

# Customer-driven marketing strategy



**ASSIGN  
BUSTER**

## 1. Best Buy:

Embracing the Angels and Ditching the Demons. “ Best Buy’s “ customer-centricity” strategy serves its best customer segments better while sending less attractive customers packing. The result: sales are jumping despite the recently gloomy economy.” There’s no such thing as a bad customer, right? And the more customers, the merrier. Makes sense, right? After all, more customers mean more money in the till. As it turns out, however, that’s often not so. These days, many marketers are discovering a new truth: Some customers can be way, way wrong for the company-as in unprofitable.

And trying to serve any and all customers can mean serving none of them well. Instead, companies need to make certain that they are serving the right customers and serving them in the right way. They need to decide who their best potential customers are-and who they aren’t. Few companies do that better than Best Buy, the nation’s leading consumer electronics. Six years ago, Best Buy embarked on a “ customer-centricity” segmentation strategy by which it set out to identify its best customer and win their loyalty by serving them better. At the same time, it identified less attractive customers and began to send them packing-off to Wal-Mart or some other competitor. Best Buy began in 1966 as a small Minnesota home and car stereo chain.

It has since blossomed into a profitable \$45 billion mega retailer, with 1, 023 U. S. stores and another 2, 835 stores worldwide. Today’s Best Buy stores are huge, warehouse like emporiums featuring a treasure trove of goods-from consumer electronics, home office equipment, and appliances to software, CDs, and DVDs-all to low discount prices. “ At Best Buy, customer-

centricity means listening to target customers and helping them use technology the way they dreamed. ” We’re about people. People just like you. We really mean it, really.””

## 2. Market segmentation

Buyers in any market differ in their wants, resources, locations, buying attitudes, and buying practices. Through market segmentation, companies divide large, heterogeneous markets into smaller segments that can be reached more efficiently and effectively with products and services that match their unique needs.

## 3. Segmenting Consumer Markets

There is no single way to segment a market. A marketer has to try differentiation variables, alone and in combination, to find the best way to view market structure.

a. Geographic segmentation Dividing a market into different geographic units, such as nations, states, regions, countries, cities, or even neighborhoods.

b. Demographic Segmentation Demographic segmentation is dividing the market into segments based on variables such as age, gender, family, size, family life cycle, income, occupation, education, religion, race, generation, and nationality.

c. Age and life-cycle Consumer needs and wants change with age. Some companies use age and life-cycle segmentation, offering different products

or using different marketing approaches for different age and life-cycle groups. Dividing a market into different age and life-cycle groups is the definition of Age and Life-Cycle segmentation.

d. Gender segmentation Gender segmentation means dividing a market into different segments based on gender. e. Income segmentation The marketers of products and services such as automobiles, clothing, cosmetics, financial services, and travel have long used income segmentation. Many companies target affluent consumers with luxury goods and convenience services. For example, luxury hotels provide special packages to attract travelers.

f. Psychographic Segmentation Psychographic segmentation divides buyers into different segments based on social class, lifestyle, or personality characteristics. People in the same demographic group can have very different psychographic characteristics.

g. Behavioral segmentation This segmentation is dividing a market into segments based on consumer knowledge, attitudes, uses, or responses to a product. h. Occasion segmentation Dividing the market into segments according to occasions when buyers get the idea to buy, actually make their purchase, or use the purchased them. i. Benefit segmentation Dividing the market into segments according to the different benefits that consumers seek from product.

4. Using Multiple segmentation bases Marketers rarely limit their segmentation analysis to only one or few variables only. Rather, they often use multiple segmentation bases in an effort to identify smaller, better-defined target groups. Thus, a bank may not only identify a group of

wealthy, retired adults but also, within that group, distinguish several segments based on their current income, assets, savings and risks preferences, housing and lifestyles.

5. Segmenting Business Markets Consumer and business marketers use many of the same variables to segment their markets. Business buyers can be segmented geographically, demographically (industry, company size), or benefits sought, user status, usage rate, and loyalty status. Yet, business marketers also use some additional variables, such as customer operating characteristics, purchasing approaches, situational factors, and personal characteristics.

6. Segmenting International markets

Few companies have either the resources or the will to operate in all, or even most, of the countries that dot the globe. Although some large companies, such as Coca-Cola or Sony, sell products in more than 200 countries, most international firms focus on a smaller set. Operating in many countries presents new challenges. Different countries, even those that are close together, can vary greatly in their economic, culture, and political makeup. Thus, just as they do within their domestic markets, international firms need to group their world markets into segments with distinct buying need and behaviors. Companies can segment international markets using one or a combination of several variables.

They can segment by geographic location, grouping countries by regions such as Western Europe, the Pacific Rim, the Middle East, or Africa. World markets can also be segmented on the basis of economic factors. Countries might be grouped by population income levels or by their overall level of

economic development. A country's economic structure shapes its population's product and service needs and, therefore, the marketing opportunities it offers. Countries can also be segmented by political and legal factors such as the type and stability of government, receptivity to foreign firms, monetary regulations, and amount of bureaucracy. Cultural factors can also be used, grouping markets according to common languages, religions, values and attitudes, customs, and behavioral patterns.