MNM1505: Introduction to Consumer Behaviour

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TOPIC 4:
Market segmentation, targeting and positioning



Learning Unit 10: Market segmentation, targeting and positioning

- Segmentation, targeting and positioning (STP) process

Segmentation involves dividing our mass market into smaller groups of individuals with similar characteristics, similar expectations and who may be seeking a particular benefit from a product.

Targeting looks at evaluating each segment and targeting the most appropriate segment through the tailoring of the marketing mix for that particular segment.

Positioning refers the position the product may hold in the consumer's mind relative to the products of competitors.

Learning Unit 10: Market segmentation, targeting and positioning

- Market segmentation
  - Bases of segmentation
    - Geographical segmentation
    - Demographic segmentation
    - Behavioural segmentation
    - Psychographic segmentation



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- Bases of segmentation (cont.)
  - **Geographic segmentation**
    - Most basic form of segmentation and the easiest
    - We segment geographically when we break up the market into cities, provinces and countries
    - Certain products and services are only offered in certain geographic regions due to the product consumption in that region



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- Bases of segmentation (cont.)
  - **Demographic segmentation**
    - Incorporates variables which are easy to measure and often link to a consumer's product needs and buying behaviour
    - Variables include: age, gender, stage of the family life cycle, education level, income level, occupation or social class, religion and race
    - Industries that uses demographic segmentation the most, are clothing, haircare and cosmetics, because these products are targeted to specific demographic groups

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– **Demographic segmentation (cont.)**

- South African Audience Research Foundation (SAARF) came up with the Living Standards Measure (LSM)
- Index using a combination of variables which could be used to give a multidimensional view and understanding of the consumer
- Some of the variables used to classify consumers into certain LSMs are: built-in kitchen, TV set, home telephone, washing machine, flushing toilet, car etc.

LSM Descriptors

LSM 1	• 1.4% of the SA population • Primary school completed • Small urban/rural area • Average household income is R1 480 per month • Radio is a major channel of media • Minimal access to services • Minimal ownership of durables
LSM 2	• 3.6% of the SA population • Some high school completed • Small urban/rural area • Average household income is R2 216 per month • Radio is a major channel of media • Communal access to water • Minimal ownership of durables
LSM 3	• 5.9% of the SA population • Some high school completed • Small urban/rural area • Average household income is R2 581 per month • Radio is a major channel of media • Communal access to water or water is available on plot • Minimal ownership of durables

LSM 4	• 11.7% of the SA population • Some high school completed • Small urban/rural area • Average household income is R3 178 per month • Radio is a major channel of media and SABC 1 • Access to electricity, non-flush toilet, TV sets
LSM 5	• 16.9% of the SA population • Some high school completed • Small urban/rural area • Average household income is R4 310 per month • Access to radio and TV channels like SABC 1, 2, 3, eTV • Access to electricity, flushing toilet, TV, stove, fridges and hi-fi/radio set
LSM 6	• 23.8% of the SA population • Matric completed • Large urban area • Average household income is R6 669 per month • Wide range of access to media: radio, TV (SABC 1, 2, 3, eTV, Top TV) • Electricity, water in the home, flushing toilet inside the home, microwave, savings account and owns a stove
LSM 7 (low)	• 6.2% of the SA population • Matric and higher • Urban area • Average household income is R10 069 per month • Wide range of access to media: radio, TV (SABC 1, 2, 3, eTV, Top TV, DStv, all print, access to internet) • Full access to services

LSM 7 (high)	• 5.9 % of the SA population • Matric and higher • Urban area • Average household income is R12 895 per month • Wide range of access to media: radio, TV (SABC 1, 2, 3, eTV, Top TV, DStv, all print, access to internet, cinemas) • Full access to services
LSM 8 (low)	• 4.5 % of the SA population • Matric and higher • Urban area • Average household income is R15 590 per month • Wide range of access to media: radio, TV (SABC 1, 2, 3, eTV, Top TV, DStv, all print, access to internet, cinemas) • Full access to services • Own most of the durables they have access to
LSM 8 (high)	• 4.2 % of the SA population • Matric and higher • Urban area • Average household income is R16 396 per month • Wide range of access to media: radio, TV (SABC 1, 2, 3, eTV, Top TV, DStv, all print, access to internet, cinemas) • Full access to services • Own most of the durables they have access to
LSM 9 (low)	• 4.5 % of the SA population • Matric and higher • Urban area • Average household income is R15 590 per month • Wide range of access to media: radio, TV (SABC 1, 2, 3, eTV, Top TV, DStv, all print, access to internet, cinemas) • Full access to services • Own most of the durables they have access to

LSM 9 (high)	• 4.9 % of the SA population • Matric and higher • Urban area • Average household income is R25 395 per month • Wide range of access to media: radio, TV (SABC 1, 2, 3, eTV, Top TV, DStv, all print, access to internet, cinemas) • Full access to services • Own most of the durables they have access to
LSM 10 (low)	• 3.4% of the SA population • Matric and higher • Urban area • Average household income is R32 451 per month • Wide range of access to media: SABC 3, M-Net, DStv • Access to internet • Full ownership of durables
LSM 10 (high)	• 2.7% of the SA population • Matric and higher • Urban area • Average household income is R40 695 per month • Wide range of access to media: M-Net, DStv • Access to internet • Full ownership of durables

Adapted from: SAARF (2015)

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- Bases of segmentation (cont.)
  - **Behavioural segmentation**
    - Grouped based on their behavioural profile, which can be grounded on the knowledge the consumer has about the product/service, how to use it, how often to use it and how to respond to the product
    - “A more focused form of market segmentation that groups consumers based on specific behavioural patterns they display when making purchasing decisions, enabling producers to adapt their marketing approach to specific groups”

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- **Behavioural segmentation (cont.)**
  - Different types of behavioural segmentation:
    - **User status:** Whether they are potential users, first-time users, regular users, non-users or ex-users of a product or service
    - **Buyer readiness:** Marketers can target consumers depending on the buying stage they are in – the level of intention to buy is classified from mere awareness of the company's products or services
    - **Occasions:** Consumers generally purchase products and services during festivals or certain specific occasions
    - **Benefits sought:** Products are often marketed because of the benefits that the product or service offers the consumer

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- **Behavioural segmentation (cont.)**
  - Different types of behavioural segmentation (cont.):
    - **Loyalty status:** Organisations should aim to increase brand loyalty because, the more loyal a consumer is, the more money they are likely to spend on the product, service or brand
    - **Usage rate:** Involves classifying the consumer based on the frequency with which they acquire the product or services of a business
    - **Attitude towards the product:** By segmenting customers according to their attitude towards the product, service or organisation an enterprise can increase its marketing productivity

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- Bases of segmentation (cont.)
  - **Psychographic segmentation**
    - Encompasses understanding the values, attitudes, interests and lifestyle of the consumer, which allows for a deeper understanding of the consumer's behaviour
    - Offers a more reliable prediction of consumer behaviour
    - Gives a more accurate reason as to why the consumer is buying the specific product, service or brand

Psychographic segmentation involves segmenting the market on the basis of personality, social class, motives, lifestyles, and geo-demographics (Joubert, 2013:105; Lamb, Hair & McDaniel, 2015:146).

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- **Psychographic segmentation (cont.)**
  - Involves dividing the market into groups based on:
    - **Personality** reflects a person's traits, attributes and habits
    - **Social class** refers to your social standing manifested by socio-economic factors, such as education, values, occupation, income, esteem and prestige
    - **Motives** involve dividing consumers into groups according to the reasons they have for purchasing a product or service
    - **Geo-demographics** involve the combination of geographic and demographic variables in segmenting a market
    - **Lifestyles** involve individuals being divided according to their **a**ctivities, **i**nterests and **o**pinions (AIO)

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- Values and Lifestyles (VALS) Framework
  - The five ACNielsen MRA Sociomonitor Value Groups are:
    - **Conformists –** are characterised by conformity to group value systems. Traditions, religions, the family and home are paramount
    - **Traditionalists** – are characterised by traditional values with some focus on personal achievement and thus the assumption of individualistic and more modern values
    - **Progressives** – are a modernised group whose primary needs are self-development, but also some harmony in acquiring meaning from and giving back to the group
    - **Non-conformists** – this group rejects any group-orientation, civil and/or traditional values in favour of individualism
    - **Today-ers** – present a tough do-not-care exterior to the world

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- Evaluating the attractiveness of a market segmentation (prerequisite):
  - **Substantiality:** The segment needs to be large enough to justify developing a specific marketing mix for that particular segment
  - **Identifiability and measurability:** Segments need to be identifiable and their size should be measurable (usually through sales volume)
  - **Accessibility:** Organisations should be able to reach their chosen segments and be able to customise the marketing mix for that segment
  - **Responsiveness:** Marketers need to consider how the segment will respond to the proposed marketing mix

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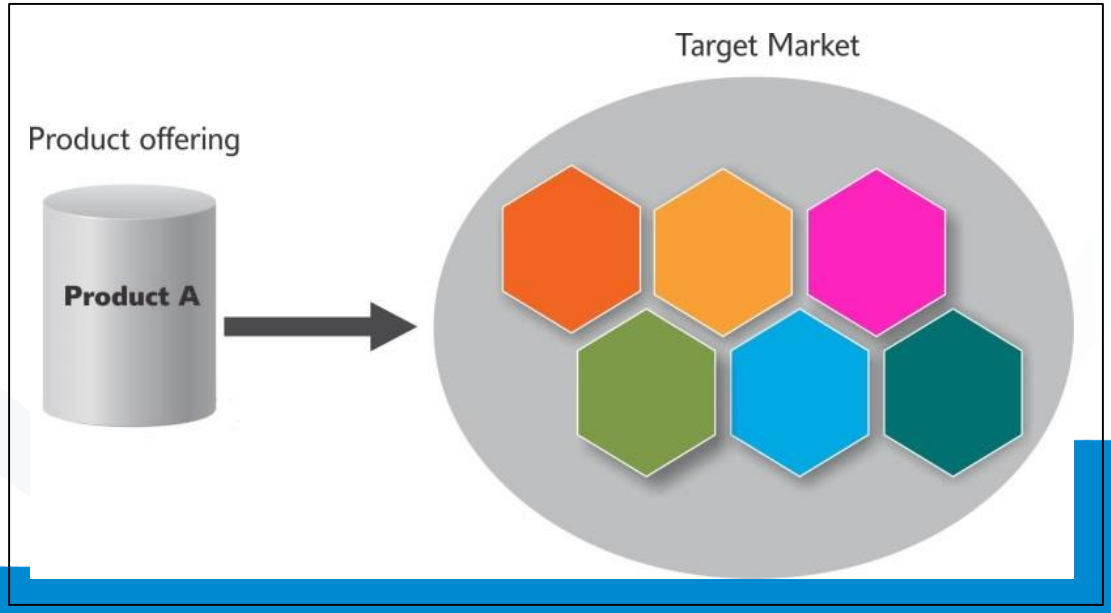
- Targeting
  - Once the marketer has selected the segment, they need to identify a portion of the segment to target with their product or service

A **target market** is "a group of people [with similar characteristics] or organisations for which an organisation designs, implements, and maintains a marketing mix to meet the needs of that group, resulting in mutually satisfying exchanges" (Lamb et al, 2015:145).



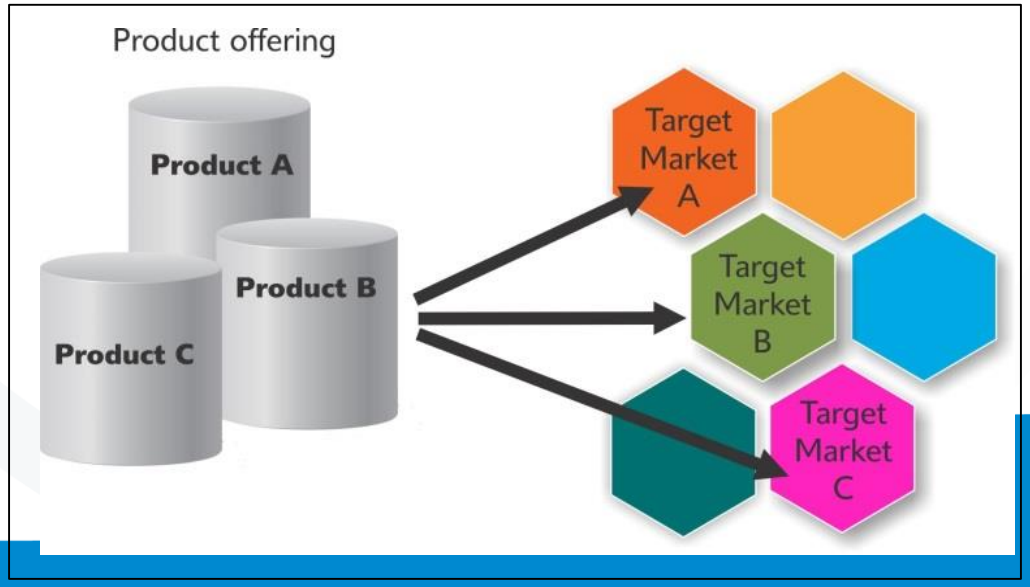
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- 3 strategies to determine how to target our market segments:
  - **Undifferentiated/aggregation targeting:**
    - When the organisation sees the market as one market with no individual differences, so it targets the entire market with one product offering



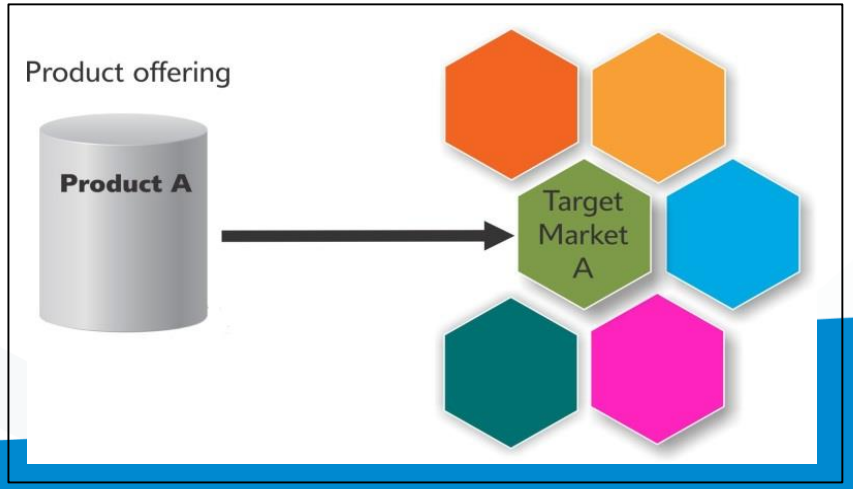
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- 3 strategies to determine how to target our market segments (cont.):
  - **Differentiated targeting**
    - Requires the organisation to target different market segments with different product offerings
    - Different segments have different needs



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- 3 strategies to determine how to target our market segments (cont.):
  - **Concentrated targeting**
    - When the organisation selects a niche (one market) within a larger segment to target
    - Due to the fact that it is using its product to appeal to one single market, it can understand the specific needs of the consumer and develop a strong market presence



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- When selecting the target market, there are certain criteria that the target market must adhere to:
  - Segment size and growth
  - Attractiveness and potential profitability
  - Resources and skills
  - Compatibility and cost



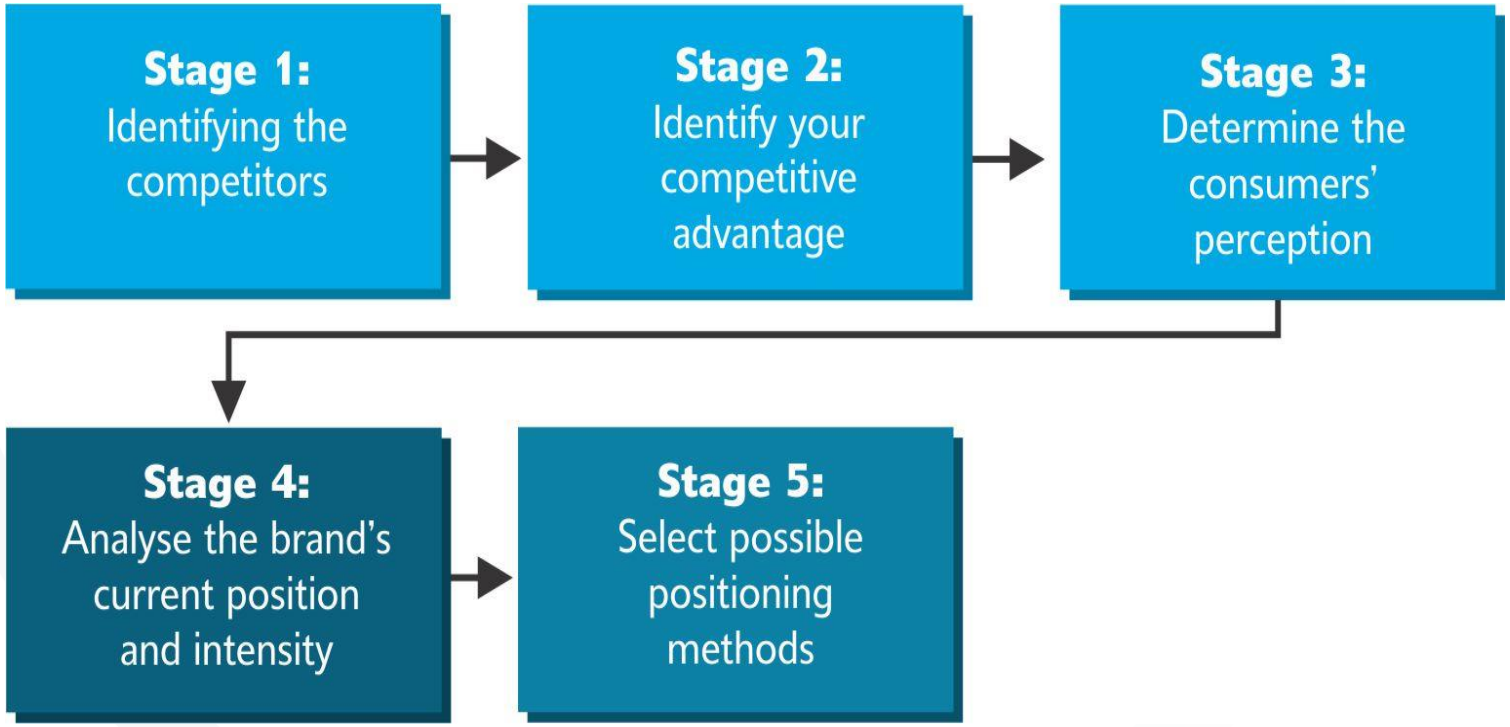
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- Product positioning
  - The place the product holds in the mind of the consumer compared to the competitor's products
  - The way customers perceive a product in terms of its characteristics and advantages
  - Based on the assumption that consumers compare products according to the specific features of the product
  - If marketers position their products successfully they can influence the perceptions that consumers have about the product



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- Positioning process



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- Positioning methods:
  - **Attributes:** When we use a distinctive attribute, product feature or customer benefit to position the product
  - **Price and quality:** Many consumers associate a high price with superior quality; this is just human nature
  - **Use or application:** Based on the use or the application of the product
  - **Product user:** Focuses on the type of consumer or their personality

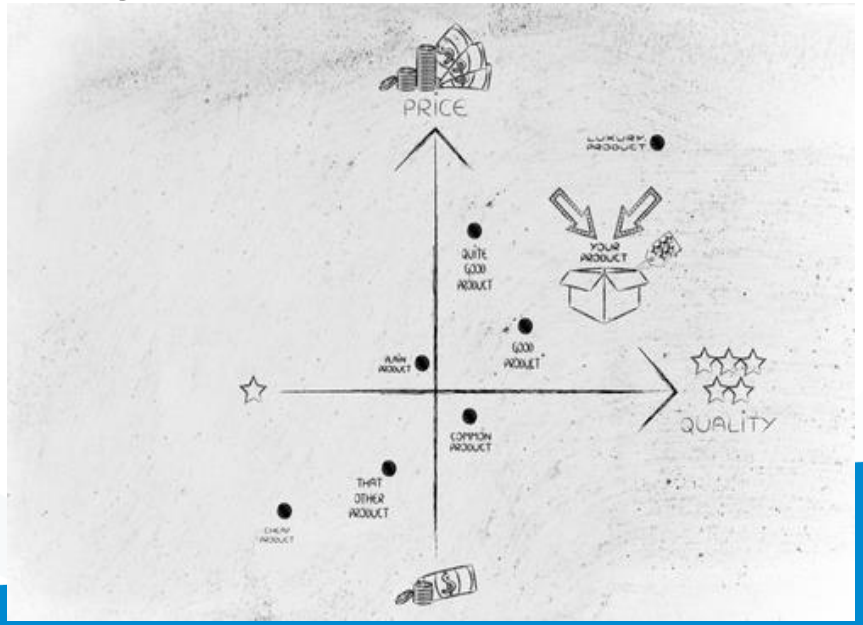
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- Positioning methods (cont.):
  - **Product class:** Where we can position the product as being associated with a certain category of products
  - **Competitors:** Where products are positioned directly against the competition
  - **Origin:** Focuses on where the product came from



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- Positioning map (perceptual mapping)
  - A graphical representation of where the product is positioned in the mind of the consumer, compared to the competition
  - A technique used to plot the consumer's views about the product
  - The aim of a positioning map is to assist in improving the product or possibly introducing a new one



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- Repositioning
  - The changing of a brand's position in the market in the hope that the new positioning will improve its appeal among customers
  - This happens when the company attempts to change the consumer's perceptions of the product



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- Repositioning (cont.)
  - Common positioning errors:
    - **Under-positioning:** Occurs when consumers do not regard the product to be special
    - **Over-positioning:** This happens when consumers have a narrow image of a brand or organisation
    - **Confused positioning:** The organisation has made too many claims or it has repositioned the product too often.
    - **Doubtful positioning:** Consumers find it difficult to believe the claims a product or an organisation makes

Learning Unit 10 Outcomes:

- You should be able to define segmentation, targeting and positioning.
- You should know and understand the different bases for segmentation and be ably to apply each to a practical example.
- You should know the different types of behavioural segementation and be able to apply each practically.
- Know the 5 ACNielsen MRA Sociomonitor Value Groups.
- Know the criteria or prerequisite for evaluating the attractiveness of the market segment.

Learning Unit 10 Outcomes:

- You should know the 3 strategies to determine how to target your market segment and be able to apply each practically.
- Know the steps in the positioning process.
- You should be able to identify the positioning method based on an example.
- Know what the positioning map is.
- You should know the different positioning errors that can occur.