



Chapter 5

Segmentation, Targeting and Positioning





5.1 Segmentation

▶ Case

Procter & Gamble: How Many Is Too Many?

Procter & Gamble is the market leader in the United States and the European detergent markets. In the United States it markets nine brands of laundry detergent (Tide, Cheer, Gain, Dasb, Bold, Dreft, Ivory Snow, Oxydol and Era). The cultural and competitive diversity in Europe means that even more brands, such as Ariel, are used to serve that market. Why so many?

Besides its many detergents, Procter & Gamble sells eight brands of hand soap (Zest, Coast, Ivory, Safeguard, Camay, Oil of Ulay, Kirk's and Lava); six shampoos (Prell, Head & Shoulders, Ivory, Pert, Panic No and Vidal Sassoon); four brands of liquid dishwashing detergents (Joy, Ivory, Dawn and Liquid Cascade), toothpaste (Crest, Gleam, Complete and Dcnquel), coffee (Folger's, High Point, Butternut and Maryland Club) and toilet tissue (Cliarmin, White Cloud, Banner and Summit); three brands of floor cleaner (Spic & Span, Top Job and Mr. Clean); and two brands of deodorant (Secret and Sure), cooking oil (Criseo and Puritan), fabric softener (Downy and Bounce) and disposable nappies (Pampers and TAWS). Moreover, many of the brands are offered in several sizes and formulations (for example, you can buy large or small packages of powdered or liquid Tide in any of three forms—regular, unscented or with bleach).

These P & G brands compete with one another on the same supermarket shelves. Why would P & G introduce several brands in one category instead of concentrating its resources on a single leading brand? The answer lies in different people wanting different mixes of benefits from the products they buy. Take laundry detergents as an example. People use laundry detergents to get their clothes clean. They also want other things from their detergents—such as economy, bleaching powder, fabric softening, fresh smell, strength or mildness and suds. We all want some of every one of these benefits from our detergent, but we may have different priorities for each benefit. To some people, cleaning and bleaching power are the most important; to others, fabric softening matters most; still others want a mild, fresh scented detergent. Thus there are groups—or segments—of laundry detergent buyers and each segment seeks a special combination of benefits.

Procter & Gamble has identified at least nine important laundry detergent segments, along with numerous subsegments, and has developed a different brand designed to meet the



special needs of each. The nine P & G brands aim at different segments:

1. Tide is “so powerful, it cleans down to the fibre”. It’s the all-purpose family detergent for extra-tough laundry jobs. “Tide’s in, dirt’s out.” Tide with Bleach is “so powerful, it whitens down to the fibre”.

2. Cheer with Color Guard gives “outstanding cleaning and color protection. So your family’s clothes look clean, bright and more like new.” Cheer is also formulated for use in hot, warm or cold water—it’s “all tempera-Cheer”. Cheer Free is “dermatologist tested, contains no irritating perfume or dye”.

3. Oxydol contains bleach. It “makes your white clothes really white and your colored clothes really bright. So don’t reach for the bleach—grab a box of Ox!”

4. Gain, originally P & G’s “enzyme” detergent, was repositioned as the detergent that gives you clean, fresh-smelling clothes—it “freshens like sunshine”.

5. Bold is the detergent with fabric softener. It “cleans, softens and controls static”. Bold liquid adds “the fresh fabric softener scent”.

6. Ivory Snow is “Ninety-nine and forty-four one hundred the percentages pure”. It’s the “mild, gentle soap for diapers and baby clothes”.

7. Dreft is also formulated for baby’s nappies and clothes. It contains borax, “nature’s natural sweetener” for “a clean you can trust”.

8. Dash is P & G’s value entry. It “attacks tough dirt”, but “Dash does it for a great low price”.

9. Era Plus has “built-in stain removers”. It “gets tough stains out and does a great job on your whole wash too”.

By segmenting the market and having several detergent brands, P & G has an attractive offering for customers in all import suit preference groups. All its brands combined hold a market share much greater than any single brand could obtain.

Text

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.

Because buyers have unique needs and wants, each buyer is potentially a separate market. Ideally, then, a seller might design a separate marketing program 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 (micro marketing) or something in between (segment marketing or niche marketing).

Mass Marketing

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 epitomized this marketing strategy when he offered the Model T Ford to all buyers, they could have the car “in any color 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—the baby boomer segment here, the generation Xers there; here the Asian market, there the black market; here working women, there single parents; people living close to the Arctic circle, those living on the Mediterranean. It is very hard to create a single product or program 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. Consumers have more ways to shop: at out of town malls, specialty shops, and superstores; through mail-order catalogs, home shopping networks, and virtual stores on the Internet. And they are bombarded with messages pitched through a growing number of channels: broadcast and narrow-cast television, radio, online computer networks, the Internet, telephone services such as fax and telemarketing, and niche magazines and other print media.

No wonder some have claimed that mass marketing is dying. Not surprisingly, many companies are retreating from mass marketing and turning to segment marketing.

Segment Marketing

A company that practises segment marketing recognizes that buyers differ in their needs, perceptions and buying behaviors. 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. Thus, BMW has designed specific models for different incomes and age groups. In fact, it sells models for segments with varied combinations of age and income, for instance, the short wheelbase for young urban drivers. Hilton markets to a variety of segments—business travelers, families and others with packages adapted to their varying needs.

Segment marketing offers several benefits over mass marketing. The company can market more efficiently, targeting its products or services, channels and communications





programs towards only consumers that it can serve best. The company can also market more effectively by fine-tuning its products, prices and programs to the needs of carefully defined segments. And the company may face fewer competitors if tower 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, the utility vehicles segment might include light trucks and off-the-road vehicles. And the off-the-road vehicles subsegment might be further divided into the utilitarian segment (Land Rover), light sports utility vehicles (Suzuki) and luxury sports utility vehicles (Range Rover and Lexus) niches.

Whereas segments are fairly large and normally attract several competitors, niches are smaller and normally attract only one or a few competitors. Niche marketers presumably understand their niches' needs so well that their customers willingly pay it 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 that Ferrari does.

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 want sports 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, American Express offers not only its traditional green cards but also gold cards, corporate cards and even platinum cards aimed at a niche consisting of the top spending 1 percent of its 36 million cardholders. And Nike makes athletic gear for basketball, running and soccer, but also for smaller niches such as biking and street hockey.

Micromarketing

Segment and niche marketers tailor their offers and marketing programs to meet the needs of various market segments. At the same time, however, they do not customize 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 programs 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, neighborhoods and even specific stores. Thus, retailers such as Akia and G & A customize each store's merchandise and promotions to match its specific clientele. Kraft helps supermarket chains identify the specific cheese assortments and shelf positioning that will optimize cheese sales in low-income, middle-income and high-income stores, and in different ethnic communities.

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. 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 neighborhoods.

Individual Marketing

In the extreme, micromarketing becomes individual marketing tailoring products and marketing programs to the needs and preferences of individual customers. Individual marketing has also been labeled "markets-of-one marketing", "customized marketing" and "one-to-one marketing". 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. Today, however, new technologies are permitting many companies to return to customized marketing. More powerful computers, detailed databases, robotic production, and immediate and interactive communication media such as e-mail, fax and the Internet—all have combined to foster "mass customization". Mass customization 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. For example, suited for Sun, a swim wear 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.

▶ Dialogues

Target Audience

Dialogue 1

A: What's our target audience for this campaign?

B: This go-around we're focusing on new moms, families with median income and one or more children under the age of two.

A: Do you think that's much different from the soccer moms we tailored the last campaign for?

B: Well, there are some similarities that come up because both groups are made up of mothers. So as before, we can play up on material instincts, hygiene, safety along those lines. But that being said, there are some specific differences that come into play because we're dealing with mothers of infants here.

A: Right, that makes sense. What's the average age?

B: Demographics say an average age of 28.7, educational background of university or post-grad, annual household income of 40 000~50 000 *yuan* a year.

Dialogue 2

A: The demographic reports are in. From the looks of it, we're going to have to reevaluate some of the content for our promotional events in the different venues.

B: Why? What's the lowdown?

A: According to the report, our Boston crowd is a quite different make-up from our Chicago folks. Our Boston consumers are mostly from mid-level to upper-class income levels, university or postgraduates, married no children, white collar and so on, you know the kind. Chicago on the other hand is mostly mid to low income levels, single parent homes, blue collar, I think we're talking about two totally different target groups.

B: I had no idea there was that great of a deviation between the two venues. To make our product sell, we have to take the target audience into account.

A: No kidding. We've got to come up with two completely different sales pitches to suit the needs of each group.

▶ Post-reading Exercises

I. Discuss the following questions.

1. What are the different levels of market segmentation? Give examples.
2. What is niche marketing? Are there any differences from other market segmentation strategies?



II. Complete the text using words given below.

domestic	distinct	resources
international	group	close

Few companies have either the ___ 1 ___ or the will to operate in all, or most, of the countries in the globe. Although some large companies, such as Coca-Cola or Sony, sell products in more than 200 countries, most ___ 2 ___ firms focus on a smaller set. Operating in many countries presents new challenges. Different countries, even those that are ___ 3 ___ together, can vary greatly in their economic, cultural, and political makeup. Thus, just as they do within their ___ 4 ___ markets, international firms need to ___ 5 ___ their world markets into segments with ___ 6 ___ buying needs and behaviors.

III. Translate the following English sentences into Chinese.

1. Through market segmentation, companies divide large, heterogeneous markets into smaller segments that can be reached more efficiently and effectively with products and services that match their unique needs.
2. The company must first collect and analyze data on current segment sales, growth rates, and expected profitability for various segments.
3. Whereas segments are fairly large and normally attract several competitors, niches are smaller and may attract only one or a few competitors.
4. When the firm's resources are limited, concentrate marketing makes the most sense. The best strategy also depends on the degree of product variability.
5. Demographic segmentation divides the market into groups based on variables such as age, gender, family size, income, occupation, education, religion, race, generation, and nationality.

IV. Translate the following Chinese sentences into English.

1. 公司最好能够为顾客定制产品和营销方案,以满足每一个顾客的具体需求。
2. 不存在一种固定的方法来细分市场,营销人员必须尝试利用各种不同的细分变量或变量组合,以便找到分析市场结构的最佳方法。
3. 一些公司使用年龄和生命周期细分法,为不同年龄和生命周期的消费人群提供不同的产品,或采取不同的营销方法。
4. 一种产品或服务的市场可以有不同的划分方法。
5. 无论消费者市场还是产业市场,并非所有的细分市场都有意义。

V. Practical exercises.

1. Describe how the Ford Motor Company over the years has moved from mass marketing to segment marketing. Do you think the company will be able to move towards niche marketing?



2. Construct a brief gender-based strategy for a company attempting to market the following items: (1) a new blade razor, (2) life insurance, (3) sunglasses.

5.2 Targeting

▶ Case

Consumer Analyses

TGI User Surveys covering instant/ground coffee and powdered milk/coffee creamer markets yielded five potential consumer groups for Coffee-Mate, some of which are potentially more attractive than others. The following are the characteristics of one cluster.

“Sharon and Tracy”—Experimentalists

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. They are products of the Thatcher years. Although they are heavy users of instant coffee, they are low-level users of ground coffee. They claim to use Nescafe 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 old) with a mid-to-down-market bias (C2D) and children. They are of middle income (£15 000 up to £30 000), but live in council property, in fading industrial areas and underprivileged areas. They tend to be found in the north of the country (e. g. Scotland, Yorkshire, the north-east).

They read many of the tabloids (e. g. *The Sun*, *Daily Star*, *Today*, *News of the World*) and the “mums” magazines such as *Bella*, *Chat and Woman*. They are heavy users of ITV (not Channel 4), TV AM and satellite, and heavy listeners to independent radio. 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, and shop at Asda and M & S (all those exciting new foods). 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 socialize often (heavy users of pubs, wine bars and restaurants). They like to enjoy life and not worry about the future. They holiday abroad (eat, lie and drink in the sun) and like to treat themselves. A fairly hedonistic bunch, 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. At present they are not really using Coffee-Mate as much as one would have expected.

▶ Text

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.

Evaluating Market Segments

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

▶ Segment Attractiveness

The company must first collect and analyze 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. Marketers also should consider the threat of substitute products. A segment is less attractive if actual or potential substitutes for the product already exist. Substitutes limit the potential prices and profits from segments. 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, labor 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 criticized for unfairly targeting vulnerable segments—children, the aged, low-income minorities and others—with questionable products or tactics.

Even powerful companies find it hard to make headway in markets where they start weak. Before moving into a segment, a firm should consider its current position in that market. 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. Mars' excursion into the iced confectionery market has 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 Nestle's Lyons Maid, both experts in frozen food, which 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 underutilized capacity? Also, does the segment fit the firm's technology strengths? Daimler-Benz 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. IBM and Philips have huge resources, and great technology and marketing skills, but not of the type that will allow them to compete effectively in the dynamic PC market.

Targeting Strategy

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. For companies, there are three alternative targeting strategies to be applied, 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 program 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 program keeps down advertising costs. The absence of segment marketing research and planning lowers the costs of market research and product management.

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 Trobor 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. GM 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 customers' 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.

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 front-loading concrete mixers. Recycled Paper Products concentrates on the market for alternative greeting cards, and Ecover concentrates on a narrow segment of environmentally friendly detergents. Concentrated marketing is an excellent way for small new businesses to get a foothold against larger competitors.

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 specialization 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 involves 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.

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.

▶ Dialogues

Developing Market

Dialogue 1

- A: Which of the steps are you focusing on in brand growth? Awareness, understanding, acceptance, or loyalty?
- B: We're working on different steps in different areas. For example, our Corbert line is thriving in American markets, we've already reached the loyalty stage. In Asia, however, it's a different story. Most people haven't even heard of Corbert, so we're working on awareness through a lot of product launches and related activities.
- A: What are you doing to increase understanding in the European sector?
- B: Understanding comes from product differentiation. We get that through product demonstrations, literature, expert testimonials, and the like.

Dialogue 2

- A: What are our areas for growth? What sectors do you see the most potential in? If we are going to pull our sales numbers up and develop the brand, we've got to work across the board.
- B: It's not just spreading out to new markets that we have to address. I think we'd better first pay attention to developing our brand in the markets we already have. We've reached the awareness level, but we haven't established customer loyalty. People know who we are, but they still don't trust in our brand.
- A: I don't see why we can't work on opening new markets and developing the markets we've already penetrated at the same time. Both aspects of developing our customer base and developing our brand are important.

▶ Post-reading Exercises

I. Discuss the following questions.

1. How to identify and select the segments as the target markets for a company?
2. What strategies can be used to target?





II. Complete the text using words from the following.

provide	mass	undifferentiated
market	industrial	production

An 1 marketing strategy takes no account of market differences and applies the same marketing effort to the whole 2 . It relies on one basic product and marketing program to attract sufficient buyers. This strategy has the advantage of lower costs because it can 3 economies of scale in 4 or administration and lower distribution and marketing costs. In consumer markets, an undifferentiated strategy may rely on 5 advertising and distribution methods. In 6 markets, unbranded, commodity-type products are often marketed in an undifferentiated way.

III. Translate the following English sentences into Chinese.

1. Undifferentiated strategies are increasingly vulnerable to competitor willing to match the needs of segments more closely.
2. Undifferentiated strategies are increasingly vulnerable to competitors willing to match the needs of segments more closely.
3. In practice, organizations use a number of segmentation variables simultaneously to target a market place.
4. A market segment has to be capable of providing a satisfactory return on the investment made in it.
5. The power of information technology now enables even the largest enterprise to have a close relationship with individual customers or segments of the market.

IV. Translate the following Chinese sentences into English.

1. 公司可以选择一个或几个地区从事经营,也可在整个地区经营,但要注意需求的地区差异。
2. 行为细分按照购买者对产品的了解程度、态度、使用或者反应,把消费者分成不同的群体。
3. 目标市场是企业打算进入的细分市场,或打算满足的具有某一需求的顾客群体。
4. 目标市场战略有三种,即无差异营销、差异性营销和集中营销战略。
5. 集中营销战略是在将整体市场分割为若干细分市场后,只选择其中某一个细分市场作为目标市场。

V. Practical exercises.

1. Investigate a company you are familiar with, find the targeting strategies they are applying.
2. Social responsibility will be an important factor affecting the targeting marketing strategies of most firms in the 21st century. Provide an example of an organization



that you believe takes a socially responsible approach to targeting markets. Explain your reasons.

5.3 Positioning

▶ Case

Positioning Strategy of Castrol

Antoni carefully measured four litres of Syntec into his greatest love, his new Van Dieman Formula Ford single-seater racing car. Tomorrow he was racing her for the first time at Silverstone and wanted to do well. Racing the Formula Fords was exciting, but his real dream was to race for Ferrari.

That is why he had left his home in Barcelona to work for a specialist engineering firm in rural England. Leaving Spain was hard, but he was now near where he needed to be: at the heart of the world's motor sports industry. It still seemed odd to him that a sport as international as motor racing was so localized, but the evidence was all around. More than three-quarters of the world's purpose-built single-seater cars—including 10 000 Formula Fords—came from small firms like Reynard, Rait and Van Dieman. Many of the Grand Prix teams were also close by—McLaren, Williams, Lotus, Tverell, Lola, March, Arrow and, best of all, Benetton. Local engineers also did much of the design work on the new Ferraris. Local firms even dominated the United States “Indy” car championships.

Few of the 450 000 people watching the Indianapolis 500 race knew that almost all the cars and engines originated in rural England. Antoni got his Syntec oil from an American friend, and fellow motor enthusiast, living nearby. He was glad of the gift, since the synthetic motor oil cost four times as much as regular lubricants. In motor racing every little helps and the oil could make the difference between winning and losing. Even if he had not been given the oil, he would have bought some.

Syntec is Burmah Castrol's “flagship” product. Targeted at enthusiasts and technically advanced users of motor oil, the product appeared on the United States market with a \$20 million budget. Despite its high price, Syntec sells well and broke even in 1994. It will never have a high market share, but the “flagship” product allows Castrol to create gradations in the market at intermediate prices.

Syntec fits Castrol's strategy of having a high price and high marketing expenditure. Sponsorship of rallying, Grand Prix racing and the Indy car series in the United States positions Castrol as a quality, high-performance product used by die experts. Its TV



advertising shows Castrol GTX as “liquid engineering” and so encourages motorists to cosset their engines by using a premium-priced product. In the United States the campaign has helped Castrol increase its share of the DIY market from 5 to 15 percent in ten years. Sales are now just behind Pennzoil, the market leader.

Castrol has operations in 50 countries and sells to another 100. Some of its greatest successes are in developing countries, where economic development fuels growth. The company’s positioning in the developing world is not the same as in developed countries. According to Ian Pringle, Castrol’s Asia director, “have somes” are the key to its marketing in Asia. They are die real middle class of Asia who want to buy cars, houses and consumer durables.

They treasure and care for their possessions. The segment is growing fast. For instance, in India the domestically produced Maruti-Suzuki 800cc car is the status symbol of the rapidly growing middle class. By a combination of political patronage and Japanese technology, the company has 71 percent of the Indian car market, which grew by 30 percent in 1993. Castrol estimates that in 1994 Asia had 55~60 million of these “have somes”, but that there would be, 300 million by the end of the century.

Castrol’s marketing also covers the Asian “near haves”, who are likely to buy a motor cycle as their first vehicle. According to Mr. Pringle, these groups are important because of the way that rapid economic development leads to consumers’ “leapfrogging” intermediate technologies, for example, people progressing from having no telephone direct to a cell phone, or from no radio to hi-fi system with a compact disc player. These changes happen quickly and, Mr. Pringle believes, some brand loyalty persists when “near haves” become “have somes”. That is why Castrol has made the motorcycle market central to its marketing strategy in Vietnam and Thailand. In Thailand, Castrol concentrated on building distribution and its image among motorcyclists despite government controls restricting profits in the 1970s. Then, when the motorcycle population leapt from 1 million to 5 million in the late 1980s, it was able to hold on to its leading position.

Appropriate targeting and positioning of Castrol lubricants ensures that the company makes profits in markets as different as Vietnam’s “near haves” and the US enthusiasts. By positioning product to fit the market’s stage of development, Castrol is profitable in both mature and developing markets. In 1993 the United States and Germany were the two most profitable markets, but India was the third and Thailand the sixth.

Text

What Is Market Positioning?

A product’s position is the way that 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, Mercedes and Jaguar on luxury, and Porsche and BMW on performance.

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. For instance, low costs and access to Heathrow are two of British Airways' competitive advantages, but its position is based on popularity and its global network, "The world's favorite airline". Similarly, Toyota's low costs are a significant competitive advantage, but its products are sold on quality and technical excellence, not price.

Consumers are overloaded with information about products and services. They cannot reevaluate products every time they make a buying decision. To simplify buying decision making, consumers organize 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 popularized by advertising executives. 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.

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 Porsche is the No. 1 small sports car. In the United States, Heineken is the No. 1 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.

Positioning Strategy

Marketers can follow several positioning strategies. These strategies use associations to change consumers' perception of products. The key to winning and keeping target customers





is to understand their needs better than competitors do and to deliver more value. To the extent that a company can position itself as providing superior value, it gains competitive advantage. But solid positions cannot be built on empty promises. If a company positions its product as offering the best quality and service, it must be then deliver the promised quality and service. Thus, positioning begins with actually differentiating the company's marketing offer so that it will give consumers more value than competitors' offers do.

Product Differentiation

Physical products vary in their potential for differentiation. At one extreme we find products that allow little variation; chicken, steel, aspirin. Yet even here, some differentiation is possible; Starbuck brands its coffee, and P & G offers several brands of laundry detergent, each with a separate brand identity. At the other extreme are products that are capable of high differentiation, such as automobiles and furniture. Here are some examples.

- ▶ **Form.** Many products can be differentiated in form—the size, shape, or physical structure of a product. Consider the many possible forms taken by products such as aspirin. Although aspirin is essentially a commodity, it can be differentiated by dosage size, shape, coating, and action time.

- ▶ **Features.** Features are the characteristics that supplement the product's basic function. Marketers start by asking recent buyers about additional features that would improve satisfaction, then determining which would be profitable to add, given the potential market, cost, and price.

- ▶ **Performance quality.** Performance quality is the level at which the product's primary characteristics operate. The Strategic Planning Institute found a significantly positive correlation between relative product quality and return on investment. Yet there are diminishing returns to higher performance quality, so marketers must choose a level suited to the target market and rivals' performance levels.

- ▶ **Conformance quality.** Buyers expect products to have a high conformance quality, which is the degree to which all of the produced units are identical and meet the promised specifications. The problem with low conformance quality is that the product will disappoint some buyers.

Services Differentiation

When the physical product cannot be differentiated easily, the key to competitive success may lie in adding valued services and improving their quality. The main service differentiators are:

- ▶ **Ordering ease** refers to how easy it is for the customer to place an order with the company. Baxter Healthcare has eased the ordering process by supplying hospitals with computers through which they send orders directly to Baxter; consumers can now order and



receive groceries without going to the supermarket by using Web-based services.

▶ Delivery refers to how well the product or service is delivered to the customer, covering speed, accuracy, and customer care. Deluxe Check Printers, Inc. , has built an impressive reputation for shipping out its checks one day after receiving an order—without being late once in 18 years.

▶ Installation refers to the work done to make a product operational in its planned location. Buyers of heavy equipment expect good installation service. Differentiation by installation is particularly important for companies that offer complex products such as computers.

Personnel Differentiation

Companies can gain a strong competitive advantage through having better-trained people. Singapore Airlines enjoys an excellent reputation in large part because of its flight attendants. The McDonald's people are courteous, the IBM people are professional, and the Disney people are upbeat. The sales forces of such companies as General Electric, Cisco, Frito-Lay, Northwestern Mutual Life, and Pfizer enjoy an excellent reputation. Well-trained personnel exhibit six characteristics: competence, courtesy, credibility, reliability, responsiveness, and communication.

Channel Differentiation

Companies can achieve competitive advantage through the way they design their distribution channels' coverage, expertise, and performance. Caterpillar's success in the construction-equipment industry is based partly on superior channel development. Its dealers are found in more locations, are better trained, and perform more reliably than competitors' dealers. Dell Computers has also distinguished itself by developing and managing superior direct-marketing channels using telephone and Internet sales.

Image Differentiation

Buyers respond differently to company and brand images. Identity comprises the ways that a company aims to identify or position itself or its product, whereas image is the way the public perceives the company or its products. Image is affected by many factors beyond the company's control. For example, Nike's mainstream popularity turns off 12-to-24-year-olds, who prefer Airwalk and other alternative brands that convey a more extreme sports image.

An effective image establishes the product's character and value proposition; it conveys this character in a distinctive way; and it delivers emotional power beyond a mental image. For the image to work, it must be conveyed through every available communication vehicle and brand contact, including logos, media, and special events.





▶ Dialogues

Selling Points

Dialogue 1

A: What kind of car is best for me?

B: For you, I would recommend this one here.

A: The compact? Why do you think that one is better than the others?

B: This automobile is just right for your needs because not only is it compact for ease in city driving, but also, it has many safety features. I know that as a parent, you are concerned about safety in driving your kids to and from school.

A: That's true. What kind of safety features are we talking about?

B: This model features anti-lock brakes, airbags on both driver and passenger sides, and impact collision design. But that's not all. This car isn't only safe, but it's also very economical.

A: With the cost of gasoline these days, that is a big plus. I think this model may be just what I am looking for.

Dialogue 2

A: This product's selling point is its advanced technology.

B: Unfortunately, it's just too expensive for the majority of consumers to afford.

A: Why is the price so high?

B: It's not just that the price is high, it's that the overhead to update an entire computer system to be compatible is costly.

A: Modern computers aren't compatible?

B: Most current computer systems simply can't handle it because this model truly has extraordinary capabilities.

A: Maybe after the next generation of technology comes out, the price of this model will become more affordable.

B: But by then, the technology will be outdated.

▶ Post-reading Exercises

I. Discuss the following questions.

1. What is positioning strategy?
2. Discuss how companies can position their products for maximum competitive advantage in the marketplace.



II. Complete the text using words given below.

aggregating	price	against
consumer	positioning	perceptions

Positioning is not only by ___ 1 ___ and quality. Other parameters can be used, such as ___ 2 ___ by application, type of use, benefits offered or customer type. For example, the market for chocolates could be evaluated ___ 3 ___ consumers' perceptions of end-use and application of the purchase. Cars might be plotted against ___ 4 ___ of image and age range of customer types. Although every ___ 5 ___ has their own perceptual map of the markets with which they are familiar, research can identify some consensus perceptions by ___ 6 ___ all the individual impressions to give a total picture.

III. Translate the following English sentences into Chinese.

1. Products or organizations can be plotted on a market positioning map and compared to the positions of competitive offerings or companies.
2. Customers perceive organizations and their products in a certain way.
3. Many companies earn a reputation which spreads by word of mouth and sticks with them.
4. Targeting a market segment involves deciding what positioning strategy to adopt within it and making sure that the perceptions of the customer match the desired position.
5. The perceptions of restaurants in a local area can be evaluated to see if there are any unfulfilled market needs.

IV. Translate the following Chinese sentences into English.

1. 产品定位是指消费者对产品的重要特征如何进行评价,即与竞争产品相比,该产品在消费者心目中的地位。
2. 市场定位作为一种竞争战略,显示了一种产品或一家企业与类似的产品或企业之间的竞争关系。
3. 识别潜在竞争优势是市场定位的基础。
4. 寻求产品特征是产品差别化战略经常使用的手段。
5. 企业在市场营销方面的核心能力和优势,不会自动地在市场上得到充分的表现,必须制定明确的市场战略来加以体现。

V. Practical exercises.

1. Evaluate the positioning strategy in depth of the following products: (1) dangdang.com, (2) EMS, (3) Geely car.
2. Design the positioning strategy for a local company you are familiar with.





► Words and Expressions

detergent 洗涤剂	deodorant 除臭剂
powder 粉末	unscented 无气味的
bleach 漂白	suds 肥皂水, 洗涤液
oxydol 双氧水	enzyme 酶
borax 硼砂	heterogeneous 异质的
worthwhile 值得做的, 值得出力的	splinter 分裂
profusion 丰富	pitch 推销
dying 垂死的	presumably 大概, 推测
cobbler 皮匠	garment 衣服, 外衣
enthusiast 狂热者	flagship 旗舰
undifferentiated marketing 非差异化营销	differentiated marketing 差异化营销
concentrated marketing 集中化营销	leapfrog 跃过, 交替前进
product variability 产品变量	market variability 市场变量
market positioning 市场定位	

► Notes

1. BMW

宝马(BMW 是德文 Bayerische Motoren Werke AG 的缩写) 全称为巴伐利亚机械制造厂股份公司, 是德国一家世界知名的高档汽车和摩托车制造商, 创建于 1916 年, 总部设在慕尼黑。BMW 集团拥有 BMW、MINI 和 Rolls-Royce 三个品牌。这些品牌占据了从小型车到顶级豪华轿车各个细分市场的高端, 使 BMW 集团成为世界上唯一一家专注于高档汽车和摩托车的制造商。公司的网站是 www.bmw.com。

2. Ferrari

法拉利(Ferrari) 是一家意大利汽车生产商, 创建于 1929 年, 公司总部在意大利的摩德纳, 其创始人是世界赛车冠军、划时代的汽车设计大师恩佐·法拉利。法拉利是最著名的赛车和运动跑车的生产厂家。法拉利汽车大部分采用手工制造, 因而产量很低, 年产量只有 4 000 辆左右。法拉利跑车和赛车的最大特点是马力大, 每辆跑车都装有一部赛车发动机, 发动机最高转速可达 7 000 至 10 000 转, 功率超过 500 匹马力, 最高车速可达 300 多公里/小时。与其他汽车相比, 每一辆法拉利汽车, 都可以说是一件绝妙的艺术品。公司的网站是 www.ferrari.com。

3. American Express

美国运通公司(American Express) 创立于 1850 年, 总部设在美国纽约。美国运通公司是国际上最大的旅游服务及综合性财务、金融投资及信息处理的环球公司, 在信用卡、旅行支票、旅游、财务计划及国际银行业占领先地位, 是在反映美国经济的道琼斯工业指数 30 家公司中唯一的服务性公司。公司的网站是 www.americanexpress.com。