

- **Brand guardians**, protecting brand values when making decisions about the marketing mix.

Put simply, the marketing department combines a number of ingredients to provide customer value. The number and names of these ingredients has been debated over time, but the functions or activities of marketing are commonly referred to as the *marketing mix* (McCarthy, 1960) or the four Ps. The marketing mix includes:

- **Product** – what is offered, what are the benefits and value?
- **Price** – how much the company charges or the cost to the customer.
- **Promotion** – communication between the business and the consumer.
- **Place** – where and how the product is obtained, customer convenience created.

For a services market three additional Ps are generally included. These are:

- **Physical evidence** – the location and the look of the business.
- **Process** – how the service is organized and delivered.
- **People** – the service personnel who deal with the consumers.

Before examining the marketing mix in more detail the customer should be identified. A parent may buy goods (customers) used by the family (consumers) but all family members influence the decision. In a business-to-business (B2B) market, the influencers can include engineers, users, finance and specifiers. Where goods are sold through retailers or wholesalers, a priority is to ensure the product is available and marketing efforts need to be targeted towards the retailer. Marketers must therefore consider the needs of the whole decision making unit in determining the most appropriate marketing mix.

## Segmenting the market

It can be difficult for an entrepreneur to understand that not everyone is in love with their product, brand or service idea. Not all customers are the same and this is why segmentation is important.

Segmentation is the essence of marketing. Levitt (1986) said: “if you’re not thinking segments you’re not thinking” (1986:128). Segmentation breaks up a larger market into smaller homogenous groups of people who share similar needs. People within each segment have similar characteristics but segments should be as distinctive as possible. Segmentation allows a business to get to know customers and concentrate efforts on using their resources to meet those

customer needs. A segment that is not attractive to competitors could prove successful for a different business. Segmentation can assist location decisions and determine relevant communications messages.

This chapter identifies four methods used to segment the market, but additional methods are sometimes discussed in the academic literature (Baines, Fill and Page, 2013).

## 1 Demographics

Customers who share similar demographic characteristics (age, occupation, gender, life stage, socio-economic status or income) are relatively easy to identify. This segmentation method is the most frequently used with many examples of products that use demographic characteristics to group their markets. Consider toys aimed at girls or cosmetics marketed to mature women. Although popular, it is a crude method of segmentation.

## 2 Geographic

Customer location can affect the types of products and services needed and the capability to supply. Consider how population density might affect the size and type of home available and the impact on furnishing requirements, or the impact of nationality on preferred choices. Companies may initially operate locally but extend their geographical reach once established.

## 3 Lifestyle (psychographics) and benefits

This uses customer activities, interests and opinions to group customers. It is obviously useful when considering particular products used for a hobby and it is helpful in building up a richer picture of customers. A highly innovative energy saving product might appeal to three segments: those interested in environmental matters; those who seek frugality; and early adopters who just want the latest gadget.

## 4 Behavioural

Here, segments are formed according to:

- **Value and benefits sought by the consumer.** For example, confectionery bought as a gift will be packaged elaborately, acquired from specialist outlets, more expensive and promoted as luxury. The benefit for the customer is very different to a chocolate bar purchased as an everyday snack.
- **Users.** Regular and loyal purchasers are identified as a special segment and benefit from special discounts, loyalty points and upgrades; infrequent buyers are treated in a different way.

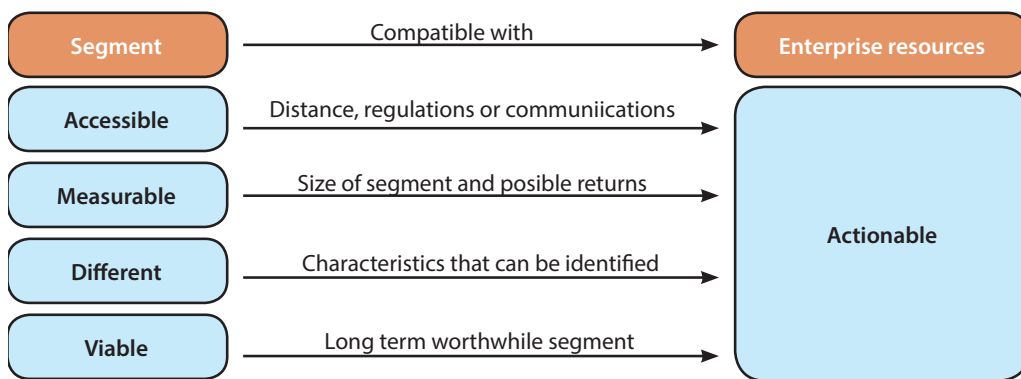
## ■ Hybrid methods

In reality, businesses find a mix of methods more meaningful. Geo-demographic segmentation, as the name suggests combines geographic location with other demographic factors such as socio-economic status. Companies such as Experian (<http://www.experian.co.uk/marketing-services/products/mosaic/mosaic-in-action.html>) and CACI (<http://acorn.caci.co.uk/>) use hybrid methods to give insight into consumer lives, allowing sophisticated tailoring of messages and access to potential customers with similar characteristics to those who already like the brand. Segment (2013) has used hybrid techniques across Europe to market sustainable transport systems.

### Exercise

Draw up a list of brands that are targeted at younger, single audiences and those that are created for a more mature market. What are the differences employed in the marketing mix? Do marketers stereotype or patronise their consumers when segmenting using demographic characteristics?

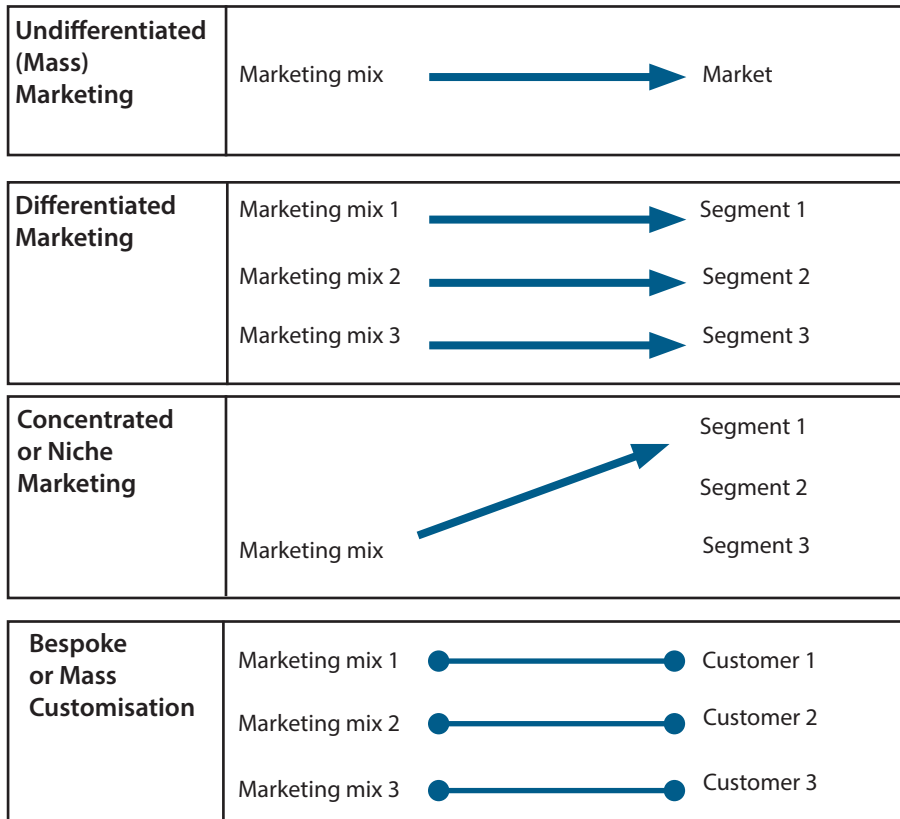
For a business to implement suitable marketing plans the segmentation strategy must be compatible with company resources and know-how (Figure 6.1).



**Figure 6.1:** Successful segmentation criteria

## ■ Targeting

Once the enterprise has decided which segments actually exist in the market place it will decide how many of those segments will be served. There are four basic approaches to targeting (Figure 6.2):



**Figure 6.2:** Target market selection. Adapted from Stone and Desmond (2010).

- **Undifferentiated or mass marketing** – the whole market is treated as homogenous and targeted with one offering and with no accounting for difference. Narrow product lines enable cost leadership and economies of scale. It is a production led, one-size-fits-all approach and rarely suitable for nascent enterprises.
- **Differentiated** – caters for the whole market with a variety of products. Car companies manufacture several car and truck models under numerous brand names to serve every segment. Although expensive it creates a balanced portfolio and reduces the risk of company failure when one segment declines.
- **Concentrated or niche marketing** involves specialist provision for one market segment. As the company becomes familiar with segment needs it ensures that exact needs are met. Reliance on one segment can be risky, particularly when competitors choose the same segment, but this can be a useful entry strategy.

## Example

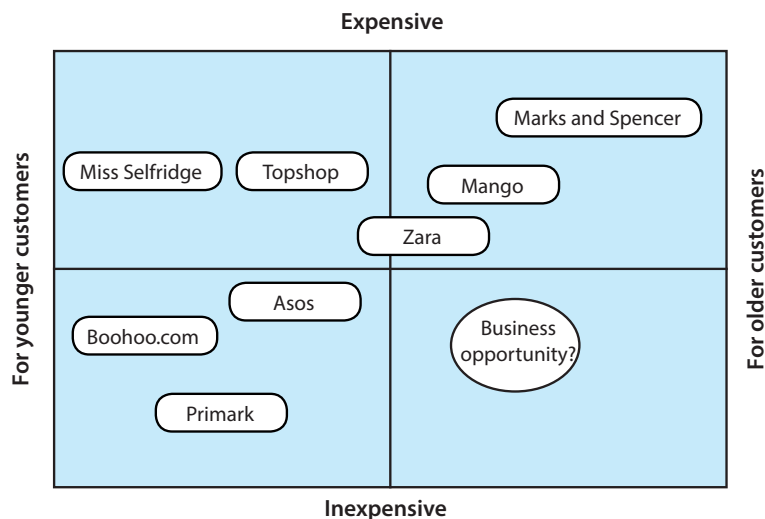
Hotel Chocolat is a niche marketer producing handmade confectionery. It has expanded to include retail outlets, cafes and a hotel, but it still targets the one main segment of chocolate lovers.

- ❑ **Bespoke or mass customization** – a totally bespoke, individually tailored service. Examples include personal services such as physiotherapy, architects and consultants. Technology allows companies to offer bespoke physical products to a number of customers. Freitag, ([www.freitag.ch/](http://www.freitag.ch/)) individually designs bags out of recycled materials. Prices tend to be high but the customer gets emotional value from knowing that their product is a one-off.

Target market selection will be internally influenced by resource availability, the potential to vary the product and stage in the product lifecycle. Smaller companies generally compete well by spotting a niche marketing opportunity and by serving the needs of those wanting something a bit different. External factors influencing the decision include variability between segments and the presence of competitors.

## ■ Positioning

Following segmentation and targeting the final step is to develop a clearly defined image of the product or brand in customer minds so it is seen as different from competing brands. The consumer takes cues from the marketing mix and what others say about the product to help them decide how it is positioned.



**Figure 6.3:** Imagined perceptual map for women's clothing retail

Market research can discover where competing products are positioned in the minds of customers and can visualise these results. In the sample positioning map (Figure 6.3) for ladies fashion there appears to be some potential for a mid-range, fairly inexpensive retail outlet for older consumers. If the enterprise has the capability to design an appropriate marketing mix then this opportunity would be stronger than trying to compete in the crowded upper quadrants.

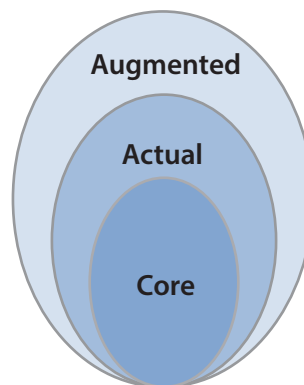
## Creating value through the marketing mix

### ■ Product – the offer?

At the heart of the marketing exchange is the product offered to the customer. Aimed at the consumer and/or the business market, products can be:

- Physical goods** such as washing machines, yoghurts
- Services** such as hairdressing or holidays
- Ideas** such as management consultancy
- Places** such as Malaysia or Dubai
- People** such a celebrities or politicians.

Most products include an element of service and most services offer some physical aspects. Figure 6.4 shows the product made up of several layers. The core is the central essence of the product and the benefits it provides. The actual product includes the physical features, design, quality and packaging. The augmented product includes mainly intangible aspects such as the brand name and additional services such as guarantees, delivery, after sales and installation.



**Figure 6.4:** Levels of product