

PRINCIPLES OF Marketing

Chapter Four

Market Segmentation, Targeting and Positioning



Topic Outline

- Market Segmentation
- Market Targeting
- Differentiation and Positioning



4.1. Market Segmentation

- Is the process that companies use to divide large, heterogeneous markets into small markets that can be reached more efficiently and effectively with products and services that match their unique needs
- It is the activity of dividing a market into distinct groups with distinct needs, characteristics, or behavior who might require separate products or marketing mixes.



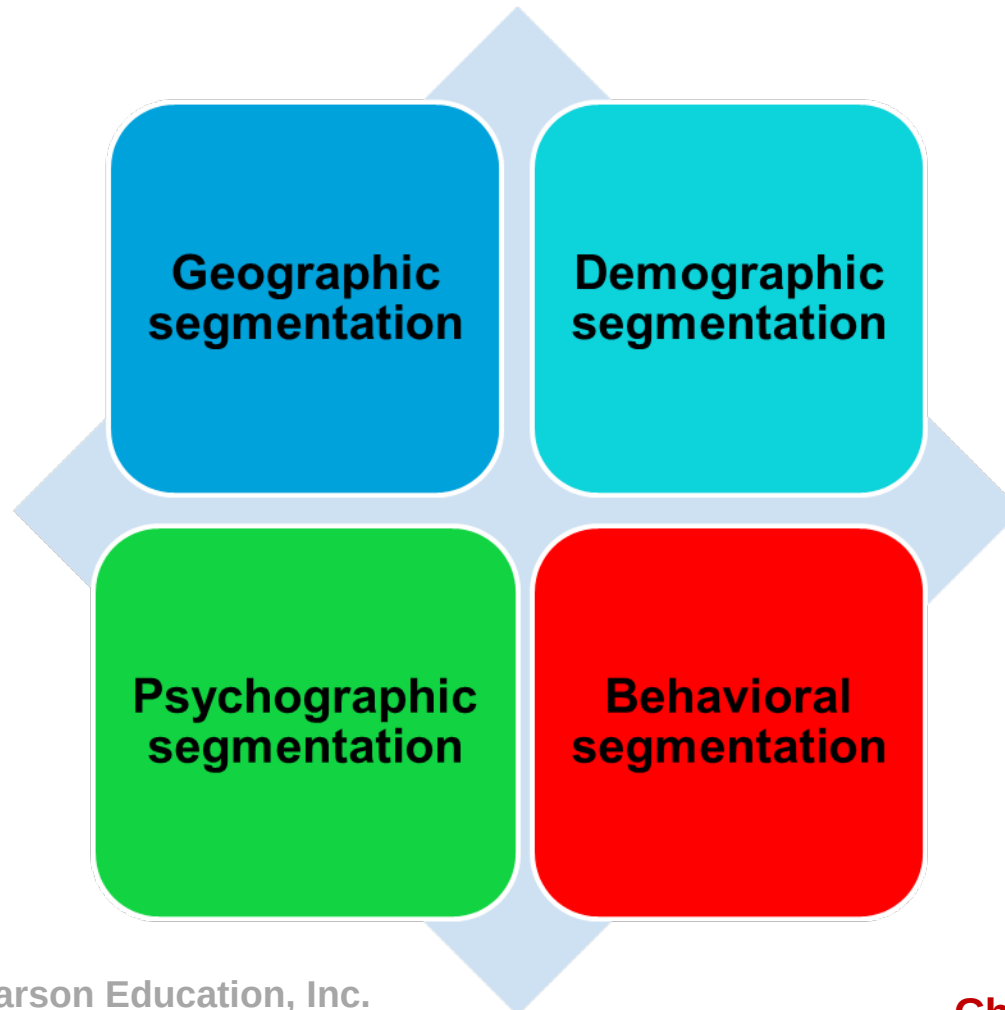
Importance of market segmentation

- *Adjustment of the product*
- *To spot and utilize the market opportunities*
- *To win the competition effectively*
- *Allocation of resources*
- *Effective market program*
- *Increase in sales volume*



Basis of market segmentation

Segmenting Consumer Markets



Market Segmentation

Segmenting Consumer Markets

Geographic segmentation divides the market into different geographical units such as nations, regions, states, counties, or cities



Segmenting Consumer Markets

Demographic segmentation

- Divides the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality



Market Segmentation

Age and life-cycle stage segmentation is the process of offering different products or using different marketing approaches for different age and life-cycle groups

Gender segmentation divides the market based on sex (male or female)



Segmenting Consumer Markets

Income segmentation divides the market into affluent or low-income consumers

Psychographic segmentation divides buyers into different groups based on social class, lifestyle, or personality traits



Segmenting Consumer Markets

Behavioral segmentation

- Divides buyers into groups based on their knowledge, attitudes, uses, or responses to a product
 - **Occasions**
 - **Benefits sought**
 - **User status:** non-user, ex-users, potential users, first time users, and regular users of a product
 - **Usage rate:** light medium, and heavy product users



Behavioral segmentation

Loyalty status: .accordant to their degree of loyalty.

- ***Hard core loyal:*** remain very loyal to a particular brand -Buy always the same brand.
- ***Split loyal consumers*** who are loyal to two or three brands of a given product. They favor one brand while sometimes buying others.
- ***Shifting loyal consumers:*** use a given brand for sometime and then shift to another after a period of time.
- ***Switchers:*** No loyalty to any brand, they seek new brand every time. They may want something new or different each time they buy.



Market Segmentation

Requirements for Effective Segmentation

To be useful, market segments must be:

Measurable

Accessible

Substantial

Differentiable

Actionable



- **Measurability.** The size, buying power and profiles of the segments need measuring.
- **Accessibility.** Can market segments be effectively reached and served?
- **Substantiality.** The market segments are large or profitable enough to serve.
- **Action ability.** Effective program need to attract and serve the segments.



Market Targeting

Selecting Target Market Segments

- **Market targeting** refers to screening of potential market segments on the basis of determinant factors like sales, growth rate, trends, competition etc and selecting the most suitable segment for the business.
- Because not all segments that a marketer identifies are going to be served in most cases.
- Target market consists of a set of buyers who share common needs or characteristics that the company decides to serve



Market Targeting

Evaluating Market Segments

- Segment size and growth
- Segment structural attractiveness
- Company objectives and resources

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Market Targeting

Target Marketing Strategies

Undifferentiated marketing: targets the whole market with one offer

- Mass marketing
- Focuses on common needs rather than what's different

By adopting a mass marketing strategy, seller treats its total market as a single segment.



Market Targeting

Target Marketing Strategies

Differentiated marketing: targets several different market segments and designs separate offers for each

- Goal is to achieve higher sales and stronger position
- More expensive than undifferentiated marketing



Market Targeting

Target Market Strategies

- **Concentrated marketing** targets a small share of a large market
 - Limited company resources
 - Knowledge of the market
 - More effective and efficient

M1			
M2			
M3			
	p1	p2	p3



Marketing Targeting

Target Market Strategies

Micromarketing is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations

- Local marketing
- Individual marketing



Market Targeting

Target Market Strategies

Local marketing involves tailoring brands and promotion to the needs and wants of local customer groups

- Cities
- Neighborhoods
- Stores



Market Targeting

Target Market Strategies

Individual marketing involves tailoring products and marketing programs to the needs and preferences of individual customers

- Also known as:
 - One-to-one marketing
 - Mass customization
 - Markets-of-one marketing



Target Market Strategies

Selective Specialization

A firm focuses on selected segments for profitability.
The segments are assumed to be having no basic similarity and profitable.

	P1	p2	p3
M1			
M2			
M3			



Patterns of Targeting

Single-segment Concentration

	M_1	M_2	M_3
P_1			
P_2			
P_3			

Selective Specialization

	M_1	M_2	M_3
P_1			
P_2			
P_3			

Product Specialization

	M_1	M_2	M_3
P_1			
P_2			
P_3			

Market Specialization

	M_1	M_2	M_3
P_1			
P_2			
P_3			

Full Market Coverage
Full Market Coverage

	M_1	M_2	M_3
P_1			
P_2			
P_3			

P = Product M = Market



● The Concept of Positioning

- ❖ The act of – designing the company's offering and image to occupy a distinctive place in the mind of the target customers



Identifying possible competitive advantage

- A firm should come up with some kind of benefits to customers that make it different from competitors
- A company needs to know on what grounds it can make its offers peculiar from competitors
- companies need to differentiate their offer from competitors
- A company's offer can be differentiated along the lines of product, services, people or image.



1.Product differentiation

Companies can differentiate their products on such attributes as features, performance, durability, reliability, reparability, style and design.

2. Service differentiation

speed, convenient, careful delivery, installations, customer training, customer consultancy service and maintenance and repair.



3. Personnel differentiation:

companies can get competitive advantage through hiring and training better people than their competitors do

4. Channel differentiation:

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

5. Image differentiation:

Image refers to the way the public perceives the company or its product.

Buyers respond differently to company and brand image.



Differentiation and Positioning

Choosing the Right Competitive Advantage

Difference to promote should be:

Important

Distinctive

Superior

Communicable

Preemptive

Affordable

Profitable

