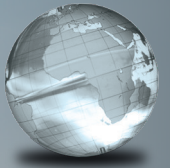# Principles of Marketing

NINETEENTH EDITION

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PRINCIPLES of
MARKETING

Real Marketing 7.2 | Fila Sneaks Back into Fashion

In many cities across the world, it is not uncommon now to see people out on the streets dressed 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, Lululemon, 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 "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

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

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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 1990s 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 make its brand history and Italian brand heritage known and to be more than a 1990s trend brand.[30]

research, they work with guests personally to help them experience the hidden gems in the neighborhood of each hotel through their own experienced eyes.

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 tablet or in a printed Local Navigator Guide. 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."
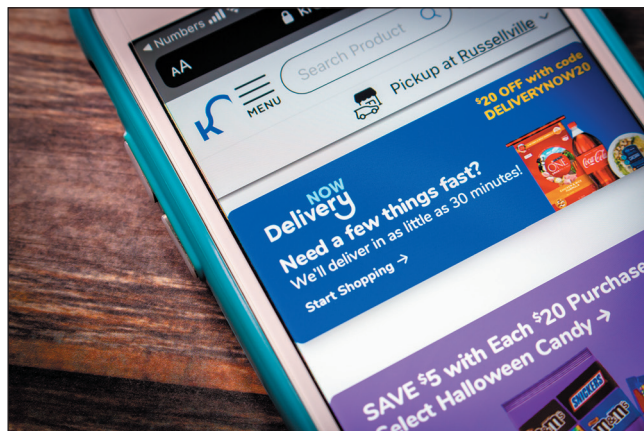
● **Local marketing: The Kroger app personalizes and optimizes the customer's experience in a preferred local store. Its Google Maps pickup service shares a pick-up customer's estimated time of arrival with the store so orders are ready for handover just when the customer arrives at the store.**

Koshiro K/Shutterstock

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 Kroger and Home Depot to Walgreens and Sephora have jumped onto the hyperlocal bandwagon. ● For example, grocery giant Kroger's app lets customers create their own shopping lists and provides aisle locations for items when they visit their preferred local stores. The app provides personalized in-store offers based on customer preferences and previous purchases. A barcode scanner in the app lets customers check item prices at the shelf. And Kroger recently partnered with Google to add new hyperlocal functionality—Google Maps pickup for online shoppers. With the customer's permission, Google Maps shares a pickup customer's location with the store along with an estimated time of arrival. This lets the store prioritize a customer's order and hand it over just when the customer arrives. The service also alerts shoppers as to when their orders will be ready and even reminds them when it's time to leave.

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 smartphone apps 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 skin care products based on their unique skin, lifestyle, and environment profiles. 🔵 FitMyFoot makes individually fitted sandals and insoles. Each customer uses the brand's Foot Science 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.[31]

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.[32]

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.

Choosing a Targeting Strategy

Companies need to consider many factors when choosing a market-targeting strategy. Which strategy is best depends on the company's resources. When the firm's resources are limited, concentrated marketing makes the most sense. The best strategy also depends on the degree of product variability. Undifferentiated marketing is more suited for uniform products, such as grapefruit or steel. Products that can vary in design, such as cars or fashions, are more suited to differentiation or concentration. The product's life-cycle stage also must be considered. When a company introduces a new product, it may be practical to launch one version only, and undifferentiated marketing or concentrated marketing may make the most sense. In the mature stage of the product life cycle, however, differentiated marketing often works better.

Another factor is *market variability*. If most buyers have the same tastes, buy the same amounts, and react the same way to marketing efforts, undifferentiated marketing is appropriate. Finally, *competitors' marketing strategies* should be considered. When competitors use differentiated or concentrated marketing, undifferentiated marketing can be risky. Conversely, when competitors use undifferentiated marketing, a firm can gain an advantage by using differentiated or concentrated marketing, focusing on the needs of buyers in specific segments.

Socially Responsible Target Marketing

Smart targeting helps companies become more efficient and effective by focusing on the segments that they can satisfy best and most profitably. Targeting also benefits

consumers—companies serve specific groups of consumers with offers carefully tailored to their needs. However, target marketing sometimes generates controversy and concern. The biggest issues usually involve the targeting of vulnerable or disadvantaged consumers with controversial or potentially harmful products.

For example, fast-food chains have generated controversy over the years by their attempts to target inner-city consumers. They've been accused of pitching their high-fat, salt-laden fare to low-income, urban residents who are much more likely than suburbanites to be heavy consumers. Similarly, big banks and mortgage lenders have been criticized for targeting consumers in poor urban areas with attractive home mortgages that they can't really afford.

Children are seen as an especially vulnerable audience. Marketers in a wide range of industries—from cereal, soft drinks, and fast food to toys, fashion, and social media—have been criticized for their marketing efforts directed toward children. Critics worry that enticing premium offers and high-powered advertising appeals will overwhelm children's defenses. For instance, YouTube has been accused by some consumer groups of profiting by enticing children into what one advocate calls an "ad-filled digital playground" where toy, theme park, and sneaker ads can surface alongside kid-oriented videos. YouTube's terms of use discourage children under 13 years of age from using the site, but most kids don't know about or ignore these conditions. "Google profits handsomely from selling advertising to kid-directed programs that it packages," says the advocate.[33]

Such digital technologies may make children even more vulnerable to targeted marketing messages. Traditional child-directed TV and print ads usually contain fairly obvious pitches that are easily detected and controlled by parents. However, marketing in digital media may be subtly embedded within the content and viewed by children on personal, small-screen devices that are beyond even the most watchful parent's eye. In digital platforms, the lines between educational, entertainment, and commercial content are often blurred. Thus, as children consume increasing amounts of online and digital content, experts advise close parental supervision of children using digital devices.

Sometimes a deep involvement with a product targeted to young customers can cross over the line and turn into an unhealthy obsession.[34] ● For example, some critics worry that teens may become addicted to video games, playing them for days on end until they become exhausted. The World Health Organization has added "gaming disorder"—defined as "excessive and irrepressible preoccupation with video games, resulting in significant personal, social, academic, or occupational impairment for at least 12 months"—to the International Classification of Diseases. Where should a company draw the line between promoting heavy use by targeting heavy users and addressing the harmful effects of such use? This question has no easy answers. But in an era of increased social responsibility, marketers must consider not just whether targeted consumers buy and like their products but also whether they use them wisely.

● **Socially responsible targeting: In this era of increased social responsibility, marketers must consider not just whether targeted consumers buy and like their products but also whether they use them wisely.**

Cagkan Sayin/Shutterstock

More broadly, the growth of the internet, smartphones, and other carefully targeted direct media has raised fresh concerns about potential targeting abuses. The internet and mobile marketing allow more precise targeting, letting the makers of questionable products or deceptive advertisers zero in on the most vulnerable audiences. Unscrupulous marketers can now send tailor-made, deceptive messages by email directly to millions of unsuspecting consumers. For example, the Federal Bureau of Investigation's Internet Crime Complaint Center website alone received almost 800,000 complaints last year.[35]

Today's marketers are also using sophisticated analytical techniques to track consumers' digital movements and to build amazingly detailed customer profiles containing highly personal information. Such profiles can then be used to hypertarget individual consumers with personalized brand messages and offers. However, with such targeting, marketers often walk a fine line between serving customers better and stalking them:

How well does your smartphone know you? What stories could your laptop tell? Whatever you do—at work, at play, socializing, shopping—your phone, tablet, laptop, or desktop is almost always a part of the action. These devices go where you go, entertain you, connect you with

friends, take you browsing and shopping, feed you news and information, and listen in on even your most intimate voice, text, and email conversations. And more and more, these devices are sharing all that personal information with marketers. Companies have now developed sophisticated analytics that border on wizardry to extract intimate insights about consumers.

Marketers argue that using all of this up-close-and-personal information better serves both customers and a company. Customers receive tailored, relevant information and offers from brands that really understand and interest them. However, many consumers and privacy advocates are concerned that such intimate information in the hands of unscrupulous marketers can result in more harm than benefit. They often view big data and hypertargeting less as "serving consumers better" and more as "stalking" and "profiling" consumers. Although most consumers are willing to share some personal information if it means getting better service or deals, many consumers worry that marketers might go too far.

Thus, in target marketing, the issue often is less a matter of *who* is targeted but rather *how* and for *what*. Controversies arise when marketers attempt to profit at the expense of targeted segments—when they unfairly target vulnerable segments or target them with questionable products or tactics. Socially responsible marketing calls for segmentation and targeting that serve not just the interests of the company but also the interests of those targeted.

> Author | At the same time that a
> Comment | company is answering the
> first simple-sounding question (Which
> customers will we serve?), it must
> also be asking the second question
> (How will we serve them?).

Differentiation and Positioning

OBJECTIVE 7-4 Discuss how companies differentiate and position their products for maximum competitive advantage.

Product positioning

The way a product is defined by consumers on important attributes—the place it occupies in consumers' minds relative to competing products.

Beyond deciding which segments of the market it will target, the company must decide on a *value proposition*—how it will create differentiated value for targeted segments and what positions it wants to occupy in those segments. **Product positioning** is the way a product is *defined by consumers* on important attributes—the place the product occupies in consumers' minds relative to competing products. Products are made in factories, but brands happen in the minds of consumers.

In the automobile market, the Honda Fit and Nissan Versa are positioned on economy, Mercedes and Cadillac on luxury, Porsche and BMW on performance, and Tesla on technology. Your Visa card is "Everywhere you want to be"; with American Express, "Don't live life without it." Home-improvement retailer Lowe's says "Do it right for less"; at Home Depot, it's "How doers get more done." ⬤ And whereas Apple Music gives you "All the ways you love music. All in one place," Spotify has "Music for every mood." Such simple-sounding statements form the backbone of a brand's value proposition.
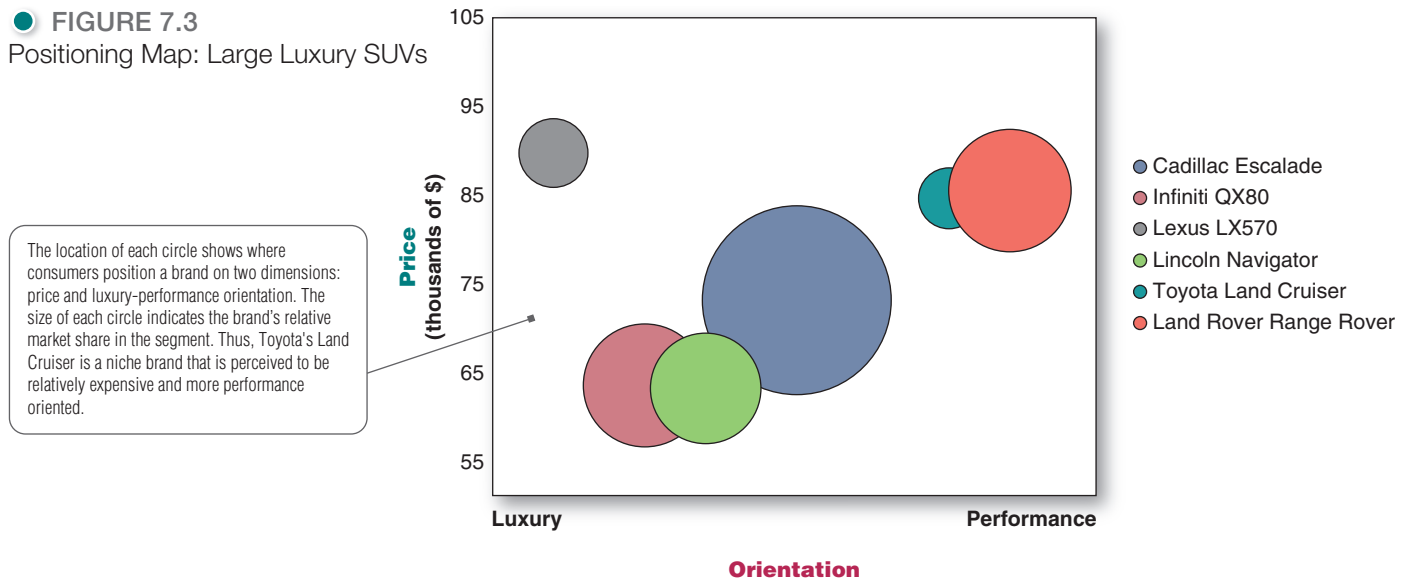
Consumers are overloaded with information about products and services. They cannot reevaluate products every time they make a buying decision. To simplify the buying process, consumers organize products, brands, and companies into categories and "position" them in their minds. A product's position is the complex set of perceptions, impressions, and feelings that consumers have for the product compared with competing products.

Consumers position products with or without the help of marketers. But marketers do not want to leave their products' positions to chance. They must *plan* positions that will give their products the greatest advantage in selected target markets, and they must design marketing mixes to create and support these planned positions.

⬤ **Positioning: Spotify does more than just stream music. It gives you "Music for every mood."**

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Positioning Maps

In planning their differentiation and positioning strategies, marketers often prepare *perceptual positioning maps* that show consumer perceptions of their brands versus those of competing products on important buying dimensions. ⬤ Figure 7.3 shows a positioning map for the U.S. large luxury SUV market.[36] The position of each circle on the map indicates the brand's perceived positioning on two dimensions: price and orientation (luxury versus performance). The size of each circle indicates the brand's relative market share.

● **FIGURE 7.3**
Positioning Map: Large Luxury SUVs

The location of each circle shows where consumers position a brand on two dimensions: price and luxury-performance orientation. The size of each circle indicates the brand's relative market share in the segment. Thus, Toyota's Land Cruiser is a niche brand that is perceived to be relatively expensive and more performance oriented.

Legend:
● Cadillac Escalade
● Infiniti QX80
● Lexus LX570
● Lincoln Navigator
● Toyota Land Cruiser
● Land Rover Range Rover

Thus, relative to other luxury SUVs, customers view the market-leading Cadillac Escalade as a moderately priced, large, luxury SUV with a balance of luxury and performance. The Escalade is positioned on urban luxury, and in its case, "performance" probably means power and safety performance. You'll find no mention of off-road adventuring in an Escalade ad.

Choosing a Differentiation and Positioning Strategy

Some firms find it easy to choose a differentiation and positioning strategy. For example, a firm well known for quality in certain segments will go after this position in a new segment if there are enough buyers seeking quality. But in many cases, two or more firms will go after the same position. Then each will have to find other ways to set itself apart. Each firm must differentiate its offer by building a unique bundle of benefits that appeal to a substantial group within the segment.

Above all else, a brand's positioning must serve the needs and preferences of well-defined target markets. For example, although both Dunkin' and Starbucks are coffee and snack shops, they target very different customers who want very different things from their favorite coffee seller. Starbucks targets more upscale professionals and positions itself strongly as a sort of high-brow "third place"—outside the home and office. In contrast, Dunkin' targets everyday folks with a decidedly more low-brow kind of "America runs on Dunkin'" positioning. Yet each brand succeeds because it creates just the right value proposition for its unique mix of customers.

The differentiation and positioning task consists of three steps: identifying a set of differentiating competitive advantages on which to build a position, choosing the right competitive advantages, and selecting an overall positioning strategy. The company must then effectively communicate and deliver the chosen position to the market.

Identifying Possible Value Differences and Competitive Advantages

To build profitable relationships with target customers, marketers must understand customer needs and deliver more customer value better than competitors do. To the extent that a company can differentiate and position itself as providing superior customer value, it gains **competitive advantage**.

Competitive advantage
An advantage over competitors gained by offering greater customer value either by having lower prices or providing more benefits that justify higher prices.

But solid positions cannot be built on empty promises. If a company positions its product as *offering* the best quality and service, it must actually differentiate the product so that it *delivers* the promised quality and service. Companies must do much more than simply shout out their positions with slogans and taglines. They must first *live* the slogan. For example, Clorox positions its Glad trash bag as "Glad: The Toughest Trash Bag." But this positioning would ring hollow if its products didn't live up to the promise. So to prove its positioning claim, Glad ran a "Torture Test" campaign in which someone packed a Glad