

Discovering Value via Market Analysis



CHAPTER OBJECTIVES

- A. Introduction
- B. Market Segmentation
- C. Target Marketing
- D. Market Positioning

A. Introduction

WEDVERT GREEN WEDDINGS

Launched in early 2007, WedVert is the first wedding resource to focus on green efforts as a means to prevent the tons of waste that weddings create each year. The company's Web site, print magazine, and products focus on helping the modern couple turn a traditional wedding into a green masterpiece. WedVert values the importance of saving money and offers plenty of advice to ensure that a wedding is exquisite, economic, and environmentally friendly.¹

In its efforts to target this group of consumers, WedVert has made interesting strides to change the kinds of consumption associated with weddings. It provides suggestions about making the wedding more ecologically friendly by

FIG. 5-1 WedVert helps couples choose wedding destinations that support conservation.



Source: © *iStockphoto.com/Andre Blais*

making changes in the purchase of wedding rings, gifts, and floral arrangements (Figure 5-1). It also outlines ways for couples to buy local products that lower wedding costs, and it recommends sustainable locations for the wedding rite.

Is the green wedding for everybody? Of course not, but there is a growing international target market that places great emphasis on the sustainability of their purchases. Weddings are an important part of life, and they often have substantial carbon footprints. One type of consumer that we will read about in this chapter is focused on trying to limit carbon usage, and this usage is not forgotten on one’s wedding day. These lifestyles of health and sustainability (LOHAS) consumers, who are focused on health, the environment, and personal development, spend more than \$209 billion in the United States, and the LOHAS market segment is also gaining interest in Japan, Southeast Asia, and Europe.² These consumers express concerns about the health of their families, the sustainability of the planet, their personal development, and the future of society. Consumers in the LOHAS segment are also inclined to offset the carbon dioxide emissions associated with the wedding by donating to programs that plant trees or preserve rain forests.³

The WedVert example illustrates how companies are using market analyses to help them discover sustainable green strategies. Our analysis of the pursuit of sustainable marketing strategies to this point in the text has focused on the interaction between the market and the environment. In previous sections of this book, we have outlined the interaction between consumption and the environment (Part II), and we have identified the industries that account for most energy consumption (Part III). The market analyses provided in earlier sections of this book support efforts to craft strategies and tactics that enhance sustainability.

In this section, we focus on marketing initiatives that reduce energy consumption and enhance sustainability efforts. Recall that the strategic planning process (see Figure 5-2) underscores the interaction between environmental factors and business strategy. The central factor in the pursuit of sustainability is the *value* that market offerings provide to consumers. Sustainable value emerges from analysis of the

FIG. 5-2 The Strategic Planning Process



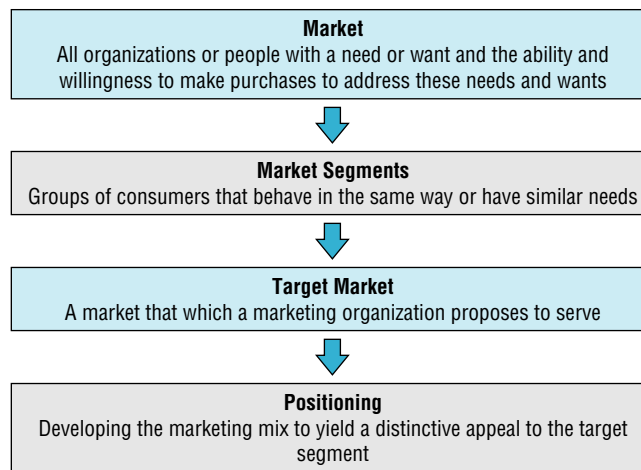
economic, relational, and ecological returns sought in a market. Consequently, each chapter in our discussion of marketing action focuses on strategies that generate value. In this first chapter, we outline a process for analyzing markets. This analysis of markets and market segmentation addresses the discovery of value. Promotional efforts by which firms communicate value are examined in Chapter 6. In Chapter 7, we frame product development as the set of processes by which the firm produces value. The effort to deliver value is addressed in the analysis of supply cycles in Chapter 8 and in the analysis of retailing in Chapter 9. Chapter 10 provides an overview of the mechanisms by which the firm proclaims value via its pricing strategy.

The successful organization must discover and identify the value sought by consumers within a **market**. A market consists of all organizations or people with a need or want and the ability and willingness to make purchases to address these needs and wants.⁴ If any of these facets of the market are not present, then the market is also not present. Initial analysis of the market requires the marketer to gain an appreciation of each of these market components. The needs and wants associated with products and services reflect the economic, social, and ecological value derived from a purchase. For example, the commuter that buys a bicycle incurs economic costs that yield financial savings over time. This consumer may also enjoy the camaraderie of other cyclists and will likely acknowledge the environmental benefits of cycling. Note that all three facets of value may not be understood or expressed by the consumer. In many cases, products are marketed to accentuate economic, social, or ecological merits without consideration of the returns associated with each facet of sustainability. The firm that adopts a sustainable orientation, however, has greater capacity to address the breadth of returns sought from purchases.

The firm must also assess the ability and willingness of buyers to make a purchase. Many green marketing propositions fail because the organization does not recognize the consumers' abilities and willingness to invest in sustainable technologies. For example, for many American consumers, hybrid automobiles may not be desirable due to the inability to pay the premium associated with this eco-friendly technology.⁵ These consumers may express an interest in the technology, but they do not have the ability to purchase the car at a premium. By contrast, some American consumers of diesel automobiles may not have an interest in the cars because of their previous experience with diesel engines.⁶ These consumers may have the ability to buy the car, but their experience makes them unwilling to invest in a diesel car. The consumer must have both the ability and willingness to buy to be part of the market.

After the market has been established, the firm can begin to investigate the extent to which there are subsets of the market with unique value statements. The process of moving from market analysis to marketing mix positioning is outlined in Figure 5-3. After the firm has identified the market, it engages in a series of activities referred to as **STP marketing** characterized by efforts to segment, target, and position.⁷ **Market segmentation** refers to the process of dividing a market into distinct segments or subsets of customers that have similar needs or behave in the same way.⁸ Every segment of the market has the potential to be reached via a distinct marketing strategy. After the firm has identified the segments in a market, it engages in target marketing. **Target marketing** refers to the organization's efforts to serve a selected segment within the marketplace.⁹ The prioritization and selection of various target markets is performed in conjunction with consideration of the competitive and environmental conditions associated with the market. After the firm has selected a target market, it then establishes a positioning strategy. **Positioning** refers to the

FIG. 5-3 Segmentation, Target Markets, and Positioning



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development of the marketing mix to yield a distinctive appeal to the target segment. The positioning approach should reflect the values sought by consumers in the target market.

In the remainder of this chapter, we outline the procedures for identifying market segments, target markets, and positioning strategies. The positioning strategies are further developed and embellished in the chapters that follow that address facets of the marketing mix. For instructional purposes, we present this logic as a step-by-step process. In reality, the analysis of market segments and the development of the marketing mix are dynamic processes that the organization must continue to assess. Consumer preferences shift over time, and these changes in preferences demand that the firm review the market segmentation process and the marketing mix. The positioning theme established as the product is introduced is likely to change over time in response to the needs of the market.

B. Market Segmentation

Segmentation of the market plays a critical role in the development of business strategies that yield desired value for firms, their suppliers, and their customers.¹⁰ Segmentation enables companies to identify groups of consumers with similar needs and enables companies to analyze characteristics and buying behaviors of members of these groups. When the unique needs of a group are identified, the segmentation process also enables the firm to design a marketing mix that reflects the unique requirements of the group. Consequently, segmentation enables companies to address the value sought by consumers while simultaneously achieving the firm's needs.

The segmentation process begins by identifying specific factors that reflect differences in customers' responsiveness to marketing variables or requirements. These differences in levels of responsiveness may be attributed to many factors such as purchase behavior, usage, benefits sought, or loyalty. After the segments are identified, segment descriptors are chosen based on the ability to suggest competitive strategies, to account for variance in the basis for segmentation, or to identify segments.

The process of market segmentation and the design of the marketing mix are activities that the firm performs on a regular basis, and these activities are costly to the organization. The segmentation process can be logically extended to the point at which each consumer in the marketplace is treated as an individual segment of the market. Although this process will identify the unique needs of each consumer, the analysis of the market and the design of the marketing mix would be cost prohibitive in most cases. Segmentation strategies should recognize that proposed segments should be:

Substantial Substantiality is the criterion that emphasizes the need for the segment to be large enough to warrant attention. For example, prior to 2000, most grocers did not view the market for organic goods as substantial enough to warrant their attention.¹¹ Organic food sales have increased by 20% annually since 1990. As the demand for these products has increased, conventional grocers' interest in the group also increased. The size of the market segment is a particularly salient issue in green marketing given that the interest in sustainability factors is increasing in many markets.¹² As the size of a segment interested in ecological performance increases, there is likely an increase in the amount of competition for the segment.

Identifiable and measurable The identifiable and measurable requirements reflect the need to be able to categorize persons within and outside of the market segments. If we cannot identify who is and who is not in a group, then we cannot assess the size of the group, nor can we develop a marketing plan to serve the group. Although personal factors such as demographics (e.g., age, gender) are simple to measure, they are unlikely to be informative in the analysis of the degree to which consumers in a market are interested in sustainability issues. Consequently, many efforts to examine consumer predispositions toward green marketing initiatives rely on personality and motives.

Accessible In many cases, an organization may be able to quantify the size of market segments, but it cannot reach the segment via a customized marketing mix.¹³ For example, in emerging economies, the greatest need for drinking water may be among extremely poor, illiterate consumers. The firm may not be able to develop a marketing mix and communication campaign that these consumers can access and understand.

Responsive The responsiveness criterion considers whether the consumers in a market segment are more likely to respond to a marketing mix in a manner that is different from other consumers. If the basis for distinguishing among market segments does not reveal differences in preferences with respect to some factor, then there is no need to treat a segment separately from other groups. Thus, if sustainability is not a salient issue for a market segment, there is little value in emphasizing the ecological benefits of a product. For example, in 2005, Nike initially promoted the Considered walking boot as an environmentally friendly product. Since consumers were not responsive to this environmental appeal, the promotion shifted to other performance attributes of the footwear.¹⁴

The process of market segmentation is an attempt to simplify the process of selecting potential buyers for a product. The segmentation for consumer marketing varies somewhat from the strategy for business-to-business marketing. Good segmentation strategies separate potential buyers from people that do not have the needs of the members of a buying group. In consumer markets, firms often use **demographics segmentation** to separate potential buyers based on age, gender, income, or occupation.

For example, cities that are trying to attract Generation Y adults increasingly emphasize the ecological merits of their communities.¹⁵ Because a high percentage of consumers in this age bracket favor environmental causes, the cities recognize that marketing campaigns to this group must emphasize ecology.

Firms also separate groups of consumers based on **geography segmentation**. For example, California is a leading market for green building construction in the United States. The state has aggressively pursued efficiency measures since the oil price escalation era of the 1970s. The state's per capita electricity usage has remained virtually stable over the past 30 years even as per capita consumption has grown across the country. Experts credit state policies that have included establishing state-level appliance efficiency requirements; enacting strict building codes; and giving utilities incentives to help their customers save electricity.¹⁶

Several analysts of green marketing in the consumer sector have used **psychographic segmentation** to distinguish among consumer groups. *Psychographics* refers to the use of attitudes, opinions, motives, values, lifestyles, interests, or personality to distinguish among consuming groups.¹⁷ Roper Starch Worldwide is a marketing research firm that has pioneered analysis of the consumer's orientation to sustainability in North America. Similar efforts have been conducted in northern European markets.¹⁸ Their research has uncovered the following five market segments:¹⁹

True blues True blues are those consumers with strong environmental values that seek to bring about positive change. Individuals that identify with this segment are also inclined to be politically active in their pursuit of sustainability. These individuals are four times more likely to avoid products marketed by companies that are not environmentally conscious. Roper Starch research indicates that 31% of consumers fit this category.

Greenback greens The greenback greens are also interested in sustainability concerns, but they are not inclined to be politically active. Importantly, these consumers are more willing to purchase environmentally friendly products than average consumers. Prior research suggests that this group represents 10% of the population.

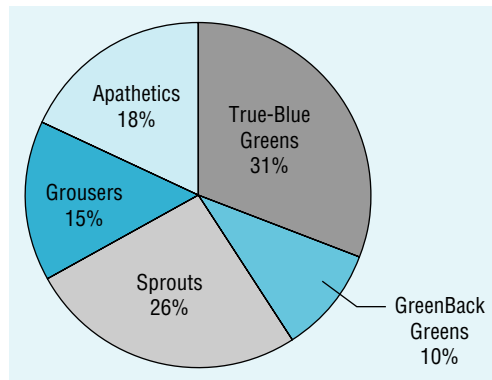
Sprouts These consumers appreciate the merits of environmental causes, but they do not take this appreciation with them to the marketplace. Although these consumers will be unlikely to spend more for green products, they can be persuaded to do so given the appropriate appeal. Research suggests that sprouts account for approximately 26% of consumers.

Grouzers This group of consumers tends to be cynical about its ability to bring about change, and it is relatively uneducated about ecological concerns. Research suggests that these consumers believe that green products are too expensive and do not perform as effectively as their nongreen counterparts. Approximately 15% of consumers fit the grouser category.

Apathetics Formerly labeled “basic browns,” the apathetics do not concern themselves with sustainability or green marketing practices. The apathetics represent about 18% of the population.

The Roper Starch analysis of green market segmentation has been tracking consumers since 1990 (Figure 5-4). It is interesting to note that the preferences of consumers in the United States population has shifted over time. Although the number of greenback greens and sprouts has remained relatively constant, the percentage of true blue greens has escalated from 11% to 31% of the market. The percentage of

FIG. 5-4 Roper Starch
North American Market
Segments Concerning
Attitudes Toward
Sustainability



Source: Based on The Roper segmentation data taken from Wever, Renee, Sophie Lotgering, and Freya Ruijs (2007), “Green Marketing of Consumer Electronics: Applying Kano’s Theory of Attractive Quality on EcoDesign” (working paper), Delft University of Technology.

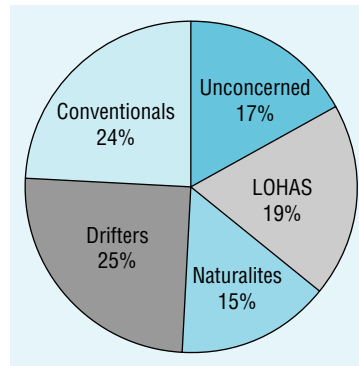
grousers has moved from 24% in 1990 to 15%. Similarly, the percentage of apathetics has shifted from 35% in 1995 to 18% in 2007. These shifts in the attitudes of consumers reflect a general change in the attitudes and understanding of sustainability. As the number of consumers touting a true blue or greenback perspective increases, the need for green marketing strategies also escalates.

The Roper Starch study of consumer green marketing preferences addresses the attitudes that consumers have toward sustainability. Although attitudes provide insight into the likely action of consumers, behavior provides a stronger insight into market segments. *Behavioral segmentation* refers to the use of consumer behavior or product use to distinguish among market segments.²⁰ The market analysis provided by the Natural Marketing Institute (NMI) incorporates attitudes and behaviors toward environmentalism and consumption (Figure 5-5).²¹ Their research identifies the following five market segments:

The LOHAS consumer *LOHAS* refers to lifestyles of health and sustainability. This term describes an estimated \$209 billion U.S. marketplace for goods and services. These consumers are focused on health, the environment, social justice, personal development, and sustainable living, and the future of society.²² Approximately 17% percent (38 million) of the adults in the United States are considered LOHAS consumers. This group is not limited to the United States; LOHAS is gaining interest in Japan, Southeast Asia, and Europe.

The LOHAS group is based on the *cultural creatives* label developed by sociologist Paul Ray to describe individuals on the cutting edge of social change.²³ He described cultural creatives as slightly more likely than average to live on the West Coast but noted that they are found in all regions of the country. These consumers are altruistic and often less concerned with success or making a lot of money, yet most live comfortably with middle to upper-middle incomes. Cognitive style is a key to understanding the cultural creatives. While these consumers take in a lot of information from a variety of sources, they are good at synthesizing it into a big picture. The environment is central to the LOHAS consumers’ belief system. The environment is interconnected with everything, from the way food is grown to the way the workers are treated. It is a holistic world view that recognizes the interconnection between political systems and ecocultures.²⁴

FIG. 5-5 Green Marketing Segments from the Natural Marketing Institute



Source: © Natural Marketing Institute (NMI), 2009. Used with permission.

LOHAS consumers provide insight into the future of progressive social, environmental, and economic change in multiple markets worldwide. Seventy-three percent buy recycled-paper goods, and 71% buy natural or organic personal care products.²⁵ They pay more to get food produced without pesticides and want their cars fuel efficient. Although the cultural creatives label describes this group as countercultural, their buying preferences reflect many of the most popular consumer brands. A 2006 LOHAS analysis indicated that these consumers felt that Microsoft, Whole Foods, Kellogg's, McDonald's, Home Depot, Disney, United Parcel Service, Coca-Cola, Starbucks, and PepsiCo ranked highest in their sustainability and environmental efforts. Thus, these consumers recognize the green marketing efforts of some of the largest consumer brands. Furthermore, the listing of these brands illustrates that these firms have done a good job of incorporating and communicating sustainability efforts to consumers.²⁶

NMI further separates this group into two segments.²⁷ The LOHAS *leaders* are early adopters and opinion leaders for products and concepts that emphasize healthy or green initiatives. They are the first candidates in a market to purchase new and innovative sustainable products. By contrast, LOHAS *followers* are more moderate in their preferences for green products. Like the leaders, however, they are cutting-edge consumers for most purchasing situations.

Naturalites This second market segment refers to consumers primarily concerned about personal health and wellness. Their preference for food and beverage products is motivated primarily by a strong health focus, not an environmental focus. Although these consumers appreciate that companies should be environmentally conscious, they are not politically committed to the environmental movement, and they are not generally driven to buy eco-friendly durable goods. Naturalites represent 17% of American households (38 million people).

Conventionals The largest segment in the NMI analysis includes 58 million adults or 26% of the adult population. Because these individuals are practical and enjoy seeing the results of their action, they are likely to recycle and conserve energy.²⁸ They recognize the value in buying products that save money in the long run, but the ecological merits of consumption are not paramount in their decision making.²⁹

Drifters The drifter category refers to consumers that are not highly concerned about the environment and believe that the problems will eventually be resolved.

Their concerns about the environment focus on things that affect them directly. Because they view sustainability as a trend, they want to be seen in places viewed as environmentally conscious even though they do not make substantial purchases of green products. They are somewhat price sensitive and offer many reasons why they do not make environmentally friendly choices. Drifters include 54 million people or 24% of the American adult market.

Unconcerned The final group in the NMI analysis is a group that has priorities other than the environment and society. They are not aware of green product choices and are generally unwilling to find out such information. These consumers buy based on convenience, price, quality, and value with little regard for the actions of companies marketing the products. Thirty-six million American adults representing 16% of the population are in the unconcerned market segment.

Business marketing segmentation varies somewhat from the strategies available in the consumer realm. Although geography may be used as a basis for distinguishing among groups, psychographics and lifestyle analysis do not translate well to business marketing.³⁰ One form of segmentation used frequently in business markets is **benefit segmentation**, which refers to the delineation of segments based on the benefits that buyers hope to derive from a purchase. Thus, delivery truck requirements for florists and dry cleaners may be similar, despite differences in their respective clientele.

A related basis for developing business market segments is the type of industry. In general, the benefits sought by buyers in the same industry can be very similar. In North America, the **North American Industry Classification System (NAICS)** employs a six-digit hierarchical coding system to classify all economic activity into 20 industry sectors. NAICS is the standard used by federal statistical agencies to classify business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the American business economy.³¹ NAICS was developed by the U.S. Economic Classification Policy Committee (ECPC), Statistics Canada, and Mexico's Instituto Nacional de Estadística, Geografía e Informática, as a means to facilitate comparison of business statistics among these three North American countries.³² Every effort is made to make NAICS compatible with the Standard Industrial Classification of All Economic Activities of the United Nations.³³

NAICS is developed based on grouping of producing units using the same or similar production processes. Five sectors are mainly goods-producing sectors and 15 are entirely services-producing sectors. This six-digit hierarchical structure allows for the identification of 1,170 industries compared to the 1,004 found in the SIC (Standard Industrial Classification). In developing NAICS, the governments in the United States, Canada, and Mexico agreed that the five-digit codes would represent the level at which the system is comparable among the countries. The sixth digit allows for each of the countries to have additional detail (i.e., subdivisions of a five-digit category).³⁴ For example, here is the NAICS for United States new car dealerships:

NAICS	Description
44	Retail sector
441	Retail: Motor vehicles and parts
4411	Retail: Auto dealers
44111	Retail: New auto dealers
441110	Retail: U.S. new auto dealers

Within sectors of the NAICS, industrial-level analyses are being developed to identify best practices, and many of these best practices include sustainability considerations. These industry-level analyses are being developed for many industries outlined in subsequent chapters addressing manufacturing, services, and transportation. For example, the health care industry has been very active in its pursuit of sustainability. The industry has developed a *Green Guide for Health Care* that identifies sustainable and green procedures that enable hospitals to enhance financial performance, improve patient satisfaction, protect health, attract and retain staff, and reduce fossil fuel emissions.³⁵ Organizations that understand these multiple facets of sustainability can develop strategies tailored to each set of demands associated with green marketing.

The understanding of the various facets of sustainability within an industry can be coupled with the **buygrid framework** to isolate market segments. The buygrid framework describes the organizational buying process based on the type of purchase and the stage of the buying process.³⁶ The type of purchase may be a new task, a modified rebuy of a former purchase, or a straight rebuy of a product bought previously. Companies or health care facilities that are making their initial investment in sustainable technologies will vary markedly in their preferences from firms that have repeatedly bought such technologies. The stages of the buying process include recognition of need; need definition and description; seller identification; proposal solicitation, evaluation, and selection; ordering procedures; and review. Firms that are just beginning to identify sustainability issues are substantially different from firms that have already placed orders for sustainable technologies.

One facet of the business marketing setting that stands in contrast to consumer marketing is **reverse marketing**. *Reverse marketing* refers to the proactive efforts within the firm to identify potential product providers or vendors.³⁷ In contrast to consumer markets in which the needs of the buyer can be difficult to establish, in a reverse marketing context, the needs of the buyer are clarified. Thus, sellers can use this information to categorize a buyer into a market segment.

Figure 5-6 provides Walmart's 2009 Vendor Sustainability Criteria used to assess potential sellers to this retail giant. The sustainability criteria can be used initially to classify Walmart as a firm with substantial interest in green marketing activity. Given the firm's size, however, the sustainability criteria also provide the opportunity to classify vendors based on their energy and climate, material efficiency, natural resource utilization, and community involvement.

The market segments identified by Roper Starch and NMI in the consumer setting and the criteria characterized in the business marketing context provide starting points for individuals seeking to increase purchases of sustainable products. These studies underscore an observation made frequently in analysis of green marketing products: Although many consumers will recognize the merits of green products, this recognition is not incorporated into many purchase decisions. Thus, it is incumbent on the marketer to understand the motivations underlying consumer decision making. It is essential to identify the market niches and estimate their size. When the firm has identified these segments, it can then begin to prioritize potential target markets.

C. Target Marketing

After the initial analysis of market segments, it is essential for the firm to select some subset of the market. A *target market* refers to a subgroup of the total market

FIG. 5-6 Walmart Sustainability Criteria

Energy and Climate

1. Have you measured your corporate greenhouse gas emissions?
2. Have you opted to report your greenhouse gas emissions to the Carbon Disclosure Project?
3. What is your total annual greenhouse gas emissions reported in the most recent year measured?
4. Have you set publicly available greenhouse gas reduction targets? If yes, what are those targets?

Material Efficiency

1. If measured, please report the total amount of solid waste generated from the facilities that produce your product(s) for Walmart for the most recent year measured.
2. Have you set publicly available solid waste reduction targets? If yes, what are those targets?
3. If measured, please report total water use from facilities that produce your product(s) for Walmart for the most recent year measured.
4. Have you set publicly available water use reduction targets? If yes, what are those targets?

Natural Resources

1. Have you established publicly available sustainability purchasing guidelines for your direct suppliers that address issues such as environmental compliance, employment practices and product/ingredient safety?
2. Have you obtained third-party certifications for any of the products that you sell to Walmart?

People and Community

1. Do you know the location of 100% of the facilities that produce your product(s)?
2. Before beginning a business relationship with a manufacturing facility, do you evaluate the quality of, and capacity for, production?
3. Do you have a process for managing social compliance at the manufacturing level?
4. Do you work with your supply base to resolve issues found during social compliance evaluations and also document specific corrections and improvements?
5. Do you invest in community development activities in the markets you source from and/or operate within?

Source: *Material Handling Management* (2009), "Wal-Mart's 15 Questions," Wal-Mart.

selected as the focal point for the marketing mix.³⁸ Regardless of how the segmentation was established, the firm must select one or more targets as the basis for a marketing campaign.

One of the primary considerations for selecting a target market is the consideration of the firm's ability to satisfy the needs of the segment. Serving a market demands that the firm make sizeable investments that are often specific to the needs of the market segment. If the firm possesses the resources to satisfy the needs of the market segment, then it is logical for the firm to consider this group as a potential target. For example, Patagonia's recurring investment in organic cotton has enabled it to satisfy the needs of consumers with strong preferences for garments that contain eco-friendly components. In some cases, however, organizations cannot justify the investment needed to satisfy the needs of the market segment. Thus, an airliner may recognize that NMI's LOHAS consumers may respond favorably to jets operated on vegetable oil, but the airliner may not have the capacity to modify its fleet to accommodate the desires of this market segment.

A second consideration in the selection of a target market is the size of a market segment. In general, a large group can be more easily justified as a target due to the sheer amount of consumption. When groups get too large, however, the market segmentation does not offer much insight. Thus, efforts to market to the entire restaurant industry are likely to be unsuccessful due to the failure to consider the multiple buying and consumption patterns across the group. The size of the group must be assessed relative to the amount of consumption within the group. Although there may be few users of engine emissions technology, the massive level of consumption warrants many firms to pursue this target market.

It is not surprising that the growth potential in a market segment is also a consideration when selecting target markets. The recurring research by Roper Starch indicates that the number of *true blue* consumers has increased dramatically over the past few years. Firms such as Stonyfield that anticipated this market growth are well positioned to meet the current needs of this target market. Similarly, developers of alternative auto fuels pursue the auto market primarily for the growth potential rather than current demand. As the volatility in oil prices increases, the consumer interest in alternatives also increases.³⁹

In addition to the firm's capabilities, market size, and growth potential, firms must also direct substantial attention to competition. As the number of competitors pursuing a market increases, the potential to serve the market becomes compromised. Large competitors may be able to dedicate sizeable resources to the market that preclude a smaller firm from competing effectively. For example, some question whether Tesla, the upstart Silicon Valley auto company, can compete favorably given the market capitalization of its competition.⁴⁰ Small firms, however, may be able to engage in **niche marketing strategies** whereby they serve a selected market better than their competition does. For example, many local farmers are taking advantage of the ability to serve local markets with fresh foods that their multinational competitors cannot provide.⁴¹

When one considers both the market size and the competitive landscape, one can identify several contrasting opportunities to serve a target market. Figure 5-7 underscores four potential green marketing strategies that vary based on the size of the green market and the ability to differentiate based on the greenness of the product. The **lean green** strategy refers to a situation in which the size of the green market is modest and the firm has limited ability to differentiate based on the greenness of product offerings. Firms in this category are likely to engage in corporate social responsibility, but they do not publicize this action. For example, 2% of the cotton used by Levi Strauss is organic.⁴² Since few consumers in the jean market value green products, and this commitment to sustainability could be replicated, the strategy has to limit the emphasis on green products. This competitive position leads to a lean green marketing strategy. In addition, the publicizing of Levi's effort to go green could generate substantial criticism that at 2% of its sourcing, the firm has not done much to promote sustainability. It is likely that firms that face this competitive environment will not be able to engage in a pricing strategy that asks consumers to pay more for products that are sustainable.

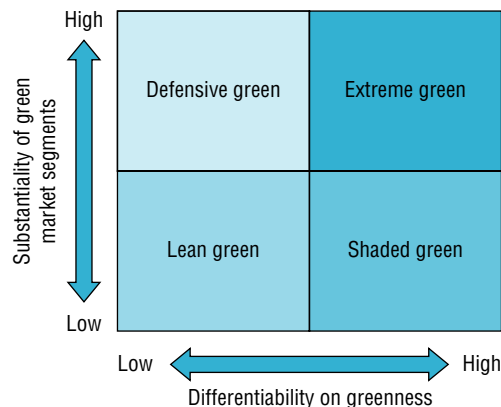
The **defensive green** strategy reflects a situation under which the market for green products is large, but the ability to differentiate based on the ecological merits of the product is low. For example, in the bottled water industry, many of the brands focus on health-conscious, environmentally aware consumers.⁴³ The products in

this industry have been singled out due to the carbon footprint of moving water across continents and due to the number of water bottles in landfills. Consequently, many of the marketers of these products have aligned themselves with environmental causes.⁴⁴ Thus, this market is highly sensitive to the environment, but it is very difficult to establish one product offering as ecologically superior to other products. Relative to their Pepsi Aquafina and Coca-Cola Dasani competitors, Nestlé's uses a low-price strategy to make the Pure Life brand competitive in the United States market.⁴⁵

The **shaded green** strategy refers to a market in which the demand for ecologically sensitive products is low, but there is a substantial opportunity to differentiate based on ecological viability of a product. For example, the hybrid automobile market represents about 3% of new car sales in the United States. Since demand is relatively soft, marketers often elect to focus on other merits of their product rather than environmental benefits. Thus, the strategy *shades over* the green merits of the product in deference to other benefits that consumers derive from consumption. It is essential for the marketer of these products to have a refined understanding of the complete value sought by the consumer. For example, Toyota's Prius automobile is relatively environmentally friendly, but the marketing of this product focuses on the fuel efficiency of the auto relative to the competition. Promotional strategies used by firms in this competitive setting do not emphasize the ecological merits of the product but focus instead on efficiency considerations. In addition, pricing strategies emphasize the total cost of operations rather than solely the cost of purchasing the product. Value in use over the course of the life of the product is germane to the marketing strategy. Thus, the marketing of products with the Energy Star label emphasizes the cost savings over time rather than at the moment of purchase.

Extreme green refers to a competitive context in which the demand for green products is large, and the ability to differentiate based on product greenness is substantial. The brands in this category often are initiated with a strong desire to promote and foster sustainability.⁴⁶ Firms that face this competitive landscape offer

FIG. 5-7 Green Marketing Strategy Matrix



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products with premium prices, but the value over the course of the product life is emphasized in marketing campaigns. For example, organic products from Patagonia, the marketer of outdoor gear and clothing, often have higher price points than alternative products.⁴⁷ Pricing strategies emphasize how the firm invests in enhancing the natural environment. The founder of Patagonia, for instance, co-founded the 1% for the Planet program. Participants in this program pledge to provide 1% of net sales to environmental causes.⁴⁸ Firms such as Patagonia can rely on these pricing strategies because the market for environmentally sensitive products is large, and their opportunities to distinguish themselves from the competition are appreciable.

D. Market Positioning

The third stage of STP marketing is the time during which the firm develops a positioning strategy. The positioning strategy refers to the development of the marketing mix to yield a distinctive appeal to the target segment. When the firm has effectively identified the market and its segments, the market position should flow naturally. Thus, the Body Shop positions itself as a firm that supports self-esteem, fair trade, ecology, human rights, and humane product testing.⁴⁹ Effective positioning strategies should contain several elements.⁵⁰ First, the organization must be committed to creating substantive value for the consumer. The Body Shop has developed a line of cosmetics that does not rely on animal testing, and the firm has gone to great lengths to develop products in a humane fashion. Consumers in the LOHAS group are inclined to favor such products, and they are willing to pay more to acquire them. Importantly, the shopping experience should reflect this commitment to humane product testing. Note that this position stands in contrast to the product testing strategies traditionally employed by major competitors in this industry.

A vital facet of the positioning strategy is that the value offered to the consumer must be meaningful to that target market. For example, the Segway two-wheeled transportation device offered marked ecological benefits to consumers, but the operation of the device and the initial price did not yield a value proposition that was meaningful to many consumers.⁵¹ By contrast, ultramobile computers such as the MacBook Air have recently been introduced. The MacBook Air offers simplicity and mobility along with an eco-friendly design that is enabling Apple to increase its market share in the personal computer business.⁵²

The positioning strategy that a firm selects must be consistent over time and must be internally consistent. Internal consistency is achieved when every member of the organization and every associated message reflect the distinct position that the brand occupies in the eyes of the target market. Starbucks emphasizes the climate of the coffee purchase experience throughout its shops and promotions. Employees are trained to appreciate the issues of fair trade and organic products that are essential elements of the value that the firm offers to consumers.⁵³ A related factor is that the firm must be consistent with its message over time. For example, Volvo has built a reputation for safe automobiles through a prolonged commitment to research and development and communication strategies that emphasize safety. Brands such as Starbucks that hope to emphasize the organic, healthy nature of their products must offer a prolonged commitment to a product market.

The positioning strategy must also be simple and distinctive. Although a firm's product offerings may rest on highly sophisticated technologies, consumers and

industrial buyers make purchases to satisfy needs. The firm that can effectively distill its product message into a simple idea is poised to capture a substantial share of the target market. In 2008, Clorox introduced the Clorox Green Works line of cleaning products that included Green Works Natural Laundry Detergent, Green Works Natural Cleaning Wipes, Green Works Laundry Stain Remover, Green Works Natural Dishwashing Liquid, and other household cleaning products. These products were recognized by the Environmental Protection Agency Design for Environment (DfE) program for their use of environmentally preferable chemical ingredients.⁵⁴ The simple logic linking these environmentally friendly products to cleaning has resulted in the brand being rated as the top American green brand in a 2009 survey completed by advertising agency WPP and a consortium of other marketing and consulting firms.⁵⁵ The Clorox Green Works brand has been able to capture market share because the sustainability message is easily communicated to consumers. Moreover, the product stands out as a distinctively ecologically friendly product in a household chemical market not known for its environmental appeals.

Effective Positioning Themes

When the positioning strategy is simple and distinctive, it helps the organization to make internal decisions that yield value for consumers, and it further enables the firm to develop a focused communication strategy.⁵⁶ The STP marketing approach thus enables the firm to generate positioning themes that are viable in the marketplace. It is essential for the organization to settle on a single idea for the positioning theme. For example, Clorox Green Works drives home the notion that these products are clean and environmentally safe. The selection of this single premise must be made in conjunction with the needs of the target market. If the focal segment is LOHAS consumers, they are inclined to buy based on the premise that a product offers environmental benefits. In such cases, the strategy of firms such as Ben & Jerry's, who regularly invest in carbon reduction and alternative energy products, is salient and meaningful to the consumer. By contrast, Nike continues to market the Considered brand of footwear, but the emphasis on marketing is athletic rather than environmental performance. Thus, the determination of the single idea to be featured in communication must consider the target market.

Three general strategies for a positioning theme include benefit, user, and competitive positioning. **Benefit positioning** refers to an emphasis on a functional, emotional, or self-expressive return realized from product consumption. Since benefits are the basis for most purchases, it is valuable in many markets to focus on the returns derived from consumption. For example, the *functional benefit* of energy-efficient appliances is the reduced fuel consumption and lower fuel costs realized over the life of the product (Figure 5-8). Many green products may be purchased not for their functions, but for emotional benefits. Just as airline passengers can invest in flight insurance to alleviate concerns about air travel safety, they can also balance the environmental influence of their travel by buying carbon reduction services. In many cases, the purchase of the carbon reduction credits provides an *emotional benefit* to consumers. The *self-expressive benefit* addresses the how the product influences the presentation of the individual to relevant others. For example, the drifter category of consumers represents a segment that is generally unconcerned about the environment. Because they see sustainability as a trend, they want to be seen in places viewed as environmentally conscious even though they do not make substantial purchases of green products. Thus, green grocers such as Trader Joe's can attract interest from these consumers because they want to be associated with current trends.

FIG. 5-8 South Mississippi Electric Power Association Ad Exemplifying Benefit Positioning



Source: © Courtesy South Mississippi Electric, www.smepa.coop.

User positioning is a second basis for the positioning theme. In this positioning theme, the marketer develops a profile of a specific target user as the focus of the positioning strategy. For example, Woolshire Carpet ads that show a family posing in a natural setting highlight the lifestyle of the target market (Figure 5-9). Such ads seek to make the use of Woolshire carpets consistent with the lifestyle of the target market.

The third fundamental positioning theme is **competitive positioning**, which refers to the direct reference to the competition in order to illuminate the benefits of a firm's brand. In many cases, firms that have developed relatively environmentally friendly products compare the green features of their offerings to the competition. For example, Figure 5-10 reproduces a Kyocera ad that emphasizes the lower operating costs and environmental impact of their Ecosys printers relative to the competition.

The Value Proposition

At the end of the positioning process, the firm is in a position to announce the **value proposition** of a brand. The value proposition is a statement of the emotional, functional, and self-expressive benefits delivered by a brand that provide value to consumers in a target market.⁵⁷ The value proposition is critical to the ongoing success of the firm because this proposition is the basis for brand choice and consumer brand loyalty. For example, Whole Foods' value proposition emphasizes that they sell organic, natural, and healthy foods to consumers that are passionate about food and the environment.⁵⁸

In order for the firm to develop a value proposition that resonates in the market, it is important to proceed through STP marketing to arrive at a value proposition.

FIG. 5-9 Woolshire Carpet Mills Ad Exemplifying User Positioning



Source: *Courtesy of Woolshire Carpet Mills, Inc.*

Note that STP marketing occurs over time; the participants in the strategy development process are likely to change along with the needs of the consuming market. A carefully selected value proposition gives the firm direction that leads strategic decision making. Importantly, if the benefits derived from the product exceed the price relative to other brands, then there is potential for success. If the relative price exceeds the benefits realized from the brand, the potential for a successful brand is limited. Equally importantly, the developer of the value proposition must consider the extent to which consumers weigh ecological, relational, and economic returns relative to the cost of the product. When each facet of sustainability is incorporated into the development of the value proposition, there is greater potential to serve the needs of the target market successfully.

FIG. 5-10 Kyocera Ad Exemplifying Competitive Positioning



***ECO-nomical. ECO-logical.
ECOSYS Printers from Kyocera.***

How much did your company spend on printing last month? How about last year? If your company is like most companies, it's probably too much. Switching to ECOSYS Printers from Kyocera could save your company hundreds, even thousands of dollars per year. That's because Kyocera's durable long-life consumables mean less waste, reducing costs—and lowering impact on the environment. Brilliant color, crisp black and white, low Total Cost of Ownership, and environmentally friendly. Now that's a wise choice.



Visit our *TCO Tracker* at www.kyoceramita.com.
Calculate your cost today. Save tomorrow.



Printer's performance is simulated. Cost savings are for similar size printers having comparable print-to-copy ratio, paper size, memory, processor speed and rated print volume and based upon usage assumptions. Actual cost savings will vary. See our website TCO Tracker at www.kyoceramita.com for assumptions and details underlying specific cost savings calculations for particular comparable printers.

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Source: © Kyocera Mita America, Inc.

Summary

A. Introduction

The purpose of this chapter has been to outline the facets of the market segmentation process. We initially outlined the elements of the segmentation–target–positioning framework. The segmentation process involves dividing a market into distinct segments or subsets of customers that have similar needs or behave in the same way. After the firm has identified the segments in a market, it engages in target marketing characterized by efforts to serve a selected segment within the marketplace. After the firm has selected a target market, it then establishes a positioning strategy in which the marketing mix is crafted to yield a distinctive appeal to the target segment. The positioning approach is designed to reflect the values sought by consumers in the target market.

B. Market Segmentation

Segmentation enables companies to identify groups of consumers with similar needs and enables companies to analyze characteristics and buying behaviors of members of these groups. The segments identified in the market must be substantial, identifiable, and measurable, as well as accessible and responsive to the marketer. Two common methods of segmentation include classification based on geography and demographics. Green marketing analysts have also classified consumers based on psychographics and consumer behavior.

C. Target Marketing

Target marketing refers to the selection of a subgroup of the total market as the focal point for the marketing mix. Identification of a target market demands consideration of the firm’s ability to satisfy the market as well as the size of the target and the level of competition. Simultaneous analysis of size and competition yields defensive green, shaded green, extreme green, and lean green potential approaches to the target market.

D. Market Positioning

The *positioning strategy* refers to the development of the marketing mix to yield a distinctive appeal to the target segment. Three general strategies for a positioning theme include benefit, user, and competitive positioning. *Benefit positioning* refers to an emphasis on a functional, emotional, or self-expressive return realized from product consumption. *User positioning* is a positioning theme in which the marketer develops a profile of a specific target user as the focus of the positioning strategy. *Competitive positioning* refers to the direct reference to the competition in order to illuminate the benefits of a firm’s brand. At the end of the positioning process, the firm is in a position to announce the value proposition of a brand. The value proposition is a statement of the emotional, functional, and self-expressive benefits delivered by a brand that provides value to consumers in a target market.

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Questions

1. Why is it necessary for the firm to analyze the market for segments and targets?
2. What are the elements of STP marketing?
3. What are the criteria for determining market segments?
4. Describe four types of market segmentation used by green marketing firms.
5. What insight does the Roper Starch Worldwide research provide?
6. What is LOHAS? Contrast LOHAS with other market segments identified by the Natural Marketing Institute.
7. What criteria are used to select target markets?
8. How do market segment size and the level of competition influence target market selection?
9. Describe the positioning themes.
10. What is the importance of the value proposition?

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