

**Exhibit 6.17**

Earth's Own Food Company targets the mainstream dairy market with the So Good soy beverage.

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.

decision environment (see SWOT analysis in Chapter 2). Figure 6.8 summarizes these criteria.

Choose a Targeting Strategy

A basic targeting decision revolves around how finely tuned the target should be. Should the company go after one large segment or focus on meeting the needs of one or more smaller segments? Let's look at four targeting strategies, which Figure 6.9 summarizes.

A company like Walmart that selects an **undifferentiated targeting strategy** appeals to a broad spectrum of people. If successful, this type of operation can be very efficient because production, research, and promotion costs benefit from economies of scale—it's cheaper to develop one product or one advertising campaign than to choose several targets and create separate products or messages for each. But the company must be willing to bet that people have similar needs so the same product and message will appeal to many customers. This is the approach Henry Ford used in offering the Model-T Ford—"in any colour, so long as it was black." Today it is difficult to create a single product or offering that has very broad appeal. Consumers expect choices, there are many distribution channels from which to purchase products, and there are many focused-communication outlets that let marketers cost-effectively communicate to increasingly narrow target markets. Companies with new-to-the-world innovations are the ones that most commonly practise undifferentiated marketing, but segments in these markets quickly develop as competitors enter these markets with differentiated products and consumers become more knowledgeable and demanding about the product category. When competitors are using a differentiated strategy, it makes it difficult for the original innovator to continue using an undifferentiated strategy.

A company that chooses a **differentiated targeting strategy** develops one or more products for each of several customer groups with different product needs. A differentiated strategy is called for when consumers choose among well-known brands that have distinctive images, and the company can identify one or more segments that have distinct needs for different types of products.

Despite its highly publicized product safety issues in 2010, Toyota historically has been a leader in differentiated strategy with distinct product lines that cater to multiple customer groups. Its Lexus product line caters to consumers who want luxury, performance, and the newest technology. The Prius hybrid provides value to drivers who want to save gas money and the environment. And finally, the Scion product line caters to younger drivers who look for a relatively inexpensive car that is highly customizable and stylish.³⁵

Differentiated marketing can also involve connecting one product with different segments by communicating differently to appeal to those segments. Using the "Got Milk?" campaign as an example, one of their most classic ads featured Aerosmith's Steven Tyler in order to appeal to both aging boomers who got into the band in the 1970s and Gen Yers who discovered the band in the 1990s with Run-DMC's remake of "Walk This Way."

When a firm offers one or more products to a single segment, it uses a **concentrated targeting strategy**. Smaller firms that do not have the resources or the desire to be all things to all people often do this. Blacksocks.com is a mail-order sock company that only makes black dress socks; it targets businessmen who are too busy to go to the store and buy new socks when their old ones wear out. Blacksocks ships 3-packs of black socks once a month to its "sockscribers." The company argues that every guy who wears a business suit wears socks, and most wear black socks. For these busy men, going to the store just to buy socks is boring, time consuming, and simply unnecessary.³⁶ Periodically, the company wrestles with the dilemma of whether or not to also sell white socks, because this expansion will dilute the brand (and force the company to change its name!). (See Exhibit 6.18 on page 199.) This

Figure 6.8 Criteria for Choosing Target Market Segments

1. **Segment Size and Growth.** When choosing market segments to target, one consideration is the size and growth of the segment. The segment must be "the right size"—large enough to be profitable now and in the future, but small enough that an organization can compete effectively in it. It is a lot easier to compete in a high-growth segment than in a low- or declining-growth segment because in a high-growth segment, new customers do not have to be taken away from existing competitors.
2. **External Environment.** While segment size and growth is part of the external environment, marketers tend to give that issue special attention because of its strategic importance. There are, however, other external environment considerations when choosing market segments. One is the level of competition. Large and high-growth segments are highly attractive to other competitors, and a smaller organization may not have the resources to compete effectively against them. It may make sense for smaller companies, with more limited resources, to focus on smaller segments (market niches) and not compete directly with larger competitors. This was the strategy of Sun Microsystems when it focused on the computer segment of engineering and scientific workstations in the early 1990s. As a small company, it was able to dominate a very small, but high growth, niche and grow with that niche to become a dominant player in the overall computer market. Similarly, when Toyota introduced the Echo subcompact car into the Canadian market, the target segment was described demographically as "60/40 male/female, 40% married, median age 32, 48% university educated with an average household income \$42 000." In addition, the segment displayed the following psychographic traits: idealistic, experimental, independent, educated, urban, and not brand loyal. This is likely a fairly small segment, even on a national level, and it suggests that even large companies may decide to focus on small segments if they can create unique value there better than competitors can. It may be more profitable to be a "big fish in a small pond," and being that "big fish" may discourage other competitors from entering the market segment.
 Related to the extent and level of competition is the industry structure. A local monopoly (or near monopoly) like Rogers Cable may choose to focus on large, less well-defined segments because there are no direct competitors (other than satellite TV services) focusing their strategies on more narrow segments. Where there is extensive competition, different competitors will focus on increasingly narrow market segments, making it difficult for others to compete effectively in multiple segments.
 A segment with many substitute products may limit the price and, hence, profits in that segment. Segments where there are few buyers or buyers with otherwise strong bargaining positions might also be unattractive as these buyers can keep prices down and play one supplier off another. Segments with strong suppliers (large, concentrated, or with few competitors or substitutes) may similarly be unattractive. Finally, segment attractiveness is also related to the stage of the product life cycle—where mature and declining markets are less attractive than new and growing ones.
3. **Internal Environment.** The marketer must also be able to adequately serve the needs of the segment and have the expertise and resources to do so better than the competition. Some years ago, Exxon made the mistake of trying to enter the office products business, a growing segment. The company's expertise at selling petroleum products did not transfer to copying machines, and the effort was unsuccessful. Four Seasons Hotels, on the other hand, was able to transfer its expertise in exceptional accommodation services aimed at a tightly defined, luxury lifestyle audience to an entirely new market sector, residential properties. The attractiveness of a segment depends on a company's ability to create value in that segment and defend their strategy in it. This requires an assessment of the strengths and weaknesses of the organization relative to the needs of the consumers and competition in that segment (see SWOT analysis in Chapter 2).

US company is even more focused than the Canadian company JustWhiteShirts.com, which has been selling white shirts (and black socks) online since 1990 and has since expanded its selection to include dress shirts, sports shirts, jackets and blazers, ties, casual accessories, and much more.

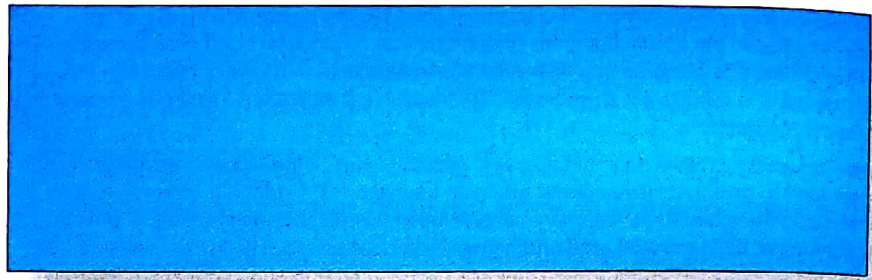
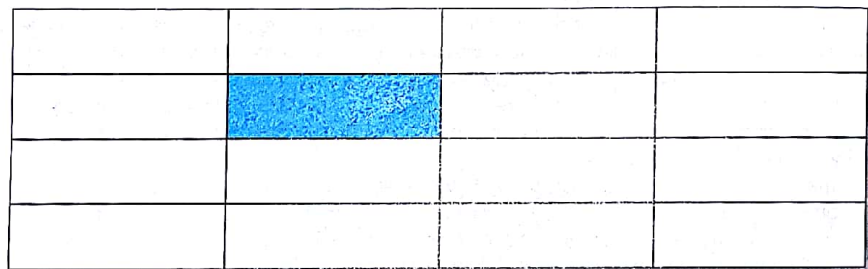
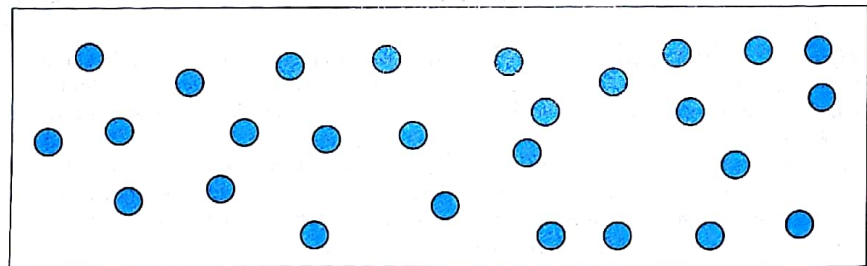
Niche marketing is a type of concentrated targeting strategy where the market segment chosen is relatively small. Jones Soda, for example, focuses on the alternative soft drink niche by offering a series of soft drink products for people who want a premium beverage that stands out, is individualized, expresses personality, and makes a fashion statement. Niche marketing is becoming the norm in many markets as it allows many competitors to each make unique appeals and be the product of choice for some group of consumers.

niche marketing

A type of concentrated targeting strategy where the market segment chosen is relatively small.

Figure 6.9 Choose a Targeting Strategy

Marketers must decide on a targeting strategy. Should the company go after one total market, one or several market segments, or even target customers individually?

**Undifferentiated Marketing****Differentiated Marketing****Concentrated Marketing****Customized Marketing****custom marketing strategy**

An approach that tailors specific products and the messages about them to individual customers.

Ideally, marketers should be able to define segments so precisely that they can offer products and services that exactly meet the needs of every individual or firm. **Custom marketing strategy**, also called micro-marketing strategy, is tailoring specific products and the messages about them to individual customers or locations. A custom marketing strategy is often used in business markets by companies, such as aircraft manufacturer Bombardier, that often work with one or a few large clients and develop products that only these customers will use. In consumer markets, this level of concentration shows up (we hope!) in personal or professional services by doctors, lawyers, and hair stylists, for example. In most consumer markets, individualized marketing strategies are neither practical nor possible when products are mass produced. However, advances in technology coupled with the new emphasis on building solid relationships with customers have enabled mass customization. Clothing manufacturers like Levi Strauss and the high-end German clothier Engelhorn, for

example, use digital imaging technology to do body scans of customers that enable the creation of perfectly fitting jeans, swimwear, or other clothing products. Calgary-based Critical Mass has worked with Nike to develop NIKEiD, an interactive part of the Nike Web site where consumers can design and purchase their own running shoes.³⁷ Dell uses the Internet to provide custom-built computers; customers choose among various options and Dell makes the computer to order. Individualized communication has also been enabled by Internet and e-mail technologies. Online retailers, such as HMV.com, for example, are able to send customized messages to users regarding the status of their orders, upcoming promotions that may be of interest based on the products they have bought in the past, and announcements of new releases.

4

Step 3: Positioning

OBJECTIVE

Understand how marketers develop and implement a positioning strategy (pp. 199–207)

The final, crucial stage of the target marketing process is providing consumers in a targeted market segment with a product (good or service) that meets their unique needs and expectations. Positioning means developing a marketing strategy that clearly differentiates a firm's **brand** from its competitors along key dimensions of value that are important to target consumers or customers. To position a brand, marketers have to clearly understand the criteria target consumers use to evaluate competing brands and then convince them that their brand or organization will better meet those needs. In addition, the organization has to come up with a way to communicate this "position" to its target market. The high-performance sportswear company Under Armour, for example, was able to effectively communicate its positioning when Al Pacino and Jamie Foxx were shown to be wearing the brand in the film *Any Given Sunday*. The president of Under Armour just happened to know someone who was auditioning for a part in the movie, and he sent along some samples for the casting director as a gift.

Steps in Positioning

When developing a positioning strategy, marketers often focus on four elements: strategic orientation, differentiation, defendability, and brand personality.

Strategic Orientation

Strategic orientation (or strategic thrust) is the overall approach to how you plan to compete and create value for your customers. There are numerous frameworks or typologies that summarize key marketing and positioning strategies, and they all have different perspectives on how organizations can develop competitive advantage. One of these suggests that firms can focus on one or more of the following strategies: product leadership, customer intimacy, or operational excellence.³⁸

Product leadership is a strategy of competing by continually bringing innovative and useful new products or technologies to market. Adopted by companies such as 3M, Apple, and Nike, it is concerned with product innovation, quality, performance superiority, and other forms of functional value (see Chapter 1). Positioning consistent with a product leadership strategy focuses on dimensions such as the following:

- Quality (e.g., Ford: "Quality is Job 1"; Gillette: "The best a man can get")
- Reliability or durability (e.g., Timex: "It takes a lickin' and keeps on tickin'")



Exhibit 6.18

Blacksocks practises a highly concentrated targeting strategy.

brand

One particular company's version of a product (good or service).

strategic orientation

The overall approach to how you plan to compete and create value for your customers.

product leadership

A strategy of competing by continually bringing innovative and useful new products or technologies to market.

Q. Do I have to?

A. Do you want relief so you can feel better?



It tastes awful.
And it works.



The Buckley's Company

Exhibit 6.19

Buckley's cough syrup is positioned on the outcome "it works," consistent with a product leadership strategy.

customer intimacy

A strategy concerned with creating tailored solutions for narrowly defined market segments.

operational excellence

A strategy focused on cost effectiveness, efficiency, and customer convenience.

symbolic-expressive value

Differentiating your brand by the psychological meaning associated with it.

- Key features or attributes (e.g., Honda Civic: "Better gas mileage. A Civic responsibility")
- Innovation (e.g., Lexus: "The relentless pursuit of excellence"; GE: "Progress is our most important product")
- Performance (e.g., BMW: "The ultimate driving machine"; Apple: "The power to do your best")
- Outcomes (e.g., Buckley's: "It tastes awful. And it works"; Exhibit 6.19)

Customer intimacy, or customer responsiveness, is a strategy concerned with creating tailored solutions for narrowly defined market segments. Companies such as Kraft, Nordstrom, Marriott, and Levi Strauss aim to excel at providing superior customer experiences and/or personalized or customized interactions through outstanding service quality, customer support, flexibility, and customization. Concerned with the creation of experiential or emotional value, customer intimacy positioning strategies focus on dimensions such as the following:

- Sensory experience (e.g., KFC: "Finger lickin' good"; A&W: "That frosty mug sensation")
- Excitement, adventure (e.g., Nike: "Just do it"; Pontiac: "We drive excitement"; Club Med: "Do it now, do it fast, and do everything at the same time")
- Fun or pleasure (e.g., McDonald's: "I'm lovin' it"; Lay's: "Betcha can't eat just one")
- Emotion (e.g., Harlequin: "Live the emotion"; Hallmark: "When you care enough to send the very best")
- Social value (e.g., De Beers: "Diamonds are forever"; AT&T: "Reach out and touch someone")
- Responsiveness, customized, personalized (e.g., Burger King: "Have it your way"; Speedy Muffler: "At Speedy you're a somebody")
- Safety or security (e.g., Allstate: "You're in good hands with Allstate"; Michelin: "Because so much is riding on your tires")
- Novelty, knowledge, or fantasy (e.g., Disney Online: "Where the magic comes to you"; Microsoft: "Where do you want to go today?")

Operational excellence is a strategy focused on cost effectiveness, efficiency, and customer convenience. Companies such as Zellers, Westjet Airlines, Dell, and Ikea are tenacious at lowering costs and customer prices while making it more convenient to do business with them. Concerned with the creation of cost-sacrifice value, operational excellence positioning strategies focus on dimensions such as the following:

- Price (e.g., Zellers: "The lowest price is the law"; Buy.com: "Canada's low price Internet superstore")
- Value (e.g., Ikea: "Swedish for common sense")
- Convenience (e.g., 7-Eleven: "Oh thank heaven"; American Express: "Don't leave home without it")
- Personal investment of time, effort, or energy (e.g., Yellow Pages: "Let your fingers do the walking")
- Risk (e.g., Levi's Jeans: "Have you ever had a bad time in Levi's?"; Listerine mouthwash: "Even your best friends won't tell you")

Another common positioning strategy is concerned with **symbolic-expressive value**—differentiating your brand by the psychological



Courtesy of The Body Shop

Exhibit 6.20

The Body Shop's image is closely tied to natural and ethical products and practices. Their customers identify with this approach, consistent with a symbolic-expressive value strategy.

meaning associated with it. Some products (luxury goods, for example) appeal to consumers' self-concepts and self-worth; that is, they make us feel good about ourselves. Other products (such as music or comfort foods, among many others) have personal meaning—associations with people or events that only have meaning to a particular consumer (such as an association with Tide because your Mom used it). Products can also provide a means of self-expression; products such as Calvin Klein fragrances, Roots clothing, a Volkswagen Beetle, or The Body Shop lotions allow consumers to reflect or express their personalities, tastes, and values (Exhibit 6.20). Still other products focus on social meaning—how others see us. Products such as BMW cars, Birks jewellery, and Lee Valley Tools are purchased because of their prestige, status, or image. Brands can also be positioned on one or more of these four symbolic meaning dimensions. For example:

- Self identity/concept/worth (e.g., L'Oréal: "Because I'm worth it")
- Personal meaning: (e.g., Kodak: "Share moments. Share life")
- Self-expression (e.g., Canon: "Express yourself")
- Social meaning (e.g., Grey Poupon: "Pardon me. Do you have any Grey Poupon?"; Rolls-Royce: "Trusted to deliver excellence")

There are many other marketing strategy frameworks or typologies that you will learn about in a marketing strategy course. However, there are some other ways to differentiate products and establish a brand's position in the marketplace. These include strategies that emphasize:

- Product class leadership: e.g., BMW "The Ultimate Driving Machine."
- Relative positioning: The Pepsi Challenge claims "More people prefer the taste of Pepsi over Coke." (This is an example of head-to-head competitive positioning, where other organizations try to associate their brand with the market leader.)
- Use occasions: Wrigley's gum is an alternative at times when smoking is not permitted.
- Users: Sunny Delight is the "Goodness kids go for."

Differentiation

While strategic orientation explains how you will compete, differentiation explains how, specifically, your offer will be different from and better than competitive offerings, at least in the minds of your target customers. A **brand concept** is how a firm wants to be differentiated. WestJet, for example, wants to be known as the airline brand that provides the best value—low prices and good service from friendly, personable staff (Exhibit 6.21). BC Ethic, the apparel manufacturer known for re-popularizing the retro, button-down bowling shirt style worn by Seinfeld's Kramer,³⁹ positions its shirts as being "cool" and supports that differentiation by offering customized embroidered shirts free to music artists like the Barenaked Ladies and Cypress Hill. Most successful organizations are able to differentiate themselves on more than one dimension of value to customers. Starbucks, for example, competes on quality (an affordable luxury), selection and customization (you can have it your way), convenience (many locations), and atmosphere (replacing bars as a place to socialize with friends).

It isn't good enough to simply say that you are going to offer high quality or better service. Those descriptions are too superficial. Marketers need to explain exactly what is different and better about their quality or their service. For a doctor's office, for example, service quality

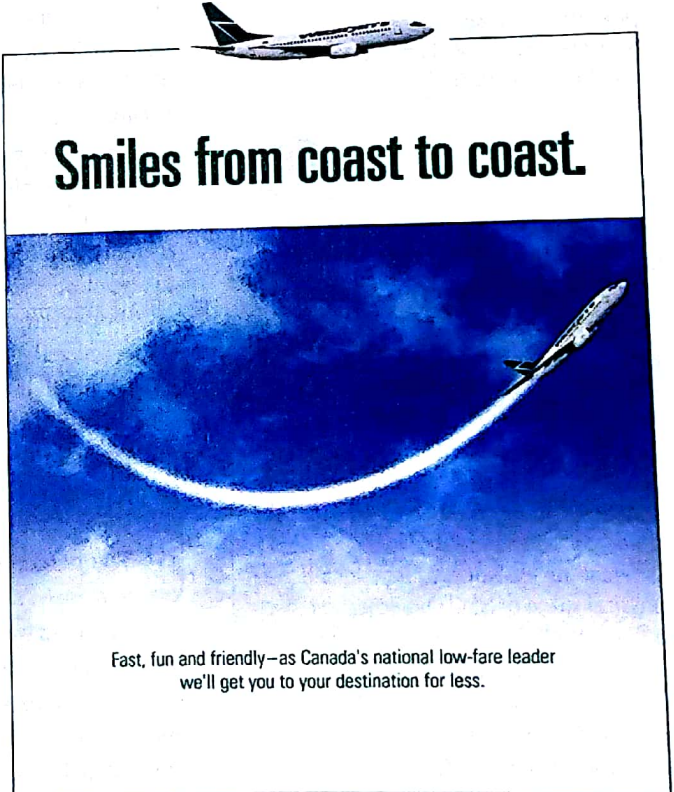
Catharine Downes

APPLYING Strategic Orientation

Catharine Downes and the NSCU are considering targeting the West Coast affluent consumers with a customer intimacy / customer responsiveness strategy where they would be more "local" and more responsive and adaptive to the financial needs of this particular segment than the larger banks. →

brand concept

How the marketer wants the brand to be positioned.



Smiles from coast to coast.

Fast, fun and friendly—as Canada's national low-fare leader we'll get you to your destination for less.

westjet.com
CALL YOUR TRAVEL AGENT, VISIT OUR WEBSITE
OR CALL 1.800.538.5696

WESTJET
Make it Canada's choice

Exhibit 6.21

WestJet competes with a value positioning.

brand image

How consumers perceive the positioning of the brand.

perceptual map

A picture of where products or brands are "located" in consumers' minds.

Catharine Downes

APPLYING Differentiation

NSCU's customer intimacy/customer responsiveness strategy alternative would see them be more "local" and more responsive to the West Coast affluent than the larger banks. Specifically, they could differentiate the NSCU by redesigning the physical space of NSCU branches to reflect affluent West Coast architecture, furniture, and fixtures. They could provide amenities like lattes and cappuccino, and tailor their financial services to include niche commercial and residential mortgage products, integrated wealth management and insurance solutions, and owner-operated business solutions. There may be other ways of specifically differentiating their service, but the key is to be specific in explaining what makes you different and better than your competitors. ➡

might specifically mean that patients don't wait more than 5 minutes for a scheduled appointment, phones are answered by the third ring, and an hour a day is unscheduled to accommodate emergency cases.

Much of marketing communication strategy (Chapter 10) involves establishing a brand's differentiation in the minds of its customers, but sometimes the intended result is not achieved. **Brand image** is the perceived positioning of a product by consumers. Canadian consumers, for example, perceived Knorr soups, sauces, and marinades as being "refined, polished, and sophisticated"—but Unilever wanted its Knorr brand to be more accessible and work as an everyday solution. The company developed its "A Little Bit More" campaign to reinforce the idea that Knorr products have more interesting ingredients than competitors' brands and offer numerous opportunities for everyday culinary creativity. The phrase "a little bit more" in Knorr's communication strategy is its slogan or tag line—which usually communicates the unique selling proposition or key point of differentiation underlying a brand's positioning. We will see other examples of this shortly.

To decide your differentiation, you need to understand your competitor's positioning: what competitors are out there, and how does the target market perceive them? Aside from direct competitors in the product category, are there other goods or services that provide similar benefits? Sometimes, the indirect competition can be more important than the direct, especially if it represents an emerging consumer trend. For years, McDonald's developed positioning strategies based only on its direct competition, which it defined as other large fast-food hamburger chains (translation: Burger King and Wendy's). McDonald's failed to realize that, in fact, many indirect competitors fulfilled consumers' needs for a quick, tasty, convenient meal—from supermarket delis to frozen microwavable single-serving meals to call-ahead takeout from full-service restaurants like T.G.I. Friday's, Outback, and Chili's. Only recently, McDonald's has begun to understand that it must react to this indirect competition by serving up a wider variety of adult-friendly food and shoring up lagging service. Their latest home run is the McCafe concept, with coffee products aimed squarely at taking business away from morning mainstays Starbucks and Tim Hortons.

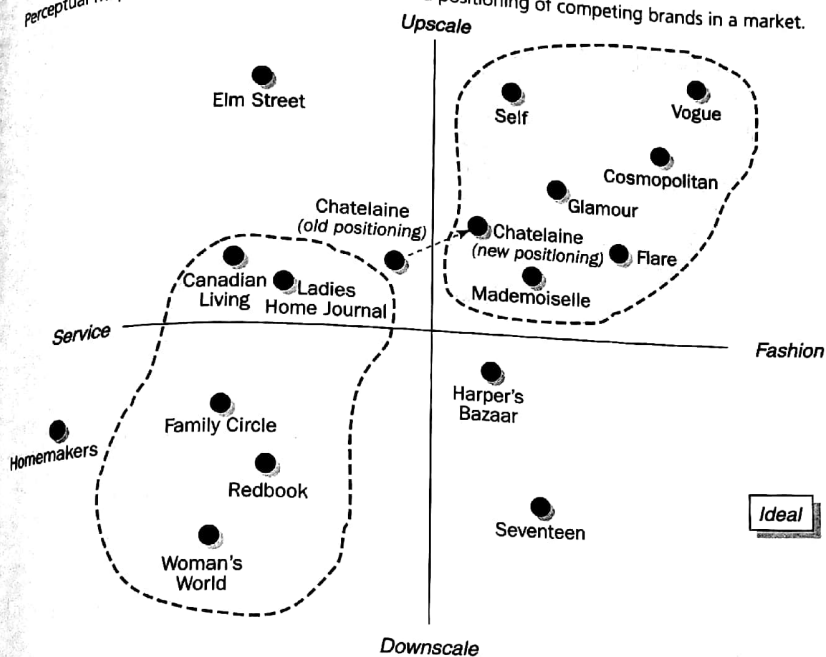
How do marketers determine where competitors' products (and their own) actually stand in the minds of consumers? One solution is to ask consumers what characteristics are important and how competing offers would rate on these attributes. Marketers use this information to construct a **perceptual map**, a picture of where products or brands are "located" in consumers' minds.

For example, suppose you want to construct a perceptual map of women's magazines as perceived by Canadian women, to give you some guidance while developing an idea for a new magazine. After interviewing a sample of female readers, you determine questions women ask when selecting a magazine. Is it "service oriented," emphasizing family, home, and personal issues, or is it "fashion forward," oriented toward personal appearance and fashion? Is it for "upscale" women, who are older and established in their careers, or for relatively "downscale" women, who are younger and just starting out in their careers?

The perceptual map in Figure 6.10 illustrates how these ratings might look for certain major women's magazines. It depicts the aggregate or average perception of how brands are perceived by multiple consumers on the dimensions of upscale/downscale and service/fashion, and it should be recognized that no individual consumer may hold these average perceptions. The shaded areas in Figure 6.10 represent two segments of consumers who seek the benefits and attributes offered by the set of magazines encircled. These are only two of many dimensions on which consumers compare magazines; marketers typically produce a series of positioning maps to understand how their and other brands are perceived by consumers. Other dimensions on which to position magazines might include cost (high/low), age appropriateness (young/old), sex appropriateness (mainly for men/mainly for women), and content (serious/frivolous), among other possible dimensions.

The map also provides some guidance as to where your new women's magazine might be positioned. You might decide to compete directly with either the cluster of service magazines

Figure 6.10 Perceptual Maps
Perceptual maps are used to illustrate the perceived positioning of competing brands in a market.



in the middle left or the fashion magazines in the upper right. In this case, you would have to determine what benefits your new magazine might offer that these existing magazines do not. *Chatelaine*, for example, repositioned itself in 1999 from a service-type magazine to a more urban, contemporary, youth- and fashion-oriented publication. This repositioning moved *Chatelaine* further away from its nearest Canadian competitor, *Canadian Living*.

To introduce a new magazine, you might try to locate an unserved area in this perceptual map. A **blue ocean strategy** is where you create a new market and get to define the playing field before competitors enter. *Elm Street*, a relatively new entrant to the Canadian women's magazine scene, has tried to position itself for the upscale woman who is interested in articles on a broad range of topics, a part of the market that it felt was unserved. An unserved area of the map represents either an unserved segment and, hence, a potential opportunity for marketers, or a positioning that is not in demand by a segment of consumers. According to Figure 6.10 (see "ideal"), there may be room for a magazine targeted to downscale "cutting-edge" fashion, perhaps for younger women.

Positioning maps are similar to perceptual maps, except that they may include factual as well as perceptual information. By including factual information in the map, marketers can illustrate how brands actually compete in a marketplace.

Defendability

The choice of strategic orientation and the basis of differentiation is dependent on an organization's ability to defend that positioning. Analysis of your ability to defend a particular positioning requires an assessment of the strengths and weaknesses of your own organization and your ability to create sustainable competitive advantage, and the opportunities and threats in the external environment—in particular, consumer behaviour and your assessment of the strategies, capabilities, and likely reactions of your competitors (recall SWOT analysis from Chapter 2). Based on this analysis, you need to explain how you are going to be able to compete the way you said you will compete, how you will be able to create the value you said you will create, and how you will be able to maintain or enhance the basis of differentiation that sets you apart from others in the minds of your target

blue ocean strategy

A positioning strategy where you create a new market and get to define the playing field before competitors enter.

positioning maps

Illustration of the positioning of competing brands that draws on facts about each brand, such as characteristics or key attributes.

Table 6.1 | Positioning Strategy Implementation

	Product Leadership	Customer Intimacy	Operational Excellence	Symbolism/Meaning
Strategy	Innovate, bring new products to market quickly that have superior features, functions, performance, or outcomes	Develop exceptional customer experiences and tailored, customized solutions	Provide the best value by reducing costs, lowering prices, and making it easy to do business with you	Develop superior symbolism or meaning for your product that creates psychological attachment to your brand
Structure	Flat, organic, flexible	Decentralized, empowerment close to customer contact	Strong centralized decisions focused on process or system improvements	Centralized decision making to control corporate and brand image, strong brand management structure
Culture	Entrepreneurial, creative, rewards innovation	Customer oriented, flexible, rewards customer satisfaction and loyalty	Bureaucratic, run by accountants, cost savings are rewarded.	Culture reflects and supports brand positioning. Brand management is rewarded.
Resource	Research & development	Customer research	Procurement	Marketing communications
Focus	New product development, production, distribution	Service quality, customer support, flexible manufacturing	Distribution, scale efficiencies, manufacturing efficiencies	Product quality, brand management, customer research

customers. This explanation typically centres on having the requisite resources, people, core competencies (know how), and/or the situation.

Different strategic orientations require different organizational strengths (capabilities), focus, and resource allocation, and they are often associated with different organizational cultures (Table 6.1). This makes it difficult to be the industry leader in more than one of these areas. At issue is whether an organization has the skills, abilities, resources, organizational structure, and culture to create the intended offer such that it will be perceived as superior by members of the target market on the differentiation dimensions reflected in the positioning strategy; whether the organization can communicate this effectively to the target market; and whether it can continue to do this until its goals are met as an organization. Marketers need to explain how they are going to be able to sustain the basis for value creating differentiation in the minds of its target customers.

For example, what allows NSCU to defend their customer-intimacy strategy positioning for "West Coast affluent" consumers, because other banks or credit unions could do this too? First, NSCU is geographically focused. Other banks and credit unions may need to support a consistent image across regions. Second, NSCU is membership based. If their members want to focus on a particular segment that reflects a large proportion, but not all, of the membership base, NSCU can do so. The larger banks have a broader mandate and may not have the ability (from licensing regulations) or the desire (from a public relations perspective) to focus on any one segment among the many who utilize their services. Third, NSCU has the resources to effect this change; by being geographically focused they have a more intimate knowledge of local real estate and business markets, they could train existing staff to be more responsive and adaptive to the needs of the West Coast affluent, and can enhance their core competencies in financial planning know-how through recruitment or staff training. Finally, there is some advantage in being the first to focus. The other banks and credit unions would look to be copying NSCU if they also chose to specifically focus on the West Coast affluent.

Bring a Product to Life: The Brand Personality

The final element of a positioning strategy for many marketers, particularly those implementing a customer-intimacy or symbolic-expressive value creation strategy, is creating a brand personality. Brands, like people, can be described in terms of personality traits. These descriptions might include words like cheap, elegant, sexy, bold, or wimpy. A positioning strategy often tries to create a brand personality for a product or service—a distinctive image that captures its character, soul, and benefits. An advertisement for *Elle* magazine, which bills itself as the number-one fashion magazine for women, once said, “She is not a reply card. She is not a category. She is not shrink-wrapped. *Elle* is not a magazine. She is a woman.” When the Mark Anthony Group was developing a name for its lemonade-based alcohol product, it did research with consumers to determine what name would communicate the right brand personality. The “person” it chose for its hard lemonade, “Mike,” is described as a “fun, party, happy-go-lucky guy who is infatuated with lemons.”⁴⁰ Other organizations use mascots or characters to help create brand personality. Energizer has the Energizer Bunny. Cell phone companies have focused on various animals to promote brand personality, from lizards to fish to beavers. In 2011, Telus developed a Facebook campaign where Canadians were given a chance to vote for which of 27 “critters” would be the next Telus campaign star. Brand personalities are often reflected in logos. The clothing ad from Chile in Exhibit 6.22 pits a shark against the more familiar crocodile—with bloody results.

brand personality

A distinctive image that captures a product or service’s character and benefits.

One of the most effective marketing campaigns to establish brand personality has been Apple’s Mac-PC campaign that depicts PC as an overweight, middle-aged accountant-type person and Mac as a personable, creative, and sophisticated young adult. In a series of interactions between Mac and PC, the audience learns the key basis of differentiation between Macs and all the PC brands. You can see the ads on Apple’s Web site (www.apple.com), and on YouTube you will find many parodies of these ads—evidence of their resonance with their target audience.

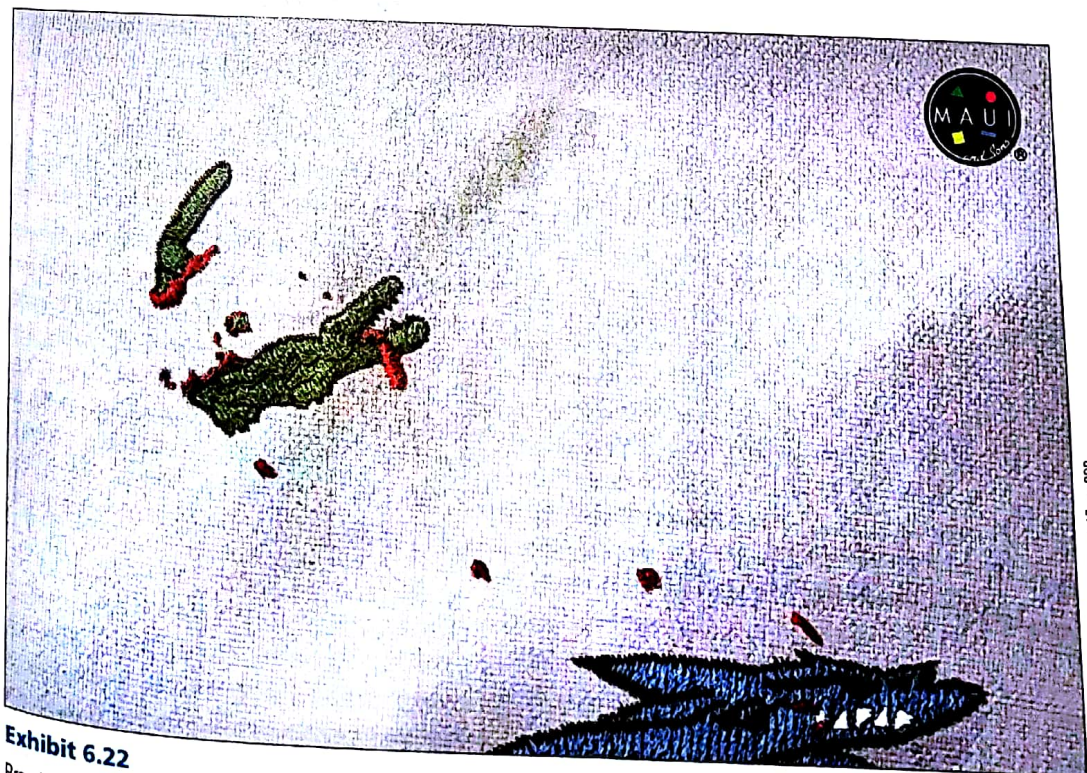
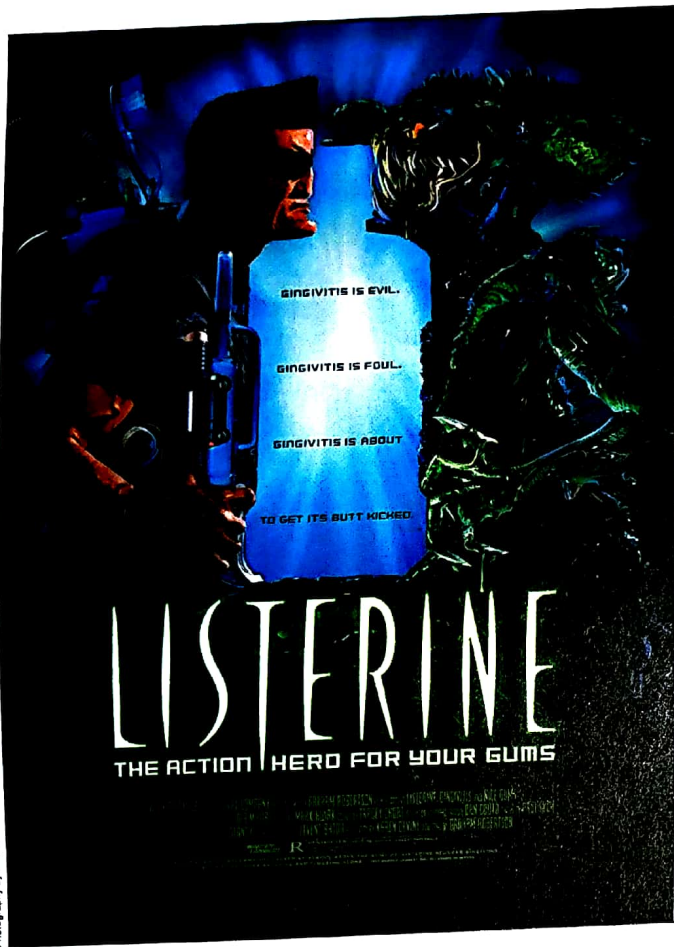


Exhibit 6.22

Brand personalities are often reflected in logos.

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**Exhibit 6.23**

Listerine was able to change its brand personality using its action-hero campaign and significantly regained market share.

repositioning

Modifying a brand image to keep up with changing times.

evil gingivitis, Listerine was able to transform its image and is now perceived by consumers as powerful, larger than life, immortal, and unfailing (Exhibit 6.23).

Marketing researchers find that most consumers have no trouble describing what a product would be like "if it came to life."⁴¹ People tend to anthropomorphize (ascribe human attributes) to many things around us: pets, cars, and brands. Try it. If Air Canada walked into the room would Air Canada be male or female? How old would she or he be? Thin or overweight? Is Air Canada married or unmarried? Is s/he friendly or cold and aloof? service oriented or self-serving? What does s/he do with her spare time? What does s/he care about? What kind of house does s/he live in and what kind of car does s/he drive? What colour is Air Canada's hair? Now try it again for WestJet. How do the brand personalities differ?

A change strategy is **repositioning**, and it's fairly common to see a company try to modify its brand image to keep up with changing times. For example, after 124 years of positioning itself as the brand that "kills the germs that cause bad breath," Listerine lost market leadership in the 1980s to Scope and private label brands, in part because the brand was perceived as being cold, old-fashioned, authoritarian, serious, and stuffy—much like Margaret Thatcher, the British prime minister at the time.⁴² In the 1990s, Listerine tried many times to reposition its brand, but it could not shake its authoritarian brand personality, and consumers closed their ears to bad-breath lectures. Earlier this decade, Listerine research identified that consumers were now much more aware of plaque, tartar, and gingivitis and that a shift to healthier gums positioning could be compelling and ownable. Research also found that the use of Listerine reduces gingivitis better than brushing and flossing alone. The challenge was then to develop a new brand personality that was both lighthearted and powerful. By developing a parody of a comic book action hero that fights the

Marketing Metrics

Brand Personality

How do you measure the personality of a brand? Professor David Aaker offers the Aaker Brand Personality Scale, where 42 questions relate to five dimensions of brand personality: sincerity, excitement, competence, sophistication, and ruggedness. This scale was used in a "Measuring the Value of Product Placement" study conducted by CTV Market Research and Group M (a unit of marketing giant WPP Group, comprising its media networks Mediaedge:cia and MindShare). The objective of the study was to determine what impact placement/integration has on a brand's personality. The study used CTV's nightly entertainment show *e-Talk Daily* as a test vehicle. A total of 300 people aged 18 to 54 who are viewers of *e-Talk Daily* or similar programs, participated in the study.

They were divided into groups and shown one of four test tapes in which the marketers' involvement ranged from no ad exposure, to a 30-second commercial, to a 30-second commercial augmented by either product placement or product integration. Product placement and integration was found to have a discernible impact on brand personality, product recall, and purchase intent. One of the brand participants, LG, found that their ranking in the excitement category of Aaker's Brand Personality Scale grew 32 percent following the integration. Mark Husak, managing partner of MindShare Canada in Toronto, calls this "one of the most important findings" of the study. "It allows us to relate back to some specific marketing strategies to understand how that dimension works."⁴³

Implementing the positioning Strategy

The success of a target marketing strategy hinges on a marketer's ability to identify and select appropriate target markets and then devise a positioning that will set apart their offer from those of their competitors that will be highly appealing to the target market, and that can be defended. Because everything else depends on segmentation and positioning decisions, segmentation and positioning, together, are the two most important concepts in marketing.

The marketing mix decisions relating to product, pricing, distribution, and communication are then made in a way that supports the desired positioning. For example, Montreal-based G.I. Energy Drinks developed the following strategy when it introduced the Guru energy drink. The company segmented the market in terms of age and psychographics, and

then targeted a segment of 16- to 24-year-olds, whose profiles indicated they were into "new-age" beverages that would give them a feeling of energy without unhealthy additives. The company reached these consumers by selling its drinks at raves in Montreal and Toronto (see Exhibit 6.24), advertising in club culture magazines, and sponsoring events like snowboarding demonstrations. A company spokesperson describes the Guru positioning strategy this way: "We really feel the best way to reach people is through trial and onsite promotions. . . . We want to provide the consumer with a drink that will enhance the activity they are already participating in."⁴⁴ Marketing decisions are the focus of the remainder of this text.

The target marketing process is ongoing. Over time, an organization may find that it needs to change the segments it targets or adapt to changing needs or wants of people in their chosen segments. Marketers need to monitor these changes and adjust their positioning strategies when necessary. Sometimes marketers redo a product's position to respond to marketplace changes. For example, in response to the trend for dual-income families not being home to eat lunch, the Campbell's Soup Company is trying to reposition itself from being a soup company to being a food company. Its Power2Cook campaign (www.power2cook.ca) uses traditional advertising, direct marketing, and a re-tooled Web site to teach young and busy cooks, male and female, how to prepare tasty meals using Campbell products.

Positioning is not easy. The main challenges are (1) vague positioning, where companies do not clearly articulate their main point(s) of differentiation; (2) confused positioning, where the positioning strategy keeps changing (like McDonald's), making it difficult for consumers or customers to understand what the brand is supposed to mean to them; (3) off-target positioning, where companies do not differentiate themselves on dimensions important to consumers or customers; and (4) over positioning, where companies position themselves too narrowly, either appealing to too small a market segment or being unable to change or adapt their positioning with changing market conditions.



Exhibit 6.24

Many Canadian energy drinks, such as Generator and Guru, reach target segments by being sold at raves.

5

Customer Relationship Management (CRM): Toward a Segment of One

OBJECTIVE

Explain how marketers increase long-term success and profits by practising customer relationship management.

(pp. 208–211)

customer relationship management

A systematic tracking of consumers' preferences and behaviours over time in order to tailor the value proposition 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.

We've talked about how marketers identify a unique group of consumers and then develop products specifically to meet their needs. And we talked about how marketers today build products to meet the needs of individual consumers by using mass customization techniques. As we discussed in Chapter 1, currently many highly successful marketing firms embrace **customer relationship management (CRM)** programs that involve systematically tracking consumers' preferences and behaviours over time in order to tailor the value proposition 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.⁴⁵ The CRM trend facilitates one-to-one marketing, which includes several steps.⁴⁶

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. Customize some aspect of the goods or services that you offer to each customer. This means treating each customer differently based on what has been learned through customer interactions.⁴⁷

Table 6.2 suggests some specific activities to implement these four steps of one-to-one marketing. Remember, successful one-to-one marketing depends on CRM, which allows a company to identify its best customers, stay on top of their needs, and increase their satisfaction.⁴⁸

CRM: A New Perspective on an Old Problem

CRM is about communicating with customers, and about customers being able to communicate with a company, "up close and personal." CRM systems are applications that use computers, specialized computer software, databases, and often the Internet to capture information at each **touchpoint**, which is any point of direct interface between customers and a company (online, by phone, or in person).

These systems include everything from Web sites that let you check on the status of a bill or package to call centres that solicit your business. When you log on to the FedEx Web site to track a lost package, that's part of a CRM system. When you get a phone message from the dentist reminding you about your appointment tomorrow to get a filling fixed, that's CRM. And when you get a call from the car dealer asking how you like your new vehicle, that's also CRM. Remember how in Chapter 3 we said information is the fuel that runs the marketing engine? It is through CRM that companies act upon and manage the information they gather from their customers.

- Amazon.com is the world champion master of the happy customer approach to CRM. For loyal users, Amazon tracks visits so it can customize advertisements, product promotions, and discounts for each shopper. And, if you happen to have a passion for, say, grunge bands of the 1990s, the Web site is quick to recommend that new retrospective on Pearl Jam the next time you visit.⁴⁹

touchpoint

Point of direct interface between customers and a company (online, by phone, or in person).

Table 6.2 | The Four Steps of One-to-One Marketing

Step	Suggested Activities
Identify	Collect and enter names and additional information about your customers. Verify and update, deleting outdated information.
Differentiate	Identify top customers. Determine which customers cost the company money. Find higher-value customers who have complained about your product more than once. Find customers who buy only one or two products from your company but a lot from other companies. Rank customers into A, B, and C categories based on their value to your company.
Interact	Call the top three people in the top 5 percent of dealers, distributors, and retailers that carry your product and make sure they're happy. Call your own company and ask questions; see how hard it is to get through and get answers. Call your competitors and compare their customer service with yours. Use incoming calls as selling opportunities. Initiate more dialogue with valuable customers. Improve complaint handling.
Customize	Find out what your customers want. Personalize your direct mail. Ask customers how and how often they want to hear from you. Ask your top 10 customers what you can do differently to improve your product. Involve top management in customer relations.

Source: Adapted by permission of *Harvard Business Review* from Don Peppers, Martha Rogers, and Bob Dorf, "Is Your Company Ready for One-to-One Marketing?" *Harvard Business Review* (January–February 1999), 151–60. Copyright © 1999 by the Harvard Business School Publishing Corporation. All rights reserved.

- Coca-Cola launched its My Coke Rewards online program, the multiyear customer-loyalty marketing blitz into which it poured millions of dollars.
- At Holt Renfrew CRM is central to the "company culture" of putting the customer at the core of everything they do, but one thing they do very well is events designed to connect with consumers and create an emotional attachment to the brand. The retailer, for example, recently invited 100 of its best customers to a private dinner with designer Michael Kors.⁵⁰

Characteristics of CRM

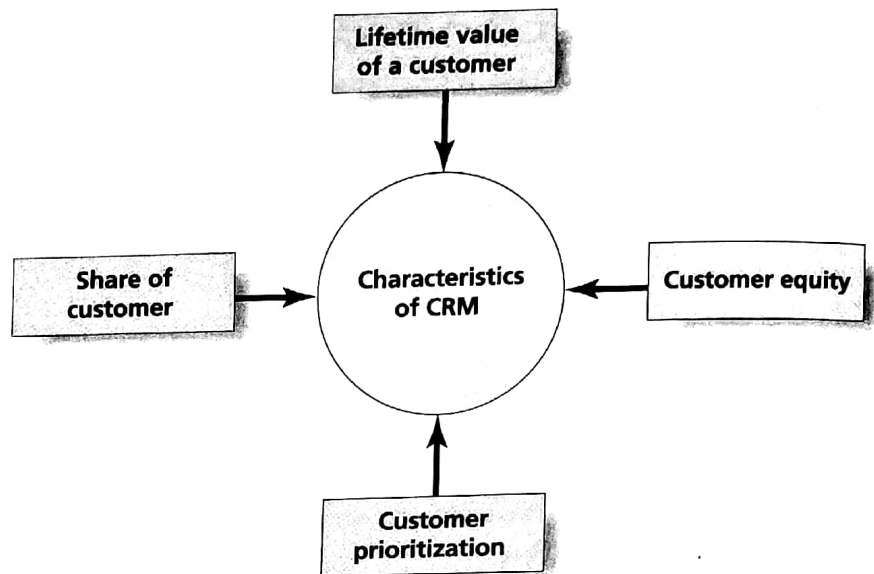
In addition to having a different mind-set, companies that successfully practise CRM have different goals, use different measures of success, and look at customers in some different ways. Followers of CRM look at four critical elements, as portrayed in Figure 6.11: share of customer, lifetime value of a customer, customer equity, and customer prioritization. Let's have a look at each of these ideas now.

Share of Customer

Historically, marketers measured success in a product category by their market share. For example, if people buy 100 million pairs of athletic shoes each year, a firm that sells 10 million of them claims a 10 percent market share. If the shoemaker's marketing objective is to increase market share, it may lower the price of its shoes, increase its advertising, or offer customers a free basketball with every pair of shoes they purchase. These tactics may increase sales in the short run. Unfortunately, they may not do much for the long-term success

Figure 6.11 Characteristics of CRM

Followers of CRM look at share of customer, lifetime value of a customer, customer equity, and customer prioritization.

**share of customer**

The percentage of an individual customer's purchase of a product that is a single brand.

lifetime value of a customer

The potential profit a single customer's purchase of a firm's products generates over the customer's lifetime.

Catharine Downes

APPLYING CRM

Catharine Downes and NSCU understand CRM and the concepts of lifetime value of a customer and customer equity, which is why they are examining the strategic repositioning of targeting West Coast affluent members. These are the high-value customers from which the credit union derives most of its earnings. ➡

of the shoemaker. In fact, they may actually decrease the value of the brand because they cheapen its image with giveaways.

Because it is always easier and less expensive to keep an existing customer than to get a new customer (yes, we've said that already), CRM firms try to increase their **share of customer**, not share of market. Let's say that a consumer buys six pairs of shoes a year—two pairs from each of three different manufacturers. Assume one shoemaker has a CRM system that allows it to send letters to its current customers inviting them to receive a special price discount or a gift if they buy more of the firm's shoes during the year. If the firm can get the consumer to buy three or four or perhaps all six pairs from it, it has increased its share of customer. And that may not be too difficult, because the customer already likes the firm's shoes. Without the CRM system, the shoe company would probably use traditional advertising to increase sales, which would be far more costly than the customer-only direct-mail campaign. So the company can increase sales and profits at a much lower cost than it would spend to get one, two, or three new customers.

Lifetime Value of a Customer

As you'll recall from Chapter 1, the **lifetime value of a customer** is the potential profit a single customer's purchase of a firm's products generates over the customer's lifetime. It just makes sense that 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. Costs will be far higher and profits lower if each customer's purchase is a first-time sale.

How do marketers calculate the lifetime value of a customer? They first estimate a customer's future purchases across all products from the firm over the next 20 or 30 years. The goal is to try to figure out what profit the company could make from the customer in the future (obviously, this will just be an estimate). For example, an auto dealer might calculate the lifetime value of a single customer by first calculating the total revenue the customer will generate for the company during his or her life. This figure includes the number of automobiles he will probably buy times their average price, plus the service the dealership would provide over the years, and even possibly the income from auto loan financing. The lifetime value of the customer would be the total profit the revenue stream generates.

Customer Equity

Today an increasing number of companies, just like NSCU, consider their relationships with customers as financial assets. These firms measure success by calculating the value of their **customer equity**—the financial value of a customer throughout the lifetime of the relationship.⁵¹ To do this, they compare the investments they make to acquire customers and then to retain them to the financial return they'll get on those investments.

customer equity

The financial value of a customer relationship throughout the lifetime of the relationship.

Focus on High-Value Customers

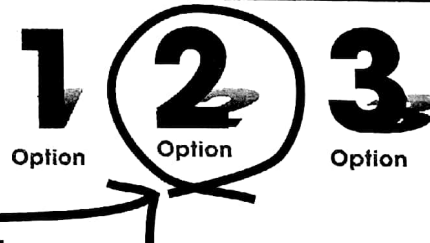
Using a CRM approach, the organization prioritizes its customers and customizes its communications to them accordingly. For example, any banker will tell you that not all customers are equal when it comes to profitability. Some generate a lot of revenue because they bank interest on loans or credit cards, while others basically just use the bank as a convenient place to store a small amount of money and take out a little bit each week to buy beer. Banks use CRM systems to generate a profile of each customer based on factors such as value, risk, attrition, and interest in buying new financial products. This automated system helps the bank decide which current or potential customers it will target with certain communications or how much effort it will expend to retain an account—all the while cutting its costs by as much as a third. It just makes sense to use different types of communication contacts based on the value of each individual customer. For example, personal selling (the most expensive form of marketing communication per contact) may constitute 75 percent of all contacts with high-volume customers, while direct mail or telemarketing is more often the best way to talk to low-volume customers.



Here's my choice. . .

Real People. Real Choices

Why do you think Catharine chose option 2?



How It Worked Out at NSCU

The NSCU Marketing team has moved forward with implementing Option 2: developing a more targeted strategy focused on the West Coast affluent with the marketing team shifting its efforts to support delivery of a differentiated experience to the target affluent customer, in concert with the organizational efforts to overhaul the look and feel of NSCU branches and raise the bar on staff professionalism and knowledge (particularly for advisory personnel).

Marketing segment analytics were the engine used to assign "mass affluent" and "emerging wealthy" members to a dedicated financial advisor. This has helped NSCU ensure that it has the right people assigned to the right sales channel; with its most experienced, highest-cost financial/investment advisors devoting their time and efforts to increasing the credit union's share-of-wallet among existing affluent members and creating a group of brand advocates that generate word-of-mouth referrals to NSCU.

Differentiated marketing communication tactics were employed to reinforce the one-to-one "trusted advisor" relationships. All correspondence, promotional offers, and a unique "for assigned members only" monthly e-newsletter are personalized, provide more sophisticated content appropriate to larger wealth portfolios, and appear as if they've been sent from the financial advisor's desk, all building a greater personal connection and providing a persistent reminder of the value the advisor can provide in proactive value-added advice.

Marketing promotion has persistently focused on NSCU's wealth management services, financial planning, and advisory capabilities in all its integrated communication tactics and across all media channels, with very