ASSIGNMENT TITLE: ASSIGNMENT TWO MKTM028: STP

MODULE: MKTM028 STRATEGIC MARKETING

APPLICATION OF STP MODEL IN BUSINESS OPERATIONS

Name

Date

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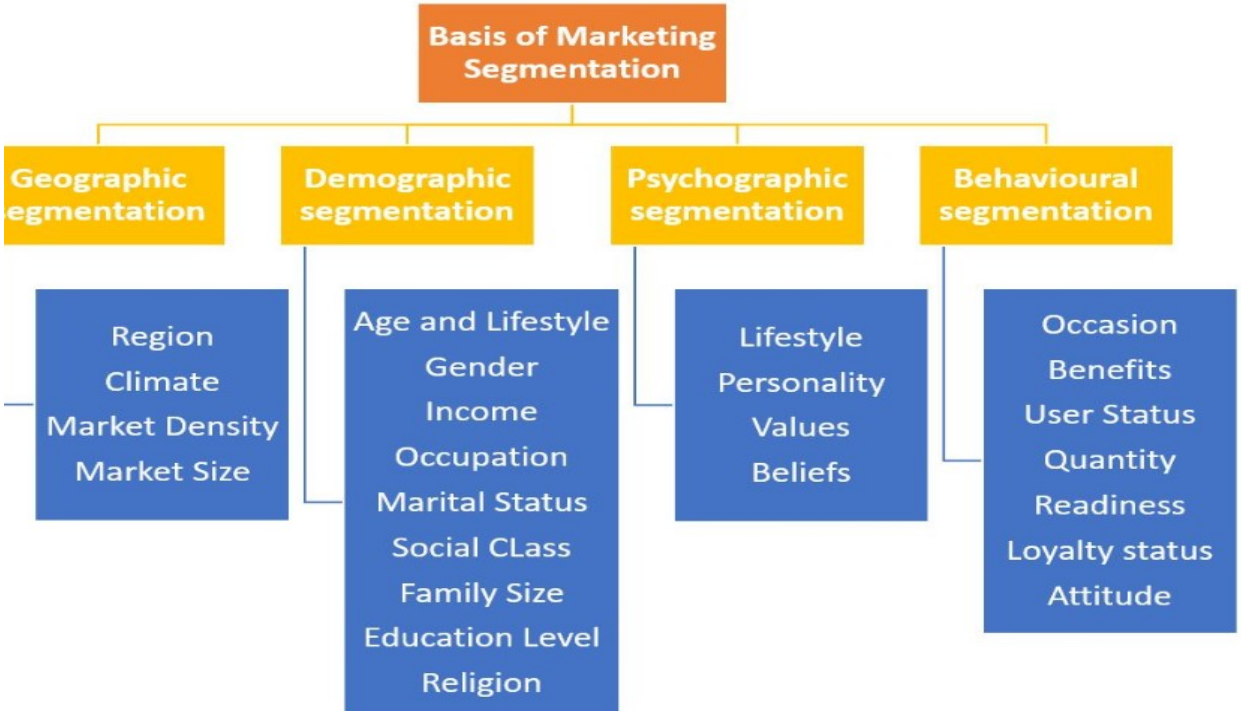
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Introduction

To gain competitiveness in markets, business has to understand customer needs and thrive to offer reasonable values toward them (Walz at el, 2016). According to sovereign customer theory, customers have power and right to decide what to buy or not. This implies that failure or success of any business relies on customers taste and choice. It’s imperative that managers have to strategise effectively to ensure they align their services and goods to meet customers’ needs. Organisational resources are always limited in nature and thus manager's needs to be careful when allocating resources to ensure they meet customer demands (Moffitt, 2016.). Due to high population rates in the world, it's difficult for an organization to meet all customers' needs and this calls, managers to identify and concentrate with specific customer market in the economy. This can be achieved by identifying target customers, market segments and positioning brands in the most attractive manner. This essay will, therefore, explore segmentation, targeting and positioning (STP) theory, its applicability in different organization and recommend how it can be applied successfully in organisations.

Market segmentation

This Refers to the process of dividing the customer base into groups of individuals that bears specific similarities such as gender, age, spending habits, and interests (Wilson &Gilligan, 2012). Segmentation utilises a mix of psychographic, geographic and demographic variables as they aim to serve the customer. It helps the organization understand the different groups of customers, based on variables that distinguish populations.



(bbamantra.com, n.d)

Geographic- organizations have to divide market basing on climatic condition and geographical positions (Christopher, Payne &Ballantyne, 2013). For example, regions with cold climate will be targeted by companies who produce warm clothes while desert regions will attract light cloth companies. High priced goods will be tailored toward urban markets while low and medium priced goods will target rural areas.

Demographic- segmentation considers issues like age, size, and gender, the income of the consumer, socio-economic groups and beliefs. For example, young people will consider purchasing trending and modernised goods which are stylish. While old people will stick to old products due to tasted royalty. Therefore companies have to consider the age brackets before launching products (Weinstein, 2013). Also, the income of people is crucial when it comes to segmentation; entities have to produce prestige and low priced goods to target low class and high-class consumers. Some products are not acceptable in a certain religion. For instance, companies intending to launch pork selling in the Muslim nation may not succeed because it's against ethics and beliefs of Muslim to eat porks.

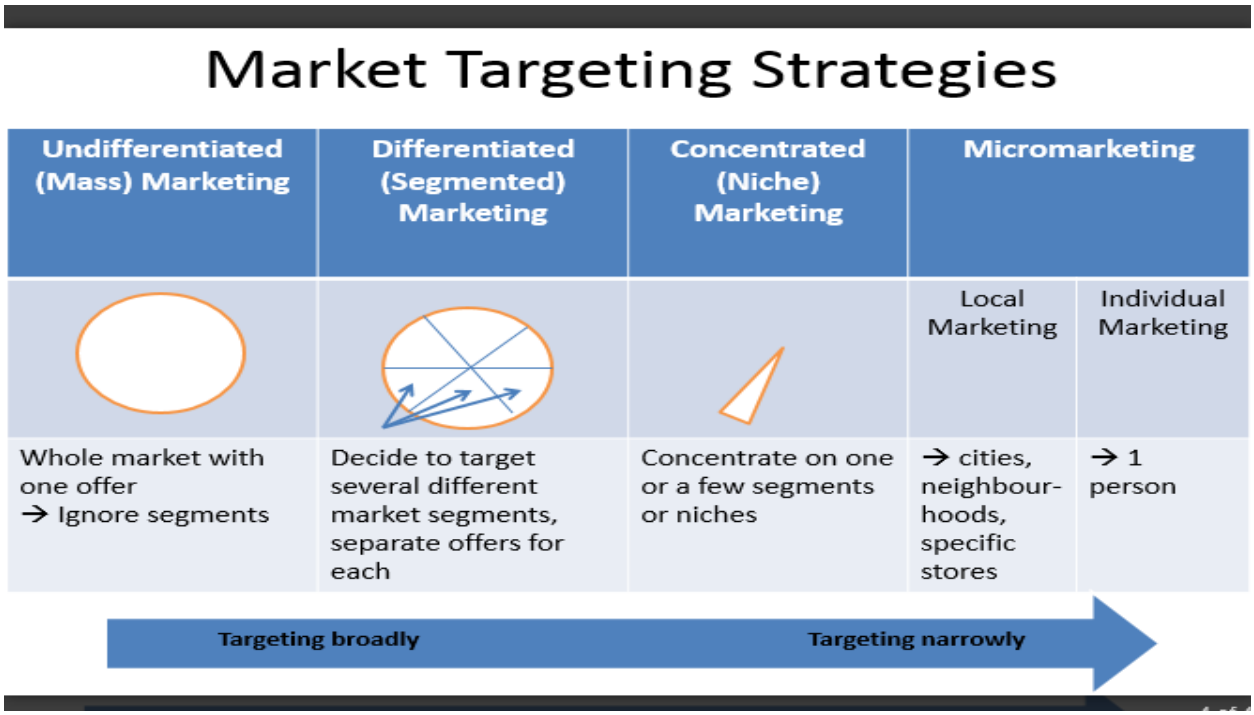
Behavioural segmentation-this entails grouping people according to the pattern of behaviour and how they use the substance. Behaviour can also be based on their thinking and decision making criteria. Most customers under this brackets consider features, specifications and after

sales services before they purchase products (Cross, Belich &Rudelius, 2015). For instance, most young people will consider storage space, size of the camera, touch screen and installed social Media before they purchase a smartphone. Organization, therefore, has to outline specifications and clear details to describe their products when attracting new customers to their products.

Psychographic segmentation- personality attributes, attitudes, class of people and their product opinion plays a vital role in this segment. People behave differently at a specific time of their growth, and thus managers have to be keen when segmenting markets. For instance, brands with a positive reputation will tend to sell high in markets as customers have good attitudes toward it. This triggers them to like and refer friends purchase same product for them to experience the same taste (Gilligan &Wilson 2012).

Targeting

After segmenting markets, managers have a clear focus on whom they produce services and goods too. The next step is to identify segment specific needs. Target marketing implies delivering tailored, customised and upgraded products to meet specific customer needs (Tanner &Raymond, 2015). Targeting strategy helps business to interact with customers one on one thus creating strong customer relationships. There are four targeting strategies namely, differentiated, individual approach, undifferentiated and concentrated strategy.



(Source: Hooley, Piercy &Nicoulaud, 2012)

Undifferentiated strategy- under this strategy, the firm assumes that the customer has similar needs and wants. This makes them focus on producing one product and use a single marketing channel to reach customers (Schlegelmilch, 2016). As a result, customers will have no other option rather than purchase since there are no alternative products. For example, companies dealing with salt and sugar production use this strategy. Due to specialisation on producing one product. The company will enjoy low production and marketing cost thus making it earn more profit. The only challenge with undifferentiated strategy is that firms will be susceptible to incursions especially from competitors who customise, design and upgrade their marketing mixes to attract smaller segments

The differentiated strategy entails understanding the fact that customers have divergent needs. As a result, companies will thrive to produce multi-segment goods to meet different customer needs. For example, Toyota Company embraces this strategy whereby it manufactures luxury vehicles, small and sport utility vehicles (Andaleeb, 2016). The differentiated strategy is associated with the high cost for research, design and inventory and thus managers have to compare cost and benefits in the target segment before launching products.

The concentrated strategy is mostly focused on meet the ng needs of narrow based customers. Managers are concentrated in a unique product which they believe they can serve best. As a

result, research and development are focused under one market segments. Customer needs are well understood due to constant engagement and consultations (Hooley, Piercy &Nicoulaud, 2012). As a result, customers stick towards products making the brand to have a good reputation in the market this triggering high profit in the long run.

The individual strategy entails offering services and goods as per segment order. Companies using this strategy embrace just-in-time approach technique which entails producing well when the customer places an order. This implies that constant engagement with customers directly or online to get the design, quality and specification that customers need in a product (Anozie, 2013). This strategy is the most expensive, and thus managers must evaluate the benefits and cost of producing one unit of product.

Positioning



(Hbc.org, n.d)

Positioning is a crucial function of segmentation which helps business to rank itself in the market. It expounds the position business stands, what product dominates and what customers perceive about their brands. Additionally, it refers to a company's market share, competitors for that particular market and the stage of growth (Chen & Zhou, 2013). A competitive positioning analysis is carried out to allow a company to develop strategic plans about its current competitive position. Such an analysis may be carried out to maintain an advantage in the market, try to improve, or in specific cases enable a firm to exit a market. Such an analysis assesses market

share; firms present marketing strategies, prices, and costs as well as clients' perception on product and service. In competitive positioning analysis, a market profile is a set of qualities that relate to a target population which in essence refers to a target group of buyers (Bhadra, 2013). These characteristics include factors such as region and values, income, all of which a firm must study to establish positioning strategy.

Advantages of the STP model to business

STP model is an important tool to enhance the competitive advantage of firms. It helps business to group customers into small groups which are easy to manage and understand their needs (West,Ford &Ibrahim,2015). As a result, customers can engage with business, present their specification, desires and needs. This triggers business to upgrade, redesign or customise products to meet customers' expectations. Secondly, this model helps the organization to conduct research. Managers are accessed underground customers and understand challenges, complaints and grievances promptly. As a result, they translate customer's complaints into a viable opportunity for development. Also, STP model helps managers to position their brands strategically in the market this enabling business to thrive under steep competition (Proctor, 2014). Finally, the STP model helps business to reduce production, operational and marketing cost. This is because business focuses on advertising products which are relevant in the relevant market segment.

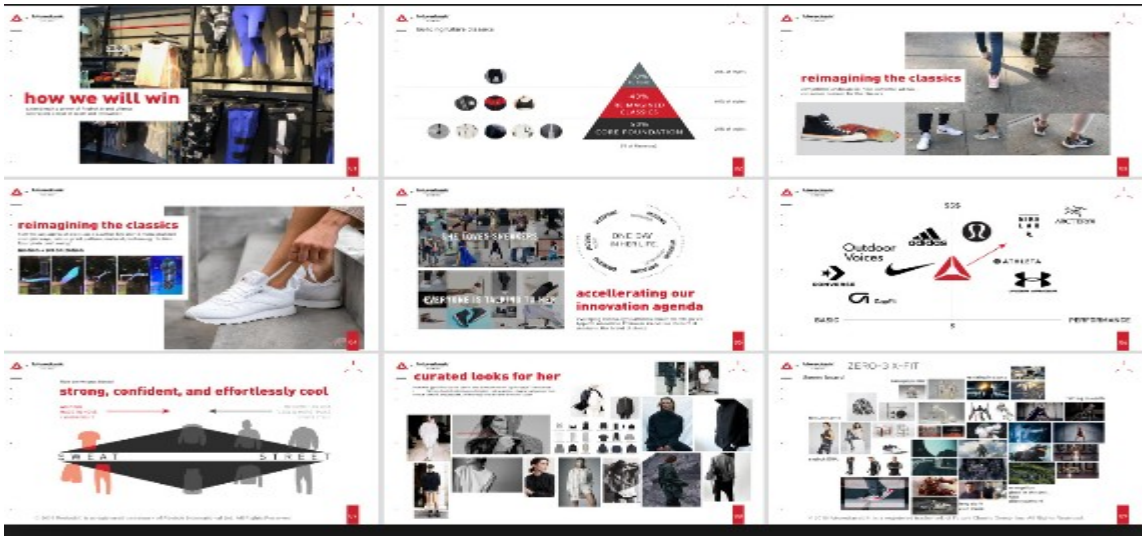
Beside such advantages, the STP model has some weakness. First, poor segmentation can cause a business to collapse. This occurs where managers have not conducted research concerning market trends, beliefs and customers purchasing behavior (Toften & Hammervoll, 2013). For example, targeting pork business in Muslim related region will automatically lead to the collapse of business as Muslim don't consume pork. Poor implementation of the model will cause incompatibilities in business leading to wrong decision making.

Application of STP model in organization CASE OF Rebook Company

Rebook company is UK based organization which was founded 1n 1890 by Joseph William Foster. Reebok International Ltd is headquartered in Boston USA. Currently, this company is a leading as the worldwide designer, distributor and marketer of lifestyle and fitness footwear, apparels and equipment (reebok.com, n.d). Reebok develops technologies, products, and

programmes which enable comfortable movement for customers whether it's functional training, combat training, dancing, yoga or aerobics. Effective segmentation, targeting and positioning of its brands has enabled this company to prosper in environments where other companies are quitting (Cao, DiPietro & Kock, 2015). The following is a discussion of how this company has used the STP model to gain competitive muscles in the Long run.

Rebook Segmentation



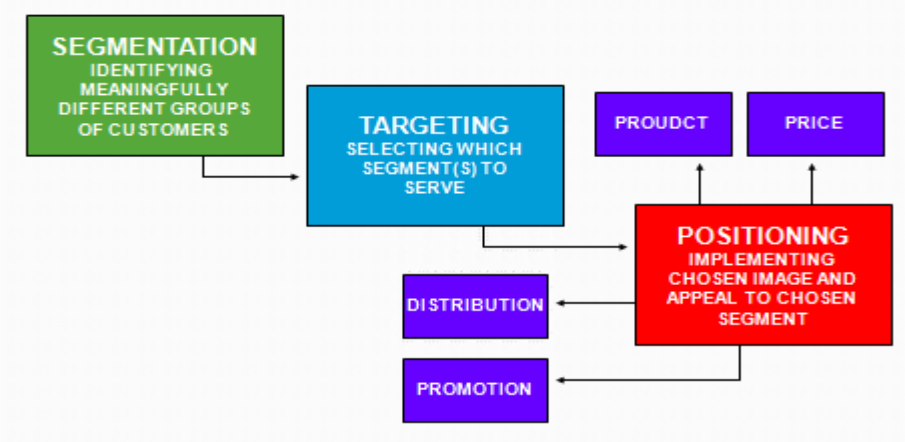
(Source: rebook.com, n.d)

Reebok’s segmentation strategy is based on geography, demographics, and psychographics. The company has focused its marketing in the United States and Asia where it is making high sales on both the Float-Ride running shoes and the classic shoes (Running To Stay Ahead). Demographically, the primary focus has been on the women and athletes. The classic shoes have also been developed to meet the needs of the women market. For instance, the company established an ‘only for women category' to satisfy this market (Reebok.com, n.d). Besides, it has also designed classic shoes for kids, both male and female. The ‘Float Ride' shoes have been designed to enhance comfort and flexibility among the athletes in different sports, for instance, NBA, and athletics. Basing on Age, this company has produced shoes for young athletes, dances and young university students who are trendy and fashionable (Singh, 2013). The segmentation strategy has been quite efficient and successful except for the only for women class which has not enhanced the sales of the company. Advertisement of this category can result in a perception that the brand is only associated with women locking out the potential male market.

Targeting

Based on the segmentation strategy, Reebok has targeted its market based on age, gender, and income. The company has slowly managed to establish itself as high fashion, premium, and top comfort product through raising its incorporation of new technologies and increasing prices for both the 'Float ride' and classic shoes (Schmid,2018). Reebok offers high premium priced classic and 'Float Ride' shoes to its clients to satisfy the high-end markets. On the age group category, Reebok targets kids' age 3 to 12 years. It has done this through opening classic and running shoe stores for kids. It also targets teenagers and adults above 21 years (Erus, 2016). Based on Gender Reebok has introduced products like Runtone for women and opened a shoe category for only women. Running and Classic shoes are provided for both women and men, but designs may vary for each category. The targeting strategy of Reebok is not bad. However, its premium pricing makes the product only accessible to the high-end consumers. In this case, the potential customers who prefer the Running shoes or the classic shoes of Reebok but in the low-end market cannot access it.

Positioning



(consumerpsychologist.com, n.d)

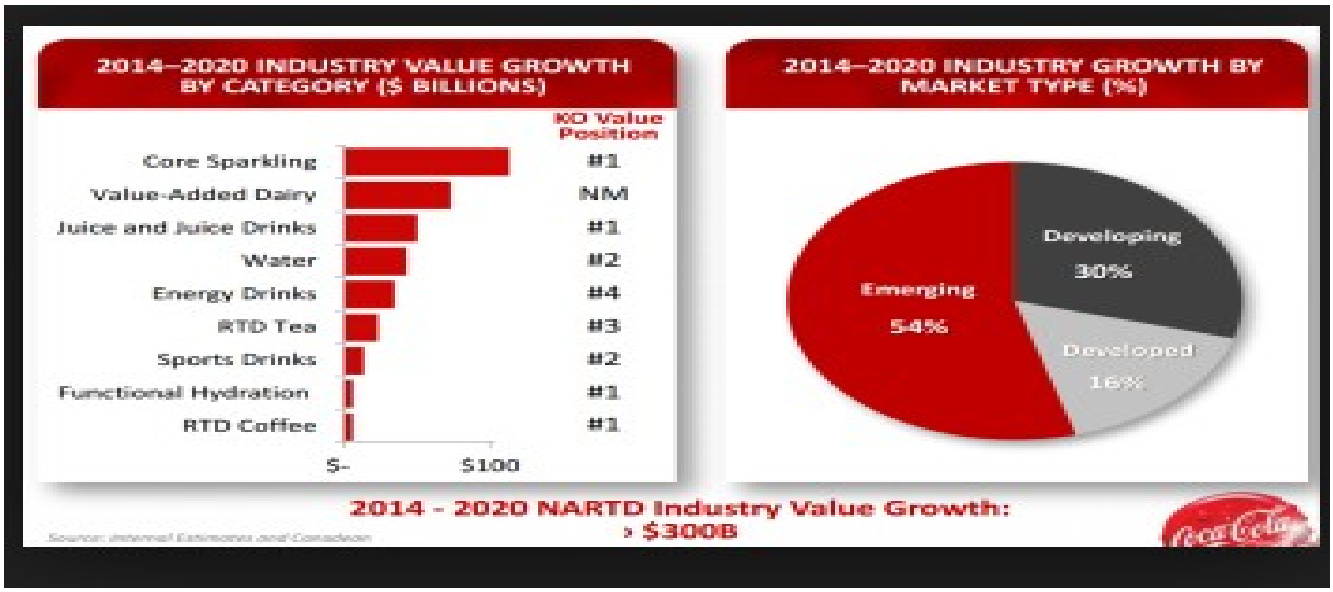
Reebok is positioned as a brand linked with fitness and comfort for both the Running shoes and classic shoes. The running shoes are positioned as the best and fit products for running and other games like NBA. It is in this case that the company have sought celebrity athlete endorsements, for instance, and undertaken sponsorship of different sports events such as NBA, and NBDL. The classic shoes are positioned as prestigious wear through association and endorsements from celebrities like 50 cents, Rick Ross, and Alicia Keys (Tolonen,2014). The brand is vertically

integrated thus enhancing direct and strong customer relations. Reebok primarily relies on the retail sales of the 'Float Ride' and the classic shoes. The strategy is considered effective except for vertical integration of the brand and over-reliance on retail sales which deters the company from realising its optimum performance.

Application of STP model Coca Cola Company

Coca Cola Company was founded in 1886 by pharmacist John Smith in Atlanta, Georgia. This company is world-leading in the production of beverages such as Sprite, Fanta and other more beverages (coca-cola.com, n.d). Embracing an effective marketing strategy is important for this company to gain a competitive edge. Coca-Cola company has embraced the STP model as explained:

Segmentation



(Source: Coca-cola.com, 2016)

As a global producer of beverages, the coca-cola company has segmented its markets in different geographical regions. For instance, it has opened subsidiaries in Africa, Asia, Europe and Latin America. Growth in different regions has led to increased sales and brand awareness. Basing on demographic segmentation, coca-cola produces beverages for young, old. Young people require tasty and sluggardly drinks while old people requires sugarless drinks (Khan, 2013). Coca-Cola produces coca-cola zero sugar drinks with fewer calories for old people while brands such as Fanta are sugary. Basing on social-cultural groups, coca-cola manufactures drinks depending on

the income of people. For instance, there are takeaway brands for customers in a hurry. Also, this company targets social activities such as sports and cultural dances. Through that, it can reach a wide customer base thus making high sales revenue. Behavioural segmentation groups customer with similar buying criteria or lifestyle together. Personal attitudes, knowledge and response that customers give towards coke brands are the basis for segmenting (De Mooij,2018). This company has been producing drinks with carbonates and others without carbonates to meet user's needs. Depending on customer's lifestyle, coca-cola has launched energy drinks to boost the health of consumers. Also, this company has segmented its brands to classy and celebrities. For example, a celebrity like Bill Cosby uses coke brand which is expensive for ordinary citizens.

Targeting

Coke brands target young people within the age of 15-30 years. This is because this age brackets consist of the most population in the world. Young people are also enlightened, and thus they can give feedback concerning the taste of the brands (Tanwar, 2013). Mostly, coca-cola targets sports and promotion activities to reach young people. Coca-Cola brands also target low and medium class people. This is evidenced from pricing criteria and mode of advertisement this company uses.



(Source: slideshare.net, n.d)

For instance, this company produces beverages which are affordable to all citizens depending on their incomes. Coca-cola brands are produced in 300 MLS, 500mls and 1 litre. Such differentiation helps to target different customers depending on their purchasing power. Coca-Cola advertises its brands using T-shirts, Caps, mass media as well as social platforms (Shank & Lyberger, 2014). This helps this company to target different customers depending on their knowledge and enlighten. Through targeting, this company has been able to create brand awareness to different customer bases thus increasing their sales revenues.

Positioning

Coca-Cola Company has positioned his brands effectively in the market. This has been achieved by aligning goals and visions to focus on customer satisfaction. This company uses slogans like think globally but act locally to reach customers (Urde & Koch, 2014). Also, live the coke side of life slogan has motivated customers to perceive happiness and joy whenever coke brands are mentioned. Coca-Cola has also been offering consistent quality brands which have led the customer to gain confidence in their brands. Though corporate social responsibility, this company has gained positive publicity leading to a good reputation in the thoughts of customers.



(Source: valuewalk.com, 2016)

For example, this company has been sponsoring social activities and environmental preservations programmes. As a result, customers have liked their brands, and this makes it hard for other companies to substitute its brands in the market (Aaker, 2012). Brand positioning is crucial for entities which thrive to achieve sustained competitive advantage in markets.

General recommendations

Going forward, It's recommendable for rebooking company to retain strong marketing strategies and redesign others. In this case, it is significant to continue with celebrity endorsement in both classic and ‘Float Ride' shoes. The endorsements from the athletes would further promote the purchase by the sportspersons while the celebrity endorsement would attract individuals who live a luxurious and trendy lifestyle since these people look up to the celebrities for fashion. Secondly, the location of the stores for classic shoes shall remain at the high prime areas while those stocked with ‘Float Ride' will be strategically located close to sports centres. These will ensure traffic in the stores due to the presence of the targeted customers.

Furthermore, the company needs to retain social media and mainstream media advertising for both types of shoes. The brand should also remain as one of the unique, fashionable and high comfort shoes in the market. These strategies are viable in the current market trends thus the need to retain them. However, it would strongly recommend alteration of some strategies. For instance, is not economically viable for the firm to operate on a vertically integrated brand.

On the other hand, it's recommendable for coca-cola company to engage in the wholesale pricing. This company has a strong brand, but some of the potential customers, particularly those for the classic brands cannot purchase it as a result of inaccessibility of their stores. Through wholesale, the company may partner with business people from different localities to open shops with their brand. Also needs to continuously develop it's beverage drinks to cater to different customer needs such as trends and fashions. In this view, the company will lead others to further development of the existing product. Finally, its recommendable for this company to conduct cost-benefit analysis. Some of the target markets may not be profitable enough to support the operations of this company. Managers, therefore, should evaluate incomes from each sector, the size of the market, purchasing behaviour of customers and potential threats. This helps the company to avoid tying up capital in less lucrative markets.

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