

GLOBAL
EDITION



Marketing

An Introduction

FIFTEENTH EDITION

Gary Armstrong and Philip Kotler
with

Marc Oliver Opresnik



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Fifteenth Edition

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▶ **GARY ARMSTRONG**
University of North Carolina

▶ **PHILIP KOTLER**
Northwestern University

with

▶ **MARC OLIVER OPRESNIK**
St. Gallen Management Institute



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segment attractiveness. Buyers with strong bargaining power relative to sellers will try to force prices down, demand more services, and set competitors against one another—all at the expense of seller profitability. Finally, a segment may be less attractive if it contains *powerful suppliers* that can control prices or reduce the quality or quantity of ordered goods and services.

Even if a segment has the right size and growth and is structurally attractive, the company must consider its own objectives and resources. Some attractive segments can be dismissed quickly because they do not mesh with the company's long-run objectives. Or the company may lack the skills and resources needed to succeed in an attractive segment. For example, the economy segment of the automobile market is large and growing. But given its objectives and resources, it would make little sense for luxury-performance carmaker Mercedes-Benz to enter this segment. A company should only enter segments in which it can create superior customer value and gain advantages over its competitors.

Selecting Target Market Segments

After evaluating different segments, the company must decide which and how many segments it will target. A **target market** consists of a set of buyers who share common needs or characteristics that a company decides to serve. Market targeting can be carried out at several different levels. **» Figure 6.2** shows that companies can target very broadly (*undifferentiated marketing*), very narrowly (*micromarketing*), or somewhere in between (*differentiated or concentrated marketing*).

Target market

A set of buyers who share common needs or characteristics that a company decides to serve.

Undifferentiated (mass) marketing

A market-coverage strategy in which a firm decides to ignore market segment differences and go after the whole market with one offer.

Undifferentiated Marketing

Using an **undifferentiated marketing** (or **mass marketing**) strategy, a firm might decide to ignore market segment differences and target the whole market with one offer. Such a strategy focuses on what is *common* in the needs of consumers rather than on what is *different*. The company designs a product and a marketing program that will appeal to the largest number of buyers.

As noted earlier in the chapter, most modern marketers have strong doubts about this strategy. Difficulties arise in developing a product or brand that will satisfy all consumers. Moreover, mass marketers often have trouble competing with more-focused firms that do a better job of satisfying the needs of specific segments and niches. Finally, new digital technologies let marketers “have their cake and eat it too,” targeting large numbers of consumers with more individually tailored marketing offers and messages.

Differentiated Marketing

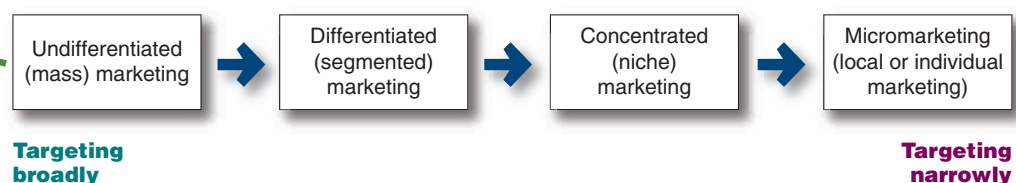
Using a **differentiated marketing** (or **segmented marketing**) strategy, a firm targets several market segments and designs separate offers for each. **»** For example, Marriott International maintains a portfolio of 30 differentiated hotel brands, ranging from Ritz-Carlton and St. Regis to Westin Hotels, Sheraton, and Marriott to Courtyard, Residence Inn, and Aloft. Each hotel brand caters to one of a dozen or more travel and hospitality segments.

For instance, Ritz-Carlton, St. Regis, and W Hotels serve the luxury segment. The Marriott, Sheraton, and Westin brands serve more mainstream but still upscale travelers. Courtyard by Marriott focuses on more affordable rooms for

Differentiated (segmented) marketing

A market-coverage strategy in which a firm targets several market segments and designs separate offers for each.

This figure covers a broad range of targeting strategies, from mass marketing (virtually no targeting) to individual marketing (customizing products and programs to individual customers). An example of individual marketing: At mymms.com you can order a batch of M&M's with your face and personal message printed on each little candy.



» Figure 6.2 Market-Targeting Strategies



➤ **Differentiated marketing:** With more than 30 differentiated hotel brands, Marriott International dominates the hotel industry, capturing a much larger share of the travel and hospitality market than it could with any single brand alone.

Rick Bowmer/AP Photo

business travelers, and Residence Inn by Marriott targets extended-stay business and leisure travelers. Aloft offers “an affordable alternative for the tech-savvy and confidently social—travelers who love open spaces, open thinking, and open expression.” The Marriott Vacation Club gives travelers a timeshare option. In all, the Marriott portfolio of brands offers something for every travel segment.²⁵

By offering product and marketing variations to segments, companies hope for higher sales and a stronger position within each market segment. Developing a stronger position within several segments creates more total sales than undifferentiated marketing across all segments. Thanks to its differentiated approach, Marriott International dominates the hotel industry, capturing a much larger share of the travel and hospitality market than it could with any single brand alone.²⁶

But differentiated marketing also increases the costs of doing business. A firm usually finds it more expensive to develop and produce, say, 10 units of 10 different products than 100 units of a single product. Developing

separate marketing plans for separate segments requires extra marketing research, forecasting, sales analysis, promotion planning, and channel management. Trying to reach different market segments with different advertising campaigns increases promotion costs. And having too many overlapping brands can confuse customers, and different brands might cannibalize each other’s customers. For example, does Marriott really need 30 different brands, many of which compete with each other in a given segment? Thus, a company must weigh the advantages against the disadvantages when deciding on how many brands it will offer and how differentiated they will be.

Concentrated Marketing

Concentrated (niche) marketing

A market-coverage strategy in which a firm goes after a large share of one or a few segments or niches.

When using a **concentrated marketing** (or **niche marketing**) strategy, instead of going after a small share of a large market, a firm goes after a larger share of one or a few smaller segments or niches. ➤ For example, consider apparel company **Nicher American Giant**:²⁷



➤ **Concentrated marketing:** Apparel company American Giant has grown explosively in its back-to-basics, made-in-America niche.

David Paul Morris/Bloomberg via Getty Images

Nicher American Giant makes and sells a limited line of American-made, back-to-basics apparel, sold only at its own web and mobile sites. It began in 2012 as an online startup selling high-quality sweatshirts at reasonable prices online (what *Slate Magazine* called “the best hoodie” ever). From the start, American Giant’s back-to-basics approach focused on a few, high-quality, classic American style products—such as the hoodie, with new technology like a double lining and ribbed panels at the shoulders and waist for improved functionality and durability. The company formed lasting relationships with American growers and mills to produce high-quality, American-made fabrics and apparel.

Although American Giant has expanded its lines to include basic styles of tees, work shirts, crew sweaters, polos, vests, jackets, and denim, it has stuck with the basics of simplicity, quality, durability, and value. For example, its first denim offering is a classic five-pocket, straight-leg, relaxed design jean—the 218 Straight—in one color, one fit, and one price. It’s manufactured by a 173-year-old American textile company, Mount Vernon Mills, in Trion, Georgia. Beyond its product lines, American Giant’s entire approach is pretty much a back-to-basics one. “American Giant does little or no marketing, has no retail outlets,

does not chase trends, and pays premium wages to American labor to produce top-shelf quality products at a middle shelf price,” says one analyst. Although still tiny compared with major competitors such as Gap and Levi-Strauss, American Giant has grown explosively in its niche.

Through concentrated marketing, the company achieves a strong market position because of its greater knowledge of consumer needs in the niches it serves and the special reputation it acquires. It can market more *effectively* by fine-tuning its products, prices, and programs to the needs of carefully defined segments. It can also market more *efficiently*, targeting its products or services, channels, and communications programs toward only consumers that it can serve best and most profitably.

Niching lets smaller companies focus their limited resources on serving niches that may be overlooked by larger competitors. Choosing the right value proposition is important and helps to connect with consumers by offering them unique brand differences. For example, Fila, an Italian sports brand, has reached out to Generation Z by offering affordable but stylish fashion sports footwear (see Marketing at Work 6.2).

Many companies start as nichers to get a foothold against larger, more resourceful competitors and then grow into broader competitors. For example, Klarna started as a simple payment platform in Sweden; today it partners with various companies worldwide and offers an array of services, such as instalment payments, invoice purchases, and instant transfers. Alibaba started by connecting Chinese manufactures with Western buyers but today has grown into a large corporation which controls approximately 80 percent of all Chinese e-commerce. Amazon began by selling books online but now sells anything and everything as the United States’ largest online emporium. More recently, Tesla broke into an auto industry dominated by well-established, deep-pocketed competitors by first concentrating on the narrow, high-tech, all-electric car market niche. But it now offers an ever-expanding line of electric vehicles across several automotive segments.

Concentrated marketing can be highly profitable, giving nichers an advantage in their corners of the market. At the same time, it involves higher-than-normal risks. Companies that rely on one or a few segments for all of their business will suffer greatly if the segment turns sour. Or larger competitors, threatened by successful nichers, may decide to enter the same segment with greater resources. For example, Coca-Cola’s Venturing & Emerging Brands unit markets a cooler full of niche beverages. Its brands include Honest Tea (the number one organic bottled teas, lemonades, and sparkling sodas in the United States), FUZE (a fusion of tea, fruit, and other flavors), Suja (the leading organic and cold-pressed juice brand in the United States), Fairlife (ultra-filtered milk), and many others. Such brands let Coca-Cola compete effectively in smaller, specialized markets, and some will grow into future powerhouse brands. In fact, the Coca-Cola Venturing & Emerging Brands unit’s mission is “to identify and nurture brands with billion-dollar potential.”²⁸

Micromarketing

Differentiated and concentrated marketers tailor their offers and marketing programs to meet the needs of various market segments and niches. At the same time, however, they do not customize their offers to each individual customer. **Micromarketing** is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and local customer segments. Rather than seeing a customer in every individual, micromarketers see the individual in every customer. Micromarketing includes *local marketing* and *individual marketing*.

Micromarketing

Tailoring products and marketing programs to the needs and wants of specific individuals and local customer segments; it includes local marketing and individual marketing.

Local marketing

Tailoring brands and marketing to the needs and wants of local customer segments—cities, neighborhoods, and even specific stores.

Local Marketing. **Local marketing** involves tailoring brands and promotions to the needs and wants of local customers. For example, Marriott’s Renaissance Hotels has a Navigator program, which hyper-localizes guest experiences at each of its more than 160 lifestyle hotels around the world.²⁹

Renaissance Hotels’ Navigator program puts a personal and local face on each location by “micro-localizing” recommendations for guests’ food, shopping, entertainment, and cultural experiences at each destination. The program is anchored by on-site Renaissance Hotels “Navigators” at each location. An example is Jennifer Portuhondo, a restaurant-loving Manhattanite at the Renaissance New York Times Square Hotel who “lives and breathes New York.” Based on hours of intense training plus their own personal experiences and ongoing research, they work with guests personally to help them experience the hidden gems in the neighborhood of each hotel through their own experienced eyes.

MARKETING AT WORK

6.2

Fila Sneaks Back into Fashion

In many cities across the world, it is not uncommon now to see people out on the streets dressed up in sports clothing as if they are headed to a yoga class, Pilates studio, or the gym—even if they aren't. Sports-based fashion like gym gear, yoga pants, workout clothes, and sneakers have entered the mainstream in the fashion and apparel industry worldwide.

This trend has given opportunities to many non-traditional sportswear brands, and people have started to take more fashion risks and experiment with brands they might not have purchased before.

Recent sports fashion trends have created newer segments with different value propositions for those who are enjoying the new styles, designs, and innovation, especially in athletic footwear. The sports shoe market can be divided into five segments with different value propositions for each target group:

- The **sports segment** is the traditional one, consisting of consumers who are actively and regularly involved in fitness or sports. They prefer well-known, higher-quality, higher-priced brands.
- The **elite sports segment** includes consumers who are committed to a particular sport like running, cycling, basketball, etc. They actively train for it, so they look for specialty shoes for their specific sports. The purchase is a high involvement one for them, and they tend to be loyal to their brand.
- The **everyday sneaker wearers segment** includes common sports shoe users. Sports shoes are part of their day-to-day lifestyle, but they are not particular about any specific sport. The main criteria they look for in sports shoes are comfort and good value for money. They prefer well-known brands, regarding them as safer, low-risk purchases.
- The **fashion sports market segment** is a developing segment that comprises young working adults and teenagers. They buy shoes for style, design, and brand image as a reflection of their social and self-identity. They want fashionable sports shoe brands, but not necessarily the brands their parents wore.
- The **budget-conscious segment** consists of consumers who buy inexpensive shoes. They look for low-priced footwear that have a sporty look. This segment mostly includes families, retirees, and consumers looking for an extra pair of shoes for casual, everyday wear.

The fashion sports market is a fast-growing segment widely referred to as “athleisure.” Various social and demographic factors, like greater health consciousness, are driving the pursuit of more active lifestyle habits and, in turn, the popularity of athletic wear. The athleisure segment is particularly popular now as it involves easy assimilation of sports-related attire

in people's wardrobes for casual and versatile use, a same-for-less value proposition. Established and new brands alike, including Under Armour, Lulu Lemon, New Balance, Converse, Vans, Fila, and Champions, have widened their product offerings to cater to the needs of the various segments in the sports fashion market.

One of the brands that have benefited from the athleisure trend is the Italian sportswear brand Fila, which has reemerged as a popular fashion brand, particularly in the sneakers segment.

Fila was a popular sportswear brand in the 1990s but lost much of its market share to the growing dominance of the mainstream sports brands. However, in 2017–2018, the brand made a comeback by cutting its prices and reinventing itself as an on-trend fashion brand through effective brand positioning and targeting strategies. In a manner similar to Adidas's turnaround, Fila positioned its brand at the crossroads of fashion and sports. This gave Fila a lot of visibility as its value proposition clicked well with younger consumers who wanted a trendy, athletic look.

There has been a retro revival wave for everything related to the 1990s: movies, TV shows, even cereal. Fila used to be a very popular and important brand during this decade, and the era's resurgence became a great opportunity for it to leverage the trend. Fila's Disruptor 2 line, especially popular among the younger segment, is part of the “ugly shoe movement” pioneered by the brand but adopted by high-fashion brands like Balenciaga and Fendi and celebrities like Kim Kardashian. It has become a point of pride for the company that the bulky shoe look, which it claims as part of its



➤ Fila owes its resurgence not only to the retro wave but the brand's ability to create a narrative about its products.

sozon/Shutterstock

“DNA,” has quickly become one of the most sought-after styles and made the brand an on-trend fashion essential. However, the company has stated that its future is not just about looking at past strategies and current trends; it aims to be a sports fashion brand that can balance past, present, and future.

Fila’s repositioning and comeback efforts were successful because they were able to get the attention of target consumers. Referring to the story of the chunky shoe, from its popularity in the 1990s to its disappearance, to its reemergence in the market, the company said that its brand conversations have reinforced stories about the past to inspire the younger customer. Fila wants to offer a unique value to its customers by telling a fashion story—a sneaker from the past coming back in vogue again—and believes that footwear trends are evolving to suit brands’ positioning as well as the value proposition of stylish, in-vogue trendy sports shoes at a lower price.

Fila has capitalized on the 90s trends successfully as its sales and popularity continue to grow: the company reported a growth of 28 percent in its revenue to reach approximately \$640 million in the last quarter of 2018. As of April 2021, Fila

has seen a significant increase in its brand value to \$2.7 billion and is one of the fastest growing brands in its category. Fila knows that its target customers are looking for more value and authenticity but also want to be more on-trend in their fashion statements. The company positions itself as a mid-market brand that is closer to its customers and therefore more focused on its target market selection—with smaller operational scales—and more flexible and responsive to trends. This is where Fila thinks it has an advantage over bigger companies, which take more time to catch on to trends. Millennials and Gen Z have shown a clear preference for casual clothing, which could drive the sportswear market in the coming years. Although established brands have key advantages, more experimental brands that have clear visions and disruptive concepts—like Fila—are better placed to be embraced by the younger market.

Although Fila has struck the right chord with the youth, it remains to be seen how lasting this popularity will be. Fila now operates in more than 70 countries and has been riding the popularity wave. However, it needs to do more to take make its brand history and Italian brand heritage be known and to be more than a 90s trend brand.³⁰

In addition, Renaissance Hotels engages locals in each city to participate by inviting them to follow their local Navigator via social media as well as adding their own favorites to the system, creating each hotel’s own version of Yelp. Navigators then cull through submitted tips and feature the best recommendations alongside their own for sharing on its web, mobile, and social media channels or in the hotel lobby on a TV. The hotels also offer an R Navigator phone app that lets guests “uncover the most authentic hidden gems the city you’re visiting has to offer. Eat, drink, shop and more—at locations handpicked and continually updated by our local Navigators themselves.”



» Local marketing: H&M’s app localizes trend information and product suggestions. And when customers visit a store, the app shifts to “in-store mode” to show product locations.

imageBROKER/Alamy Stock Photo

Advances in communications technology have given rise to new high-tech versions of location-based marketing. Thanks to the explosion in smartphones and tablets that integrate geolocation technology, companies can now track consumers’ whereabouts closely and engage them on the go with localized deals and information fast, wherever they may be. Retailers ranging from H&M and Zara to SHEIN and ASOS have jumped on the hyperlocal bandwagon. » For example, H&M’s app localizes trend information and product suggestions—customers in Asia receive different recommendations from those living in Europe. Not only do customers’ shopping behaviors vary, but geography has an important impact on clothing styles in different areas and for different seasons. When customers visit a store, the H&M app switches to “in-store mode” to show all product locations with all available sizes and colors. If the favored product is not in stock, the in-store mode can be used to search for the favored product in other outlets nearby.³¹

Local marketing has some drawbacks, however. It can drive up manufacturing and marketing costs by reducing the economies of scale. It can also create logistics problems as companies try to meet the varied requirements of different local markets. Still, as companies face increasingly fragmented markets and as new supporting digital technologies develop, the advantages of local marketing often outweigh the drawbacks.

Individual marketing

Tailoring products and marketing programs to the needs and preferences of individual customers.

Individual Marketing. In the extreme, micromarketing becomes **individual marketing**—tailoring products and marketing programs to the needs and preferences of individual customers. Individual marketing has also been labeled one-to-one marketing, mass customization, and markets-of-one marketing.

The widespread use of mass marketing has obscured the fact that for centuries consumers were served as individuals: The tailor custom-made a suit, the cobbler designed shoes for an individual, and the cabinetmaker made furniture to order. Today, new technologies are permitting many companies to return to customized marketing. Detailed databases, robotic production and flexible manufacturing, and interactive technologies such as smartphones and online and social media have combined to let brands address and serve customers individually.

Companies these days are hyper-customizing everything from food, artwork, clothing, and sneakers to high-end luxury products. At one end of the spectrum, candy lovers can go to mymms.com and buy M&Ms with personalized messages or pictures embossed on each little candy. Using Skin Inc.'s diagnostic tool, customers can order customized My Daily Dose skincare products based on their unique skin, lifestyle, and environment profiles. >> FitMyFoot makes individually fitted sandals and insoles. Each customer uses the brand's FitMyFoot smartphone app to scan and transmit images of their feet to the company. Using hundreds of data points from the scans, FitMyFoot then creates a three-dimensional image of each foot and 3-D prints footwear that fits that customer and no one else. To personalize the product even more, FitMyFoot prints the customer's name on each sandal or insole.³²

At the other extreme are “bespoke” luxury goods (a fancy word for “custom-made” or “made to order”). For the right price, well-heeled customers can buy custom-designed goods ranging from bespoke fashions and accessories by Hermès and Gucci to bespoke cars from Aston Martin or Rolls-Royce.³³

Ninety-five percent of Rolls-Royce buyers customize their cars in some way. Customers can sit down with a Rolls-Royce Bespoke design team—color experts, leather-smiths, master woodworkers—in a lounge filled with images, materials, and other inspirational elements to design their own unique Rolls-Royces. Want to match the exterior paint and interior leather to your favorite pale pink leather gloves? No problem. One customer even wanted his car's interior trim to be made from a favorite tree that had recently fallen on his estate. After analyzing a sample, a Rolls-Royce artisan deemed the wood acceptable and the customer's tree will now live forever in the dash and door panels of his custom Rolls-Royce.

Beyond customizing products, marketers also personalize advertising messages, marketing offers, and service encounters on a one-to-one basis. Given today's data and analytics technologies, almost any customer engagement can be fine-tuned to individual customer characteristics, preferences, and behaviors.



>> **Individual marketing:** Based on images submitted by a customer using its smartphone app, FitMyFoot makes footwear that fits that customer and no one else.

FitMyFoot