

Course n° 02: Marketing strategy

Goals

Explain how the marketing strategy is developed. It is a question of determining the objectives that the company wants to achieve and the main axes that it wants to follow on the market, in terms of customers. The marketing strategy revolves around 3 axes: segmentation, targeting and positioning.

Course plan

1. Introduction

The marketing strategy responds to two major challenges:

- on the one hand, to ensure profitability in the short term and in the medium and long term. To do this, you must be able to determine the size, structure and behavior of the target market.
- on the other hand, choose the positioning of the brand in the Long Term.

This consequently leads to specifying more quantitative objectives in terms of turnover, market share and profits.

The marketing plan is a summary document that presents the marketing strategy decided on according to the preferred axes; it therefore depends on the analysis carried out, it must therefore be argued wisely.

But it also presents in detail the action plan to be carried out to achieve the objectives defined, both general and partial. The action plan will be assessed by the hierarchy. It must therefore be **clear, precise and convincing** ... It is this that will condition the **budgets** allocated to the brand.

The actions must therefore be dated and quantified , like the objectives. The necessary budget must also be assessed.

The actions can be presented by objectives, or according to the variables of the marketing mix.

The marketing plan is available in the short, medium or long term:

- The general marketing policy of the company, in other words the marketing strategy, is defined in the medium and long term, and sees the articulation of several annual global marketing plans.
- The annual marketing plan for a product constitutes the roadmap in the short and medium term.
- The annual publicity plan, etc. : as close as possible to operations, we rely on the planning of each variable in the mix and short -term marketing operations .

The marketing plan is therefore essential to coordinate marketing actions and carry them out, in line with the pre-established marketing strategy .

2. Segmentation

Market segmentation is the first step in developing the marketing strategy. It's about segmenting our market into homogeneous groups of consumers. But why ? And how do we do it?

This is what we suggest you look at in this first part. Finally, an illustration of football stadium attendance will shed light on our remarks.

The different categories of markets and buyers

The concept of market

What is a market? Many actors intervene on the market and are at the origin of this place of exchange. But, in a marketing approach, the central player in this market is the consumer. Adopting a marketing approach therefore means considering the market in the following way

A market is the set of buyers of a product.

These buyers can be consumers, companies or more broadly organizations

The different categories of buyers

The market can be structured as follows:

A market is made up of **consumers** of the product and **non-consumers** . Among the consumers, we can distinguish the consumers of the company and those of the competitors. Among the non-consumers, some may one day consume the product (**relative non-consumers**), others not (**absolute non-consumers**).

We then call **profession** all the competitors present on the market, that is to say the suppliers of the product category. In this structuring of the market, we can therefore distinguish: the current market of the company, its potential market, the current market and the theoretical market of the profession (theoretically maximum market).

Example

Theoretical market of the profession: the candy market.

Company's current market: in the candy market, for the Haribo company, all Haribo candy consumers: children and adults.

Current market for competitors: in the candy market, for the competitors of the reference company Haribo (La pie qui chante, Crema , Lutti , Chuppa Chups , MDD, etc...) all those who eat sweets: children or adults.

Relative non-consumers: children who are too young, children whose parents do not buy candy, adults who no longer consume it or have never consumed it because they have never been attracted to the product. ..

Absolute non-consumers: people allergic to food colorings used in sweets.

What is Haribo's potential market? To increase the size of its market, Haribo has two possible axes:

- Conquer competing candy consumers.
- Convince relative non-consumers.

Current Haribo market in 1995: children

"Haribo, it's really only for children" (Campaign ridiculing an adult eating a Tagada strawberry).

Haribo's strategy to grow its current market - 2 objectives:

1. Take market share from competitors: communication campaign featuring imitations of flagship Haribo references (the Croco, the Tagada strawberry, etc.).

The message: the only real candy is Haribo candy.

2. Conquer relative non-consumers: adults, with a new slogan: "Haribo, life is good, for young and old" (plays on childhood nostalgia among young adults).

Segmentation of the offer:

Analysis of the market **offer** = Product segmentation / distribution channels. Allows to describe the competitive universe of offers (panels...). It depends on the physical characteristics of the products and their degree of substitutability.

Demand Segmentation:

Market demand analysis = **Customer segmentation**.

It is essential to distinguish between the following two concepts:

- **Product segmentation:** this is based on the analysis of the market offer. By market supply, we mean the main market, and the substitute and complementary markets which are defined according to the characteristics of the products and their degree of substitutability. It is therefore necessary to have a broad view of the company's macro and micro environment to anticipate market trends. Panel data adopts this market analysis.
- **Customer segmentation:** this is the first axis of the marketing strategy which is broken down into segmentation, targeting and positioning. It takes into account the motivations, expectations and behavior of customers. It is therefore essential in marketing and it rarely overlaps with the segmentation of the offer. In this session, it is therefore exclusively customer segmentation that we will talk about.
- **Basic assumption:** markets are heterogeneous.
- **Not all consumers have the same expectations.**
- **Principle:** division of the market into customer segments according to one or more segmentation criteria

Example

General Motors declined its range of vehicles in 5 models, from the most luxurious to the most basic (the famous Buick and Cadillac of the time) based on the fact that all buyers did not have the same income.

The segmentation criterion used to carve up the market, or in other words to group consumers together, is that of income.

Characteristics of a market segment

Market segmentation has two characteristics:

- Homogeneity within each segment: the individuals of the same segment are homogeneous on the segmentation criterion.
- Heterogeneity between segments: individuals from other segments differ on this criterion.

Consumer expectations can be represented graphically on two-axis diagrams: each axis represents the level of consumer expectations on an important criterion for them (for example: price, quality, modernity). From this perspective, consumer expectations in the markets can theoretically be characterized in 3 different ways:

The objectives of segmentation

- Understanding and describing the markets: Market segments do not all have the same weight in the overall market of the product category and they can have different evolutions ...
- Facilitate the design and development of new products.
- Facilitate tactical decisions: Some customer segments are more sensitive to mix variables than others, such as price or promotions, for example.

Example

As expectations differ from one market segment to another, it makes sense to develop new products for a given segment:

The cigarette market is declining overall, but more or less markedly depending on the segment. While the regular cigarette segment follows this general trend, the light cigarette segment is less impacted, and has even been growing.

On the automobile market, Peugeot offers luxurious and sophisticated automobiles (the 607) for an affluent older clientele concerned about their comfort and more basic and functional small cars for a younger and less affluent clientele (106, 206, 306) .

The 607 market segment is more sensitive to equipment related to comfort than price, while the 106 market segment will be more sensitive to an attractive price offer.

Segmentation criteria

There are two types of segmentation criteria:

Descriptive variables :

- geographical criteria
- demographic variables
- the CSP
- family status

Attitudinal and behavioral variables:

- the occasions of use
- the rate of use and the quantities consumed
- consumer habits
- the benefits or advantages sought
- lifestyles

Example

Geographical criteria: Olive oil is more commonly used in the south of France than in other regions of France. We will therefore adapt the size of the packaging and the promotions according to the purchasing area. Sheba , which sells cat food, targets an urban clientele: the residential area, rural or urban, is therefore a segmentation criterion.

Demographic variables: Income makes it possible to segment the automobile market or even that of tourism. Age explains different consumption behaviors when it comes to travel. Gender is a good segmentation criterion for the perfume or clothing market. The level of education makes it possible to group together in a homogeneous way the expectations of consumers in terms of books.

CSP: The specialized press market can be segmented according to the socio-professional category of readers. For example, the daily L'Equipe is mainly bought by executives and senior executives.

Family status: Cereals are consumed by families with children; frozen ready-meals are more popular with single people, who are moreover city dwellers.

Occasions of use: Consumers do not have the same expectations of restaurants depending on the occasion of their visit: business lunch, quick lunch, evening with friends, gourmet dinner, etc.

The rate of use and the quantities consumed: EDF offers different subscriptions depending on the level of consumption: price, meter, consumption ceiling.

Consumption habits: Shaving foams do not target the same clientele depending on whether shaving is electric or manual. The same is true for laundry depending on whether the linen is washed by hand or in the machine.

Benefits or advantages sought: The dairy products market can be divided according to the benefits sought by consumers: pleasure, health, etc.

Lifestyles: This type of segmentation is also called psychographic : we can thus identify types of consumers according to their "lifestyle".

For example, on the cinema market, we can distinguish between "nostalgics" who like war films and period films, and "cinephiles" who prefer auteur films and award-winning foreign cinema, for example. We will also find action lovers (violent films, martial arts for a rather young and masculine audience), vs the " sagaphiles " who do not miss the great and beautiful epics (rather young female spectators).

The difficulty here lies in the fact that the segments sometimes overlap: this segmentation criterion is therefore not always discriminating, especially since it is more difficult to specifically reach such and such a segment.

[The conditions for effective segmentation](#)

Effective market segmentation is based on several conditions:

Relevance of the choice of criteria: Individuals differ in their expectations with regard to the product according to the selected segmentation criterion, which is therefore discriminating.

Possibility of measuring the size of the segments.

Accessibility of segments: We must be able to reach the target market. For example, if we target the gay tribe, how do we reach them?

Profitability of the segments: The targeted segments must bring together enough individuals for the market to be profitable. It is therefore imperative to know the size of the potential market to estimate potential sales (therefore the expected market share).

Feasibility for the company: Will we be able to set up a differentiated marketing policy, and therefore different marketing actions according to the defined segments? For example, we can favor such and such a segment, offer promotions adapted to such and such, have adapted advertising campaigns.

3. Targeting

The second step of the marketing strategy is: targeting the market. We offer the following definition:

Targeting a market consists for the company in evaluating the different segments of this market and choosing those on which it will focus its efforts.

A portrait of the “core target” should be drawn. It sometimes happens that it is necessary to distinguish between two targets when there is a prescriber in the purchasing process; for example, distinguishing the target of children from that of their parents, those of booksellers versus that of readers.

Segment analysis

Targeting is therefore based on the analysis of market segments, based on 2 factors:

company resources

Company goals

Targeting consists of evaluating the segments on the following characteristics:

Appeal : Is the segment big enough? Is it growing or declining? Will it allow us to ensure sufficient profitability for our business?

Intensity of competition : Who are the competitors in this segment? Are they many? What are their resources?

Intensity of distributors' influence : How powerful are distributors in this market? Can they influence manufacturers?

Intensity of supplier influence : Are they few in number, can they be dispensed with and replaced easily? Where is their presence essential to ensure the quality of the product?

Level of entry cost : Some markets may require substantial investments to enter them in terms of production tools, the right to list products in distribution circuits, market studies, communication campaigns, etc . .

The ideal market segment would therefore be : a large segment (many customers), growing, very profitable (high market price and low production and marketing costs), with few competitors with little influence, and with many distributors and of competing suppliers, and a very low cost of entry. But that does not exist! Companies must therefore make trade-offs between all these characteristics.

For example, occupying a smaller market segment, but where there are few competitors. Or on the contrary, target a segment with many competitors already present, but with potential profitability due to its strong growth and many distributors who market the product.

Analysis tools

Several analysis tools are available to companies to assess market segments.

The two main ones are:

The SWOT analysis framework

Porter's 5 Forces

The SWOT analysis framework consists of making an internal and external diagnosis of the market situation in which the company finds itself:

Internal analysis of the company to reach the targeted segment(s):

Strengths (Strength) of the company in this segment.

Weaknesses of the company in this segment.

External analysis of the company to reach the targeted segment(s):

Opportunities (opportunity) related to the macro and micro-environment .

Threats linked to the macro and micro- environment .

The analysis of Porter's five forces consists in evaluating the weight of the various forces present on the segment targeted by the company.

For example, what is the competitive intensity in this segment (many or few competitors, their weight, the entry ticket)? Is the bargaining power with suppliers in our favor or not? What are the potential new entrants and existing substitutes and do they pose a threat or not? And finally, what is the margin of negotiation for customers, whether they are intermediaries, therefore distributors of our product, or end users (individual consumer or company)?

The different product-market strategies

Consider a market with three possible market segments M1, M2, M3 and three different product offerings, P1, P2 and P3.

Several product-market strategies are then possible:

Concentration on a product / market couple :

We sometimes speak of a niche strategy when the target segment is particularly narrow (but still profitable!) and the offer is therefore very specific. The company specializes in a product for a given market segment.

Specialization by product:

The same product is declined to be offered to several targets. The objective is to capitalize on know-how and to pose as a specialist in a product. But this poses the problem of the credibility of the brand on the various market segments and constitutes a risk of dilution of the brand image.

Specialization by market:

Different types of products are offered to meet the expectations of the same market target. We are witnessing a strategy of successive brand extensions. The company will capitalize on the image known and recognized by the target already identified to market new products.

Selective specialization:

Different products are offered in different market segments. But this raises the question of the tightness of the markets between them. How not to create confusion and maintain a strong brand image?

It is necessary, as in the case of specialization by market, to be vigilant on the question of the coherence of the brand's products (same product universe, or same symbolic universe). Otherwise, the company risks witnessing a dilution of the brand image with its target market.

Global coverage:

The company chooses to cover all market segments with all existing productions. This strategy of total occupation of the territory requires major resources to ensure the credibility of the brand with the various targets and the same level of quality on all products.

4. Positioning

Positioning on the market is the final stage of the marketing strategy. After having segmented our market and thus defined the relevant market segments, then targeted the most attractive segments, the next objective is to determine the appropriate position for our product on the market.

After having defined this concept, we will see how to express the positioning, the elements that can be put forward. Finally, we will present a very useful tool for positioning: perceptual maps.

The two aspects of positioning

Positioning is defined as follows:

Positioning a product consists of giving it a place in the minds of consumers in relation to its competitors.

Positioning appeared necessary due to the overcrowding of the markets: few market segments are still empty today, especially in mass consumption. It therefore became necessary:

to be identifiable,

to be different.

Example

A mineral water creates an identity by being attached to a universe of reference (a universe of consumption): water for babies, table water, water for slimming, etc. Then, it must differentiate itself from competitors in its reference universe by highlighting its point of difference: Evian is positioned on the market as a water for babies, but which brings youth, vitality (cf. the aquatic ballet of baby swimmers or "senior swimmers" from Evian).

Valvert , mineral water for babies, plays on its natural side, close to nature (its latest advertising campaign features a bear cub in the green mountains playing with a bottle of Valvert water) .

Fundamental

There are several tools to express the positioning of a product on the market.

The first consists in expressing the target, the universe of reference and the point of difference of the product.

We highlight an element that makes the specificity of the product:

Téfal brand , it's Teflon, pans for cooking without fat. For Ricoré , it is the unique blend of Coffee and Chicory, synonymous with tonicity and well-being. Hepar water is known to be water rich in magnesium.

A symbolic attribute: The Yves Saint Laurent brand is synonymous with refined Parisian luxury. Evian capitalizes on its image of purity. Buitoni is Italy....

Possible users (the target): Kiri is associated with children since it is "the cheese for gourmets in short pants". Contrex remains the water for women who care about their figure.

Introduction

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Positioning

Conclusion