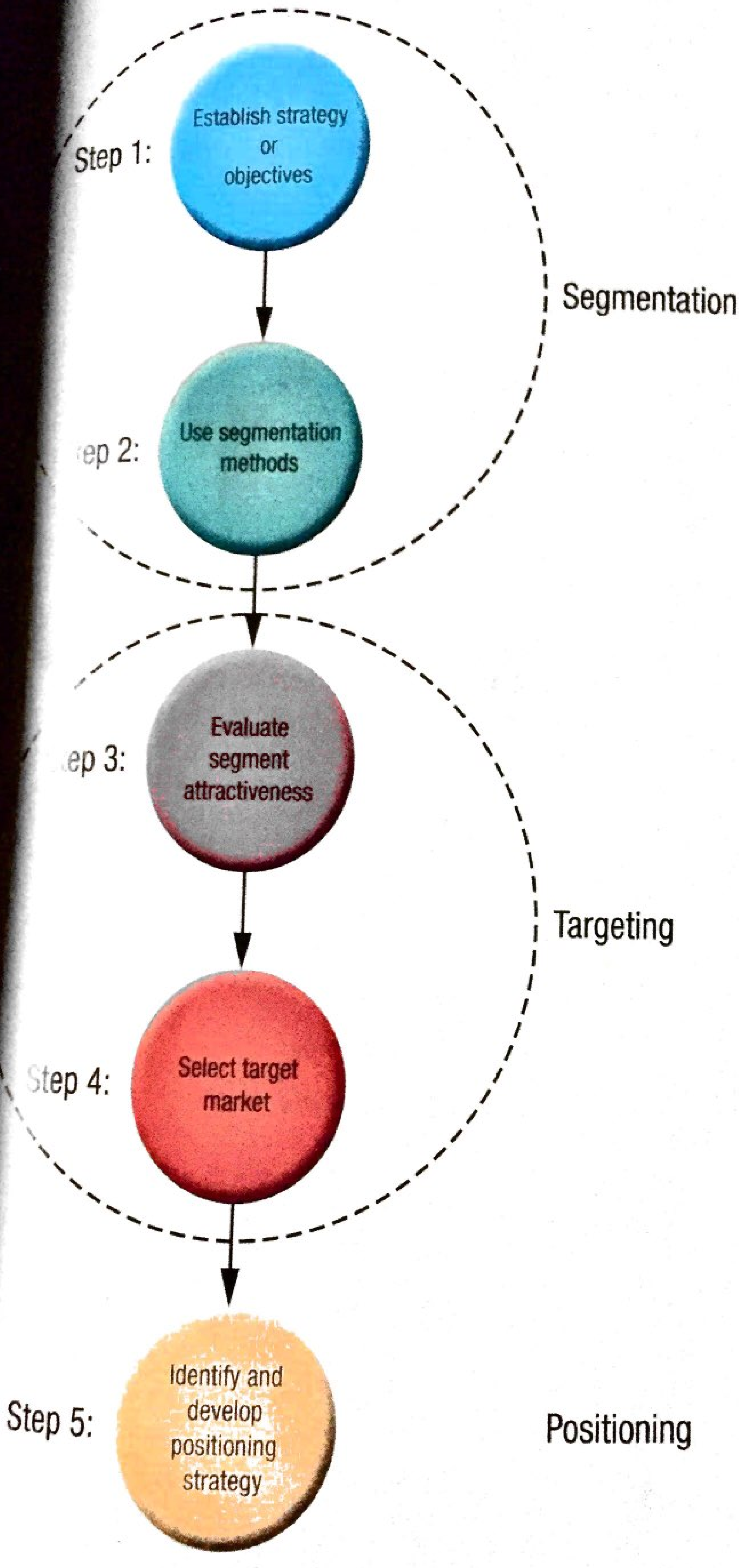
▼ **EXHIBIT 9.1** The Segmentation, Targeting, and Positioning Process



clearly. The segmentation strategy must be consistent with and derived from the firm's mission and objectives as well as its current situation—its strengths, weaknesses, opportunities, and threats (SWOT). Coca-Cola's objective, for instance, is to increase sales in a mature industry. The company knows its strengths are its brand name and its ability to place new products on retailers' shelves, but its primary weakness is that it may not have a product line for newer market segments. Identifying this potentially large and profitable market segment, before many of its mainstream competitors can do so, offers a great opportunity. However, following through on that opportunity could lead to a significant threat: competitive retaliation. Coca-Cola's recent choice to pursue health-conscious men
Coke Zero is consistent with its overall s

Now let's take a look at methods for s

Step 2: Use Segmentati

The second step in the segmentation pro lar method or combination of methods This step also develops descriptions of which helps firms better understand th each segment. With this information customer similarities within a segme across segments. Marketers use geograp chographic, benefits, and behavioral se Exhibit 9.2 details.

Soft drink marketers, for instance, beverage landscape into caffeinated o (with sugar) or diet, and cola versus so mentation method is based on the b derive from the products.

Geographic Segmentation

tation organizes customers into group they live. Thus, a market could be gro (northeast, southeast), or areas withi

undifferentiated targeting strategy (mass marketing) A marketing strategy a firm can use if the product or service is perceived to provide the same benefits to everyone, with no need to develop separate strategies for different groups.

differentiated targeting strategy A strategy through which a firm targets several market segments with a different offering for each.

▼ **EXHIBIT 9.7** Targeting Strategies

Exhibit 9.7 illustrates several targeting strategies, which we discuss in more detail next.

Undifferentiated Targeting Strategy, or Mass Marketing

When everyone might be considered a potential user of its product, a firm uses an **undifferentiated targeting strategy (mass marketing)**. (See Exhibit 9.7.) Clearly, such a targeting strategy focuses on the similarities in needs of the customers as opposed to the differences. If the product or service is perceived to provide similar benefits to most consumers, there simply is little need to develop separate strategies for different groups.

Although not a common strategy in today's complex marketplace, an undifferentiated strategy is used for many basic commodities such as salt or sugar. However, even those firms that offer salt and sugar now are trying to differentiate their products. Similarly, everyone with a car needs gasoline. Yet gasoline companies have vigorously moved from an undifferentiated strategy to a differentiated one by targeting their offerings to low-, medium-, and high-octane gasoline users.

Differentiated Targeting Strategy

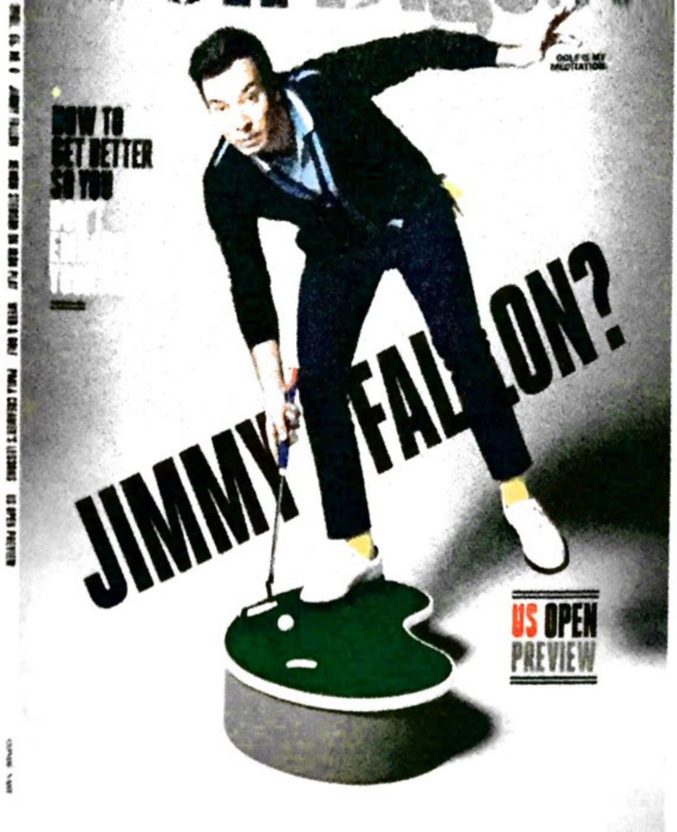
Firms using a **differentiated targeting strategy** target several market segments with a different offering for each (again see Exhibit 9.7). Condé Nast has more than 20 niche magazines focused on different aspects of life—from *Vogue* for fashionistas to *Bon Appetit* for foodies to *GQ* for fashion-conscious men to *The New Yorker* for literature lovers to *Golf Digest* for those who walk the links.

Firms embrace differentiated targeting because it helps them obtain a bigger share of the market and increase the market for their products overall. Readers of *Golf Digest* probably are unlike readers of *Architectural Digest* in their interests, as well as in their demographics, such as gender, age, and income. Providing products or services that appeal to multiple segments helps diversify the business and therefore lowers the company's (in this case, Condé Nast's) overall risk. Even if one magazine suffers a circulation decline, the impact on the firm's profitability can be offset by revenue from another publication that continues to do well. But a differentiated strategy is likely to be more costly for the firm.

> "If the product or service is perceived to provide similar benefits to most consumers, there simply is little need to develop separate strategies for different groups."

Concentrated Targeting Strategy

When an organization selects a single, primary target market and focuses all its energies on providing a product to fit that market's needs,



Condé Nast has more than 20 niche magazines focused on different asp
Left: © Peter Yang/Golf Digest; Right: © Bjorn Wallander/Architectural Digest.

it is using a **concentrated targeting strategy**. Entrepreneurial start-up ventures often benefit from using a concentrated strategy, which allows them to employ their limited resources more efficiently. Newton Running, for instance, has concentrated its targeting strategy to runners—but not all runners. It focuses only on those who prefer to land on their forefeet while running, a style that recently has been suggested as more natural, efficient, and less injury-prone than the style encouraged by more traditional running shoes with their heel-first construction and substantial cushioning. In comparison, though it also is known for its running shoes, Nike uses a differentiated targeting strategy (recall the opening vignette about Nike in Chapter 2). It makes shoes for segments that include basketball and football players and skateboarders as well as fashion-conscious white-collar workers with its subsidiary brand Cole Haan.

Micromarketing[18] Take a look at your collection of belts. Have you ever had one made to match your exact specifications? (If you're interested, try http://www.leathergoodsconnection.com.) When a firm tailors a product or service to suit an individual customer's wants or needs, it is undertaking an extreme form of segmentation called **micromarketing** or **one-to-one marketing**.

Such small producers and service providers generally can tailor their offerings to individual customers more easily. But it is far more difficult for larger companies to achieve this degree of segmentation. Major players such as Dell (computers) and Lands' End (shirts) tried to capitalize on Internet technologies to offer custom products. Lands' End let customers choose from a variety of options in the fabric, type of collar, sleeve, shape, and based on the customer's specific measurements—but it halted this service when it could not manage to achieve profitable sales. Dell allowed customers to choose the size, color, and speed of their laptops, though it has backed off its promotions and limits the choice of software included. These adjustments demonstrate the difficulty of micromarketing.

The Internet clearly helps facilitate such a segmentation strategy. Companies can cater to very small segments, sometimes as small as one customer at a time, relatively efficiently and inexpensively (e.g., mortgage and insurance sites provide personalized quotes). An Internet-based company can offer one-to-one service more inexpensively than can other venues, such as retail stores or telephone-based businesses. For example, frequent fliers of American Airlines can check prices and choose special services online at a fraction of the cost that the company would incur for a phone consultation with a ticket agent.

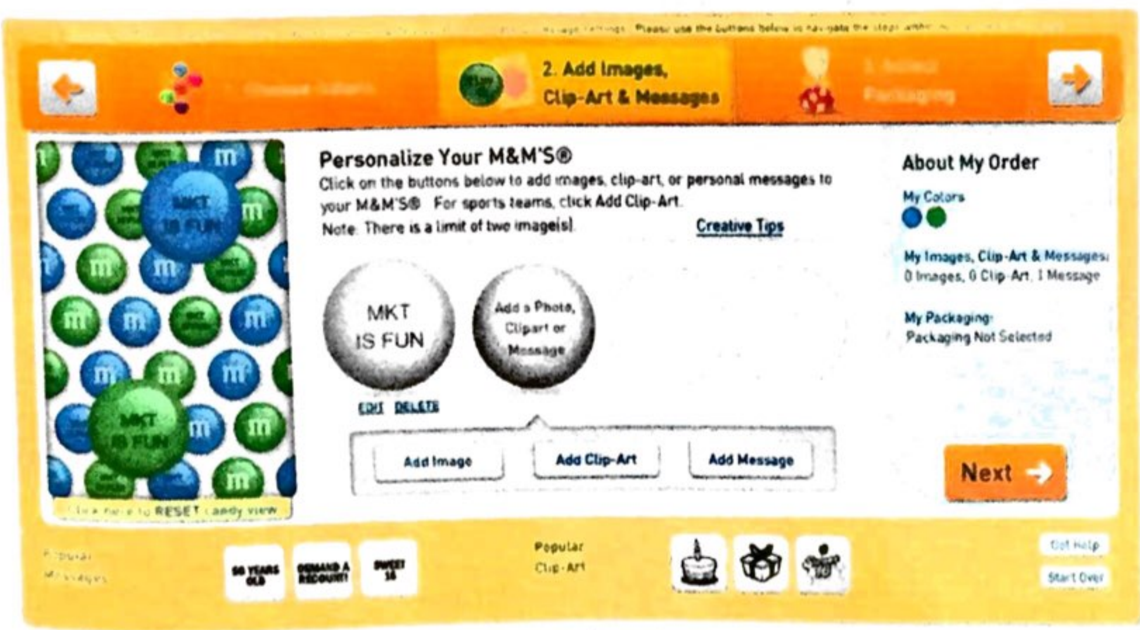
The Internet also simplifies customer identification, in ways that are constantly changing, as we discussed in the opening vignette for Chapter 4. **Cookies**, or small text files a website stores in a visitor's browser, provide a unique identification of each potential customer who visits and details how the customer has searched the site. In turn, advertisers using retargeting technologies can link their advertisements to the browsing history of any individual user. For example, Twitter's Tailored Audiences service helps corporate clients advertise their products to any Twitter subscriber who has shown any interest in the brand through her or his online activities.[19]

Marketers also can ask visitors to fill out an online registration form. Using such information, the company can make a variety of recommendations to customers. Amazon.com is renowned for the algorithms it uses to provide recommendations for related products to customers as they browse the site, which match customer profiles to those of other customers. The marketing strategy therefore is customized in real time, using known and accurate data about the customer. Staples offers merchandise at different prices in different parts of the country—simply by asking customers to enter their zip codes.

Amazon.com is renowned for the algorithms it uses to provide recommendations for related products to customers as they browse the site, which match customer profiles to those of other customers.

Customers can even do the work themselves, both to create items for themselves and to find the perfect gifts for others.[20] Mars Chocolate North America's MY M&M'S Brand site (http://www.mymms.com) lets customers customize their own M&M'S Chocolate Candies with personalized greetings, including messages for birthday parties, sporting events, graduations, and weddings—as well as wedding proposals! Both online and in stores, Build-A-Bear lets young (or not so young) customers design their very own stuffed furry friend with unique clothes, accessories, sounds, and the name printed on its birth certificate.

Some consumers appreciate such custom-made goods and services because they are made especially for them, which means they'll meet the person's needs exactly. If a tailor measures you first and then sews a suit that fits your shoulders, hips, and leg length exactly, it probably will fit better than an off-the-rack suit that you pick up at a department store. But such products and services are typically more expensive than ready-made offerings and often take longer to obtain. You can purchase a dress shirt in your size at Macy's and wear it out of the store. Ordering a tailored shirt from an online site that allows you to enter in your measurements might



www.mymms.com allows customers to customize their candy.
© Mars, Inc.

concentrated targeting strategy A marketing strategy of selecting a single, primary target market and focusing all energies on providing a product to fit that market's needs.

micromarketing An extreme form of segmentation that tailors a product or service to suit an individual customer's wants or needs; also called *one-to-one marketing.*

one-to-one marketing See *micromarketing.*

cookie Computer program, installed on hard drives, that provides identifying information.

marketing

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