

Module 2: Customer Driven Market Strategy

6 Segmentation - Concept, Levels, and Bases for Market Segmentation

Market Segmentation is the strategic business practice of dividing a broad, highly heterogeneous consumer market into distinct, smaller sub-groups of buyers who exhibit shared characteristics, common desires, or identical behavioral patterns. A company cannot effectively appeal to every single consumer in a massive open marketplace with a single product configuration. Segmentation allows organizations to move from unfocused mass marketing to highly efficient, targeted value delivery channels.

Levels of Market Segmentation

Depending on corporate resource availability and strategic objectives, an enterprise can segment its market access across five distinct administrative levels:

- **Mass Marketing (No Segmentation):** The seller engages in the mass production, mass distribution, and mass promotion of a single product version for all buyers indiscriminately. This approach optimizes economies of scale and minimizes manufacturing costs, yet it fails to address individual market variations. A historical case is the early approach by Coca-Cola, distributing a single standard bottle size and flavor to the global market.
- **Segment Marketing:** Isolating broad sectors within a macro-market that share a generic, highly identifiable preference vector. The organization adapts its product parameters, pricing tiers, and advertising networks to align precisely with each chosen group. This is demonstrated when automobile manufacturers design compact hatchbacks for budget city commuters, sedans for business executives, and rugged SUVs for off-road enthusiasts.
- **Niche Marketing:** Narrowing focus onto a highly specific, narrowly defined sub-segment or underserved micro-pocket that possesses a unique combination of needs. Niches typically attract

lower competitor density and allow for substantial premium pricing strategies. This strategy is apparent when a software brand develops accounting tools exclusively for organic medical practitioners rather than general corporate enterprises.

- **Local Marketing:** Tailoring brand variables, store inventories, and localized promotions to precisely fit the unique cultural preferences, demographic traits, and lifestyle habits of customers in specific trading locations, single cities, or individual neighborhoods. Fast-food chains execute this when adjusting their menus to include region-specific spices and locally sourced ingredients in alternative international branches.
- **Micro/Individual Marketing (Segment of One):** The ultimate boundary of customization, where products and marketing communications are tailored down to the exact preferences of single individual consumers or corporate accounts. Driven heavily by modern big-data architectures, automated recommendation models, and agile supply lines, this is utilized by platforms like Netflix to dynamically re-generate user dashboards in real time, or Nike allowing users to custom-design footwear via online builders.

Bases for Segmenting Consumer Markets

To construct clean, actionable consumer segments, organizations systematically categorize the market across four core foundational metrics:

Segmentation Base	Core Variables Evaluated	Strategic Case Application
Geographic	Nations, states, regional territories, climate patterns, population density (urban/rural).	Whirlpool engineering smaller, highly compact washing machines for high-density, space-constrained Tokyo apartments versus massive capacity units for suburban American homes.
Demographic	Age brackets, gender identity, household income, lifecycle stage, occupation, educational level.	Rolex targeting high-income demographics using luxury positioning, while Swatch uses affordable, artistic positioning to capture younger demographics.

Segmentation Base	Core Variables Evaluated	Strategic Case Application
Psychographic	Social class stratification, lifestyle orientations, personal values, motivations, and psychological personality traits.	Apple positioning the iPad Pro to appeal to creative professionals and innovators, leveraging a lifestyle identity of cutting-edge creative exploration.
Behavioral	Purchase occasions, target user status (first-time/regular), customer loyalty metrics, usage rates, benefits sought.	Sensodyne segmenting buyers based explicitly on the benefit sought (tooth sensitivity relief) rather than raw age or income metrics.

7 Targeting - Concept and Targeting Strategies

Once a company has systematically mapped out the various segmentation opportunities within a marketplace, it must execute Market Targeting. Targeting is the evaluation phase where management reviews the commercial structural attractiveness of each identified segment and selects one or more specific sub-groups to enter and focus its corporate resources on. It prevents companies from wasting marketing budgets on low-return customer profiles.

Evaluation of Market Segments

Before selecting a target strategy, the organization evaluates three structural metrics: Segment Size and Growth (analyzing current revenue run-rates and growth forecasts), Segment Structural Attractiveness (using Porter's Five Forces to check aggressive competitor density, substitute entry threats, and buyer bargaining power), and Company Objectives and Resources (including the requirement that the segment aligns with long-term brand identity and technical capability).

Strategic Target Marketing Options

Enterprises select their structural market coverage models along a spectrum ranging from completely undifferentiated mass access to highly micro-customized individual focuses:

Undifferentiated Strategy

The enterprise completely ignores distinct segment boundaries, treating the entire marketplace as a single uniform group. It designs a product profile and a single marketing mix intended to appeal to the highest number of aggregate buyers, as seen in standard agricultural commodities or basic utility services.

Differentiated Strategy

The company targets multiple distinct market segments simultaneously, engineering customized, unique products and separate marketing campaigns for each unit. While it increases operational complexity, it captures higher aggregate market share. Marriott executes this by offering Ritz-Carlton for luxury travelers, Courtyard for business professionals, and Fairfield for budget families.

Concentrated / Niche Strategy

Instead of chasing a small share of a massive, hyper-competitive market, the company goes after a large, dominant share of one or two specialized niche segments. This approach is highly effective for resource-constrained firms to build deep operational scale, illustrated by Tesla initially focusing exclusively on the ultra-premium high-performance electric sports car niche via the original Roadster.

Micromarketing Strategy

The practice of tailoring products and promotions to execute value delivery at the hyper-local level or directly to specific individual customers. It leverages digital automation and live telemetry to customize experiences dynamically, such as algorithmic asset platforms providing unique, highly tailored financial configurations for single corporate clients.

8 Differentiation: Concept and Importance

Differentiation is the strategic process of designing a meaningful set of distinct differences in an organization's offerings to distinguish them clearly from competitor products. It is the tactical mechanism that provides an empirical answer to the vital consumer question: "Why should I buy your brand instead of a substitute alternative?" Differentiation can be achieved across multiple operational dimensions, including product features, service delivery speed, personnel expertise, channel efficiency, or symbolic image value.

Strategic Dimensions for Executing Differentiation

- **Product Differentiation:** Standard physical variables including design elements, performance metrics, durability, reliability, or innovative functional capabilities. Volvo leverages this by differentiating its vehicle chassis around absolute passenger safety engineering.
- **Services Differentiation:** Delivery velocity, ordering convenience, installation precision, customer training, and responsive technical repair structures. Amazon Prime establishes its competitive moat via guaranteed free next-day delivery options.

- **Personnel Differentiation:** Gaining a competitive edge by employing better-trained, highly knowledgeable, and deeply empathetic frontline employees. Singapore Airlines flight crews are recognized internationally for exceptional hospitality and service precision because of this focus.
- **Image / Brand Differentiation:** Developing unique emotional and symbolic narratives that connect with consumers on a psychological level, often using specific logos, brand ambassadors, or corporate social responsibility stances, such as Nike's symbolic association with personal athletic triumph.

Importance of Differentiation

A business that fails to differentiate its value proposition falls into a commoditisation trap, where products appear identical to consumers and buying choices are driven purely by the lowest price, destroying profit margins. Differentiation is critical to:

- **Command Price Premiums:** Customers are willing to pay more for a brand that delivers unique, verified utility or psychological identity values.
- **Insulate Against Price Competition:** It shifts the consumer's focus from raw financial cost to unique benefits, protecting product margins from price wars.
- **Build High Barriers to Entry:** Strong differentiation creates deep customer loyalty and high cognitive switching costs, making it difficult for new market entrants to steal market share.
- **Formulate Clear Positioning:** It provides the actual raw materials and distinct feature sets required to build a sustainable positioning statement in target consumer minds.

9 Positioning - Concept and Positioning Strategies

Positioning is the act of designing the company's offering and image so that it occupies a distinctive, desirable place in the mind of the target customer. It is not about what you physically do to the product layout; rather, it is about what you do to the mind of the prospective consumer. Positioning ensures that target buyers immediately associate a brand with a specific value promise or unique capability milestone.

The Foundation of Market Standout: A product's position is the complex collection of perceptions, impressions, and emotional associations that consumers maintain for the item relative to competing alternatives. If a brand lacks a clear position, it stays invisible in a crowded marketplace.

Strategic Positioning Options

Marketers choose varied directional tracks to anchor their brand identity inside consumer minds:

- **1. Attribute or Benefit Positioning:** Associating the brand directly with a specific functional feature or core user benefit. This is executed when BMW positions its cars as *"The Ultimate Driving Machine,"* focusing explicitly on precision performance and driver agility.
- **2. Price and Quality Positioning:** Positioning the offering along the value spectrum, from extreme luxury to accessible value. Richemont / Cartier positions on high price and elite craftsmanship, whereas IKEA positions as clever, highly functional home design at affordable prices.
- **3. Use or Application Positioning:** Positioning the product as the optimal solution for a specific situation, time frame, or environmental context. Gatorade positions its products specifically for intense athletic replenishment during high-exertion workouts, rather than as a casual dinner beverage.
- **4. Product User Positioning:** Aligning the brand identity directly with a specific consumer archetype, lifestyle class, or celebrity profile. Monster Energy positions its brand toward extreme sports enthusiasts and high-adrenaline youth cultures.
- **5. Competitor Positioning:** Positioning the brand directly against a recognized market leader to highlight distinct comparative advantages or alternative approaches, illustrated historically when Avis positioned against Hertz via the phrase: *"We're number two. We try harder."*

10 Consumer Behavior - Defining the Term Consumer, Meaning of Consumer Behavior, and the Buying Decision Process

Defining the Term Consumer

A Consumer is any individual, household, or institutional entity that acquires, uses, or disposes of goods and services to satisfy personal, domestic, or organizational needs. In analytical marketing frameworks, a critical structural distinction is made between the **Buyer** (the individual who physically executes the financial transaction) and the **Consumer / End-User** (the individual who physically uses the product utility). For instance, a parent who purchases baby food acts as the buyer, while the infant is the true consumer.

Meaning and Definition of Consumer Behavior

Consumer Behavior is the comprehensive study of how individuals, groups, and organizations select, secure, use, and dispose of products, services, experiences, or ideas to satisfy their needs, and the psychological and environmental impacts that these processes have on the consumer and society.

It is an interdisciplinary field that integrates key concepts from cognitive psychology, social sociology, anthropology, and behavioral economics to decode why buyers make choices, map what drives their brand preferences, and analyze how they react to pricing adjustments and marketing communications.

The Consumer Buying Decision Process

Understanding consumer behavior provides management with a clear diagnostic map of the Consumer Buying Decision Process. This sequence consists of five distinct cognitive stages that a customer transitions through, moving from initial need identification to post-purchase evaluation:

STAGE 1

Problem / Need Recognition

The journey begins when a consumer perceives a significant discrepancy between their Actual State and their Desired State. This can be triggered by Internal Stimuli (physiological cues like thirst) or External Stimuli (targeted advertising or observing a peer's acquisition).

STAGE 2

Information Search

The consumer seeks data to resolve the challenge, looking across Internal Search (recalling past personal experiences) and External Search (gathering fresh data from personal networks, commercial channels, or public review forums).

STAGE 3

Evaluation of Alternatives

The consumer processes the collected data to filter down choices, evaluating alternative brands against specific Choice Criteria—the attributes they consider most important—filtering the market down into their Evoked Set.

STAGE 4

Purchase Decision

The consumer forms a clear purchase intention and selects their chosen brand and retail channel. The final execution can still be influenced by the Attitudes of Others or Unanticipated Situational Factors.

STAGE 5

Post-Purchase Behavior

The customer compares reality against initial expectations. If performance falls short, dissatisfaction occurs. A vital concept here is Cognitive Dissonance—an internal state of psychological discomfort or anxiety experienced by a buyer post-purchase regarding their choice.