Incorporating the Perception of Favorability

Abstract

Savvy marketers can use effective market segmentation strategies to optimize their marketing approaches, resources, programs and even messages to gain powerful marketplace advantages. The following Cambia Briefing Report explores how organizations can incorporate their customers' perceptions of and favorability towards their brands, industries or even competitors to gain a competitive edge in their respective marketplaces.

Answer Powerful Questions to Prioritize Market Segments

Organizations that embrace the idea that brand loyalty means people feel a connection to their brand are generally favorable to incorporating market segmentation into their approaches for developing a marketing strategy. Market segmentation identifies and profiles distinct groups of buyers who differ in their needs, preferences and responsiveness to an organization's products, services or programs.

Most market segmentation schemes provide answers to fundamental questions about customers and prospects such as:

- Who are they?
- What do they want to buy?
- Where do they want to buy it?
- When do they want to buy it?
- How do they want to buy it?

However, effective market segmentation that enables a brand to gain a strategic advantage should also answer the following questions:

- WHY do they want to buy it?
- HOW WELL do they know us?
- Do they LIKE us?
- HOW WELL do they know our competitors?
- Do they LIKE them?
- From WHOM do they want to buy it?
- WHY do they want to buy it from us or from them?

Basic market segmentation strategy rarely goes beyond the first Who, What, Where, When, How list above. These segmentation schemes generally cover the four "P's" of marketing and rely upon their own marketing strategies and tactics and customer purchase activity, leaving it up to marketers to guess at precisely why and with whom they will be able to drive brand preference and loyalty. More importantly, though, limited behavioral segmentation can lead brands to ineffective and inefficient use of their marketing resources and expenditures.

Segmentation and the Customer Loyalty Chain (IS THIS YOUR MODEL??? If not, let's use yours)

Marketers generally measure customer loyalty at three stages of the brand consideration and purchase process:

- Customers enter the brand consideration and purchase process at the Awareness phase. At that stage, they have some familiarity with a brand and its products and services but have not yet considered brands for purchase.

- During the Brand Perception stage, customers begin to form important perceptions of your brand (and your competitors' brands) that indicate their positive or negative feelings – commonly referred to as Favorability – and the attributes that contribute to brands being considered.

- Favorability then impacts Brand Support, which characterizes behavioral outcomes, such as purchase and recommendation.

Many companies track performance against purchase metrics (e.g. market share, revenue, units sold, order volume, etc.) or recommendation metrics (e.g. willingness to recommend, Net Promoter Score, etc.) but relatively fewer define and manage to metrics associated with Brand Perception. As such, those companies' market segmentation schemes focus on measures of Brand Awareness and the behaviors associated with Brand Support without taking into consideration Favorability and Brand Perception. These companies that do not include Favorability in their segmentation schemes may be missing a compelling opportunity to optimize their brand marketing strategies.

Optimize Marketing Segmentation to Engage With Your Best Customers

Segmentation schemes that include Favorability help marketers identify not only their most likely customers, but their best customers. Most companies want to streamline their marketing budgets and engagement efforts to focus only on those customers and prospects who have the highest propensity to buy from them.

If, for instance, a PC manufacturer were to focus only on those customers who didn't purchase their systems in the past, the manufacturer could potentially spend excess marketing resources and effort to sway the behaviors of prospects who have very little chance of actually becoming customers of their brand.

For purposes of this example, let us assume that this PC manufacturer spends precious marketing time and effort on a segment defined exclusively by whether or not they purchased that brand's PCs – without the insight into precisely WHY those customers did not purchase from them. With a segmentation scheme that includes Favorability, the PC manufacturer would be able to isolate groups of prospects upon which they should not expend valuable marketing resources – for instance those prospects who would never purchase PCs because they always buy Apple products.

Understand Drivers of Favorability to Steal Share From Competitors

Expanding market segmentation to include Favorability can also prove powerful in understanding how to extract share from competitors. With a market segmentation scheme that incorporates Favorability, the same PC manufacturer from the previous example could identify prospects who did not purchase PCs from that company but are: 1) favorable towards PCs in general and 2) have low favorability towards the company's competitors. With additional exploration, the PC manufacturer could identify the drivers of Favorability to gain insight into the reasons why these prospects are Unfavorable towards competitors and how specifically they find value in its own brand. Doing so could surface opportunities for the PC manufacturer to sway Favorability towards them by addressing those objections with its own strategies, messages and offerings.

In summary, a brand can only deliver value if it understands what its customers consider valuable and how those things drive Favorability. The more granular marketers become in their understanding of their customers and prospects, the easier it is for them to meet diverse customer needs, move into new areas and remain relevant and useful in the future. A robust market segmentation strategy that incorporates brand Favorability can help align the organization and focus marketing resources on the customers most highly predictive of the organization's success.