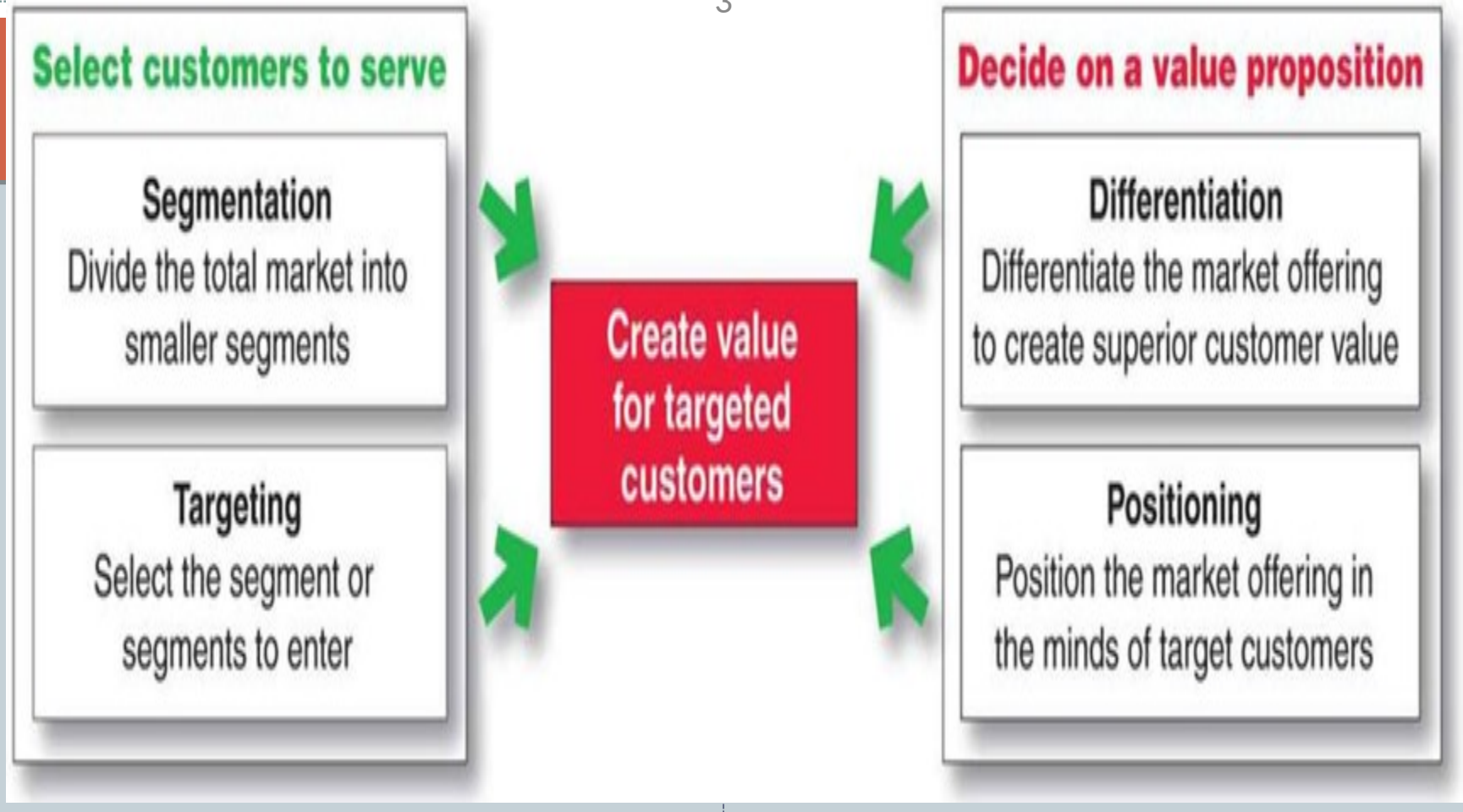
CHAPTER FOUR

MARKET SEGMENTATION, TARGETING, AND POSITIONING

4. MARKET SEGMENTATION, TARGETING, AND POSITIONING

- Organizations that sells to consumer and business markets recognize that they cannot appeal to all buyers in those markets.
- Buyers are to numerous.
- They are widely scattered.
- They are varied in their needs and buying practices.
- Therefore, each company must identify the parts of market that it can serve best effectively and efficiently.

Marketing desires from marketers as Strategy



4.1 Market Segmentation

Market segmentation



Is dividing a market into smaller segments of buyers with distinct needs, characteristics, or behaviors that might require separate marketing strategies or mixes. It is the process of dividing the whole market for a product into severalsmaller,intern

4.1 Market Segmentation

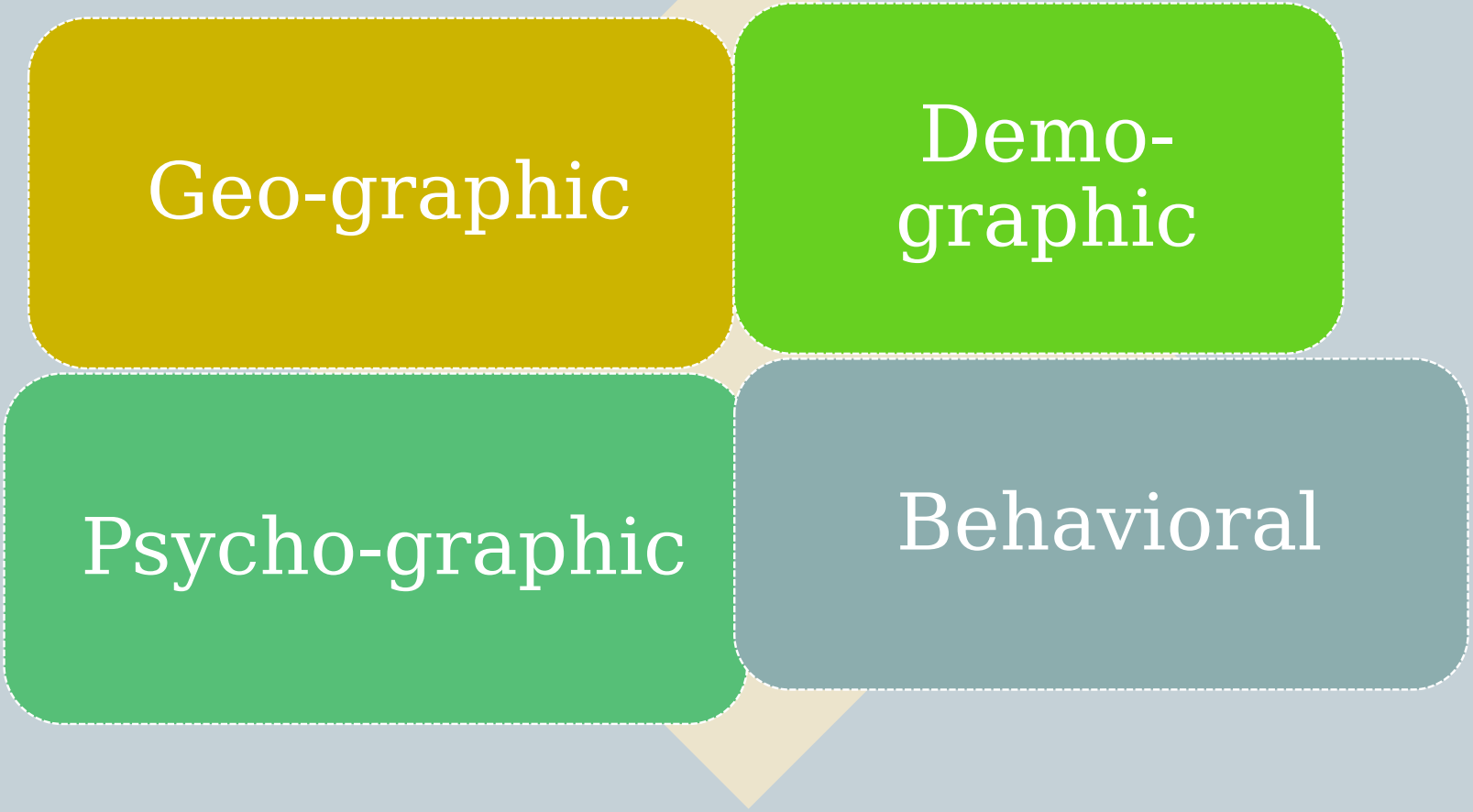
The Importance of Market Segmentation

Market segmentation → **More precise definition of customers needs and wants** → **More accurate marketing objectives**

More accurate marketing objectives → **Improved resource allocation** → **Better marketing results**



Bases Of Segmentation



4.1.1 Geographic segmentation

- Geographic segmentation calls for dividing the market into different geographical units/ locations such as *nations, regions, states, countries, cities, or even neighborhoods*
  - Regions (by country, nation, state, neighborhood)
  - Population Density (Urban, suburban, rural)
  - City size (Size of area, population size and growth rate)
  - Climate (Regions having similar climate pattern)

4.1.2 Demographic Segmentation:

- *Age, Gender, Income, Occupation, Education, Social Class, Generation, Family size, Family life cycle, Home Ownership, Religion, Ethnic group/Race, Nationality*
- **The most popular bases for segmenting customer groups.** because:
  - They are easy to identify
  - They are associated with the sale of many products and services
  - They are typically referred to describing the audiences of advertising media

4.1.3 Psychographic Segmentation

- In Psychographic Segmentation, segments are defined on the basis of social class, lifestyle and personality characteristics.
- Psychographic variables include:

  Interests, Opinions, Personality, Self Image,

  Activities, Values, Attitudes
- A segment having demographically grouped consumers may have different psychographic characteristics.

4.1.4 Behavioral Segmentation

- Behavioral segmentation divides a market into segments based on consumer knowledge, attitudes, uses, or responses to a product.
  - User Status
    - **segmenting markets into nonusers, ex-users, potential users, first-time users, regular users: market share leaders focus on potential customers but small firms focus on attracting current users.**
  - Usage Rate: **Light user, medium user, heavy user (opinion leaders, more knowledgeable account for 87% total company sale)**
  - Loyalty Status: **Hard loyal (undivided loyalty), split loyal(loyal to 2/3 brands), switchers(no loyalty to any brand),**
  - Readiness stage
    - **Unaware, aware, informed, interested, desirous, so marketing programs should be customized to d/t stages of buyer readiness stage**.
    - Attitude towards a product
    - **Enthusiastic, positive, indifferent, negative, hostile**

characteristics of segmentation

- **Measurability: -** the size, purchasing power and profiles of the segments should be measurable.
- **Accessible:** - the market segments should be effectively reached and served.
- **Substantial: -** the market segments must be large (profitable) enough to serve.
- **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.

4.2 Targeting Market Segments

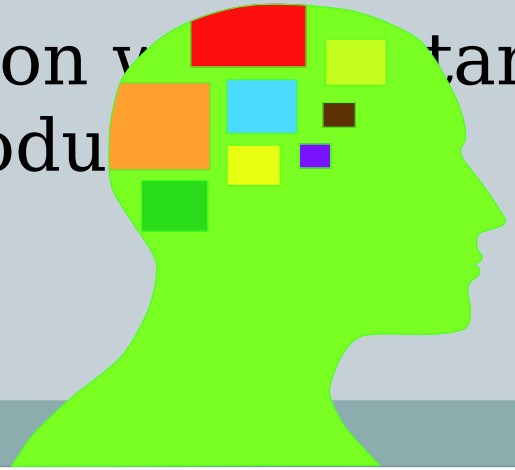
- After a market is segmented, the company must decide which and how many segments to serve.
- This is what we call **market selection (target marketing).**
- In selecting markets, it is advisable for companies to take into consideration the followings:
  - First, target markets should be compatible with the organization's goals and image.
  - Second, the segment's opportunity should commensurate with the company's resource.
  - Third, the segment must be profitable.
  - Fourth, a company ordinarily should seek a market where there are the least and smallest competitors

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).
- **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.
- 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.

4.3. MARKET POSITIONING

- 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**.
- Creating distinct and valued physical and perceptual differences between one's product and its competitors, as perceived by the target customer.
- The end result of positioning is the successful creation of a customer focused value proposition, a cogent reason w target market should buy the produ



4.3.1 Choosing a Positioning Strategy

The positioning task involves three steps:

1. Identifying a set of differentiating competitive advantages

2. Choosing the right competitive advantages

3. Selecting an overall positioning strategy

A. Identifying a set of differentiating competitive advantages

- Consumers typically choose products that give them the greatest value.
- 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.

- the following abundance of design parameters:
  - **Form**: size, shape or physical structure of a product.
  - **Features**:
  - **Performance quality**: average, high or superior.
  - **Durability**: the products expected operating life under natural condition.
  - **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: 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: 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.

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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: 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. However, as they increase the number of claims of their brands, they risk disbelief and a loss of clear positioning.

Which difference to promote?

- ***Important:*** the difference delivers a highly valued benefits to target buyers.
- ***Distinctive:*** Competitors do not offer the difference or the company can offer it in a more distinctive way
- ***Superior:*** The difference is superior to other ways that consumers might obtain the same benefit
- ***Communicable:*** The difference is communicable and visible to buyers
- ***Preemptive/Defensive***: Competitors can not easily copy the difference
- ***Affordable***: Buyers can afford to buy the difference
- ***Profitable:*** The company can introduce the difference profitably

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.

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

