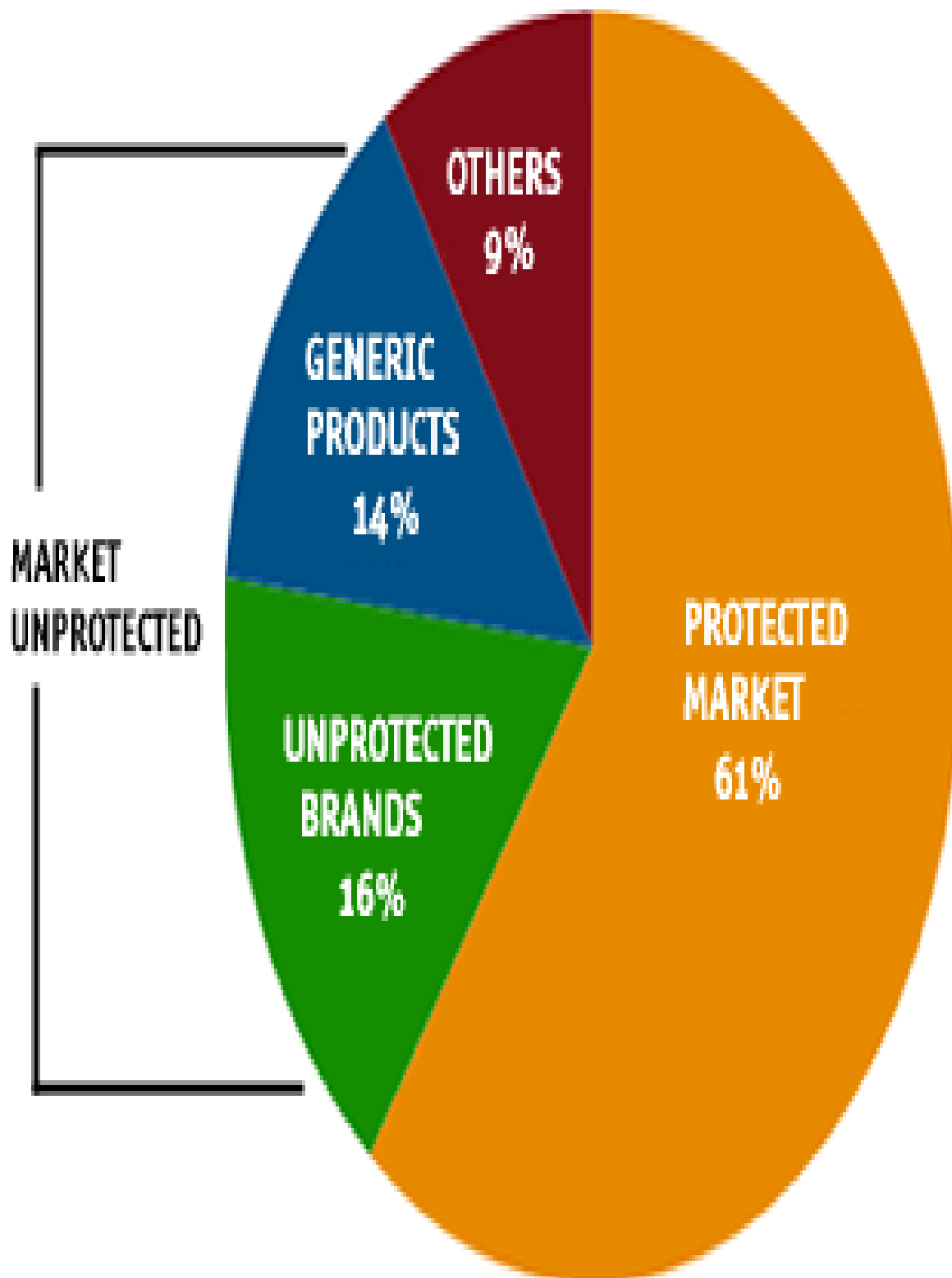


Adventure seekers
(19.5%)

Hearts of gold
(6.3%)

SAGA segmentation of UK grandparents, where a complete description of each category can be found in this

Pharmaceutical industry segmentation



But are these consumers counting their days until they can retire to the shuffleboard court or bingo parlor? Hardly. As a result, Del Webb, the retirement-community division of Pulte Homes Inc., is changing the way it markets its properties, with more emphasis on the varied and active lifestyles that many of tomorrow's retirees will lead. "We have to keep up with residents," says David G. Schreiner, vice president for active-adult business development at Del Webb. "The War Generation was far more predictable and consistent, but this generation gives you a bunch of paradoxes."

Inline skating segmentation

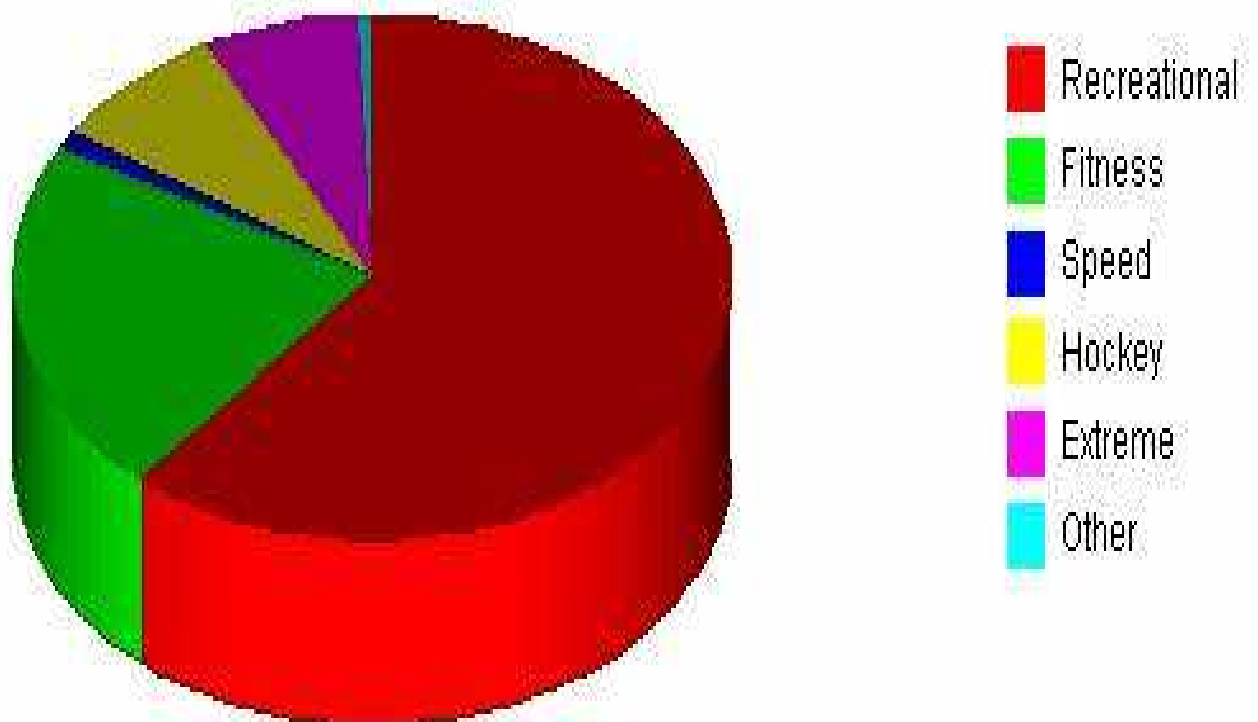
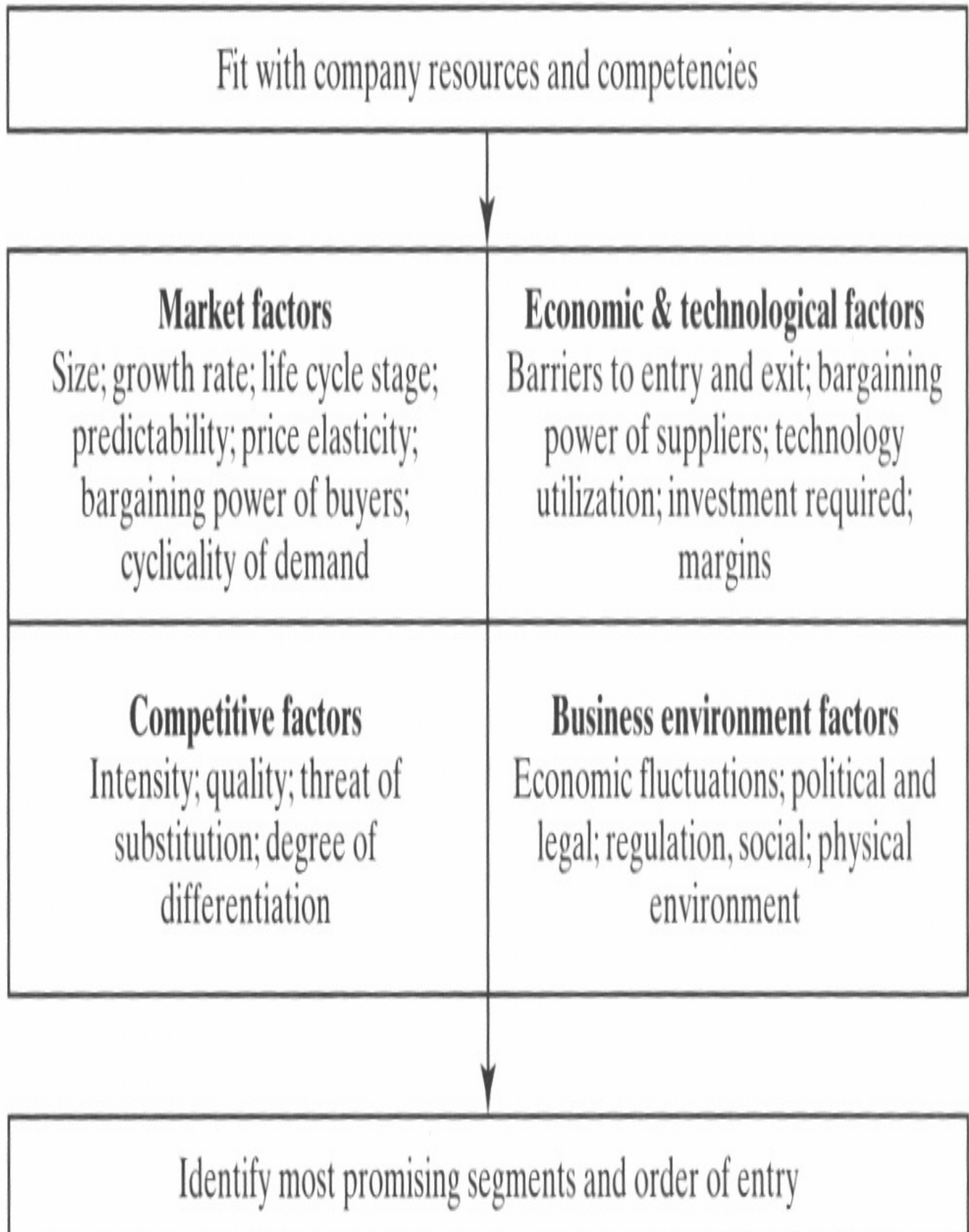


EXHIBIT 4.4 Assessing Segment Attractiveness



Market-Attractiveness Factors

Customer needs and behavior

- Are there unmet or underserved needs we can satisfy?

Market or market segment size and growth rate

- Market potential in units, revenue, number of prospective customers
- Growth rate in units, revenue, number of prospective customers
- Might the target segment constitute a platform for later expansion into related segments in the market as a whole?

Macro trends: Are they favorable, on balance?

- Demographic
- Sociocultural
- Economic
- Political/legal
- Technological
- Natural

Competitive-Position Factors

Opportunity for competitive advantage

- Can we differentiate?
- Can we perform against critical success factors?
- Stage of competing products in product life cycle: Is the timing right?

Firm and competitor capabilities and resources

- Management strength and depth
- Financial and functional resources: marketing, distribution, manufacturing, R&D, etc.
- Brand image
- Relative market share

Attractiveness of industry in which we would compete

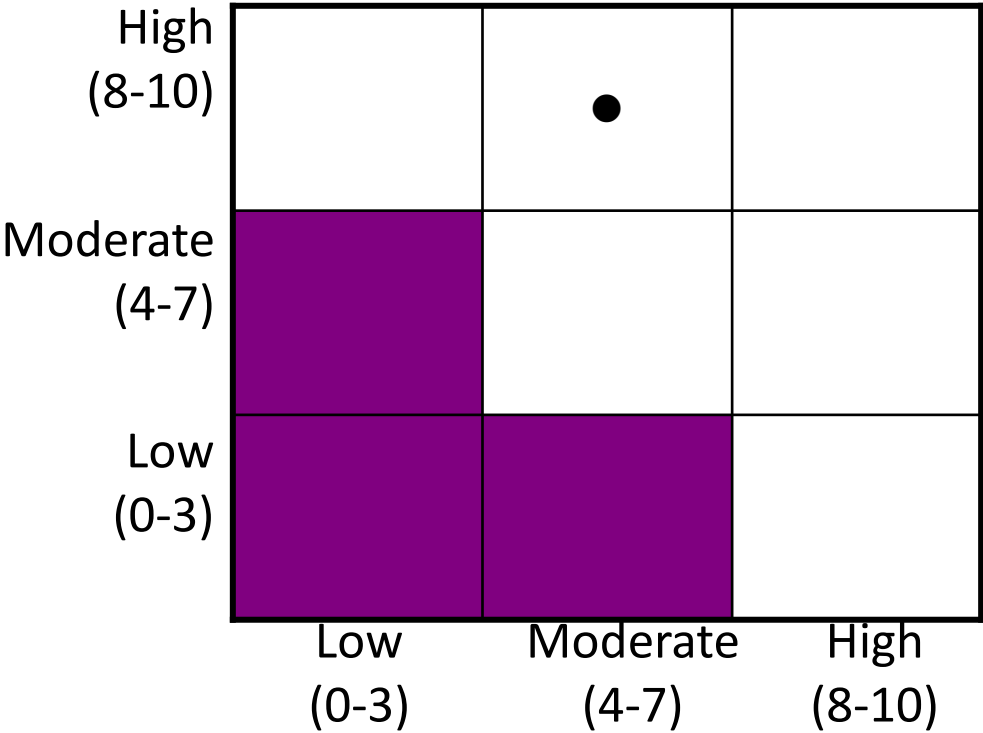
- Threat of new entrants
- Threat of substitutes
- Buyer power
- Supplier power
- Competitive rivalry
- Industry capacity

A Useful Tool for Assessing Market Segments: Segment Rating Chart

	WEI GHT	RATING (0-10)	TOT AL
Market attractiveness factors			
Customer needs and behavior	.5	10	5.0
Segment size and growth rate	.3	7	2.1
Macro trends	.2	8	1.6
Total: Market attractiveness	1.0		8.7
Competitive position factors			
Opportunity for competitive advantage	.6	7	4.2
Total: Competitive position	0.6	7	4.2

The Market Attractiveness/
Competitive Position Matrix

Market
Attractiveness



Company's Competitive Position

● = Market attractiveness and competitive position of distance runners segment

Implications of Alternative Positions Within the Market-Attractiveness/ Competitive-Position Matrix

		<i>Competitive Position</i>		
		Weak	Medium	Strong
<i>Market Attractiveness</i>	High	Build selectively: <ul style="list-style-type: none"> • Spec. in limited strengths • Seek to overcome weak. • Withdraw if indications of sustainable growth are lacking 	Desirable Potential Target Invest to build: <ul style="list-style-type: none"> • Challenge for leadership • Build selectively on strengths • Reinforce vulnerable areas 	Desirable Potential Target Protect position: <ul style="list-style-type: none"> • Invest to grow at max. digestible rate • Concentrate on maintaining strength
	Med.	Limited expansion or harvest: <ul style="list-style-type: none"> • Look for ways to expand w/out high risk; otherwise min. invest. and focus operations 	Manage for earnings: <ul style="list-style-type: none"> • Protect existing strengths • Invest to improve position only in areas where risk is low 	Desirable Potential Target Build selectively: <ul style="list-style-type: none"> • Emphasize profitability by increasing productivity • Build up ability to counter competition
	Low	Divest: <ul style="list-style-type: none"> • Sell when possible to maximize cash value • Meantime, cut fixed costs & avoid further investment 	Manage for earnings: <ul style="list-style-type: none"> • Protect position • Minimize investment 	Protect and refocus: <ul style="list-style-type: none"> • Defend strengths • Seek ways to increase current earnings without speeding market's decline

Sources: Adapted from George S. Day, *Analysis for Strategic Market Decisions* (St. Paul: West, 1986), p. 204; D. F. Abell and J. S. Hammond, *Strategic Market Planning Problems and Analytical Approaches* (Englewood Cliffs, NJ: Prentice Hall, 1979); and S. J. Robinson, R. E. Hitchens, and D. P. Wade, "The Directional Policy Matrix: Tool for Strategic Planning," *Long Range Planning* 11 (1978), pp. 8-15.

Concentrated Marketing

Concentrate on the most attractive segment

Undifferentiated Marketing

One marketing mix for all

Differentiated Marketing

Modify marketing mix for different segments

Subway



What is Positioning?

A couple of definitions

Creating distinct and valued physical and perceptual differences between one's product and its competitors, as perceived by the target customer.

The act of designing the firm's market offering so that it occupies a distinct and valued place in the minds of its target customers.

Generic Competitive Strategies

Exhibit 7.1

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad Target	Cost Leadership Strategy	Differentiation Strategy
	Narrow Target	Focus Strategy	Focus Strategy (Differentiation Based)

Source: Adapted from Michael Porter, *Competitive Advantage*, New York: The Free Press, 1985, p. 12.

Comparison of Physical and Perceptual Positioning Analysis

Exhibit 7.3

Physical positioning

- **Technical orientation**
- **Physical characteristics**
- **Objective measures**
- **Data readily available**
- **Physical brand properties**

- **Large number of dimensions**
- **Represents impact of product specs and price**
- **Direct R&D implications**

Perceptual positioning

- **Consumer orientation**
- **Perceptual attributes**
- **Perceptual measures**
- **Need for marketing research**
- **Perceptual brand positions and positioning intensities**
- **Limited number of dimensions**
- **Represents impact of product specs and communication**
- **R&D implications need to be interpreted**

Levers to establish positioning

Simple physically based attributes

Single physical dimension such as quality, power or size

Complex Physically based attributes

Concepts like “roominess” and “User friendly”

Essentially abstract attributes

Not directly related to the physical attributes, sexiness of perfume, prestige

Price

Steps in the Positioning Process

Exhibit 7.4 (1 of 2)

1. Identify relevant set of competitive products serving a target market.



```
graph TD; A[1. Identify relevant set of competitive products serving a target market.] --> B[2. Identify the set of determinant attributes that define the "product space" in which positions of current offerings are located.]; B --> C[3. Collect information from a sample of customers and potential customers about perceptions of each product on the determinant attributes.];
```

2. Identify the set of determinant attributes that define the “product space” in which positions of current offerings are located.

3. Collect information from a sample of customers and potential customers about perceptions of each product on the determinant attributes.

[Features](#)

[Benefits](#)

[Parentage](#)

Manufacturing Processes

[Ingredients](#)

[Endorsements](#)

[Comparison](#)

[Pro Environment](#)

Price/Quality

Steps in the Positioning Process

Exhibit 7.4 (2 of 2)



4. Determine product's current location (positioning) in the product space and intensity thereof.



5. Determine customers' most preferred combination of determinant attributes.

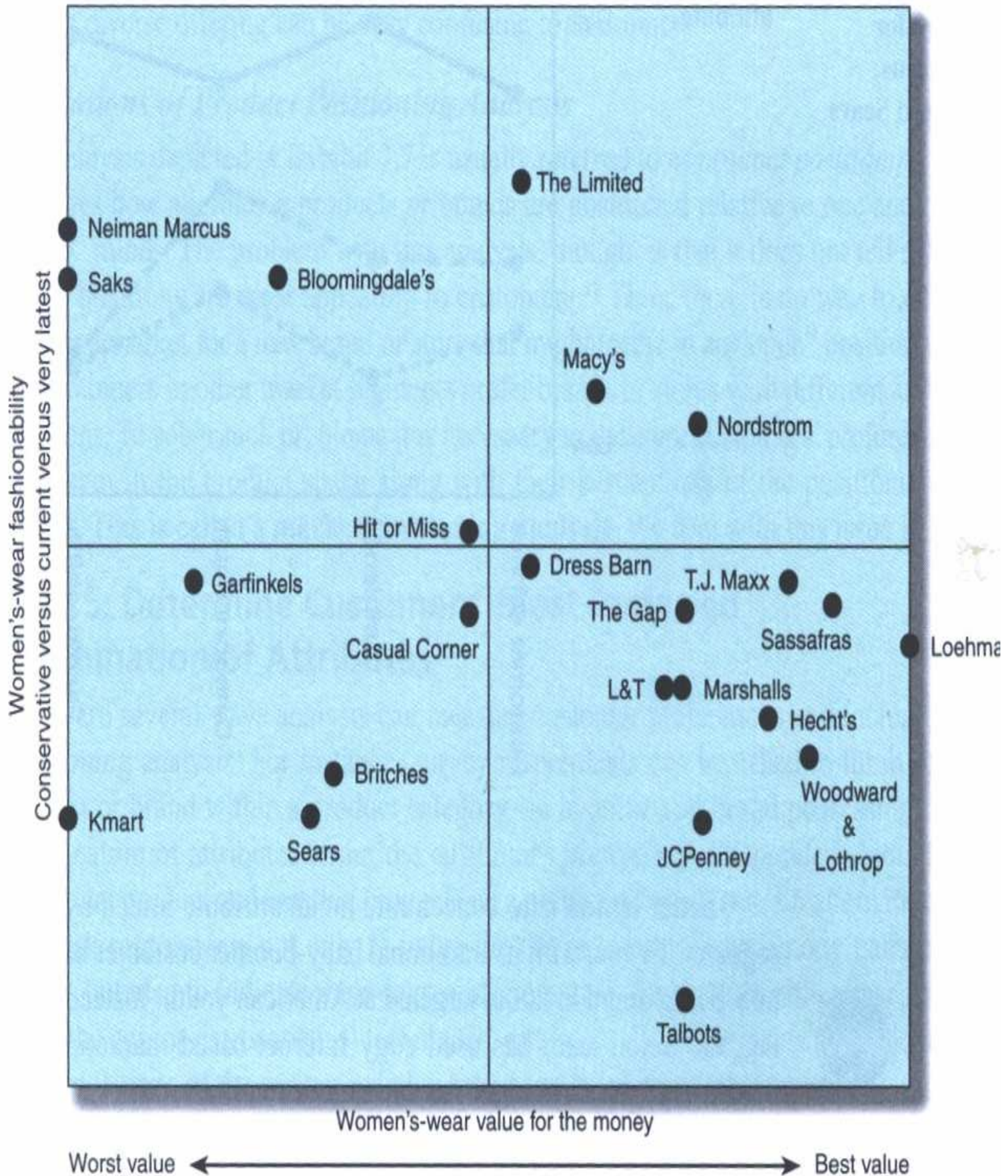


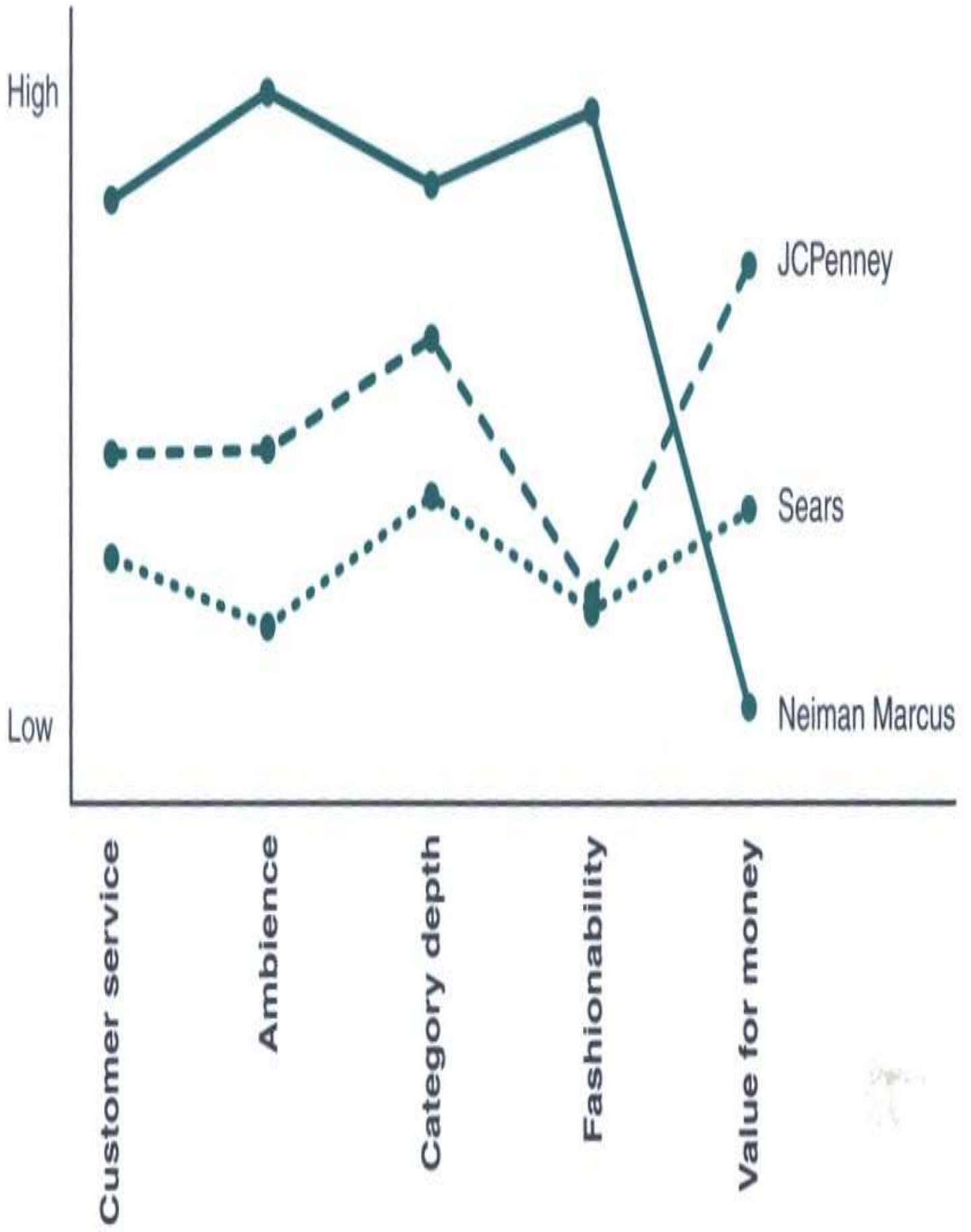
6. Examine the fit between preferences of market segments and current position of product (market positioning).



7. Write positioning statement or value proposition to guide development and implementation of marketing strategy.

Washington 1990 Women's fashion market



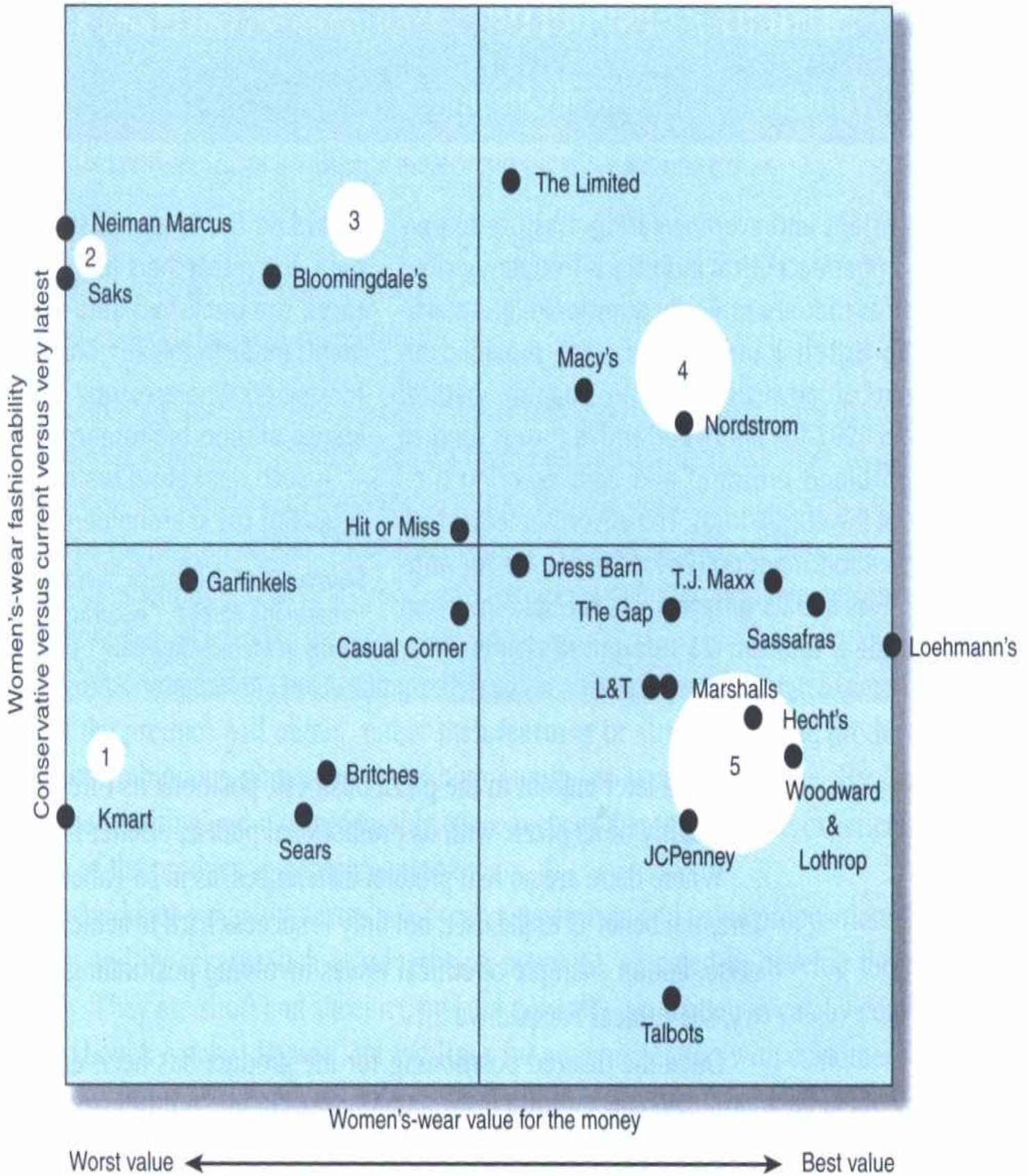


Look for opportunities

Repositioning hard to do

Don't be too confusing ([Holiday Inn](#))

Washington 1990 Women's fashion market



Discussion Question

3. What's the tangible output of the positioning process?

Positioning Statement for [Volvo](#) in [North](#) America

For upscale American families, Volvo is
the family automobile that offers
maximum safety

Generic format for positioning
statements: For (*target market*), (*brand*)
is the (*product category*) that (*benefit
offered*).

Value Proposition for Volvo in North America

Target market: Upscale American families

Benefits offered: Safety

Relative price: 20% premium to domestic
family cars

Generic format for value propositions:

- Target market

- Benefits offered (and sometimes not offered)

- Relative price

Some Key Questions Concerning Positioning Decisions

For whom are they written?

In what sort of language?

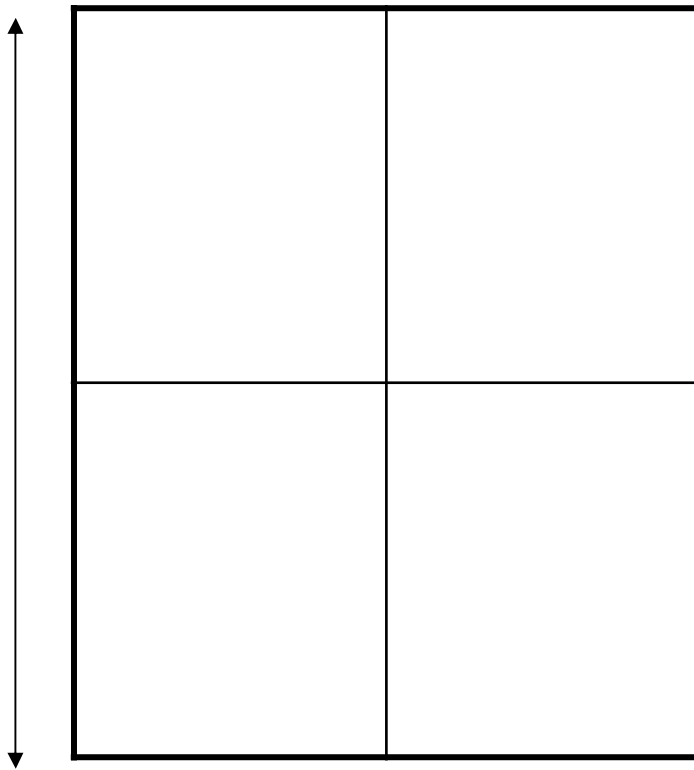
Should they focus on features or benefits?

How many differentiating attributes should anchor them?

A Useful Tool for Positioning Decision Making: Perceptual Maps

Not Sweet

Sweet



Nutritious

Not Nutritious

Where would you plot your favorite cereals? Your kids' favorites? Your grandma's?

Discussion Question

4. What is positioning's role once a product's positioning strategy has been determined?

Positioning Green

edEX

fast, reliable on-time delivery

Southwest Airlines

affordable, no-frills air travel

Rolex

status-symbol fashion accessory

ebay

the virtual marketplace to buy or sell anything