

5.18: Target Market Techniques

Learning Objectives

- Discuss the strategic implications of various target market techniques

Effective customer analysis includes work around how the firm will position itself as uniquely differentiated from others within the competitive set, so that it is best suited to meet the needs of its target customers. To do this, the firm needs to understand what consumers think of it relative to their needs and to alternatives.

Differences can be physical or perceptual. Physical differences can be found in layout, assortment, service levels, pricing, etc. These physical attributes are objective and readily described. Perceptual differences are harder to quantify and are highly subjective. Perceptual differences focus on what the use of the product or service “says about” or “means” to the consumer.



For example, Wal-Mart’s “Always Low Prices” and “Save Money. Live Better” slogans speak to physical differences in the prices found in their stores, compared to other outlets. Whole Foods, for their part, describes themselves with the slogan “America’s Healthiest Grocery Store.” Certainly, Whole Foods isn’t the only retailer with an assortment of healthy products. And, it doesn’t have exclusivity on serving shoppers with a health & wellness mindset. However, in identifying themselves this way, they make a distinction about themselves, relative to other retailers, and convey to shoppers that they get health & wellness by shopping at Whole Foods.

It should be noted, however, that a slogan does NOT create differentiation. Simply saying one is uniquely different from the competition doesn’t make it so. Instead, we reference Wal-Mart and Whole Foods in these examples because they reflect how each of these retailers references differentiation—physically and perceptually, respectively. However, the slogan alone doesn’t make this differentiation true. Instead, it’s the sum total of rigorous work reflected in strategic planning, marketing management, and operational excellence.

Effective positioning follows a defined process, the first step of which is identifying the relevant competitive set. In this case, that is the other retailers in the grocery space with whom the firm will likely compete. More important is the second step, which requires that we select the specific criteria by which the stores are judged. These are the determinants of demand—the reasons consumers might choose to shop these specific formats over others or not.

The identification of the determinants of demand is important because it shows the variables that influence consumer choice and experience. However, they are ideally paired with consumer feedback on the relative importance of each. This data can be qualitative (based in opinion) or quantitative (reflected in measured analysis of behavioral data).

The next step is for the firm to analyze their position relative to the competition on these factors using either a positioning grid (sometimes called a perceptual map) or a value curve. The positioning grid shows the two most important variables, one on the x-axis and one on the y-axis. Then, each competitor is positioned on the graph to show how they perform on each dimension.

The positioning grid can help marketers identify white space: areas for competitive entry that are not currently occupied by others. In this case, the analysis shows that there might be an opportunity for a retailer with high assortment and relatively low value. However, it’s important to caution that this may be an unoccupied competitive space because it’s not viable. That is, the competition may not compete here because there isn’t enough consumer demand to support and sustain a grocery retailer with wide assortment and relatively high prices.

It's for this reason that value curves can be especially helpful. While positioning grids only show how a competitor performs relative to the two most important determinant variables, value curves reflect performance on each factor.

It should be noted, however, that we've used "general" variables in this example. However, each factor can be broken into more specific descriptions, given what matters to shoppers. For example, quality might be further articulated as: fresh produce, meat & fish, well-stocked shelves, the professional appearance of staff and the overall cleanliness of stores.

With the results of the positioning grid and value curves in-mind, the retailer should consider what positioning best fits them, given their internal capabilities, priorities, resources, and investments. As you read previously, Dollar General's business model would make attracting consumers looking for a high-touch shopping experience a poor fit. And, by the same token, low-cost retailing would be a poor fit for Whole Foods.

The positioning process helps the firm describe how it's uniquely different from others within the competitive set. The positioning grid and value curves show how they perform on the factors that are most critical to consumers, also known as the determinants of demand. By using these tools effectively, the firm can identify and leverage those areas where they have a distinct advantage.

? Practice Questions

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