**COMSATS UniversityIslamabad, VirtualCampus**

**MGT210 Principles of Marketing**

**Lecture 11 Handouts**

**Customer-driven Marketing Strategy: Creating Value for Target Customers**

Today, most companies moved from mass marketing to target marketing: identifying market segments and selecting a few to produce for. There are four major steps in designing a customer-driven marketing strategy. These steps include segmentation, targeting, differentiation and positioning.

**Market segmentation**

Market segmentation means dividing a market into smaller segments with the distinct needs, characteristics or behavior that might require separate marketing strategies or mixes. There are different ways to segment a market:

* **Geographic segmentation:** dividing a market into different geographical units, such as nations, states, regions, counties, cities or even neighborhoods.
* **Demographic segmentation:** dividing the market into different segments based on variables such as age, gender, family size, family life cycle, income, occupation education, religion, race, generation and nationality. Age and life-cycle segmentation is dividing a market into different age and life-cycle groups. Gender segmentation means dividing a market based on gender, while income segmentation divides a market based on income levels.
* **Psychographic segmentation:** dividing a market into different segments based on social class, lifestyle or personality characteristics.
* **Behavioral segmentation:** dividing a market into segments based on consumer knowledge, attitudes, uses or responses to a product. This can be done via occasion segmentation: dividing the market according to occasions when buyers get the idea to buy, actually making their purchase or use the purchased items. Benefit segmentation: dividing the market according to the benefits that customers seek from the product. Markets can also be segmented based on user states, usage rate and loyalty status.

Marketers often use multiple segmentation bases to identify a well-defined target group. For segmentation to be effective, market segments must be measurable, accessible, substantial, differentiable and actionable.

Business markets can be segmented with the same variables, but also with additional ones, such as customer operating characteristics, purchasing approaches and situational factors.

International markets can be segmented using a combination of variables. Inter market segmentation (cross-market segmentation): forming segments of consumers who have similar needs and buying behavior even though they are located in different countries.