Advertising and Integrated Brand Promotion

Sixth Edition

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Chapter 6
Market Segmentation, Positioning, and the Value Proposition

After reading and thinking about this chapter, you will be able to do the following:

1. Explain the process known as STP marketing.
2. Describe different bases that marketers use to identify target segments.
3. Discuss the criteria used for choosing a target segment.
4. Identify the essential elements of an effective positioning strategy.
5. Review the necessary ingredients for creating a brand’s value proposition.
WHO WILL YOU ROCK UP WITH IF YOU'RE HUNG OVER?

AXE RECOVERY SHOWER GEL
WASH AWAY YOUR HANGOVER.
Introductory Scenario: How Well Do You “Tolerate Mornings”?

You know by now that advertising in its many forms is always sponsored for a reason. Generally that reason has something to do with winning new customers or reinforcing the habits of existing customers. However, advertising has no chance of producing a desired result if we are unclear about who we want to reach. We need a target audience.

One special problem that most companies face is reaching potential customers just as they are experimenting in a product category for the first time. This is a pivotal time when one wants the consumer to have a great experience with your brand. So, for example, if we are Gillette and seek to market anything and everything associated with shaving, we will want one of our shavers in the hands of the consumer the first time he or she shaves. First-time users are not heavy users, but they represent the future. If we don’t keep winning these beginners, eventually, we are out of business. Developing advertising campaigns to win with first-time users is often referred to as point-of-entry marketing. More on that later...

Folgers does a huge business in the coffee category but can take nothing for granted when it comes to new users. Thus, the marketers of Folgers must launch campaigns to appeal specifically to the next generation of coffee drinkers. These of course would be young people just learning the coffee habit. Attracted by coffee titans like Starbucks and Dunkin’ Donuts, many people get to know coffee in their teens. But when it’s time to start brewing coffee at home, Folgers sees its big chance to get in your cupboard. To illustrate, the Folgers brand team launched an advertising initiative to attract just-graduated 20-somethings. When young adults move into the “real world” and take that first job with a new apartment in a strange city, they are primed to develop the coffee habit. Folgers aspires to be the brand of choice for this target as they potentially commit to a morning brew-it-yourself coffee ritual. We all know that mornings are tough, so Folgers just wants to make them tolerable. But how does Folgers, your grandparents’ brand, make a connection with a new generation of coffee drinkers? Tried and true slogans (“The best part of waking up is Folgers in your cup”) and 30-second TV spots just won’t do.

Working with its ad agency Saatchi & Saatchi, the Folgers brand team found another way. It started with the premise that mornings are hard, filled with emails and bosses making demands and those darn “morning people” (who for some bizarre reason seem to love sunrises). Folgers exists to help a person tolerate mornings, and especially to tolerate those morning people. A short film, titled something like “Happy Mornings: The Revenge of the Yellow People,” was produced to show Folgers as your first line of defense when the fanatical Yellow People try to invade your space first thing in the morning (that’s them coming out of the sunrise and across the lake in Exhibit 6.1). The film was also designed to steer traffic to a website.

(per Exhibit 6.2) where other tools (boss-tracker, auto emails, wake-up calls, screen-saver) for making mornings go better were available. The campaign also included print ads code-named “Dreamscapes,” reflecting that frightful moment just before dawn when the creepy Yellow People are planning their attack.

The provocative aspect of the Yellow People film is that zero dollars were spent on media. That’s right, zero dollars. Rather, the spot was submitted to three websites (Adcritic, BestadsonTV.com, and Boards) where 20-somethings had their way with it. Chatter quickly spread across the blogosphere, website hits increased, and the film was soon posted on YouTube (receiving 4 out of 5 stars and more than 300,000 viewings). This little sample of YouTube comments suggests that the Folgers team was on the right track in their effort to engage new users:

“I now watch this every morning to wake up, cause it’s just so damn funny and awesome that it wakes me right up. If I ever get rich I’m going to hire a bunch of people to dress like happy yellow people and come wake me up with that song every morning.”

“I am without speech at the sheer brilliance. If commercials were like this… I wouldn’t skip them on the DVR.”

“I took one look at that video and went straight into the kitchen and made a cup of coffee at 9:30 pm, because after all, I can sleep when I am dead!”

Many companies large and small share the problem we see embedded in the Folgers example. Simply stated, we must be clear on who we are trying to reach and then on what we can say that will resonate with them. Companies address this challenge through a process referred to as STP marketing. It is a critical process from our standpoint because it leads to decisions about who we need to advertise to, what value proposition we want to present to them, and how we plan to reach them with our message.

**STP Marketing and the Evolution of Marketing Strategies.**

The Folgers example illustrates the process that marketers use to decide who to advertise to and what to say. The Folgers brand team started with the diverse market of all possible coffee drinkers, and broke the market down by age segments. They then selected just-graduated 20-somethings as their target segment. The target segment is the subgroup (of the larger market) chosen as the focal point for the marketing program and advertising campaign.
Markets are segmented; products are positioned. To pursue the target segment, a firm organizes its marketing and advertising efforts around a coherent positioning strategy. **Positioning** is the process of designing and representing one’s product or service so that it will occupy a distinct and valued place in the target consumer’s mind. **Positioning strategy** involves the selection of key themes or concepts that the organization will feature when communicating this distinctiveness to the target segment. In Folgers’s case, the positioning concept may not seem all that inspiring: it’s all about “Tolerate Mornings.” But the idea is to position Folgers in such a way that just-graduated 20-somethings can relate. Folks on the Folgers team assumed that they would not convert this segment with an old-fashioned slogan like “The best part of waking up is Folgers in your cup.” And of course we see in this example a skillful, low-cost approach to getting the message in front of the target: Let YouTube do it!

Notice the specific sequence illustrated in Exhibit 6.3 that was played out in the Folgers example: The marketing strategy evolved as a result of **segmenting**, **targeting**, and **positioning**. This sequence of activities is often referred to as **STP marketing**, and it represents a sound basis for generating effective advertising.² Although no formulas or models guarantee success, the STP approach is strongly recommended for markets characterized by diversity in consumers’ needs and preferences. In markets with any significant degree of diversity, it is impossible to design one product that will appeal to everyone, or one advertising campaign that will communicate with everyone. Organizations that lose sight of this simple premise run into trouble.

Indeed, in most product categories one finds that different consumers are looking for different things, and the only way for a company to take advantage of the sales potential represented by different customer segments is to develop and market a different brand for each segment. No company has done this better than cosmetics juggernaut Estée Lauder.³ Lauder has more than a dozen cosmetic brands, each developed for a different target segment. For example, there is the original Estée Lauder brand, for women with conservative values and upscale tastes. Then there is Clinique, a no-nonsense brand that represents functional grooming for Middle America. Bobbi Brown is for the working mom who skillfully manages a career and her family and manages to look good in the process, just like the real Bobbi Brown.⁴ M.A.C. is a brand for those who want to make a bolder statement: Its spokespersons have been

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RuPaul, a 6-foot-7-inch drag queen; Boy George; Missy Elliot; Linda Evangelista; and a host of others. Prescriptives is marketed to a hip, urban, multiethnic target segment, and Origins, with its earthy packaging and natural ingredients, celebrates the connection between Mother Nature and human nature. These are just some of the cosmetics brands that Estée Lauder has marketed to appeal to diverse target segments. Check out the company’s current brand lineup at www.elcompanies.com.

We offer the Estée Lauder example to make two key points before moving on. First, the Folgers case may have made things seem too simple: STP marketing is a lot more complicated than just deciding to target a particular age group. Age alone is rarely specific enough to serve as a complete identifier of a target segment. Second, the cosmetics’ example shows that many factors beyond demographics can come into play when trying to identify valid target segments. For these diverse cosmetics’ brands, we see that considerations such as attitudes, lifestyles, and basic values all may play a role in identifying and describing customer segments.

To reinforce these points, examine the two ads in Exhibits 6.4 and 6.5. Both ran in Seventeen magazine, so it is safe to say that in each case the advertiser was trying to reach adolescent females. But as you compare these exhibits, it should be pretty obvious that the advertisers were really trying to reach out to very different segments of adolescent females. To put it bluntly, it is hard to imagine a marine captain wearing Hard Candy lip gloss. These ads were designed to appeal to different target segments, even though the people in these segments would seem the same if we considered only their age and gender.

Beyond STP Marketing.

If an organization uses STP marketing as its framework for strategy development, at some point it will find the right strategy, develop the right advertising, make a lot of money, and live happily ever after. Right? As you might expect, it’s not quite that simple. Even when STP marketing yields profitable outcomes, one must presume that success will not last indefinitely. Indeed, an important feature of marketing and advertising—a feature that can make these professions both terribly interesting and terribly frustrating—is their dynamic nature. To paraphrase a popular saying, shifts happen—consumer preferences shift. Competitors improve their marketing strategies, or technology changes and makes a popular product obsolete. Successful marketing strategies need to be modified or may even need to be reinvented as shifts occur in the organization’s competitive environment.

To maintain the vitality and profitability of its products or services, an organization has two options. The first entails reassessment of the segmentation strategy. This may come through a more detailed examination of the current target segment to develop new and better ways of meeting its needs, or it may be necessary to adopt new targets and position new brands for them, as illustrated by the Estée Lauder example.

The second option is to pursue a product differentiation strategy. Product differentiation focuses the firm’s efforts on emphasizing or even creating differences for its brands to distinguish them from competitors’ offerings. Advertising plays a critical role as part of the product differentiation strategy because often the consumer will have to be convinced that the intended difference is meaningful. For example, Schick’s response to Gillette’s Mach3 Turbo was the Schick Quattro with four blades instead of three. But does that fourth blade really deliver a better shave? How
could it be better than “The Best a Man Can Get”? Following a product differentiation strategy, the role for Schick’s advertising is to convince men that that fourth blade is essential for a close shave. But next up is Gillette’s Fusion, with five blades to shave you closer than close. And so it goes.

The message is that marketing strategies and the advertising that supports them are never really final. Successes realized through proper application of STP marketing can be short-lived in highly competitive markets where any successful innovation is almost sure to be copied or “one-upped” by competitors. Thus, the value creation process for marketers and advertisers is continuous; STP marketing must be pursued over and over again and may be supplemented with product differentiation strategies.

Virtually every organization must compete for the attention and business of some customer groups while de-emphasizing or ignoring others. In this chapter we will examine in detail the way organizations decide who to target and who to ignore in laying the foundation for their marketing programs and advertising campaigns. The critical role of advertising campaigns in executing these strategies is also highlighted.

Identifying Target Segments.

The first step in STP marketing involves breaking down large, heterogeneous markets into more manageable submarkets or customer segments. This activity is known as market segmentation. It can be accomplished in many ways, but keep in mind that advertisers need to identify a segment with common characteristics that will lead the members of that segment to respond distinctively to a marketing program. For a segment to be really useful, advertisers also must be able to reach that segment with information about the product. Typically this means that advertisers must be able to identify the media the segment uses that will allow them to get a message to the segment. For example, teenage males can be reached through product placements in video games and movies; selected rap, contemporary rock, or country radio stations; and all things Internet. The favorite syndicated TV show among highly affluent households (i.e., annual household income more than $100,000) is Seinfeld, making it a popular choice for advertisers looking to reach big spenders.

In this section we will review several ways that consumer markets are commonly segmented. Markets can be segmented on the basis of usage patterns and commitment levels, demographic and geographic information, psychographics and lifestyles, or benefits sought. Many times, segmentation schemes evolve in such a way that multiple variables are used to identify and describe the target segment. Such an outcome is desirable because more knowledge about the target will usually translate into better marketing and advertising programs.

Usage Patterns and Commitment Levels.

One of the most common ways to segment markets is by consumers’ usage patterns or commitment levels. With respect to usage patterns, it is important to recognize that for most products and services, some users will purchase much more frequently than others. It is common to find that heavy users in a category account for the majority of a product’s sales and thus become the preferred or primary target segment.5

For instance, Coffee-mate executives launched a program to get to know their customers better by returning calls to those who had left a complaint or suggestion using the toll-free number printed on the product packaging.6 As a result they met Paula Baumgartner, a 44-year-old who consumes four jars of Coffee-mate’s mocha-flavored

creamer every week. (Yes, that’s more than 200 jars a year!) Now that’s a heavy user. Conventional marketing thought holds that it is in Coffee-mate’s best interest to get to know heavy users like Paula in great depth and make them a focal point of the company’s marketing strategy. On a side note that the Folgers brand team would love, Baumgartner explained that she got her start as a regular coffee drinker at age 21 in her first full-time job (i.e., she was a just-graduated 20-something). Don’t know if she now brews Folgers…

Although being the standard wisdom, the heavy-user focus has some potential downsides. For one, devoted users may need no encouragement at all to keep consuming. In addition, a heavy-user focus takes attention and resources away from those who do need encouragement to purchase the marketer’s brand. Perhaps most important, heavy users may differ significantly from average or infrequent users in terms of their motivations to consume, their approach to the brand, or their image of the brand.

Another segmentation option combines prior usage patterns with commitment levels to identify four fundamental segment types—brand-loyal customers, switchers (or variety seekers), nonusers, and emergent consumers. Each segment represents a unique opportunity for the advertiser. Nonusers offer the lowest level of opportunity relative to the other three groups. Brand-loyal users are a tremendous asset if they are the advertiser’s customers, but they are difficult to convert if they are loyal to a competitor.

Switchers or variety seekers often buy what is on sale or choose brands that offer discount-coupons or other price incentives. Whether they are pursued through price incentives, high-profile advertising campaigns, or both, switchers turn out to be a costly target segment. Much can be spent in getting their business merely to have it disappear just as quickly as it was won.

Emergent consumers offer the organization an important business opportunity. In most product categories there is a gradual but constant influx of first-time buyers. The reasons for this influx vary by product category and include purchase triggers such as puberty, college graduation, marriage, a new baby, divorce, a new job, a big raise, or retirement. Immigration can also be a source of numerous new customers in many product categories. Generation X attracted the attention of marketers and advertisers because it was a large group of emergent adult consumers. But inevitably, Generation X lost its emergent status and was replaced by a new age cohort—Generation Y—who took their turn as advertisers’ darlings.

Emergent consumers are motivated by many different factors, but they share one notable characteristic: Their brand preferences are still under development. Targeting emergents with messages that fit their age or social circumstances may produce modest effects in the short run, but it eventually may yield a brand loyalty that pays handsome rewards for the discerning organization. Developing advertising campaigns to win with first-time users is often referred to as point-of-entry marketing. Sound familiar? This was exactly Folgers’ rationale in targeting just-graduated 20-somethings. As another case in point, banks actively recruit college students who have limited financial resources in the short term, but excellent potential as long-term customers. Exhibit 6.6 shows an ad from Wells Fargo Bank with an appeal to emergent consumers at the University of Arizona.

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7. This four-way scheme is detailed in David W. Stewart, “Advertising in Slow-Growth Economies,” American Demographics (September 1994), 40–46.

Demographic Segmentation.

Demographic segmentation is widely used in selecting target segments and includes basic descriptors such as age, gender, race, marital status, income, education, and occupation (see the array of possibilities at www.factfinder.census.gov). Demographic information has special value in market segmentation because if an advertiser knows the demographic characteristics of the target segment, choosing media to efficiently reach that segment is easier.

Demographic information has two specific applications. First, demographics are commonly used to describe or profile segments that have been identified with some other variable. If an organization had first segmented its market in terms of product usage rates, the next step would be to describe or profile its heavy users in terms of demographic characteristics such as age or income. In fact, one of the most common approaches for identifying target segments is to combine information about usage patterns with demographics.

Mobil Oil Corporation used such an approach in segmenting the market for gasoline buyers and identified five basic segments: Road Warriors, True Blues, Generation F3, Homebodies, and Price Shoppers. Extensive research on more than 2,000 motorists revealed considerable insight about these five segments. At one extreme, Road Warriors spent at least $1,200 per year at gas stations; they bought premium gasoline and snacks and beverages and sometimes opted for a car wash. Road Warriors were generally more affluent, middle-aged males who drive 25,000 to 50,000 miles per year. (Note how Mobil combined information about usage patterns with demographics to provide a detailed picture of the segment.) In contrast, Price Shoppers spent no more than $700 annually at gas stations, were generally less affluent, rarely buy premium, and showed no loyalty to particular brands or stations. In terms of relative segment sizes, there were about 25 percent more Price Shoppers on the highways than Road Warriors. If you were the marketing vice president at Mobil, which of these two segments would you target? Think about it for a few pages—we’ll get back to you.

Second, demographic categories are used frequently as the starting point in market segmentation. This was true in the Folgers example, where young people who had recently graduated from college turned out to be the segment of interest. Since families commonly plan vacations together, demographics will also be a major consideration for targeting by the tourism industry, where families with young children are often the marketer’s primary focus. For instance, the Bahamian government launched a program to attract families to their island paradise. But instead of reaching out to mom and dad, Bahamian officials made their appeal to kids by targeting the 2-to-11-year-old viewing audience of Nickelodeon’s cable television channel.

Another demographic group that is receiving renewed attention from advertisers is the “woopies,” or well-off older people. In the United States, consumers over 50 years old control two-thirds of the country’s wealth. The median net worth of households headed by persons 55 to 64 is 15 times larger than the net worth for households headed by a person under age 35. Put in simple terms, for most people age 20, $100 is a lot of money. For woopies, $100 is change back from the purchase of a $10,000 home theatre system. Marketers such as Ford, Sony, Target, Anheuser-Busch, Walt Disney, and Virgin Entertainment Group have all reconsidered their product offerings with woopies in mind. By 2025, the number of people over 50 will grow by 80 percent to become a third of the U.S. population. Growth in the woopie segment will also be dramatic in other countries, such as Japan and the nations of Western Europe. Still, like any other age segment, older consumers are a diverse group, and the temptation to stereotype must be resisted. Some marketers advocate partitioning

older consumers into groups aged 50–64, 65–74, 75–84, and 85 or older, as a means of reflecting important differences in needs. That’s a good start, but again, age alone will not tell the whole story.

**Geographic Segmentation.**

Geographic segmentation needs little explanation other than to emphasize how useful geography is in segmenting markets. Geographic segmentation may be conducted within a country by region (for example, the Pacific Northwest versus New England in the United States), by state or province, by city, or even by neighborhood. Climate and topographical features yield dramatic differences in consumption by region for products such as snow tires and surfboards, but geography can also correlate with other differences that are not so obvious. Eating and food preparation habits, entertainment preferences, recreational activities, and other aspects of lifestyle have been shown to vary along geographic lines. As shown in Exhibit 6.7, even a brand like Hostess Twinkies has its red and blue states. In addition, recent research indicates that states and regions of the United States vary in meaningful ways regarding dominant personality traits. For example, Rhode Island residents are the most insecure, those in Georgia are conscientious and loyal, and the most extroverted—North Dakota, of course!12

In recent years skillful marketers have merged information on where people live with the U.S. Census Bureau’s demographic data to produce a form of market segmentation known as geodemographic segmentation. **Geodemographic segmentation** identifies neighborhoods (by zip codes) around the country that share common demographic characteristics. One such system, known as PRIZM (potential rating index by zip marketing), identifies 62 market segments that encompass all the zip codes in the United States. Each of these segments has similar lifestyle characteristics and can be found throughout the country.

For example, the American Dreams segment is found in many metropolitan neighborhoods and comprises upwardly mobile ethnic minorities, many of whom were foreign-born. This segment’s brand preferences are different from those of people belonging to the Rural Industrial segment, who are young families with one or both parents working at low-wage jobs in small-town America. Systems such as PRIZM are very popular because of the depth of segment description they provide, along with their ability to precisely identify where the segment can be found (for more details, Google Claritas PRIZM).

**Psychographics and Lifestyle Segmentation.**

**Psychographics** is a term that advertisers created in the mid-1960s to refer to a form of research that emphasizes the understanding of consumers’ activities, interests, and opinions (AIOs).13 Many advertising agencies were using demographic variables for segmentation purposes, but they wanted insights into consumers’ motivations, which demographic variables did not provide. Psychographics were created as a tool to supplement the use of demographic data. Because a focus on consumers’ activities, interests, and opinions often produces insights into differences in the lifestyles of various segments, this approach usually results in **lifestyle segmentation.** Knowing

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details about the lifestyle of a target segment can be valuable for creating advertising messages that ring true to the consumer.

Lifestyle or psychographic segmentation can be customized with a focus on the issues germane to a single product category, or it may be pursued so that the resulting segments have general applicability to many different product or service categories. An illustration of the former is research conducted for Pillsbury to segment the eating habits of American households. This “What’s Cookin’” study involved consumer interviews with more than 3,000 people and identified five segments of the population, based on their shared eating styles:

- **Chase & Grabbit**, at 26 percent of the population, are heavy users of all forms of fast food. These are people who can make a meal out of microwave popcorn; as long as the popcorn keeps hunger at bay and is convenient, this segment is happy with its meal.

- **Functional Feeders**, at 18 percent of the population, are a bit older than the Chase & Grabbit but no less convenience-oriented. Since they are more likely to have families, their preferences for convenient foods involve frozen products that are quickly prepared at home. They constantly seek faster ways to prepare the traditional foods they grew up with.

- **Down-Home Stokers**, at 21 percent of the population, involve blue-collar households with modest incomes. They are very loyal to their regional diets, such as meat and potatoes in the Midwest and clam chowder in New England. Fried chicken, biscuits and gravy, and bacon and eggs make this segment the champion of cholesterol.

- **Careful Cooks**, at 20 percent of the population, are more prevalent on the West Coast. They have replaced most of the red meat in their diet with pastas, fish, skinless chicken, and mounds of fresh fruit and vegetables. They believe they are knowledgeable about nutritional issues and are willing to experiment with foods that offer healthful options.

- **Happy Cookers** are the remaining 15 percent of the population but are a shrinking segment. These cooks are family-oriented and take substantial satisfaction from preparing a complete homemade meal for the family. Young mothers in this segment are aware of nutritional issues but will bend the rules with homemade meat dishes, casseroles, pies, cakes, and cookies.

Even these abbreviated descriptions of Pillsbury’s five psychographic segments should make it clear that very different marketing and advertising programs are called for to appeal to each group. Exhibits 6.8 and 6.9 show ads from Pillsbury. Which segments are these ads targeting?

As noted, lifestyle segmentation studies can also be pursued with no particular product category as a focus, and the resulting segments could prove useful for many different marketers. A notable example of this approach is the VALS (for “values and lifestyles”) system developed by SRI International and marketed by Strategic Business Insights (SBI) of Menlo Park, California. As shown in Exhibit 6.10, the VALS segments are organized in terms of resources (which include age, income, and education) and primary motivation. For instance, the Experiencer is relatively affluent and expressive. This enthusiastic and risk-taking group has yet to establish predictable behavioral patterns. Its members look to sports, recreation, exercise, and social activities as outlets for their abundant energies. SBI sells detailed information and marketing recommendations about the eight segments to a variety of marketing organizations.


15. Ibid.; see chs. 3, 5, and 8 for an extensive discussion of the VALS system.
Exhibit 6.8 Which lifestyle segment is Pillsbury targeting with this ad? It looks like a toss-up between Chase & Grabbits and Functional Feeders. Does Pillsbury’s site (www.pillsbury.com) target the same lifestyle segment as the ads? What features at the site are designed to build customer loyalty? Based on the site’s message and design, what lifestyle choices does Pillsbury seem to assume that its target segment has made?

Exhibit 6.9 The convenience-oriented Functional Feeders seem the natural target for this novel ad. That Pillsbury Doughboy sure gets around! www.pillsbury.com

Exhibit 6.10 The eight VALS™ Segments.

Innovators
Achievers
Thinkers
Achievement
Experiencers
Believers
Strivers
Makers

Primary Motivation
Ideals
High Resources
High Innovation

Survivors
Low Resources
Low Innovation

Source: SRI Consulting Business Insights; www.strategicbusinessinsights.com VALS. All rights reserved
Benefit Segmentation.

Another segmentation approach developed by advertising researchers is benefit segmentation. In benefit segmentation, target segments are delineated by the various benefit packages that different consumers want from competing products and brands. For instance, different people want different benefits from their automobiles. Some consumers want efficient and reliable transportation; others want speed, excitement, and glamour; and still others want luxury, comfort, and prestige. One product could not possibly serve such diverse benefit segments. Exhibits 6.11 and 6.12 feature two hair care products that promise different kinds of benefits to comparable consumers.

Segmenting Business-to-Business Markets.

Thus far, our discussion of segmentation options has focused on ways to segment consumer markets. Consumer markets are the markets for products and services purchased by individuals or households to satisfy their specific needs. Consumer marketing is often compared and contrasted with business-to-business marketing. Business markets are the institutional buyers who purchase items to be used in other products and services or to be resold to other businesses or households. Although advertising is more prevalent in consumer markets, products and services such as smartphones, overnight delivery, Web hosting, consulting services, and a wide array of business machines and computer-support services are commonly promoted to business customers around the world. Hence, segmentation strategies are also valuable for business-to-business marketers.

Business markets can be segmented using several of the options already discussed. For example, business customers differ in their usage rates and geographic locations, so these variables may be productive bases for segmenting business markets. In addition, one of the most common approaches uses the North American Industry Classification System (NAICS) prepared by the U.S. Census Bureau. NAICS information is helpful for identifying categories of businesses and then pinpointing the precise locations of these organizations.

Some of the more sophisticated segmentation methods used by firms that market to individual consumers do not translate well to business markets. For instance, rarely would there be a place for psychographic or lifestyle segmentation in the business-to-business setting. In business markets, advertisers fall back on simpler strategies that are easier to work with from the perspective of the sales force. Segmentation by a potential customer’s stage in the purchase process is one such strategy. It turns out that first-time prospects, novices, and sophisticates want very different packages of benefits from their vendors, and thus they should be targeted separately in advertising and sales programs.

Prioritizing Target Segments.

Whether it is done through usage patterns, demographic characteristics, geographic location, benefit packages, or any combination of options, segmenting markets typically yields a mix of segments that vary in their attractiveness to the advertiser. In pursuing STP marketing, the advertiser must get beyond this potentially confusing mixture of segments to a selected subset that will become the target for its marketing and advertising programs. Recall the example of Mobil Oil Corporation and the segments of gasoline buyers it identified via usage patterns and demographic descriptors. What criteria should Mobil use to help decide between Road Warriors and Price Shoppers as possible targets?

Perhaps the most fundamental criterion in segment selection revolves around what the members of the segment want versus the organization’s ability to provide it. Every organization has distinctive strengths and weaknesses that must be acknowledged when choosing its target segment. The organization may be particularly strong in some aspect of manufacturing, like Gillette, which has particular expertise in mass production of intricate plastic and metal products. Or perhaps its strength lies in well-trained and loyal service personnel, like those at FedEx, who can effectively implement new service programs initiated for customers, such as next-day delivery “absolutely, positively by 10:30 AM.” To serve a target segment, an organization may have to commit substantial resources to acquire or develop the capabilities to provide what that segment wants. If the price tag for these new capabilities is too high, the organization must find another segment.

Another major consideration in segment selection entails the size and growth potential of the segment. Segment size is a function of the number of people, households, or institutions in the segment, plus their willingness to spend in the product category. When assessing size, advertisers must keep in mind that the number of people in a segment of heavy users may be relatively small, but the extraordinary usage rates of these consumers can more than make up for their small numbers. In addition, it is not enough to simply assess a segment’s size as of today. Segments are dynamic, and it is common to find marketers most interested in devoting resources to segments projected for dramatic growth. As we have already seen, the purchasing power and growth projections for people age 50 and older have made this a segment that many companies are targeting.

So does bigger always mean better when choosing target segments? The answer is a function of the third major criterion for segment selection. In choosing a target segment, an advertiser must also look at the competitive field—companies that compete for the segment’s business—and then decide whether it has a particular expertise, or perhaps just a bigger budget, that would allow it to serve the segment more effectively.

Upon considering the competitive field, it often turns out that smaller is better when selecting target segments. Almost by definition, large segments are usually established segments that many companies have identified and targeted previously. Trying to enter the competitive field in a mature segment isn’t easy because established competitors (with their many brands) can be expected to respond aggressively with advertising campaigns or price promotions in an effort to repel any newcomer.

Alternatively, large segments may simply be poorly defined segments; that is, a large segment may need to be broken down into smaller categories before a company can understand consumers’ needs well enough to serve them effectively. Again, the segment of older consumers—age 50 and older—is huge, but in most instances it would simply be too big to be valuable as a target. Too much diversity exists in the needs and preferences of this age group, such that further segmentation based on other demographic or perhaps via psychographics variables is called for before an appropriate target can be located.
The smaller-is-better principle has become so popular in choosing target segments that it is now referred to as niche marketing. A market niche is a relatively small group of consumers who have a unique set of needs and who typically are willing to pay a premium price to the firm that specializes in meeting those needs. The small size of a market niche often means it would not be profitable for more than one organization to serve it. Thus, when a firm identifies and develops products for market niches, the threat of competitors developing imitative products to attack the niche is reduced. Exhibit 6.13 is an example of an ad directed toward a very small niche, those who prefer imported Russian tubes for their high-end tube stereo amplifiers.

Niche marketing will continue to grow in popularity as the mass media splinter into a more and more complex and narrowly defined array of specialized vehicles. Specialized cable programming—such as the Health & Fitness Channel, the History Channel, or the 24-hour Golf Channel—attracts small and very distinctive groups of consumers, providing advertisers with an efficient way to communicate with market niches. In addition, perhaps the ideal application of the Internet as a marketing tool is in identifying and accessing market niches, as described in the Social Media box.

Now let’s return to the question faced by Mobil Oil Corporation. Who should it target—Road Warriors or Price Shoppers? Hopefully you will see this as a straightforward decision. Road Warriors are a more attractive segment in terms of both segment size and growth potential. Although there are more Price Shoppers in terms of sheer numbers, Road Warriors spend more at the gas station, making them the larger segment from the standpoint of revenue generation. Road Warriors are also more prone to buy those little extras, such as a sandwich and a coffee, which could be extremely profitable sources of new business. It’s just hard (impossible?) to win in gasoline retailing by competing on price.

Mobil selected Road Warriors as its target segment and developed a positioning strategy it referred to as “Friendly Serve.” Gas prices went up at Mobil stations, but Mobil also committed new resources to improving all aspects of the gas-purchasing experience. Cleaner restrooms and better lighting alone yielded sales gains between 2 and 5 percent. Next, more attendants were hired to run between the pump and the snack bar to get Road Warriors in and out quickly—complete with their sandwich and beverage. Early results indicated that helpful attendants boosted station sales by another 15 to 20 percent. How can we really say that Mobil made the right choice in targeting Road Warriors? Just look at their competition (e.g., Exhibit 6.14). As suggested by BP’s Wild Bean Café, coffee is king with the Road Warrior.

Chapter 6: Market Segmentation, Positioning, and the Value Proposition

Social Media

Finding Niches and Letting Niches Find You

Market segmentation is all about reaching groups of consumers that have common wants and needs. Usually the groups you want to reach are a small fraction of the overall market. In 1964 a market researcher by the name of Dik Twedt proposed that one group of consumers you definitely want to reach is your heavy users. He called it his theory of the “heavy half.” That is, Twedt asserted that half of a brand’s consumers will always account for the majority of the brand’s sales. In a way he was saying, think niche, not mass.

Since 1964 markets have splintered and our ability to identify customer groups has been aided by all sorts of technological advancements. We now know that Twedt’s heavy half theory doesn’t go nearly far enough in encouraging an advertiser to think small. Today’s marketing gurus like Don Schultz advocate the 4 percent rule. That is, data from the likes of Catalina Marketing Corp. indicate that it is just 4 percent of a brand’s consumers who are critical to that brand’s viability in the marketplace. The implication for many advertisers is clear. No need to chase a mass market with big budget ad campaigns; you’d be better off finding your 4 percent and engaging deeply with them.

Former mass advertisers like General Mills appear to be getting the message, and in today’s marketplace the way one engages best with niche markets is to find them via social media. Celiac disease is an inherited autoimmune disease that inflicts about 2 percent of the population. People with this disease must avoid gluten in their diets or risk damage to their digestive system. The good news for General Mills is that consumers who require gluten-free foods are savvy social networkers. That’s where General Mills found this market niche, creating a whole new line of products (more than 250 at last count) just for the 2 percent.

The 2 percent has proved easy to reach for General Mills because they are “hungry” (couldn’t resist…) for news about gluten-free products, and they’re looking for it online. Rumors that General Mills was developing gluten-free versions of its Betty Crocker baking mixes spread in a flash over Twitter. Entering ‘celiac’ or ‘gluten-free’ in a search engine takes you right to General Mills’ complete list of gluten-free offerings. Dik Twedt would be amazed. No need to bother with a heavy half. Find your niches online. If you have a product they really need, they will eagerly engage with you there.


Exhibit 6.14 When a major competitor like BP imitates our strategy, it’s a pretty good sign that we got it right. Unfortunately, this may also mean that it’s time for us to look for a new strategy to gain another advantage vis-à-vis our competitive field. This is that part of marketing and advertising that makes these fields both terribly interesting and terribly frustrating. Just when we get it right, it can be time to start over…
Formulating the Positioning Strategy.

Now that we have discussed the ways markets are segmented and the criteria used for selecting targets, we turn our attention to positioning strategy. If a firm has been careful in segmenting the market and selecting its targets, then a positioning strategy—such as Mobil’s “Friendly Serve” or Gillette’s “The Best a Man Can Get”—should occur naturally. In addition, as an aspect of positioning strategy, we entertain ideas about how a firm can best communicate to the target segment what it has to offer. This is where advertising plays its vital role. A positioning strategy will include particular ideas or themes that must be communicated effectively if the marketing program is to be successful.

Essentials for Effective Positioning Strategies.

Any sound positioning strategy includes several essential elements. Effective positioning strategies are based on meaningful commitments of organizational resources to produce substantive value for the target segment. They also are consistent internally and over time, and they feature simple and distinctive themes. Each of these essential elements is described below.

Deliver on the Promise. For a positioning strategy to be effective and remain effective over time, the organization must be committed to creating substantive value for the customer. Take the example of Mobil Oil Corporation and its target segment, the Road Warriors. Road Warriors are willing to pay a little more for gas if it comes with extras such as prompt service or fresh coffee. So Mobil must create an ad campaign that depicts its employees as the brightest, friendliest, most helpful people you’d ever want to meet. The company asks its ad agency to come up with a catchy jingle that will remind people about the great services they can expect at a Mobil station. It spends millions of dollars running these ads over and over and wins the enduring loyalty of the Road Warriors. Right? Well, maybe, and maybe not. Certainly, a new ad campaign will have to be created to make Road Warriors aware of the new Mobil, but it all falls apart if they drive in with great expectations and the company’s people do not live up to them.

Effective positioning begins with substance. In the case of Mobil’s “Friendly Serve” strategy, this means keeping restrooms attractive and clean, adding better lighting to all areas of the station, and upgrading the quality of the snacks and beverages available in each station’s convenience store. It also means hiring more attendants and training and motivating them to anticipate and fulfill the needs of the harried Road Warrior. Effecting meaningful change in service levels at thousands of stations nationwide is an expensive and time-consuming process, but without some substantive change, there can be no hope of retaining the Road Warrior’s lucrative business.

There’s Magic in Consistency. A positioning strategy also must be consistent internally and consistent over time. Regarding internal consistency, everything must work in combination to reinforce a distinct perception in the consumer’s eyes about what a brand stands for. If we have chosen to position our airline as the one that will be known for on-time reliability, then we certainly would invest in things like extensive preventive maintenance and state-of-the-art baggage-handling facilities. There would be no need for exclusive airport lounges as part of this strategy, nor would any special emphasis need to be placed on in-flight food and beverage services. If our target segment wants reliable transportation, then this should be our obsession. This particular obsession has made Southwest Airlines a
very formidable competitor, even against much larger airlines, yielding 37 consecutive years of profitability, in a most challenging industry.\(^2\) Doesn’t it strike you as ironic that the only airline that can claim that kind of performance record is also one where Bags Fly Free?

A strategy also needs consistency over time. Consumers have perceptual defenses that allow them to screen or ignore most of the ad messages they are exposed to. Breaking through the clutter and establishing what a brand stands for is a tremendous challenge, but it is a challenge made easier by consistent positioning. If year in and year out an advertiser communicates the same basic themes, then the message may get through and shape the way consumers perceive the brand. An example of a consistent approach is the long-running “Good Neighbor” ads of State Farm Insurance. Even though the specific copy changes, the thematic core of the campaign does not change. Exhibit 6.15 shows an exemplar from this long-running campaign, including the “We Live Where You Live” extension to their “Good Neighbor” premise.

**Make It Different Simply.** Simplicity and distinctiveness are essential to the advertising task. No matter how much substance has been built into a product, it will fail in the marketplace if the consumer doesn’t perceive what the product can do. In a world of harried consumers who can be expected to ignore, distort, or forget most of the ads they are exposed to, complicated, imitative messages simply have no chance of getting through. The basic premise of a positioning strategy must be simple and distinctive if it is to be communicated effectively to the target segment.

The value of simplicity and distinctiveness in positioning strategy is nicely illustrated in Jack Daniel’s long-running campaign, with ads all around the world like the one in Exhibit 6.16. Jack Daniels began distilling whiskey in 1866 and would not be rushed. Patience was his secret ingredient for producing a smooth sippin’ whiskey. It will be good and ready, when it’s good and ready. Throughout the decades and around the world, Jack Daniel’s advertising turned “can’t be rushed” and made “the old-fashioned way” into an art form. The simplicity, consistency, and distinctiveness of their positioning strategy helped make Jack Daniel’s a powerhouse global brand, from Lynchburg, Tennessee.

### Fundamental Positioning Themes.

Positioning themes that are simple and distinctive help an organization make internal decisions that yield substantive value for customers, and they assist in the development of focused ad campaigns to break through the clutter of competitors’ advertising. Thus, choosing a viable positioning theme is one of the most important decisions faced by advertisers. In many ways, the raison d’être for STP marketing is to generate viable positioning themes.

Positioning themes take many forms, and like any other aspect of marketing and advertising, they can benefit from creative breakthroughs. Yet although novelty and creativity are valued in developing positioning themes, some basic principles should be considered when selecting a theme. Whenever possible, it is helpful

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if the organization can settle on a single premise—such as “Good Neighbor” or “Tolerate Mornings” or “Relax, It’s FedEx”—to reflect its positioning strategy. In addition, three fundamental options should always be considered in selecting a positioning theme: benefit positioning, user positioning, and competitive positioning.

“Friendly Serve” or “Relax, It’s FedEx” are examples of **benefit positioning**. Notice in these premises that a distinctive customer benefit is featured. This single-benefit focus is the first option that should be considered when formulating a positioning strategy. Consumers purchase products to derive functional, emotional, or self-expressive benefits, so an emphasis on the primary benefit they can expect to receive from a brand is fundamental. Even though it might seem that more compelling positioning themes would result from promising consumers a wide array of benefits, keep in mind that multiple-benefit strategies are hard to implement. Not only will they send mixed signals within an organization about what a brand stands for, but they will also place a great burden on advertising to deliver and validate multiple messages.

Functional benefits are the place to start in selecting a positioning theme, but in many mature product categories, the functional benefits provided by the various brands in the competitive field are essentially the same. In these instances the organization may turn to emotion in an effort to distinguish its brand.

Emotional benefit positioning may involve a promise of exhilaration, like “Exciting Armpits” (see Exhibit 6.17), or may feature a way to avoid negative feelings—such as the embarrassment felt in social settings due to bad breath, dandruff, or coffee-stained teeth.

Another way to add an emotional benefit in one’s positioning is by linking a brand with important causes that provoke intense feelings. Avon Products’ former CEO, James E. Preston, insisted that tie-ins with high-profile social issues can cut through the clutter of rivals’ marketing messages. Not surprising then that Avon has been a regular sponsor of important causes, such as the Avon Walk for Breast Cancer. Likewise, Sears helped raise money for the homeless, Star-Kist has promoted dolphin-safe fishing practices, Coors Brewing has funded public literacy programs, and Visa in Germany supported the Friendship Card, featured in Exhibit 6.18. Micro-sponsorships, which feature smaller charities and require much smaller budgets, have become a popular way for a wide range of brands to help consumers feel better about what they buy.

Self-expressive benefits can also be the bases for effective positioning strategies. With this approach, the purpose of an advertising campaign is to create distinctive images or personalities for brands, and then invite consumers into brand communities.26 These brand images or personalities can be of value to individuals as they use the brands to make statements about themselves to other people. For example, feelings of status, pride, and prestige might be derived from the imagery associated with brands such as BMW, Rolex, and Gucci. Brand imagery can also be valued in gift-giving contexts. The woman who gives Calvin Klein’s Euphoria for men is expressing something very different than the woman who gives Avon’s Wild Country. Advertisers help brands acquire meaning and self-expressive benefits to distinguish them beyond their functional forms.

Besides benefit positioning, another fundamental option is **user positioning.** Instead of featuring a benefit or attribute of the brand, this option takes a specific profile of the target user as the focal point of the positioning strategy. Ads like those shown in Exhibits 6.19 and 6.20 make unequivocal statements about who should consider the possibilities offered by Bigen Xpressive and Axe Recovery Shower Gel. Notice how these ads attempt to speak to clearly identifiable user segments.

The third option for a positioning theme is **competitive positioning.** This option is sometimes useful in well-established product categories with a crowded competitive field. Here, the goal is to use an explicit reference to an existing competitor to help define precisely what your brand can do. Many times this approach is used by smaller brands to carve out a position relative to the market share leader in

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their category. For instance, in the analgesics category, many competitors have used market leader Tylenol as an explicit point of reference in their positioning strategies. Excedrin, for one, has attempted to position itself as the best option to treat a simple headache, granting that Tylenol might be the better choice to treat the various symptoms of a cold or the flu. As shown in Exhibit 6.21, Excedrin’s strategy must have been effective, because Tylenol came back with a very pointed reply.

Now that you’ve seen the three fundamental options for creating a positioning strategy, we need to make matters a bit messier. There is nothing that would prevent an advertiser from combining these various options to create a hybrid involving two or more of them working together. The combination of benefit and user is common in creating positioning strategies, and the Xootr ad in Exhibit 6.22 is a superb example of user and competitive positioning combined. Do keep in mind that we’re looking for a strategy that reflects substance, consistency, simplicity, and distinctiveness. But the last thing we’d want to do is give you guidelines that would shackle your creativity. So don’t be shy about looking for creative combinations.

Repositioning.

STP marketing is far from a precise science, so marketers do not always get it right the first time. Furthermore, markets are dynamic. Things change. Even when marketers do get it right, competitors can react, or consumers’ preferences may shift for any number of reasons, and what once was a viable positioning strategy must be altered if the brand is to survive. One of the best ways to revive an ailing brand or to fix the lackluster performance of a new market entry is to redeploy the STP process to arrive at a revised positioning strategy. This type of effort is commonly referred to as repositioning.

Although repositioning efforts are a fact of life for marketers and advertisers, they present a tremendous challenge. When brands that have been around for decades are forced to reposition, perceptions of the brand that have evolved throughout the years must be changed through advertising. This problem is common for brands
that become popular with one generation but fade from the scene as that generation ages and emergent consumers come to view the brand as passé. So, for several years, the makers of Pontiac tried to breathe new life into the brand with catchy ad slogans such as “Luxury with Attitude,” “Wider Is Better,” and “Fuel for the Soul.” Ultimately, none of these efforts were able to save a brand that had become passé.\(^\text{27}\)

On the other hand, there are numerous examples of brands that have been able to get consumers to take a fresh look at them. Mazda found itself in a funk in the ‘90s when it tried to go head-to-head with Toyota and Honda around dependability and good value. So Mazda’s new CEO decided to return the brand to its roots as a stylish and fun-to-drive vehicle, targeting the 25 percent of the car-buying market that consider themselves auto enthusiasts. The “Zoom Zoom” theme was the outcome of this application of STP marketing, and with it the Mazda brand got its groove back.\(^\text{28}\)

**Capturing Your Strategy in a Value Proposition.**

In this chapter we have presented several important concepts for understanding how marketers develop strategies for their brands that then have major implications for the integrated advertising campaigns that are executed to build and maintain those brands. One needs to assess customer segments and target markets along with the


competitive field to make decisions about various kinds of positioning themes that might be appropriate in guiding the creation of a campaign.

Yes, it can get complicated. Furthermore, as time passes, new people from both the client and agency side will be brought in to work on the brand team. It can be easy for them to lose sight of what the brand used to stand for in the eyes of the target segment. Of course, if the people who create the advertising for a brand get confused about the brand’s desired identity, then the consumer is bound to get confused as well. This is a recipe for disaster. Thus, we need a way to capture and keep a record of what our brand is supposed to stand for in the eyes of the target segment. Although there are many ways to capture one’s strategy on paper, we recommend doing just that by articulating the brand’s value proposition. If we are crystal clear on what value we believe our brand offers to consumers, and everyone on the brand team shares that clarity, the foundation is in place for creating effective advertising and integrated brand promotion.

At this point you should find the following definition of a value proposition a natural extension of concepts that are already familiar; it simply consolidates the emphasis on customer benefits that has been featured in this chapter:

A brand’s value proposition is a statement of the functional, emotional, and self-expressive benefits delivered by the brand that provide value to customers in the target segment. A balanced value proposition is the basis for brand choice and customer loyalty, and is critical to the ongoing success of a firm.29

Here are the value propositions for two global brands that are likely familiar to you.30

**McDonald’s**

- Functional benefits: Good-tasting hamburgers, fries, and drinks served fast; extras such as playgrounds, prizes, premiums, and games.
- Emotional benefits: Kids—fun via excitement at birthday parties; relationship with Ronald McDonald and other characters; a feeling of special family times. Adults—warmth via time spent enjoying a meal with the kids; admiration of McDonald’s social involvement such as McDonald’s Charities and Ronald McDonald Houses.

**Nike**

- Functional benefits: High-technology shoe that will improve performance and provide comfort.
- Emotional benefits: The exhilaration of athletic performance excellence, feeling engaged, active, and healthy; exhilaration from admiring professional and college athletes as they perform wearing “your brand”—when they win, you win too.
- Self-expressive benefits: Using the brand endorsed by high-profile athletes lets your peers know your desire to compete and excel.

Notice from these two statements that over time many different aspects can be built into the value proposition for a brand. Brands like Nike may offer benefits in all three benefit categories; McDonald’s from two of the three. Benefit complexity of this type is extremely valuable when the various benefits reinforce one another. In these examples, this cross-benefit reinforcement is especially strong for Nike, with all levels working together to deliver the desired state of performance excellence. The job of advertising is to carry the message to the target segment about the value that is offered by the brand. However, for brands with complex value propositions such as McDonald’s and Nike, no single ad could be expected to reflect all aspects of the brand’s value. However, if any given ad is not communicating some selected aspects of the brand’s purported value, then we have to ask, why run that ad?

29. This definition is adapted from David Aaker, *Building Strong Brands* (New York: Free Press, 1996), ch. 3.
30. These examples are adapted from Aaker, *Building Strong Brands*, ch. 3.
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So from now on, every time you see an ad, ask yourself, what kind of value or benefit is that ad promising the target customer? What is the value proposition underlying this ad? We expect you to carry forward an ability to assess target segments and isolate value propositions.

One gains tremendous leverage from the process of STP marketing because it is all about anticipating and servicing customers’ wants and needs. But targeting groups for focused advertising and promotion has a controversial side, as do many things. The Ethics box features the ethical dilemma inherent in choosing children as your target.

Ethics

Mickey Mouse Tries the High Road

We’ve heard it over and over again. Many respected groups (including the American Psychological Association, the American Academy of Pediatrics, and the Rudd Policy Center at Yale University) are calling for restrictions on advertising targeted to children. One key concern is that advertising for junk food has played a role in America’s obesity crisis. Internet games and websites promote products such as Lucky Charms, Cheetos, and Hershey’s Syrup. Kids who visit branded sites like these are tantalized by sophisticated entertainment tactics that in the end are selling tactics devised by adults but targeted at kids. One tactic that has drawn special attention from food industry critics is the use of licensed characters, like Scooby-Doo, the Rugrats, or SpongeBob SquarePants, to do the selling. Basing its research on the link between marketing practices and childhood obesity, the U.S. Institute of Medicine recommended that food companies stop using licensed, animated characters to sell low-nutrient, high-calorie products.

There is an ethical dilemma here that is becoming impossible to ignore or rationalize away. Maybe, just maybe, we are beginning to see companies step up in an effort to do the right thing. Disney appears to be trying, given its announcement of a companywide initiative to phase out advertising of unhealthy foods to kids and eliminate the same from its theme-park menus and co-promotions with big corporate partners. But fear not. Mickey Mouse is not retiring. We will see Mickey and numerous other Disney characters (e.g., Buzz Lightyear and Woody, Winnie the Pooh and Tigger) on a new line of products branded Disney Magic Selections. Disney’s goal with this new line of juices, pastas, soups, and snacks is to give parents healthy eating solutions for kids.

Yet who gets to say what is and isn’t healthy? Can we trust Disney to set the right standard for itself and its partners? Only time will tell. But the new Disney guidelines do seem to have some teeth. For example, McDonald’s Big Mac and Quarter Pounder with Cheese challenge the Disney standard because they are heavy on trans fats. And since there are numerous McDonald’s restaurants within Disney theme parks, it will get interesting when Disney executives try to apply their standards to McDonald’s. Similar issues loom for Disney and its longtime partner Kellogg. Co-promotions involving Disney films and Kellogg’s sugary snacks have been common in the past. However, many Kellogg’s products linked to recent Disney films don’t meet the new Disney guidelines. As these corporate titans wrestle with the question of how to define a healthy snack, one can only hope that they don’t set the bar too low or the scales too high.


Putting It All Together.

Before moving on it may be helpful to pull together the concepts presented in this chapter using a practical model. The strategic planning triangle proposed by advertising researchers Esther Thorson and Jeri Moore is perfect for this purpose.31

As reflected in Exhibit 6.23, the apexes of the planning triangle entail the segment(s) selected as targets for the campaign, the brand’s value proposition, and the array of persuasion tools that will be deployed to achieve campaign goals.

As we have seen in this chapter, the starting point of STP marketing is identifying who the customers or prospects are and what they want. Hence, Thorson and Moore place identification and specification of the target segment as the paramount apex in their model. Building a consensus between the client and the agency about which segments will be targeted is essential to the campaign’s effectiveness. Compelling advertising begins with insights about one’s target segment that are both personal and precise.

The second important apex in the planning triangle entails specification of the brand’s value proposition. A brand’s value proposition is a statement of the functional, emotional, and/or self-expressive benefits delivered by the brand. In formulating the value proposition one should consider both what a brand has stood for or communicated to consumers in the past, and what new types of value or additional benefits one wants to claim for the brand going forward. For mature, successful brands, reaffirming the existing value proposition may be the primary objective for any campaign. When launching a new brand, there is an opportunity to start from scratch in establishing the value proposition.

The final apex of the planning triangle considers the various persuasion tools that may be deployed as part of the campaign. A description of these tools is yet to come. Chapters 12 and 13 emphasize traditional mass media tools; Chapter 14 looks at the dynamic digital options; Chapter 15 considers support media and sales promotions; Chapter 16 examines the exciting new arena of branded entertainment; Chapter 17 provides a comprehensive look at direct marketing; and Chapter 18 fills out the tool kit by discussing the public relations function. The mix of tools used will depend on campaign goals. The point here is simply to reinforce our mantra that advertising and integrated brand promotion always entails finding the right mix to do the job: Knowing the target segment and the value proposition are essential to doing the job right.

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**Summary**

1. **Identify and profile target segment(s)**
   - As reflected in Exhibit 6.23, the apexes of the planning triangle entail the segment(s) selected as targets for the campaign, the brand’s value proposition, and the array of persuasion tools that will be deployed to achieve campaign goals.

2. **Consolidate the value proposition for the brand**
   - As we have seen in this chapter, the starting point of STP marketing is identifying who the customers or prospects are and what they want. Hence, Thorson and Moore place identification and specification of the target segment as the paramount apex in their model. Building a consensus between the client and the agency about which segments will be targeted is essential to the campaign’s effectiveness. Compelling advertising begins with insights about one’s target segment that are both personal and precise.

3. **Select a mix of persuasion tools**
   - The second important apex in the planning triangle entails specification of the brand’s value proposition. A brand’s value proposition is a statement of the functional, emotional, and/or self-expressive benefits delivered by the brand. In formulating the value proposition one should consider both what a brand has stood for or communicated to consumers in the past, and what new types of value or additional benefits one wants to claim for the brand going forward. For mature, successful brands, reaffirming the existing value proposition may be the primary objective for any campaign. When launching a new brand, there is an opportunity to start from scratch in establishing the value proposition.

4. **Exhibit 6.23 Thorson and Moore’s strategic planning triangle.**

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**1 Explain the process known as STP marketing.**

The term STP marketing refers to the process of segmenting, targeting, and positioning. Marketers pursue this set of activities in formulating marketing strategies for their brands. STP marketing also provides a strong foundation for the development of advertising campaigns. Although no single approach can guarantee success in marketing and advertising, STP marketing should always be considered when consumers in a category have heterogeneous wants and needs.

**2 Describe different bases that marketers use to identify target segments.**

In market segmentation, the goal is to break down a heterogeneous market into more manageable subgroups or segments. Many different bases can be used for this purpose. Markets can be segmented on the basis of usage patterns and commitment levels, demographics, geography, psychographics, lifestyles, benefits sought, SIC codes, or stages in the purchase process. Different bases are typically applied for segmenting consumer versus business-to-business markets.
Discuss the criteria used for choosing a target segment.

In pursuing STP marketing, an organization must get beyond the stage of segment identification and settle on one or more segments as a target for its marketing and advertising efforts. Several criteria are useful in establishing the organization’s target segment. First, the organization must decide whether it has the proper skills to serve the segment in question. The size of the segment and its growth potential must also be taken into consideration. Another key criterion involves the intensity of the competition the firm is likely to face in the segment. Often, small segments known as market niches can be quite attractive because they will not be hotly contested by numerous competitors.

Identify the essential elements of an effective positioning strategy.

The “P” in STP marketing refers to the positioning strategy that must be developed as a guide for all marketing and advertising activities that will be undertaken in pursuit of the target segment. Effective positioning strategies should be linked to the substantive benefits offered by the brand. They are also consistent internally and over time, and they feature simple and distinctive themes. Benefit positioning, user positioning, and competitive positioning are options that should be considered when formulating a positioning strategy.

Review the necessary ingredients for creating a brand’s value proposition.

Many complex considerations underlie marketing and advertising strategies, so some device is called for to summarize the essence of one’s strategy. We advance the idea of the value proposition as a useful device for this purpose. A value proposition is a statement of the various benefits (functional, emotional, and self-expressive) offered by a brand that create value for the customer. These benefits as a set justify the price of the product or service. Clarity in expression of the value proposition is critical for development of advertising that sells.

Key Terms

target segment
positioning
positioning strategy
STP marketing
market segmentation
heavy users
nonusers
brand-loyal users
switchers, or variety seekers
emergent consumers
point-of-entry marketing
demographic segmentation
geodemographic segmentation
psychographics
lifestyle segmentation
benefit segmentation
consumer markets
business markets
competitive field
market niche
benefit positioning
user positioning
competitive positioning
repositioning
value proposition
Questions

1. Although STP marketing often produces successful outcomes, there is no guarantee that these successes will last. What factors can erode the successes produced by STP marketing, forcing a firm to reformulate its marketing strategy?

2. Why does the persuasion required with a product differentiation strategy present more of a challenge than the persuasion required with a market segmentation strategy?

3. Explain the appeal of emergent consumers as a target segment. Identify a current ad campaign (not Folgers!) targeting an emergent-consumer segment.

4. It is often said that psychographics were invented to overcome the weaknesses of demographic information for describing target segments. What unique information can psychographics provide that would be of special value to advertisers?

5. What criteria did Mobil Oil Corporation weigh most heavily in its selection of Road Warriors as a target segment? What do you think will be the biggest source of frustration for Mobil in trying to make this strategy work?

6. Explain why smaller can be better when selecting segments to target in marketing strategies.

7. What essential elements of a positioning strategy can help overcome the consumer’s natural tendency to ignore, distort, or forget most of the advertisements he or she is exposed to?

8. Review the section Essentials for Effective Positioning Strategies. As you think about failed General Motors’ brands like Pontiac and Oldsmobile, which essentials did they fail to meet?

9. Which of the market segmenting strategies discussed in this chapter are likely to be most effective for business-to-business marketing? Why would some techniques that are highly successful in targeting consumer markets, such as lifestyle segmentation, be less effective?

10. Carefully examine the two ads displayed in Exhibits 6.4 and 6.5. What positioning theme (benefit, user, or competitive) is the basis for these ads? If you say benefit positioning, what form of benefit promise (functional, emotional, or self-expressive) is being made in these ads? Write a statement of the value proposition that you believe is reflected by these two ads.
Experiential Exercises

1. Like other reality television programs, Project Runway entertains viewers by staging dramatic competitions between everyday people. A cable-TV hit for many years, Runway features supermodel host Heidi Klum, who follows amateur fashion designers as they make original clothing items with limited time and materials. Each week, contestants face professional judges, and a loser is sent home, leaving one final contestant to win the big money prize and a new career in fashion design. Identify the target viewing audience of Project Runway, and explain how segmenting, targeting, and positioning contribute to the show’s success.

2. Electronic reading devices are hot, and Amazon’s Kindle and Apple’s iPad are in a heated battle to win over the bookworms of the world. Kindle focuses solely on reading, whereas iPad does reading, movies, music, office computing, and more. Some analysts predict that iPad will eclipse Kindle because it offers many powerful multimedia features; others think Kindle can hold its own. Make a case for how Amazon might use segmentation and a clever value proposition to dominate the growing e-books market with its Kindle stand-alone reader.

3. Compose value proposition statements for Starbucks Coffee and Levi Strauss jeans. Each value proposition should crystallize what the brand offers to consumers and serve as a clear mission statement for all subsequent STP marketing efforts.

4. The Folgers campaign featured in this chapter’s introductory scenario was distinctive, in part, because the company spent no money on media, instead allowing the new ads to circulate for free through user sites such as YouTube. That strategic decision reflected an understanding that its young target market was more likely to be online than watching the evening news. What might be the most effective media to reach each of the following target segments?
   
a. Upper-income men, ages 45 to 60, for a financial services product.
   
b. Young homeowners, ages 30 to 40, for a new interior paint product.
   
c. Teenage boys who live in rural areas for a new basketball shoe.
   
d. Senior citizens for a new denture-paste product.