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MANAGEMENT SOLUTIONS

MARKETING

SUMMARY

Chapter 7

Target Marketing Strategies and CRM

TARGET MARKETING STRATEGY: SELECT AND ENTER A MARKET

Market fragmentation: The creation of many consumer groups due to a diversity of distinct needs and wants in modern society.
Target marketing strategy: Dividing the total market into different segments on the basis of customer characteristics, selecting one or more segments, and developing products to meet the needs of those specific segments.

STEP 1: SEGMENTATION
Segmentation: The process of dividing a larger market into smaller pieces based on one or more meaningfully shared characteristics.
Segmentation variables: dimensions that divide the total market into fairly homogeneous groups, each with different needs and preferences.

Segment Consumer Markets

- Segment by demographics
  Demographics: Statistics that measure observable aspects of a population, including size, age, gender, ethnic group, income, education, occupation, and family structure.
  a. Age
     Consumers of different age groups have different needs and wants. Members of a generation tend to share the same outlook and priorities. We call such a focus **generational marketing**, which is marketing to members of a generation, who tend to share the same outlook and priorities.
     Baby boomers: the segment of people born between 1946 and 1964.
     Generation X: the group of consumers born between 1965 and 1987.
     Generation Y: the group of consumers born between 1979 and 1994.
  b. Gender
     Segmenting by genders starts at a very early age, but some manufacturers develop parallel products to appeal to each sex.
  c. Family life cycle
     Consumers in different life-cycle segments are unlikely to need the same products or different quantities of product.
  d. Income and social class
     The distribution of wealth is of great interest to marketers because it determines which groups have the greatest buying power.
     Social class segment: super class, middle class, and lower class. But many consumers do not buy according to where they actually fall in that framework, but according to the image they wish to portray.
  e. Ethnicity
     A consumer's national origin is often a strong indicator of his or her preferences for specific magazines or TV shows, foods, apparel, and leisure activities.
     Marketers need to be aware of these differences and sensitivities—especially when they invoke outmoded stereotypes to appeal to consumers of diverse races and ethnic groups.

Cultural diversity: a management practice that actively seeks to include people of different sexes, races, ethnic groups, and religions in an organization's employees, customers, suppliers, and distribution channel partners.

f. Place of residence (geography)
When marketers want to segment regional markets even more precisely, they sometimes combine geography with demographics using the technique of geodemography, A segmentation technique that combines geography with demographics.
Geocoding: customizing Web advertising so that people who log on in different places will see ad banners for local businesses.

- Segment by psychographics
  Psychographics: the use of psychological, sociological, and anthropological factors to construct market segment.
- Segment by behavior
  Slices consumer segments on the basis of how they act toward, feel about, or use a product. One way to segment based on behavior is to divide the market into users and nonusers of a product.
  80/20 rule: a marketing rule of thumb that 20 percent of purchases account for 80 percent of a product's sales.
  Long tail: A new approach to segmentation based on the idea that companies can make money by selling small amounts of items that only a few people want, provided they sell enough different items.
- Segment Business-to-Business Markets
  Organizational demographic can help a B2B marketer to understand the needs and characteristics of its potential customers.

STEP 2: TARGETING

Targeting in Three Steps

1. Evaluate market segments
   A viable target segment should satisfy the following requirements:
   - Without real differences in consumer needs, firms might as well use a mass-marketing strategy.
   - Can marketers measure the segment?
   - Can marketing communications reach the segment?
   - Can the marketer adequately serve the needs of the segment?
2. Develop segment profiles
   - Segment profiles: a description of the "typical" customer in a segment.
   - Once a marketer identifies a set of usable segments, it is helpful to generate a profile of each to really understand segment members' needs and to look for business opportunities.
3. Choose a targeting strategy
   - Undifferentiated targeting strategy: appealing to a broad spectrum of people.
   - Differentiated targeting strategy: developing one or more products for each of several distinct customer groups and making sure these offerings are kept separate in the marketplace.
   - Concentrated targeting strategy: focusing a firm's efforts on offering one or more products to a single segment.

- Custom marketing strategy: an approach that tailors specific products and the messages about them to individual customers.
- Mass customization: an approach that modifies a basic good or service to meet the needs of an individual.

STEP 3: POSITIONING

Positioning: develop a marketing strategy to influence how a particular market segment perceives a good or service in comparison to the competition.

Step in Positioning

1. Analyze competitors' position
2. Define your competitive advantage
3. Finalize the marketing mix
4. Evaluate responses and modify as needed

Brand Personality: a distinctive image that captures a good's or service's character and benefit.
Part of creating a brand personality is developing an identity for the product that the target market will prefer over competing brands. How? By using perceptual map, a technique to visually describe where brands are "located" in consumers' minds relative to competing brands.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

CRM: a systematic tracking of consumers' preferences and behaviors over time in order to tailor the value propositions as closely as possible to each individual's unique wants and needs, CRM allows firms to talk to individual customers and to adjust elements of their marketing programs in light of how each customer reacts.
Steps of one-to-one marketing (CRM):

1. Identify customers and get to know them in as much detail as possible.
2. Differentiate among these customers in terms of both their needs and their value to the company.
3. Interact with customers and find ways to improve cost efficiency and the effectiveness of the interaction.
4. Treat each customers differently based on what has been learned through customer interactions.

Characteristic of CRM

- Share of customer
  The percentage of an individual customer's purchase of a product that is a single brand. CRM tries to increase their customer share, not market share.
- Lifetime value of a customer
  The potential profit of a single customer's purchase of a firm's products generates over the customer's lifetime. A firm's profitability and long-term success are going to be far greater if it develops long-term relationships with its customers so that those customers buy from it again and again.
- Customer equity

The financial value of a customer relationship throughout the lifetime of the relationship. Company compare the investment they make to acquire customers and then to retain these to the financial return they'll get on those investments.

- Focus on high-value customer
  The organization prioritizes its customers and customizes its communications to the accordingly.