Polityki Europejskie, Finanse i Marketing
10 (59) 2013

Marek Rawski
Cracow University of Economics

CUSTOMER - TARGETED STRATEGY AS A COMPONENT OF MARKETING STRATEGY

Total, customer targeted strategy comprises two solutions: marketing stimulation strategy and market segmentation strategy. Marketing stimulation strategy is an aggregate of two main instruments of influence: a broadly understood "set of benefits", and its price consistent with the mission statement and the desired marketing image, reflecting the aspirations regarding the quality of the conducted economic activity. Two issues (market segmentation strategy) must be settled prior to implementation of the method affecting the market with quality-price benefits: enterprise potential analysis in terms of feasibility of implementation of a given marketing stimulation strategy and multi-faceted analysis of the clients on the market. Both components are characterized.

1. Introductory remarks

The concept "marketing strategy" has been understood in various ways since it first emerged in writings on this subject. Some interpretations that had been formulated within consecutive stages of economic development and the advancement of marketing and management science found a permanent place in literature, while others were short-lived and were superseded by new concepts. Seeking consensus and agreeing on the concept of "marketing strategy" is prerequisite for understanding and formulating practical guidelines (principles, methods, techniques) on efficient implementation of marketing strategy.

The purpose of this paper is to provide a general characteristics of a component of a marketing strategy i.e. a customer - targeted strategy. Total, customer targeted strategy comprises two solutions: marketing stimulation strategy and market segmentation strategy. Both components are characterized. Proper discussion of the issue will be preceded by the description of the author's understanding of a "marketing strategy" concept, as well as a presentation of the assumptions made by the author to formulate it. This is a prerequisite, since the adopted understanding of a marketing strategy concept makes the foundation for "customer - targeted strategy"

2. Defining marketing strategy

Marketing strategy of the author defines as a set of rules and principles forming a framework for operating activity of an enterprise within the area of shaping relationships with the immediate environment as a whole, as well as its constituent parts[1]. Strategy

[1] Broader marketing strategy components are presented in M.Rawski: Próba interpretacji pojęcia „strategia marketingowa", „Przegląd Organizacji", 3/2003, pp.30-35.

understood in such a way means a series of components that make a hierarchical system resulting from the "importance" of particular environment elements for the enterprise[2]:

1. market forming strategy,
2. customer - targeted strategy,
3. competition oriented strategy,
4. intermediary oriented strategy,
5. supporting object oriented strategy.

Market forming strategy is a set of rules and principles constituting a framework for the operational activity of an enterprise within the scope of building relationships with the immediate environment. An enterprise perceives its environment intermittently, which is the consequence of the way such an enterprise understands the market. Market area is the smallest category identified by a marketer. He perceives the immediate environment as an aggregate of market areas. Market area may be defined as a segment of a market controlled by an enterprise that is characterized by the component of subject and object dimension.

Generally speaking, formulation of market area forming strategy is connected with seeking answers to two questions:[3]

a) how to change the rules of operation on the market areas that are "served" by an enterprise?

b) which rules and principles should be engaged to incorporate new market areas into the sphere of our own activity?

Competition oriented strategy is a set of rules and regulations providing a framework for current operation of an enterprise within the area of establishing relations with the competitors. A global strategy comprises two levels of solutions:

a) strategy of gaining advantage over competitors. According to M.Porter, whose concepts have been accepted by majority of authors, there are three strategies allowing reaching better results from other firms in the sector: minimization of total costs[4], diversification of activity and concentration

b) strategies of competing style complement solutions of the first level. The selection of the way of winning advantage over competitors poses the question about the conduct in such circumstances. Generally speaking, there are two stances towards competitors (model approach distinguishes offensive and defensive stance), and the selection of tools prerequisite for reaching certain objectives on the road to gaining advantage of competitors (model approach distinguishes a conventional and unconventional selection of tools).

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[2] The main provisions that have been adopted and respected by the author, determining marketing strategy are shown in M. Rawski: Próba interpretacji pojęcia „strategia marketingowa" (w warunkach orientacji marketingowej), Zeszyty Naukowe AE w Krakowie, nr 602, Kraków 2002, pp.63-75.

[3] Some authors ask the third question, ie following which rules the existing areas should be abandoned? (R. Kłeczek, W. Kowal, J. Woźniczka: Strategiczne planowanie marketingowe, PWE, Warszawa 1999, pp. 27). It seems that the answer to that question is contained in the first question formulated by the author (one option says; abandon market area).

[4] See M.E. Porter: Strategia konkurencji – metody analizy sektorów i konkurentów, PWE, Warszawa 1992, , p.50.

Intermediary oriented strategy is a set of rules and principles constituting a framework for current operations of an enterprise within the area of relationships with the distributors (traders). Bringing order into strategies, it is worth assuming the relationship between a producer and a trader for the key criterion. An active attitude of a producer means treating a trader as a link of his distribution chain whose function is to ensure efficient marketing liaison with the end user. A passive attitude of a producer means treating a trader as the end user satisfying his procurement needs. An active trader selects his supply channels in line with his strategy, regarding a producer as his potential supplier rather than a client whom he may try to offer his distribution potential. A passive trader submits to the leading position of a producer trying to offer his distribution capabilities to his best advantage, declaring readiness to implement marketing programs designed by the producer. In the discussion of those attitude we may distinguish four classes of strategy facilitating the selection of a proper strategy of conduct with a market partner.

Strategy oriented on supporting objects constitutes a set of rules and principles providing framework for current operation within the area of relationships with those objects. The term "supporting object" stands for any object within the immediate environment of an enterprise, facilitating its functioning on the market (for a producer it may be a bank, an insurance company, a forwarding company). The methodology of ordering knowledge about strategies is identical with the methodology of ordering knowledge on intermediary oriented strategy.

3. Essence of customer - targeted strategy

Customer - targeted strategy comprises a set of rules and guidelines that are the framework of the current operation of an enterprise within customer interaction. It might be inferred from the essence of marketing, an activity poised to actively "shape" the customer, that the rudimentary decisions involved in selecting a strategy of interaction with customers demand specification of the following:

1) General character of values offered to customers, i.e. marketing stimulation strategy,
2) The degree of market penetration and the variety of marketing activities, i.e. market segmentation strategy.

Thus, total, customer targeted strategy comprises two solutions: marketing stimulation strategy and market segmentation strategy.

Marketing stimulation strategy is an aggregate of two main instruments of influence: a broadly understood "set of benefits", and its price (in other words, quality and price benefits that an enterprise intends to offer), consistent with the mission statement and the desired marketing image, reflecting the aspirations regarding the quality of the conducted economic activity. The main objective of the strategy is to perceive the customer group, whose needs an enterprise is to meet, as individuals. Marketing stimulation strategy should be considered as the first step in that direction. The set of declarations is made concrete through the recognition of customer expectations in terms of price and quality suggested by the mission statement. An enterprise is able to meet only the needs of customers selected in such a way, since it can deliver an appropriate composition of price and quality benefits.

Figure 1 presents author's own graphic interpretation of marketing stimulation strategy. The space for changes is contained within two axes. Axis X presents the scope of satisfied needs and buyers' preferences. The boundary point A may be identified with the basic needs, eg the hierarchy of needs defined by A.H.Maslow. These are the physiological needs created by biological aspects of life. Moving along the axis, following the prescribed order, the needs are intensified, they increase and become more sophisticated. Point B may be considered the area of individualistic, sublime and sophisticated needs specific of isolated customers. Axis ”Y” designates the intensity of benefits offered to the customers, such as quality benefits (eg functionality, originality, durability), as well as price benefits. The boundary point C may be identified with price benefits only. The point denotes the lowest possible price at which an enterprise is still able to generate a set of benefits. Moving along the axis in the direction it has been ordered, the price of the set of benefits and quality benefits are rising. The boundary point D may be considered to represent the maximum quality expectations formulated by the customers, with the reference to the set of benefits. Those expectations can be identified through a detailed analysis of time and space where the customers are, and of the customers themselves.

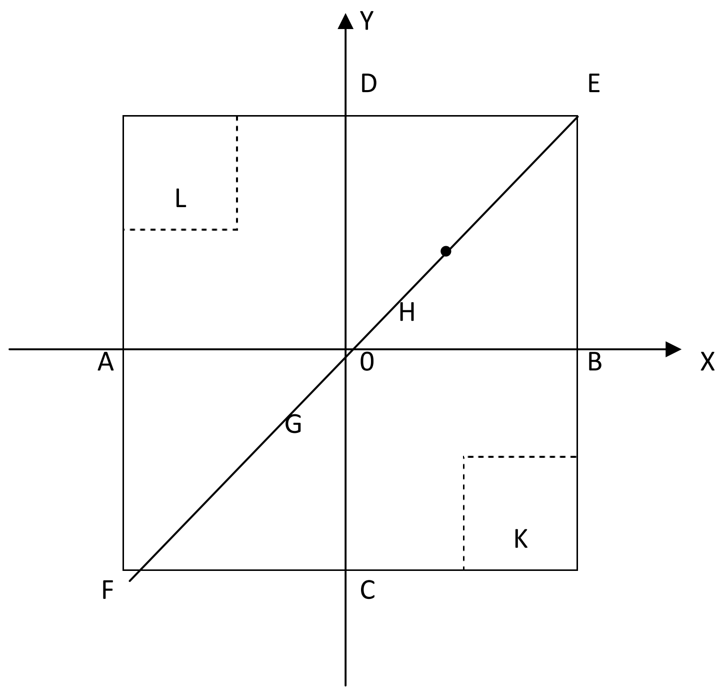

Fig. 1 Graphic representation of the essence, attributes and properties of marketing stimulation strategy.
Source: Author's own.

Tracing straight lines vertical (parallel) to the set of coordinates, we receive a rectangle or a square. Each point contained within the traced quadrangle denotes a different marketing stimulation strategy, since each point designates a different set of price and quality benefits, various customer needs and preferences.

In practical terms the use of that model seems to be difficult for two reasons:

- The number of points contained within the quadrangle plane seems to be infinite, which means that the marketing stimulation strategy is denoted by an infinite number. It might be quite difficult to choose an efficient marketing stimulation strategy having such an abundant choice,
- Any strategy to stimulate the market has its attributes and properties, but their precise determination is not possible, taking into account the fact that the needs are treated as a continuous variable, and satisfactions explain changes in qualitative needs.

The presented model may be simplified. The EF diagonal traced in Figure 1 may be considered to be a segment created by the projection of all points contained within the considered quadrangle. The points making the segment EF reflect all possible strategies of marketing stimulation. Each point of the segment reflects marketing stimulation strategies, as each point contains a various set of price and quality benefits, and relates to a specific type of satisfied needs. Selection of EF (and not of any other segment) for graphic representation of marketing stimulation strategy set is substantiated by the proper relation: high quality – high price, low quality – low price (as a rule, quality is correlated with the price), as well as the theorem that satisfaction of more and more refined needs calls for higher and higher quality of the set of benefits.

Author's modification does not make much change from the theoretical angle (in relation to the initial solution). There is an infinite number of points on the segment, hence there is an infinite number of marketing stimulation strategies (the variety of strategies has not been reduced to a rational volume). Unambiguous characteristics of strategies also poses some problems (the changes of customers' needs are described continuously). As author's experience indicates, the presented modification is useful in practice, and it allows to set up an appropriate strategy.

4. Features of characteristic strategies

All possible marketing stimulation strategies (contained within EF segment) make a continuum, with characteristic variants termed the strategy of preferences (E) and the strategy of price-quantity (F) positioned at its edges. Both strategies display an extensive set of attributes and features derived from the knowledge about customers, whose needs they address [5].

The preference strategy is addressed to brand customers, i.e. customers with unique, quite frequently refined needs and expectations, hoping to receive quantitative benefits

[5] The presented strategies remind of the "lowest price strategy" or "customer unique value strategy" described by D. Faulkner i C. Bowman (D. Faulkner, C. Bowman, Strategie konkurencji, Gebethner & Ska, Warszawa 1996, p. 85). Apparently, they cannot be identified with the strategies presented by the author, as they have a different point of departure (a different essence). Those strategies show how to win with competition, „manipulating" the customers, and satisfying their needs more effectively than the competitors do.

related to the product, as well as quality service in buy/sell transaction. They appreciate the opinion garnered by a product or an enterprise, and they do not care about the price asked for a product.

The price-quantity strategy usually addresses price conscious customers, i.e. the buyers who, while satisfying their needs (mostly the basic ones), look primarily for price benefits. They resign from individual preferences, as well as quantitative benefits connected with the brand [6].

The main attributes and properties of the preference strategy, focused on the brand customer, may be described as follows: the preference strategy is based on a high unit profit margin. It needs an extensive set of marketing mix tools, carefully designed, including a high quality product, attractive packaging, intense promotion (with dominant personal sales), and a high price of a product. That involves high cost of marketing. The application of this strategy needs high capital outlays and it is encumbered with a high risk of failure in building the brand image. It yields slow, yet lasting effects, i.e. an opportunity to establish a strong, and relatively strong market position. It guarantees high profits (irrespective of the turnover) through winning a quasi-monopolistic position on the market (relative a certain category of clients),

The main attributes and properties of price-quality strategy preferred by the price-conscious customer may be described as follows: that strategy rests on a relatively high turnover (in line with the principle of a high turnover – low unit cost) and a large presence on the market. The application of that strategy does not call for high capital outlays. It enforces particular care in selecting the range of products. Maximum reduction of unit cost of production and marketing costs are prerequisite for the efficient implementation of the strategy. It boils down to standardization of products, limiting the range, mediocre quality, extending product series, extending product life cycle, launching seeming novelties, “cheap” location of distribution networks, reduced to the necessary minimum customer service, economic packaging, slimmed down promotion, efficient sales process, low prices of products. The application of that strategy allows to derive economies of scale benefits, and strong price competition. The results of that strategy are quick to be noticed, yet they are not lasting (the strategy is easy to imitate by the competition, and is encumbered with the risk of calculating the prices on the verge of the break-even point) [7].

Marketing stimulation strategies, as depicted by a random point of EF segment, are “mixed” strategies, which finds proof in the general scheme of their execution. The selection of a mixed strategy (a point on EF segment) consists in preparing its characteristics by “mixing”, adopting an appropriate proportion of attributes and properties, both extreme strategies (the preference strategy and price-quantity strategy).

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[6] For a broader characteristics of price conscious and brand seeking customers see e.g. R. Niestrój, Zarządzanie marketingiem. Aspekty strategiczne, Wydawnictwo Naukowe PWN, Warszawa 1996, p. 155.

[7] Characteristics of the preference strategy and the price-quantity strategy (though differently implemented) can be found in e,g, J. Becker, Marketing-Konzeption, Grundlagen des strategischen Marketing-Managements, Vahlen, Munchen 1988, pp. 156-204; R. Niestrój, Zarządzanie marketingiem. Aspekty strategiczne, Wydawnictwo Naukowe PWN, Warszawa 1996, pp. 155-159.

If we wish to provide characteristics of the marketing stimulation strategy denoted by a point on EF segment, in the first "quarter" of coordinates, we should start with the description of the preference strategy and. moving in south-west direction (down movement) remove from the description certain properties and attributes typical of the preference strategy, replacing them with the new attributes and properties typical of price-quantity strategy.

To provide characteristics of marketing stimulation strategy denoted by a point on EF segment, in its "third quarter" of coordinates, we should start with the description of price-quantity strategy, and moving in the north-east direction (going up), remove certain properties and attributes typical of the price-quantity strategy, replacing them with the attributes and properties proper of the preference strategy.

That simple method of creating characteristics for any strategy of marketing stimulation has certain practical weaknesses. As it seems, the method should be fine-tuned, and at least two issues should be resolved so that to reach a satisfactory efficiency of practical application of the rule.

- issue one; which attributes and properties of the input strategy should be removed first? The ones which are crucial and which give the strongest testimony about the essence of the input data of the strategy, or maybe the secondary attributes and properties? Also, which procedure should be adopted for switching to the attributes and properties of the opposing strategy?
- issue two; how many attributes and properties should be removed from the input data of a strategy to reach precisely the characteristics of a strategy to be finally chosen (denoted with a point on EF segment)?

In practical terms the problem is not so acute, as the above issues are simple to settle (each adopted solution may be different), considering the time and spatial prerequisites of enterprise functioning, for which the choice of marketing stimulating strategy is made. Also, the given hints are dictated by formal expectations which incline an enterprise to seek "mixed" strategies.

As it has been already mentioned, the process of seeking "mixed" strategies, in line with the described methodology, may follow two directions; "down" from the preference strategy, and "up" from the level of price-quantity strategy. Moving "up" often reflects the natural tendency of an enterprise to raise their position on the market once the necessary resources have been accumulated, experience gained in the area of production, or the trust of customers won. Moving "down" often results from the need to adjust the marketing stimulation strategy to the real potential of an enterprise, or is the consequence of insufficient absorption capacity of the market, on which the marketing stimulation strategy was targeted to date (a barrier to further development).

Marketing stimulation strategies, denoted with the set of points on segment GH in Fig.1, are potentially dangerous. That set of marketing simulation strategies is ominously named "the Bermuda triangle". That nickname is to highlight the threats involved in the selection and application of those strategies. Strategies contained within that area promise their clients, with unfaltering consistency, both quantity as well as price benefits (statistically speaking, the "mix" of attributes and properties of two extreme strategies is the same). Hence, they do not guarantee their customers distinctive quantitative benefits, nor clear price benefits, and may not become noticed (no reaction on the market). Also, the number of customers formulating such tentative expectations is negligible, and as such it does not guarantee adequate financial benefits to an enterprise. To avoid failure we should refrain from using the "Bermuda triangle" strategies, and turn to strategies offering either distinctive quantity benefits, or clear price benefits.

The following fact may testify to the importance and currency of the "Bermuda triangle" (and adequacy of the model). Quadrangles K and L (Fig.1) contain a specific set of marketing stimulation strategy. Those strategies of marketing stimulation negate positive correlation of quality and price with their properties and attributes. Marketing stimulation strategies denoted by points from K area are said to be "activating" strategies. In short, they offer high quality products at prices much lower than average prices quoted for a given quality of products. In turn, marketing stimulation strategies denoted by the points from L area are called ""wasteful" since they offer mediocre or low quality products at high prices. Both strategies may not make a lasting foundation for a marketing strategy. They are quite risky in terms of the reached results (points projected from G and H areas to the EF segment may end up in the "Bermuda triangles". The application of "activating" strategies may start conflicts with the competitors. Finally, the application of "wasteful" strategies may be considered a marketing pathology trait.

The importance of a properly designed marketing stimulation strategy in the process of setting up operating plans merits special attention. An extensive set of characteristics that denote a chosen marketing stimulation strategy is the framework of operating marketing mix. The process of building a marketing mix that is to be applied to current operation on that framework of instruments anticipated by the marketing stimulation strategy is effective. Hence, operating marketing programs may vary, yet by the fact that they embrace, as their framework, the instruments implementing marketing stimulation strategy, they continually affect the same buyers.

5. Market segmentation strategy.

The author holds an opinion that two issues (market segmentation strategy) must be settled prior to implementation of the method affecting the market with quality-price benefits:

1) Enterprise potential analysis in terms of feasibility of implementation of a given marketing stimulation strategy. The recognized potential may allow to affect by marketing stimulation strategy (a potential does not allow full implementation of marketing stimulation strategy), all clients on a certain market, or only a part thereof,
2) Multi-faceted analysis of the clients on the market. Only the knowledge about the quantity and price expectations of customers is used in marketing stimulation strategy. Those clients are autonomous "entities" with various motives, preferences, attitudes, behavior on the market, etc. To exert a strong influence on a customer in the current activity, that customer must be perceived in a comprehensive way. The knowledge gained about a customer will allow to decide whether the market should be affected with just one marketing program (the clients confirmed to be homogeneous, which allows formulation of a profile of a "typical" customer, and adopt appropriate customized solutions), or whether the market should be affected with various marketing programs (customers are considered to be heterogeneous,

and they enforce designation of market segments as well as creating a separate program for each segment to fit its “typical” customer .

An enterprise must possess a special potential to be able to implement a chosen marketing stimulation strategy. To reach the desired objectives, an enterprise must analyze its potential from the angle of feasibility of implementing a chosen marketing stimulation strategy, i.e. a possibility to reach a certain market with a generated set of benefits defined by quantitative and price parameters. In the analysis of its potential, an enterprise may take one of the two decisions:

- assess its potential (in categories of feasibility of implementation of a chosen marketing stimulation strategy) as sufficient, both in terms of its volume and structure, to implement that strategy completely, which means the enterprise can reach with its offer all customers on the market (full market coverage), as defined by the choice a that strategy,
- assess the potential it has (in categories of feasibility of implementation of a chosen marketing stimulation strategy) as insufficient, both in terms of its volume of structure to fully implement that strategy. That means an enterprise is not able to reach all customers on the market with its offer, but only their part (partial coverage of the market). Under such circumstances an enterprise must scale down its operation. In most cases such reduced operation translates into giving up the delivery of a certain set of benefits to customers living in diverse geographic locations (to give an example, an enterprise initially intended to deliver a set of benefits to the customers from the whole territory of Poland, yet following the analysis of its potential, it scaled down its operation to the Małopolska region).

The results of a multidimensional analysis of customers selected through marketing stimulation strategy, in its model version, fall into two cases:

- it may be ascertained on the basis of the analysis that the customers are homogenous, they constitute one segment. A profile of a ”typical” customer is the starting point for drafting a marketing operating program. To make the process of drafting a program more efficient one set of rules should be accepted, as well as the guidelines for filling in the framework of marketing stimulation strategy. Consequently, it will be feasible to set up one operating marketing program that will be applicable to all customers,
- it may be ascertained on the basis of the analysis that customers are heterogeneous. They should be carefully segmented, and each segment should be provided with a profile of a “typical” customer, which is prerequisite for the formulation of efficient and effective marketing operating programs. It should be decided how many rules and principles for filling in the framework of marketing stimulation strategy and how many segments have been identified. Consequently, separate marketing operating programs are set up, targeted on a “typical” customer of each segment, and then executed.

It is permissible to analyze jointly the decisions made on the basis of recognizing the enterprise potential, its market coverage, as well as the decisions pertaining to differentiation of marketing operating activity, in line with the diversification of customers. Two options identified for each of the considered issues, “crossed” in the analysis, allow to distinguish four strategic variants (Table 1)

Mass marketing is a strategic option consisting in the application of a single marketing operating program (customers selected with marketing stimulation strategy are homogenous) to all customers (full market coverage).

Concentrated marketing is a strategic option that involves the application of a single marketing operating plan (customers selected with marketing stimulation strategy are homogenous) to a defined group of customers (partial market coverage).

Multisegment marketing is a strategic option whereby various marketing operating programs are applied, each to a different segment of customers, selected with marketing stimulation strategy, and all programs are launched (all segments are targeted).

Table 1. Strategic options resulting from the identification of enterprise potential and differentiation of customers

Potential / Customer	Proper	Improper
Homegenous	Mass marketing	Concentrated marketing
Heterogenous	Multisegment marketing	Selective marketing

Source: Author's own on the basis of R. Niestrój: Zarządzanie marketingiem. Aspekty strategiczne, Wydawnictwo Naukowe PWN, Warszawa 1996, p. 187.

Selective marketing is a strategic option consisting in the application of various marketing operating programs (each program targeted on a different segment of customers, selected with marketing stimulation strategy) and launching the selected programs (targeting only some segments).

6. Recapitulation

It is important to note the connections between marketing stimulation strategy and market segmentation strategy.

The selection of preference strategy is prerequisite for a precise segmentation. Customers with high quality preferences are quite diversified relative other attributes. Strategic selection consists mainly in deciding whether it is more beneficial for an enterprise to target a single (selected) market segment, or targeting all (majority of) segments. An enterprise deciding on the preference strategy (or mixed strategies based on the latter) will mostly apply multisegment marketing or selective marketing.

Selection of price – quantity strategy, once the applicable costs and turnover requirements have been considered, mostly necessitates application of a single marketing operating program addressing all customers, or at least a sufficiently big group of them, thus generating economies of scale benefits. By the very nature, an enterprise choosing price-quantity strategy (or other strategies based on it) will apply mass, or concentrated marketing.

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Streszczenie

Celem opracowania jest ogólna charakterystyka komponentu strategii marketingowej, określonego jako strategia nakierowana na klientów. Według Autora, strategia nakierowana na klientów składa się z dwóch poziomów: strategii stymulacji rynku i strategii podziału rynku. Oba komponenty zostaną scharakteryzowane. Właściwe rozważania zostaną poprzedzone zarysem autorskiego rozumienia pojęcia „strategia marketingowa" oraz prezentacją założeń przyjętych przez autora dla formułowania tego rozumienia. Jest to konieczne, ponieważ przyjęte rozumienie strategii marketingowej tworzy „szkielet" dla pojęcia strategia nakierowana na klientów.
Słowa kluczowe: strategia marketingowa, strategia nakierowana na klientów

Informacje o autorze:

Dr Marek Rawski
Cracow University of Economics