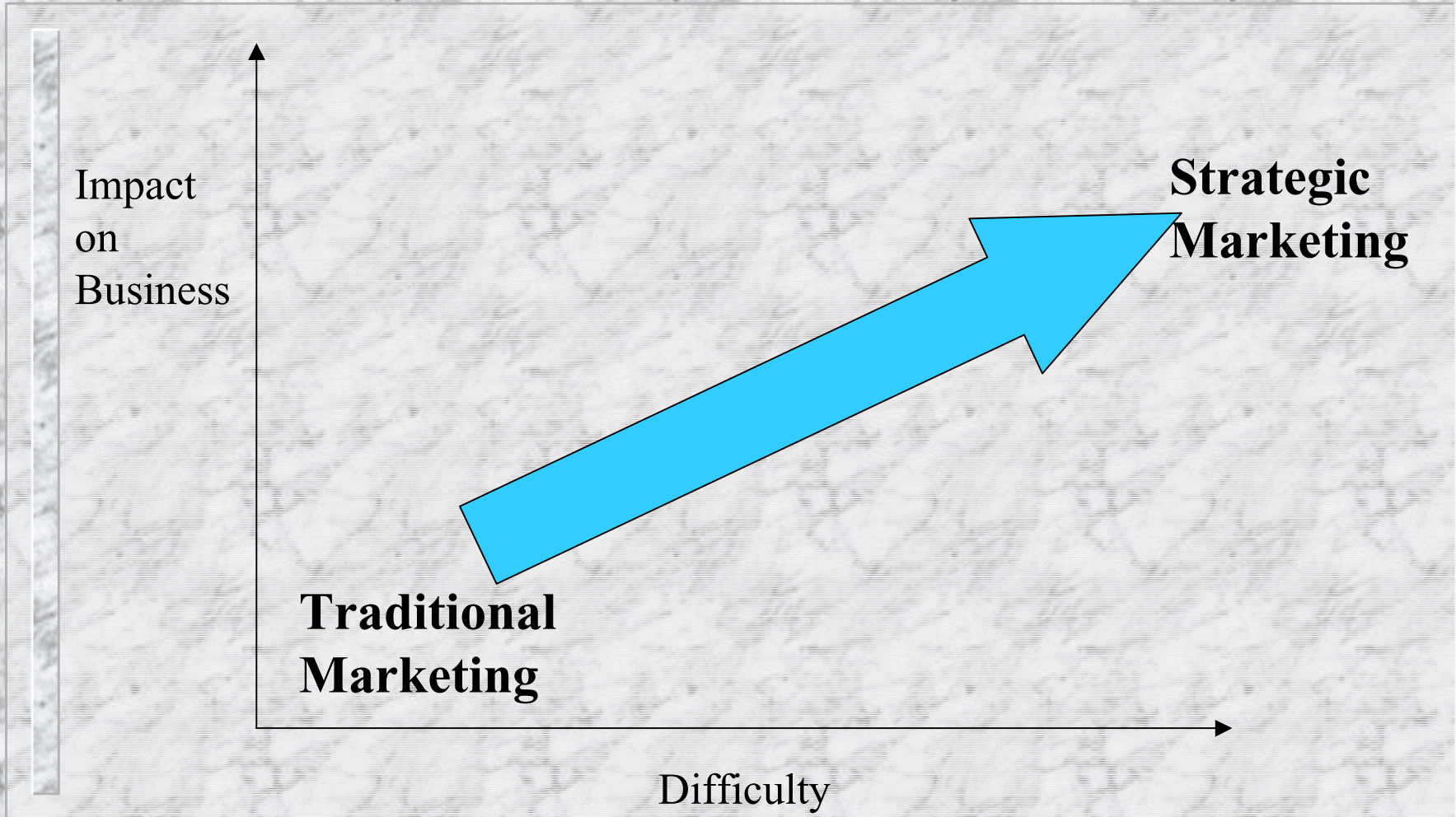


**Strategic Marketing**  
**MTDB Strategic Planning Workshop**

September 18, 1999

Mitchell E. Steller  
Steller Carson Associates  
16787 Bernardo Center Drive, Suite A11  
San Diego, CA 92128

# Traditional vs Strategic Marketing



# Traditional Marketing -- Marketing 101

*How do you manage the marketing function?*

- Product
- Price
- Promotion
- Position

# Product -- More than Service?

*Are you delivering the right product to the right people?*

- What
- Who
- Feedback loop
- Innovation

# Price -- Value or Cost?

*Does senior management have a clear understanding of your value proposition?*

- Money
- Time
- Intangibles

# Promotion -- Finding & Retaining Customers

*How do you tell customers what is available?*

- Push vs Pull
- Media
- Technology
- “Moment of Truth”

# Position -- Preferred Provider?

*How do you rank against alternative modes?*

- MTDB perspective
- Customer perspective

# Strategic Marketing -- The Next Step?

*Innovative thinking and modern tools can move us past Marketing 101*

- “Creating New Market Space”
- Market Research
- Market Segmentation
- Choice Modeling

# Creating New Market Space

	Head to Head	Creative Thinking
Industry	focuses on rivals within its industry	looks across substitute industries
Strategic Group	focuses on competitive position within strategic group	looks across strategic groups within its industry
Buyers	focuses on better serving the buyers	redefines the buyers
Scope of Offerings	focuses on maximizing value of offerings within its industry	looks to complementary offerings beyond its industry
Functional Emotional Orientation	focuses on improving price-performance within the orientation of its industry	rethinks the functional-emotional orientation of its industry
Time	focuses on adapting to external trends as they occur	participates in shaping external trends over time



Source: *Harvard Business Review*, January-February 1999

# Market Research -- The Full Range

*What do you need?*

- Personal contact
- Surveys
- Feedback
- Observation
- Experimentation
- Simulation

# Collecting Product Data -- ACE

**The Attribute Categorization and Evaluation Matrix**

	<b>Basic</b>	<b>Discriminator</b>	<b>Energizer</b>
<b>Positive</b>	<b>Non-negotiable</b> Perform at least as well as competitors but not much better	<b>Differentiator</b> Perform better than competitors if attribute is salient to target customers	<b>Exciter</b> Perform better than competitors
<b>Negative</b>	<b>Tolerable</b> Perform no worse than competitors but not much better	<b>Dissatisfier</b> Perform better than competitors and correct problem soon	<b>Enrager</b> Correct problem at any cost
<b>Neutral</b>	<b>So What?</b> Retain only those attributes needed for other target segments or other justifiable reasons	<b>Not Applicable</b>	<b>Not Applicable</b>

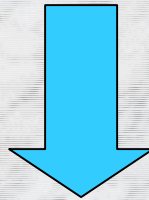
*Source: MacMillan & McGrath*

# ACE Example -- US Flag Cruise Ship

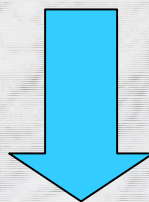
	<b>Basic</b>	<b>Discriminator</b>	<b>Energizer</b>
<b>Positive</b>	<b>Non-negotiable</b> Meet all performance requirements	<b>Differentiator</b> Operational flexibility	<b>Exciter</b> Low operating costs
<b>Negative</b>	<b>Tolerable</b> Derivative of old design	<b>Dissatisfier</b> Appearance of ship	<b>Enrager</b> High purchase price
<b>Neutral</b>	<b>So What?</b> Regulatory compliance	<b>Not Applicable</b>	<b>Not Applicable</b>

# Customer Segmentation -- Demographics vs Psychographics

Who are they?

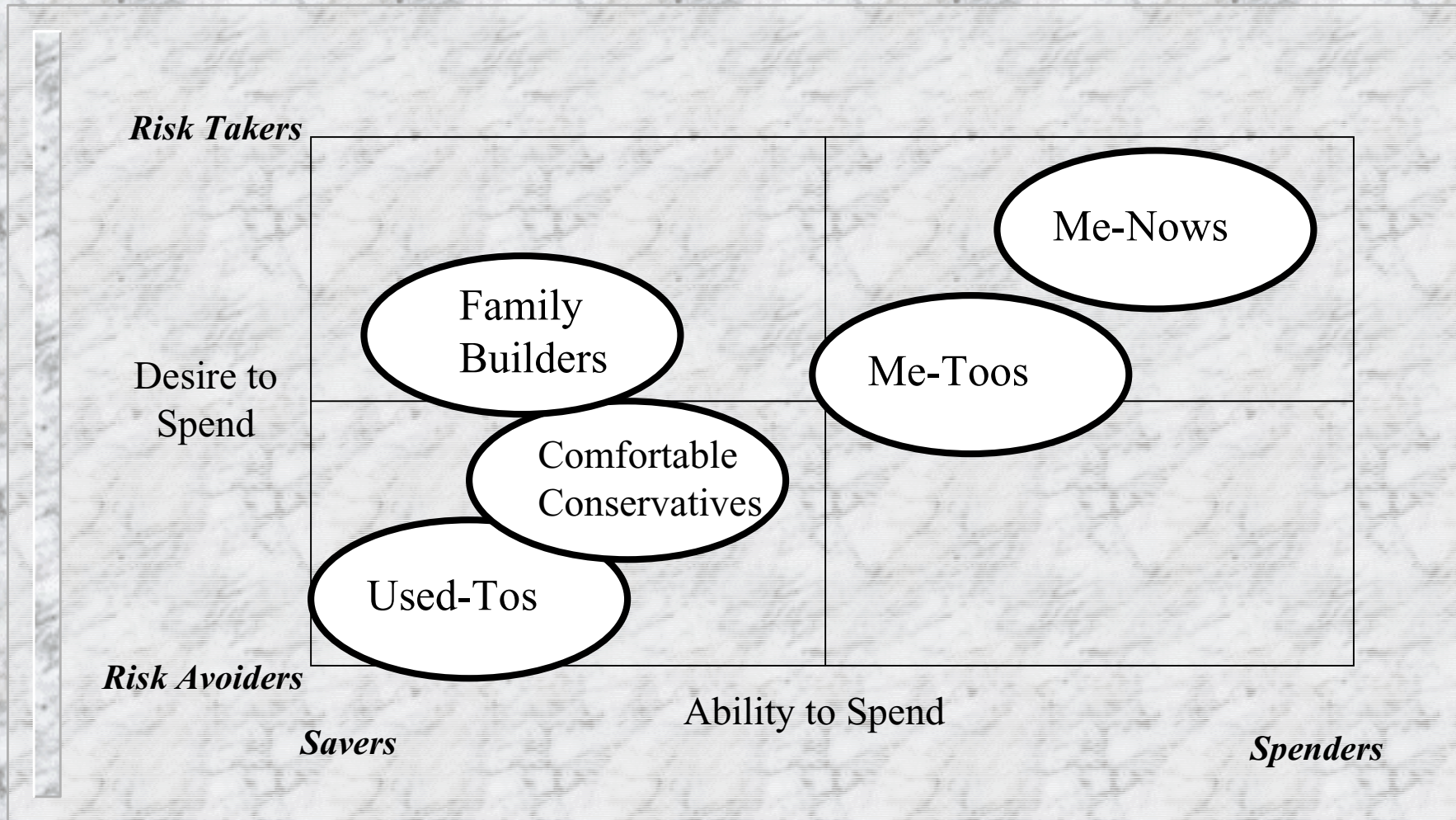


What do they want?



What *will* they want?

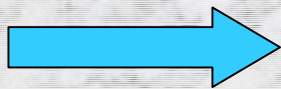
# Case Study -- Cruise Segmentation in 1987



# 1987 Cruisers

## *Me-Nows*

- Both younger and older, active, liberal
- Higher income
- 15% of households with 30% of US purchasing power
- Rapidly growing segment
- Spenders, risk-takers

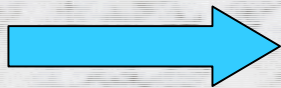


Not a prime market, except short cruises

# 1987 Cruisers

## *Comfortable Conservatives*

- Older, conservative
- Higher income
- 10% of households with 19% of US purchasing power
- Little growth
- Conservative spenders

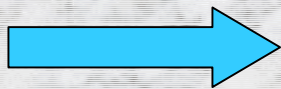


Prime market for longer cruises

# 1987 Cruisers

## *Family Builders*

- Younger and middle-aged with children
- Low to moderate income
- 28% of households with 28% of US purchasing power
- Declining slightly
- Like economy in family-oriented travel and entertainment; interest in health



Moderate market, generally without the kids

# 1987 Cruisers

## *Me-Toos*

- Younger, no children
- Lower income
- 22% of households with 13% of US purchasing power
- Declining significantly
- Copy “me-nows” but spend less



Minimal market, shorter cruises only

# 1987 Cruisers

## *Used-Tos*

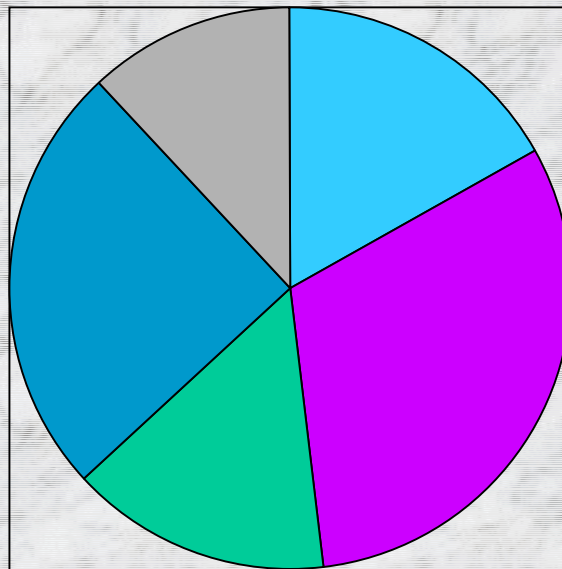
- Older
- Lower income
- 25% of households with 11% of US purchasing power
- Declining segment
- Retired on pensions, dislike spending and trying new things



Too little money to be a major market

# Case Study -- Cruise Segmentation in 1999

## *Cruising Prospect Market*



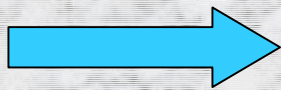
- Want-It-Alls
- Family Folks
- Cautious Travelers
- Comfortable Spenders
- Adventurers

Source: Cruise Lines International Association, February 1999

# 1999 Cruisers

## *Want-It-Alls*

- 42 years old, 37% college grads
- \$53K income
- 70% married
- On the way up
- Workaholic, fashionable, trendy

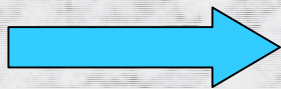


Interested in cruising, but worried about quality of the experience

# 1999 Cruisers

## *Family Folks*

- 40 years old, 38% college grads
- \$48K income
- 89% married
- Family oriented, practical, down to earth, budget conscious, cautious

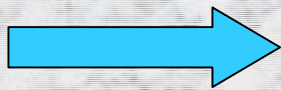


Not too interested in cruising due to expense and not for children

# 1999 Cruisers

## *Cautious Travelers*

- 50 years old, 49% college grads
- \$40K income
- 66% married
- Cautious
- Not physically active, happier with simpler things

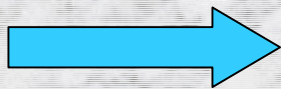


Lest interest in cruising, worried about an unfamiliar experience

# 1999 Cruisers

## *Comfortable Spenders*

- 44 years old, 56% college grads
- \$64K income
- 76% married
- Physically active
- Successful, sports oriented, well traveled, cultured, fashionable



Interested in cruising, no major barriers

# 1999 Cruisers

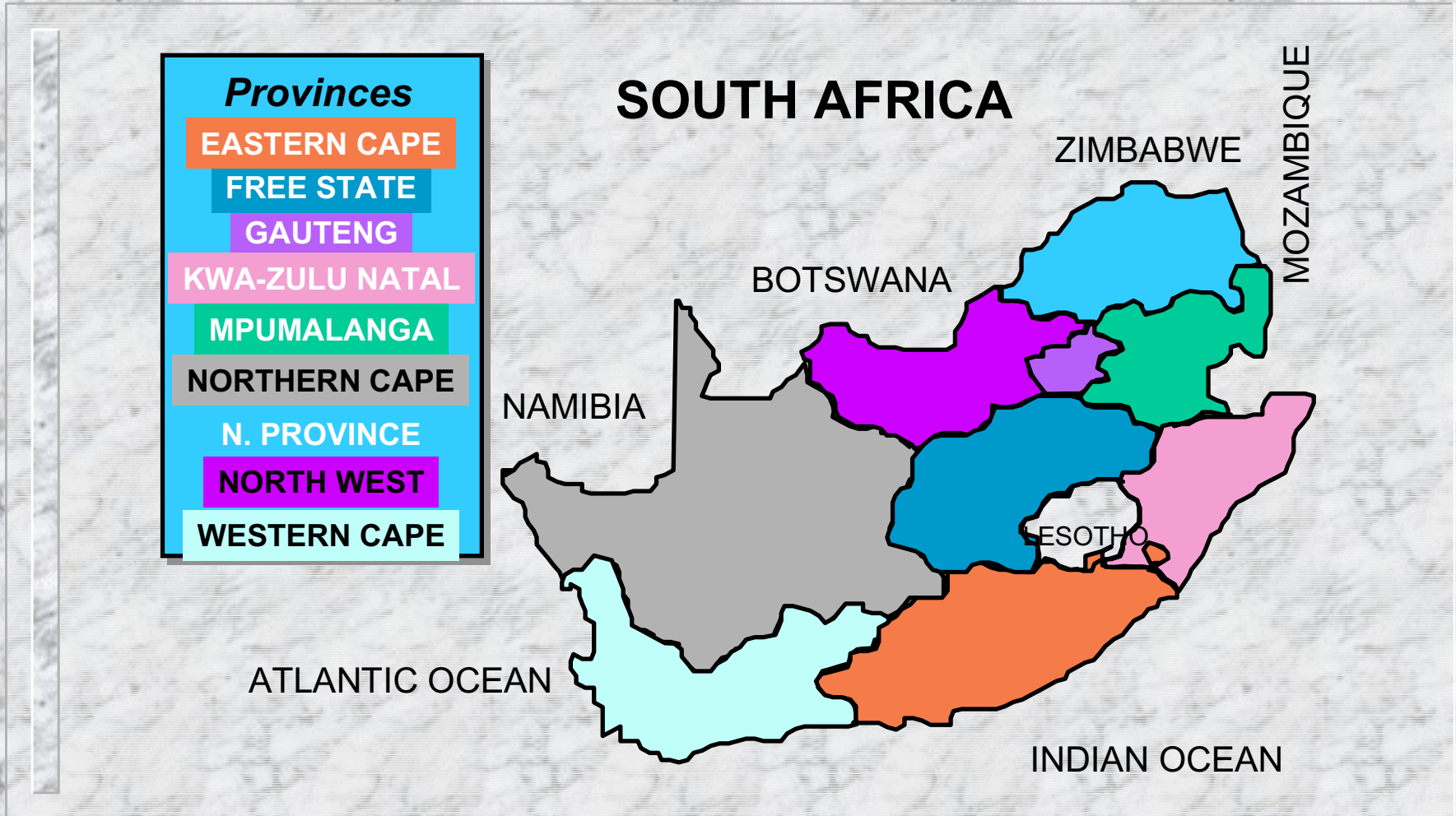
## *Adventurers*

- 44 years old, 65% college grads
- \$56K income
- 60% married
- Independent minded
- Ready to try new things, willing to take risks, well traveled, intellectual, cultured



Interested in cruising, but worried about being able to do what they want to do

# Case Study -- Urban Transportation



# Moving South Africa

*MSA's objective was to define a transport strategy for South Africa through 2020*

## **Process:**

Highly consultative, including over 60 transport stakeholders on the Steering Committee

## **Strategic Focus:**

Which customers to serve, at what level of service, at what level of cost

## **Project Scope**

- 1 14 months
- 1 all major transport modes
- 1 government and industry
- 1 Freight and Passenger
- 1 International, national, urban, and rural

## **Analytic Agenda:**

Provide solutions for 19 key issues selected by the Steering Committee, including:

- Affordable basic access
- Role of transport in economic development
- Technology
- Infrastructure and flexible capacity

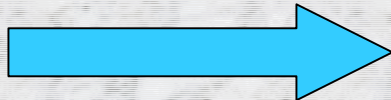
# Needs Based Urban Transport Customer Segmentation

Segment	Description	Primary transport needs <sup>1</sup>	Defining characteristics <sup>1</sup>
<b>1. Stranded</b>	Cannot afford public transport <sup>2</sup> (due to cost and access)	<ul style="list-style-type: none"> <li>Affordability</li> <li>Access</li> </ul>	<ul style="list-style-type: none"> <li>Very low household income</li> <li>Resides in ex-homelands, informal settlements or townships</li> <li>Walks or cycles for more than 30 minutes one way</li> </ul>
<b>2. Survival</b>	Captive to public transport and cost-sensitive (select the cheapest option available)	<ul style="list-style-type: none"> <li>Affordability</li> <li>Access</li> </ul>	<ul style="list-style-type: none"> <li>Low household income</li> <li>Resides in ex-homelands, informal settlements, townships or inner city</li> </ul>
<b>3. Sensitive</b>	Captive to public transport but quality sensitive (choice is made not only based on affordability)	<ul style="list-style-type: none"> <li>Access</li> <li>Travel time</li> <li>Quality</li> </ul>	<ul style="list-style-type: none"> <li>Moderate household income</li> <li>Resides in ex-homelands, townships, inner city or suburbs</li> </ul>
<b>4. Selective</b>	Can afford a car but willing to use public transport or to participate in vehicle sharing schemes (lift clubs etc)	<ul style="list-style-type: none"> <li>Access</li> <li>Travel time</li> <li>Quality</li> </ul>	<ul style="list-style-type: none"> <li>Moderate to high household income</li> <li>Resides in townships, inner city or suburbs</li> </ul>
<b>5. Stubborn</b>	Unwilling to use any mode other than private auto	<ul style="list-style-type: none"> <li>Travel time</li> </ul>	<ul style="list-style-type: none"> <li>High household income</li> <li>Resides in suburbs</li> <li>Averse attitude to public transport</li> </ul>
<b>(Strider)</b>	Does not require motorised transport - walking or cycling is adequate for trip distance	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Walks or cycles for less than 30 minutes one way</li> <li>All income bands</li> <li>All residential locations except ex-homeland and informal settlement</li> </ul>

# But What About the Realities?

*Resource constraints usually dictate what we can do*

- Money: bang for the buck
- Time: staffing levels and focus
- Commitment from senior management



What are the priorities?

# Where Does MTDB Fit?

