

Segmentation, Targeting, and Positioning

***Building the Right Relationships
with the Right Customers***

Chapter 7

Learning Goals

- 1. Learn the three steps of target marketing, market segmentation, target marketing, and market positioning**
- 2. Understand the major bases for segmenting consumer and business marketing strategy**
- 3. Know how companies identify attractive market segments and choose target marketing strategy**
- 4. Realize how companies position their products for maximum competitive advantage in the marketplace**

Case Study

Procter & Gamble

- Sells multiple brands within the same product category for a variety of products
 - Brands feature a different mix of benefits and appeal to different segments
- Has also identified different niches *within* certain segments
 - Product modifications are useful: Tide offers seven different product formulations to serve different niches' needs

Steps in market segmentation, targeting and positioning

Market Segmentation

- **Identify bases for segmenting the market**
- **Develop segment profiles**

Target Marketing

- **Develop measure of segment attractiveness**
- **Select target segments**

Market Positioning

- **Develop positioning for target segments**
- **Develop a marketing mix for each segment**

Definition

Market Segmentation:

- **Dividing a market into distinct groups with distinct needs, characteristics, or behavior who might require separate products or marketing mixes.**

Segmenting Consumer Markets

Geographical segmentation

Demographic segmentation

- **Most popular segmentation**

Psychographic segmentation

- **Lifestyle, social class, and personality-based segmentation**

Behavioral segmentation

Geographic Segmentation Variables

- **World region or country**
- **U.S. region**
- **State**
- **City**
- **Neighborhood**
- **City or metro size**
- **Density**
- **Climate**

Demographic Segmentation Variables

- **Age**
- **Gender**
- **Family size**
- **Family life cycle**
- **Income**
- **Occupation**
- **Education**
- **Religion**
- **Race**
- **Generation**
- **Nationality**

Behavioral Segmentation Variables

- **Occasions**
- **Benefits**
- **User Status**
- **Attitude Toward the Product**
- **User Rates**
- **Loyalty Status**
- **Readiness Stage**

Segmenting Business Markets

Demographic segmentation

- Industry, company size, location

Operating variables

- Technology, usage status, customer capabilities

Purchasing approaches

Situational factors

- Urgency, specific application, size of order

Personal characteristics

- Buyer-seller similarity, attitudes toward risk, loyalty

Segmenting International Markets

Geographic segmentation

- Location or region

Economic factors

- Population income or level of economic development

Political and legal factors

- Type / stability of government, monetary regulations, amount of bureaucracy, etc.

Cultural factors

- Language, religion, values, attitudes, customs, behavioral patterns

Requirements for Effective Segmentation

Measurable

- Size, purchasing power, and profile of segment

Accessible

- Can be reached and served

Substantial

- Large and profitable enough to serve

Differentiable

- Respond differently

Actionable

- Effective programs can be developed

Target Marketing

Target Market

- **Consists of a set of buyers who share common needs or characteristics that the company decides to serve**

Target Marketing

Evaluating Market Segments

- **Segment size and growth**
- **Segment structural attractiveness**
 - **Level of competition**
 - **Substitute products**
 - **Power of buyers**
 - **Powerful suppliers**
- **Company objectives and resources**

Target Marketing

Selecting Target Market Segments

- **Undifferentiated (mass) marketing**
- **Differentiated (segmented) marketing**
- **Concentrated (niche) marketing**
- **Micromarketing (local or individual)**

Choosing a Target Marketing Strategy

Considerations include:

- **Company resources**
- **The degree of product variability**
- **Product's life-cycle stage**
- **Market variability**
- **Competitors' marketing strategies**

Target Marketing

Socially Responsible Targeting

- **Some segments, especially children, are at special risk**
- **Many potential abuses on the Internet, including fraud Internet shoppers**
- **Controversy occurs when the methods used are questionable**

Positioning

Positioning:

- **The place the product occupies in consumers' minds relative to competing products.**
- **Typically defined by consumers on the basis of important attributes.**
- **Involves implanting the brand's unique benefits and differentiation in the customer's mind.**
- **Positioning maps that plot perceptions of brands are commonly used.**

Choosing a Positioning Strategy

Topics

Identifying possible competitive advantages

Choosing the right competitive advantage

Choosing a positioning strategy

Differentiation can be based on

- **Products**
- **Services**
- **Channels**
- **People**
- **Image**

Market Segmentation

Topics

Identifying possible competitive advantages

Choosing the right competitive advantage

Choosing a positioning strategy

- **How many differences to promote?**
 - **Unique selling proposition**
 - **Several benefits**
- **Which differences to promote? Criteria include:**
 - **Important**
 - **Distinctive**
 - **Superior**
 - **Communicable**
 - **Preemptive**
 - **Affordable**
 - **Profitable**

Market Segmentation

Topics

Identifying possible competitive advantages

Choosing the right competitive advantage

Choosing a positioning strategy

- **Value propositions represent the full positioning of the brand**
- **Possible value propositions:**
 - **More for More**
 - **More for the Same**
 - **More for Less**
 - **The Same for Less**
 - **Less for Much Less**

Developing a Positioning Statement

Positioning statements summarize the company or brand positioning

- **EXAMPLE: To (target segment and need) our (brand) is (concept) that (point-of-difference)**

Communicating the Positioning

Companies must be certain to DELIVER their value propositions. Positions must be monitored and adapted over time.