

Chapter four

Market segmentation, targeting
and positioning.



Introduction

- Markets consist of buyers, and buyers differ in one or more ways.
- They may differ in their wants, resources, locations, buying attitudes and buying practices.
- **Through market segmentation**, companies divide large, heterogeneous markets into smaller segments that can be **reached more efficiently**.

Customer-Driven Marketing Strategy

Differentiation

It involves actually differentiating the firm's market offering to create superior customer value.

Positioning

It consists of arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

Targeting

Decide on a value proposition

Differentiation
Differentiate the market offering to create superior customer value

Positioning
Position the market offering in the minds of target customers

In concept, marketing can be broken down to two questions: (1) Which customers will we serve? and (2) How will we serve them? Of course, the tough part is coming up with good answers to these simple-sounding yet difficult questions. The goal is to create more value for the customer than competitors.

Smaller segments

Targeting

Create value for targeted customers

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Market Segmentation

- Through market segmentation, companies divide large, heterogeneous markets into smaller segments that can be reached more efficiently and effectively with products and services that match their unique needs.
- We discuss four important segmentation topics:
 - segmenting consumer markets
 - segmenting business markets
 - segmenting international markets
 - requirements for effective segmentation



Levels of Market Segmentation

Mass Marketing

Same product to all consumers
(no segmentation, i. e. a commodity)

Segment Marketing

Different products to one or more segments
(some segmentation, i.e. Marriott)

Segmenting Markets

- *A company need to recognizes that buyers differ in their needs, perceptions and buying behaviors.*
- **segment marketing** - adapting a company's offerings so they more closely match the needs of one or more segments.
- **Niche marketing** - focuses on subgroups within identified segments.
- A niche - is a *more narrowly defined group, usually identified by dividing a segment into sub-segments or by defining a group with a distinctive set of traits* who may seek a special combination of benefits.

- **Mass customization** - *is the ability to prepare on a mass basis individually designed products and communications to meet each customer's requirements.*
- *Examples , interactive communication media such as e-mail, fax and the Internet.*



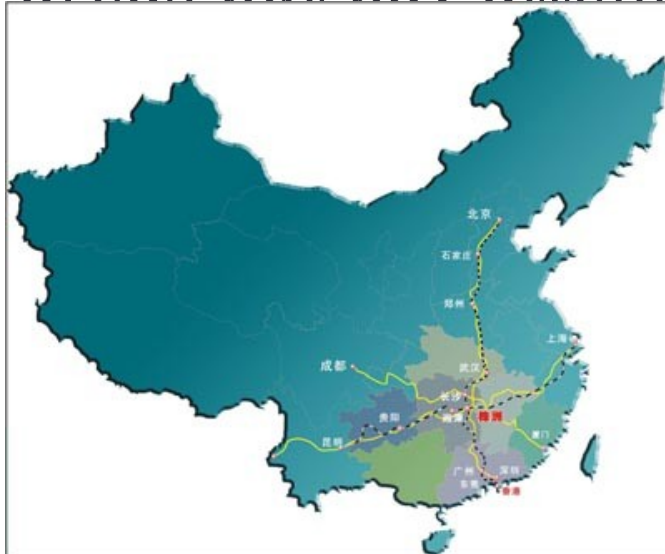
Segmenting Consumer Markets

- There is no single way to segment a market.
- **A marketer has to try different segmentation variables, alone and in combination, to find the best way to view market structure.**

Segmentation Variable	Examples
Geographic	Nations, regions, states, counties, cities, neighborhoods, population density (urban, suburban, rural), climate
Demographic	Age, life-cycle stage, gender, income, occupation, education, religion, ethnicity, generation
Psychographic	Social class, lifestyle, personality
Behavioral	Occasions, benefits, user status, usage rate, loyalty status

Geographic Segmentation

- **Geographic segmentation** calls for dividing the market into different geographical units, such as nations, regions, states, counties, cities, or even neighborhoods.
- A company may decide to operate in one or a few geographical areas or operate in all areas but pay attention to geographical



Demographic Segmentation

Age and Life-Cycle Stage

- Dividing a market into segments based on age and life-cycle stage

Gender

- Dividing a market into segments based on gender



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Psychographic Segmentation



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Behavioral Segmentation

Occasions

- **Occasion**

Usage Rate

- Markets can also be segmented into light, medium, and heavy product users.

Benefits Sought

- **Benefit segmentation**

Status

be segmented into users, potential

market into
according to
benefits
seek

Loyalty Status

- A market can also be segmented by consumer loyalty.
- Consumers can be loyal to brands (Tide), stores (Target), and companies (Apple).

Marketers want
retain regular u
targeted nonuse
reinvigorate rel
ex-users.

Using Multiple Segmentation Bases

Brite Lites, Li'l City

12



Y1 Midlife Success

Upscale Middle Age w/o Kids

<55

Mostly Owners

Management

College Graduate

White, Asian, Mix

Shop at Crate & Barrel

Participate in fantasy sports

Read *Macworld*

Watch *Lost*

BMW 328

Kids & Cul-de-Sacs

18



F2 Young Accumulators

Upper-Mid Younger w/ Kids

25-44

Mostly Owners

White-Collar, Mix

College Graduate

White, Black, Asian, Hispanic

Shop at The Disney Store

Buy educational toys

Read *Parenting*

Watch *Toon Disney*

Chrysler Town & Country

Gray Power

21



M2 Conservative Classics

Midscale Mature Mostly w/o Kids

65+

Mostly Owners

Mostly Retired

College Graduate

White

Shop at Ace Hardware

Belong to a veterans club

Read *Audubon*

Watch *Masterpiece Theatre*

Buick Lucerne

Big City Blues

65



F4 Sustaining Families

Lower-Mid Younger Family Mix

<35

Renters

White-Collar, Service, Mix

Some College

White, Black, Asian, Hispanic

Shop at The Gap

Go to movies

Read *Ser Padres*

Watch *Noticiero Telemundo*

Volkswagen cars

needs.

Segmenting Business Markets

- Business buyers can be segmented geographically, demographically (industry, company size), or by benefits sought, use status, usage rate, and loyalty status.
- Yet, business marketers also use some additional variables, such as *operating characteristics, purchasing approaches, person* '



Segmenting International



Requirements for Effective Segmentation

Measurable

- The size, purchasing power, and profiles of the segments can be measured.

Accessible

- The market segments can be effectively reached and served.

Substantial

- A segment should be the largest possible homogeneous group worth purchasing with a tailored marketing program.

Differentiable

- The segments are conceptually distinguishable and respond differently to different marketing mix elements and programs.

Actionable

- Effective programs can be designed for attracting and serving the segments.

Market Targeting



- The firm now has to evaluate the Various segments and decide how many and which segments it can serve best.



Evaluating Market Segments

- In evaluating different market segments, a firm must look at three factors:

**Segment
size and
growth**

**Segment
structural
attractiveness**

**Company
objectives
and
resources**

A segment is less attractive if it already contains many strong and aggressive *competitors* or if it is easy for new *entrants* to come into the segment.



Porter's Five-force Model

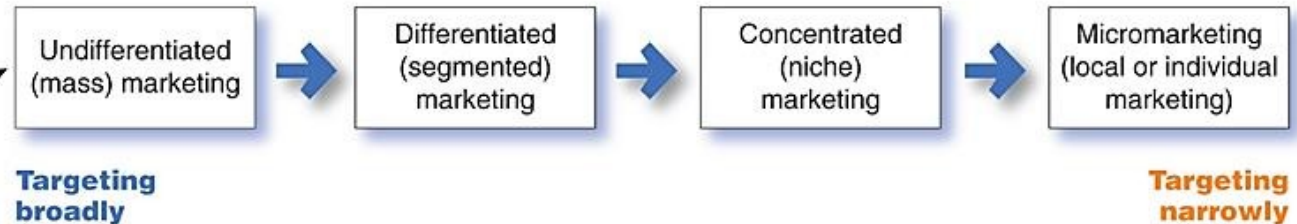


Selecting Target Market Segments

- A **target market** consists of a set of buyers who share common needs or characteristics that the company decides to serve.

● **FIGURE | 7.2**
Market Targeting Strategies

This figure covers a broad range of targeting strategies, from mass marketing (virtually no targeting) to individual marketing (customizing products and programs to individual customers). An example of individual marketing: At mymms.com you can order a batch of M&M's with your face and personal message printed on each little candy.

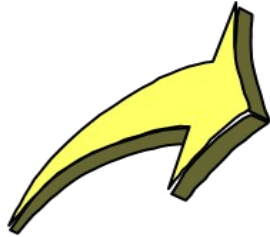


Undifferentiated Marketing

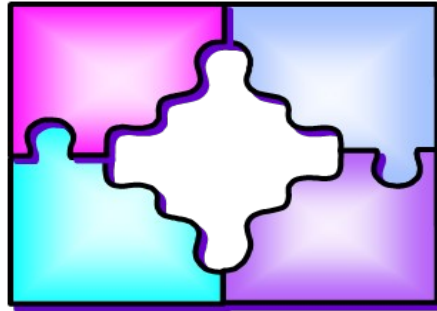
- Using an **undifferentiated marketing** (or **mass marketing**) strategy, a firm might decide to ignore market segment differences and target the whole market with one offer.
- Such a strategy focuses on what is *common* in the needs of consumers rather than on what



Undifferentiated Strategy



Organization



**Single
Marketing
Mix**



Target Market

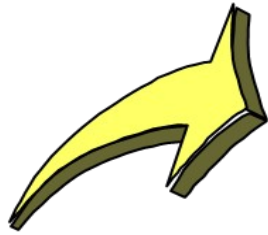


Concentrated Marketing

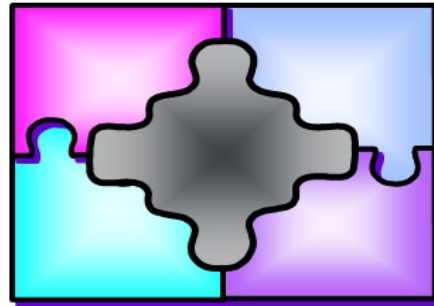
- When using a **concentrated marketing** (or **niche marketing**) strategy, instead of going after a small share of a large market, a firm goes after a large share of one or a few smaller segments or niches.
- Today, the low cost of setting up shop on the Internet makes it even more possible to serve seemingly miniscule



Single segment, concentrated marketing strategy



Organization



**Single
Marketing
Mix**



Target Market

Micromarketing



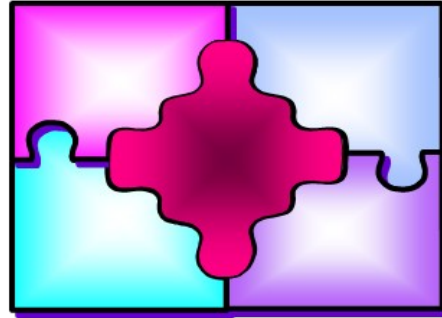
Multiple-segment, differentiated strategy



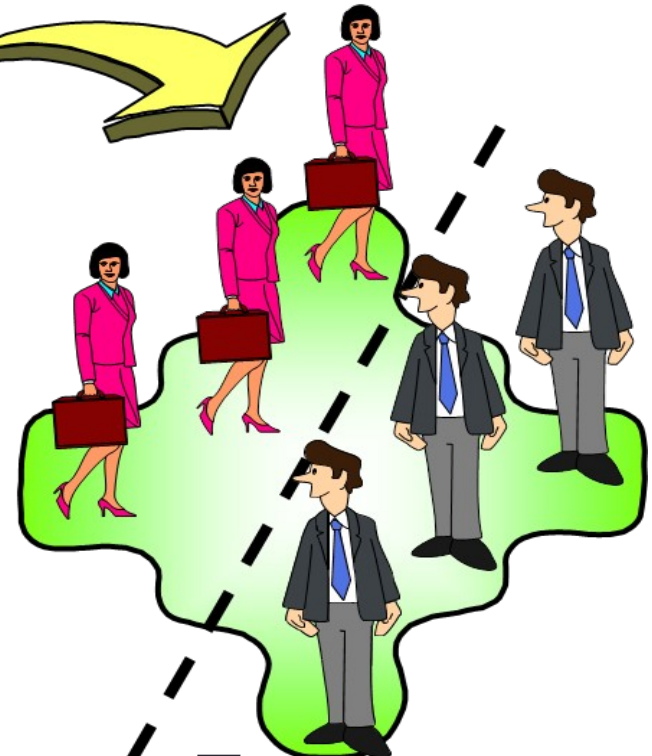
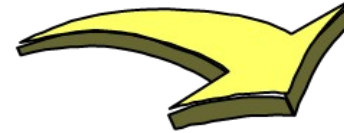
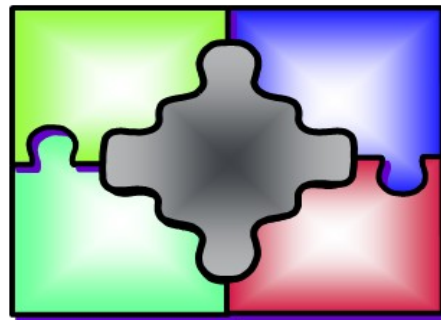
Organization



Marketing Mix 1



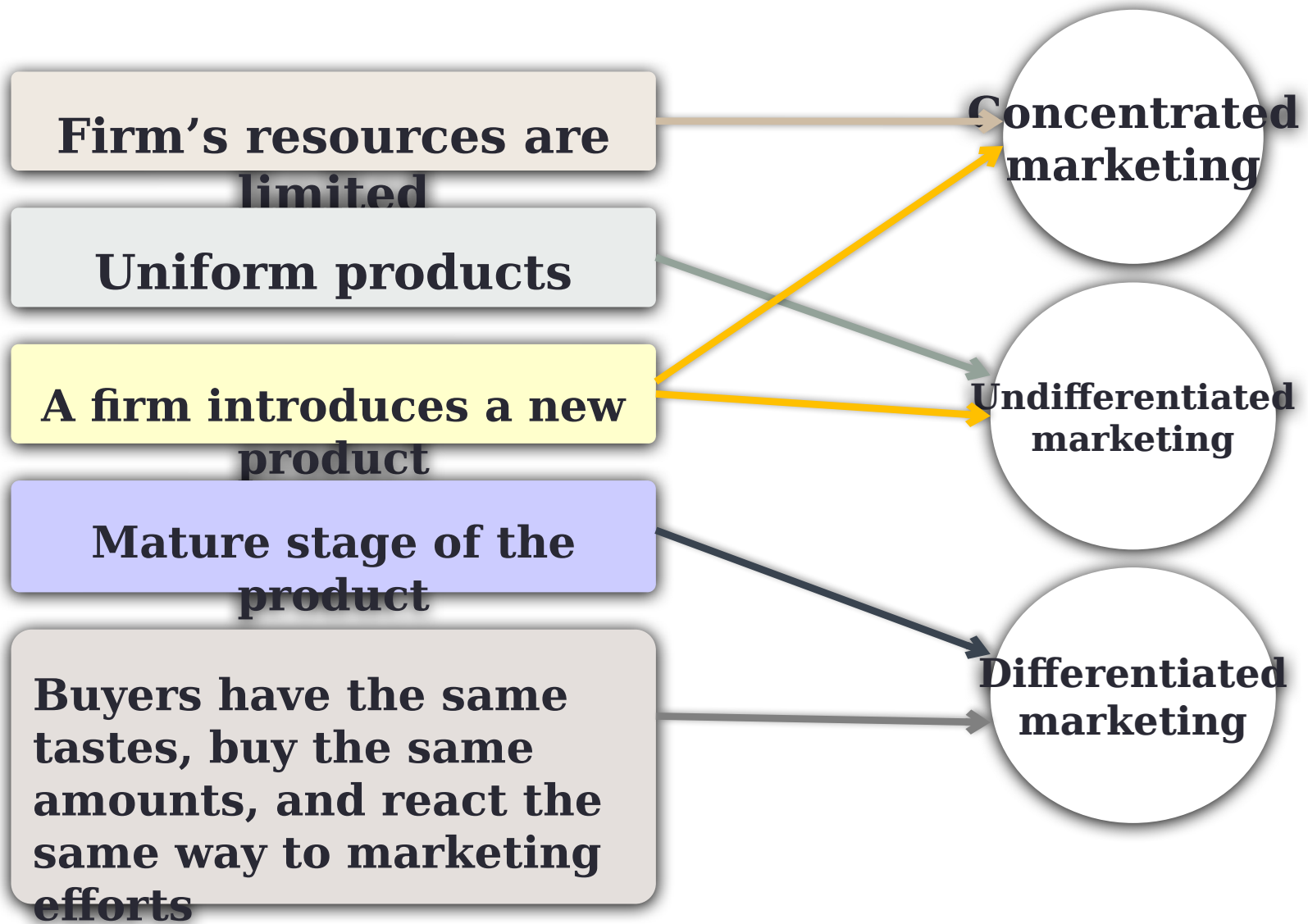
Marketing Mix 2



Target Market



Choosing a Targeting Strategy



Differentiation and Positioning

- A primary positioning strategy

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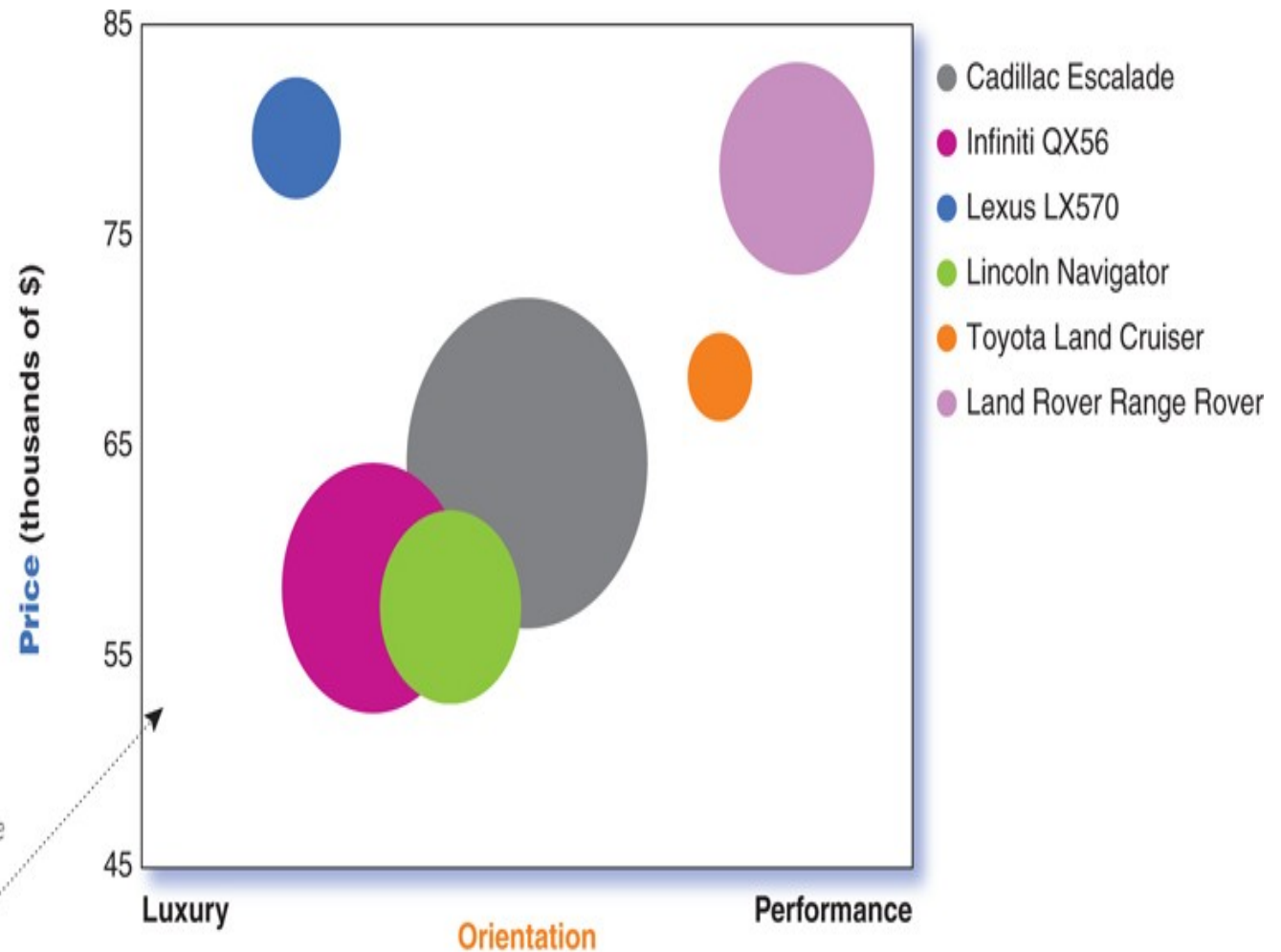
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Positioning Maps



The location of each circle shows where consumers position a brand on two dimensions: price and luxury-performance orientation. The size of each circle indicates the brand's relative market share in the segment. Thus, Toyota's Land Cruiser is a niche brand that is perceived to be relatively affordable and more performance oriented.

Choosing a Differentiation and Positioning Strategy

- The differentiation and positioning task consists of three steps:

1. Identifying a set of differentiating competitive advantages on which to build a position



2. Choosing the right competitive advantages



3. Selecting an overall positioning strategy

The company must then effectively communicate and deliver the chosen position to the market.

Differences and Competitive Advantages

- The **competitive advantage** is an advantage over competitors gained by offering greater customer value, either by having lower prices or providing more benefits that justify higher prices.
- To find points of differentiation, marketers must think through the customer's entire experience with the company's product or service.
- An alert company can find ways to differentiate itself at every customer point.



Choosing the Right

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BEFORE

Gatorade Prime 01™ is pre-game fuel in a convenient and functional 4-oz. pouch. It is designed to be used in the 15 minutes before exercise to provide energy by maximizing the availability of carbohydrate energy to muscles, at the beginning of a workout or competition.



DURING

By offering a scientifically proven blend of carbohydrates and key electrolytes, Gatorade Thirst Quencher® is designed for use in the moment of activity to help athletes and active people hydrate, refuel and push through.

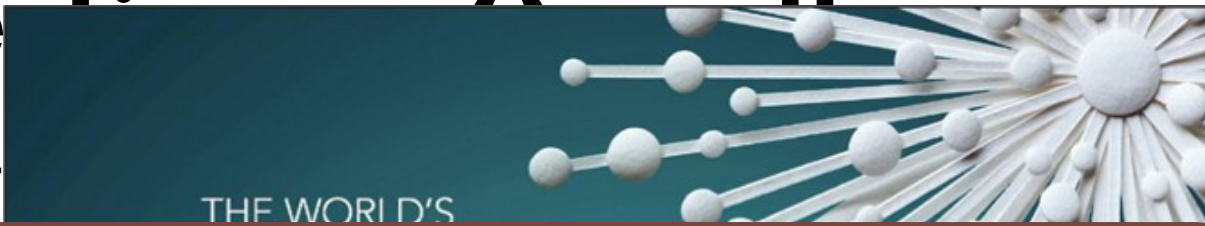


AFTER

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Select Posi



- Thus, in any market, there is usually room for many different companies, each successfully occupying different positions.
- The important thing is that each company must develop its own winning positioning strategy, one that makes the company special to its target consumers.

More for Less

- A market leader can create a winning value proposition for products that offer less for the same price.
- Of course, the winning value proposition would be to offer "the best" in the market for less.
- Many companies claim to do this. And, in short run, some companies can actually achieve such lofty positions. But, in the long run, they often find themselves giving up some of the bells and whistles in exchange for a lower price.

Developing a Position Statement



Remember everything.



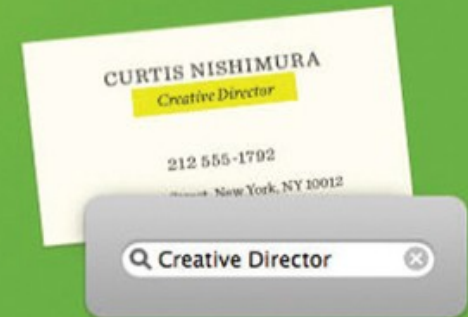
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Delivering the Chosen Position

- Once a company has built the desired position, it must take care to maintain the position through consistent performance and communication.
- It must closely monitor and adapt the position over time to meet consumer needs.



The End

