CHAPTER FOUR

MARKET SEGMENTATION, TARGETING AND POSITIONING

Earlier we defined that market means all the potential and actual customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want. A company that decides to operate in a broad market recognizes that it cannot appeal to all buyers in those markets or at least not to all buyers in the same way. Buyers are too numerous, too widely scattered and too varied in their needs and buying practices. Simply buyer may differ in their wants, resources, geographical areas, buying attitudes and buying practices that a company normally cannot serve all customers in that market with a single product. More over different companies vary widely in their ability to serve different kinds of customers. Hence, instead of competing everywhere and in an entire market, sometimes against superior competitors, it is better for companies to identify the parts of the market that it can best serve (to identify the market segments that it serves most effectively). To this end today many companies are moving from mass marketing to target marketing. In target marketing sellers distinguish the major market segments, target one or more of these segments and develop products and marketing programs tailored to each segment. Instead of scattering their marketing effort, they can focus on the buyers whom they have the greatest chance of satisfying.

Marketing requires marketers to take three major steps:

1. **Market segmentation**: Identifying and profile distinct groups of buyers who might require separate products and/or marketing mixes.
2. **Market targeting**: Select one or more segments to enter.
3. **Market positioning**: Establish and communicate the products distinctive benefits in the market.

4.1.MARKET SEGMENTATION

Marget segmentation means the process of dividing the whole market for a product into several smaller, internally homogenous groups. I.e. it is dividing a market into distinct groups of buyers with different needs, characteristics, or behaivior who might require separate products of marketing mixes. A company that practices market segmentation recognizes that buyers differ in thier needs perceptions, and buying behaviors. Hence, the company tries to isolate the broad segments that make up the market and adapts its offers to more closely match the needs of one or more segments. The esence of segmentation is that the

members of each group are similar with respect to the factors that influence demand. Hence, sometimes the ability to segment markets effectively is considered as a major element for company sucess

Bases for Segmenting Consumer Markets

There is no a 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 the market structure. There are four commonly used bases for segmenting consumers markets. These are:

A. **Geographic Segmentation**: Geographic segmentation is dividing of an overall market into homogeneous groups on the basis of population location. This is the earliest form that served a base for segmenting markets. It considers current population location and residence (urban or rural) and future expected shifts. Geographic segmentation is used in order to know regional variation in customer taste and also determine and supply good appropriate to climate changes.

B. **Demographic Segmentation**: Demographic segmentation is dividing an overall market into homogeneous group based upon population characteristics such as age, sex and income level. It is now the most common approach used for market segmentation. This method uses such variables as sex, age, income, occupation, education, household size and stage in the family life cycle. These variables are often used because:

    a) They are easy to identify
    b) They are associated with the sale of many products and services
    c) They are typically referred to describing the audiences of advertising media

C. **Psychographics**: Demographic data are used to segment a market because they are related to behavior and because they are relatively easy to gather. However, demographics are not in themselves the causes of behavior. That means demographics are related to behavior but they do not explain it. But if possible the desirable thing for marketers is to know the rationale why customers buy a given product. Psychographics segmentation utilizes behavioral profiles developed from analyses of the activities, opinions, interest and life styles of consumers. The life-styles of potential consumers may prove important in order to determine their preferences; life style refers to the mode of lives. Consumer's life-styles are regarded as a composite of their individual psychological make-ups their needs, motives perceptions and attitudes. In addition a marketer may use a personality aspect which is usually described in terms of traits that influence behavior to divide his market or he may use values: reflection of our needs adjusted for the realities of the world in which we live.

D. **Behavioral Segmentation**: Benefit segmentation focuses on product related behavior of customers. This focuses on such attributes as product usage rates (heavy users, medium users or light users), the benefits derived from the product (benefit sought), attitude towards the product (enthusiastic, positive, indifferent, negative, and hostile), buyer's readiness stage (unaware, aware, informed, interested, desirous, and intending to buy), users and non-users etc. The summary of custom segmentation bases are as shown below in the table.

COMMON BASES OF MARKETS SEGMENTATION

D Demographic	Psycho graphic	Geographic	Behaviorist
Age	Personality	Region	Volume usage
Gender	Attributes	Urban, Suburban	End use
Ethnicity	Motives	Rural	Expectations
Income	Lifestyle	Market density	Brand loyalty
Education		Climate	Price sensitivity
Occupation		Terrain	Occasions
Family size		City size	User status
Family life cycle		Country size	Usage rate
Religion		State size	Readiness stage
Social class		State size	Attitude towards a product

Clearly there are many ways to segment a market as we have seen above, but not all segmentation is effective.

To be useful a market segment must have the following characteristic

a. **Measurability: -** the size, purchasing power and profiles of the segments should be measurable.
b. **Accessible:** - the market segments should be effectively reached and served.
c. **Substantial: -** the market segments must be large (profitable) enough to serve.
d. **Differentiable:** - the segments should be conceptually and practically distinguishable and respond differently to different marketing mix and programs. E.g. if married and unmarried women respond similarly to a sale of perfume, they do not constitute separate segments.

e. **Actionable: -** it should be possible to design effective programs for attracting and serving the segments.

4.2. MARKET TARGETING

After a market is segmented, the company must decide which and how many segments to serve. This is what we call **market selection (target marketing).** A **target market** consists of a set of buyers who share common needs or characteristics that the company decides to serve. In selecting markets, it is advisable for companies to take into consideration the followings:

1. First, target markets should be compatible with the organization's goals and image.
2. Second, the segment's opportunity should commensurate with the company's resource.
3. Third, the segment must be profitable.
4. Fourth, a company ordinarily should seek a market where there are the least and smallest competitors.

There are three alternative strategies in target marketing:

1. Aggregation strategy: (**undifferentiated marketing or mass strategy): -** a firm might decide to ignore market segment differences and go after the whole market with one offer (treating the total market as a single segment). An aggregate market's members are considered to be alike with respect to demand for the product i.e. customers are willing to make some compromises on less important dimensions in order to enjoy the primary benefit the product offers. Hence, this approach focuses on what is common among consumers rather than what is different. The company designs a product and a marketing program that will appeal to the largest number of buyers. It relies on mass distribution and mass advertising and one pricing strategy and superior image in the people's minds. Undifferentiated marketing provides cost economies. The narrow product line keeps down production, inventory and transportation costs. The undifferentiated advertising program keeps down advertising costs. The absence of segments marketing research and planning lowers the costs of marketing research and product management. But it may not be advantageous to use this approach in today's competitive environment. This is because this approach targets its products at everybody or the average customer. The fallacy of developing products directed at average customer is that relatively a few customers are exist. Typically, population is characterized by diversity. An average is simply mid-point in some set of characteristics. Because most customers are not average they are not likely to be attracted to an average product. Rather they tend to use the products of other companies that appear to

tailor to their specific needs. But, this by no means that there is no any circumstance that this approach can be practiced. It may be applied when the total market for the type of product under consideration (the majority of customers in the total market) are likely to respond in very similar fashion to one marketing mix. In addition, it may be appropriate for firms that are marketing an undifferentiated, staple product like salt or sugar. For most customers sugar is sugar and salt is salt.

2. Single segment strategy (Concentrated marketing): - is selecting one segment among many segments. Then one marketing mix (program) will be designed to reach this market segment. This approach is desirable when the company has limited resource to serve many segments. Apart from this, it enables companies to penetrate new market in depth and to acquire reputation as a specialist in that market. No matter how this advantage, it may turn out to be a little bit disadvantageous from the risk point of view. In this approach, the company invests the whole of its resources in a single market and hence if anything wrong happens with that market, say if the market declines, the seller will suffer considerably.

3. **Multiple segment strategy (differentiated marketing)**:- When a firm selects two or more market segments to serve. A separate marketing mix (program) is designed for each of such market segments. Companies pursuing this strategy hope that a stronger position in several segments will strengthen consumers' over all identification of the company with the product category. This strategy may provide the company with higher sales as compared to other strategies and of course minimizes the vulnerability of the firm for risk as it operates in more than one segment. No matter how, companies advocating this approach should recognize that the costs associated with this strategy is relatively greater than the other approaches. This is so, first because marketing for different segments requires producing different kinds of products tailored to each segment hence, production costs are obviously greater. Second, the company should come up with different promotional and distribution programs for each segment, which in turn keeps the associated costs up.

4.3. MARKET POSITIONING

After segmenting and targeting its market, then the company should develop marketing mix program to each target market that it will tailored to each targeted market so that customers in each target market will respond in favor of the company's product. This, the act of – designing the company's offering and image to occupy a distinctive place in the mind of the target customers is what we call **positioning.** The end result of positioning is the successful creation of a customer focused value proposition, a cogent reason why the target market should buy the product. In positioning, the firm will decide upon the nature of the product i.e. form, attribute, performance quality, conformance quality, durability reliability etc. aspects of the product in

light with each segment, the pricing strategy, promotional approach and distribution strategy associated with each segment.

Positioning task consists of three steps: identifying a set of competitive advantage upon which to build a position, selecting the right competitive advantages, and effectively communicating and delivering the chosen position to the market.

1. Identifying possible competitive advantage: - Consumers typically choose products that give them the greatest value. Thus the key to success is to understand customer needs and buying process better than competitors do. That means a firm should come up with some kind of benefits to customers that make it different from competitors so that customers will be attracted to the company's products than competitor products. To this end, a company needs to know on what grounds it can make its offers peculiar from competitors. A company's offer can be differentiated along the lines of product, services, people or image.

1. Product differentiation: - Physical products vary in their potential for differentiation. At one extreme we find products that allow little variation and at the other extreme products capable of high differentiation. Here, a firm can have the following abundance of design parameters:

a. **Form**: many products can differentiate in form: size, shape or physical structure of a product.
b. **Features**: products can be differentiated with varying features that supplement the product's basic function.
c. **Performance quality**: refers to the level at which the product's primary characteristic operates. A company has an option to make it average, high or superior.
d. **Durability**: measures the products expected operating life under natural condition. It is a valuable attribute of the product.
e. **Reparability**: it refers to the ease of fixing a product when it malfunction or fail.

2. Service differentiation: when the physical product cannot easily be differentiated, this may be a key to do so. The followings may be considered as the key to make a difference in terms of service given to customers.

a. **Ordering ease**: refers to how easy it for customers to place an order with the company.

b. Delivery: refers to how well the product or service is delivered to the customers. It includes speed, accuracy and care attending the delivery process.

c. **Customer training**: refers to training customer as to how they can effectively make use of the product.

d. Customer consulting: refers to advice service the seller offers to buyers.

e. Maintenance and repair: describes the service program for helping customers keep purchased products in good working order.

3. Personnel differentiation: companies can get competitive advantage through hiring and training better people than their competitors do. People differentiation requires that a company select its customers – contact people carefully and trained them well.

4. Channel differentiation: companies can gain competitive advantage through the way they design their distribution channel' coverage, expertise and performance.

5. Image differentiation: Buyers respond differently to company and brand image. Image refers to the way the public perceives the company or its product.

2. Selecting the right competitive advantage: suppose that a company is fortunate enough to discover several potential competitive advantages. It now must choose the ones on which it will build its positioning strategy. It must decide how many differences to promote and which ones.

How many to promote: _there is no fast and hard rule in this regard. A company may select as many differentiation bases as it needs. Today in a time when mass marketing is fragmenting in favor of small segments, companies most often tend to broaden their positioning strategy by accommodating more than one differentiation basis. However, as they increase the number of claims of their brands, they risk disbelief and a loss of clear positioning.

Which difference to promote: Not all brand differences are meaningful or worthwhile, not every difference is a good differentiator. Each difference has a potential to create company costs as well as customer benefits. Therefore, the company must carefully select the ways in which it will distinguish itself from competitors. A difference is worth establishing to the extent that it satisfies highly valued benefit to customers (important), possibility to deliver it in distinct way than competitors (distinctive), the difference must be presented in superior ways than it is presented by competitors (superior), it should be communicable and visible to customers (communicability), it should be difficult for competitors to copy the difference (preemptive), it should be affordable at prices desired by buyers (affordability), and it should be profitable to the company.

3.Communicating and delivering the chosen position: - Once it has chosen the position, the company must take strong steps to deliver and communicate the desired position to target customers. All company's marketing mix elements should support the positioning strategy. Positioning calls for concrete action not talk. E.g. if the company decides to position on better quality and service, it should not only communicate these differentiation bases to the prospective target markets but also should deliver it. Otherwise, it bound to fail sooner or later even if its positioning strategy is the best one.

- **The value proposition** is the full positioning of a brand—the full mix of benefits upon which it is positioned.

