

***Segmentation, Targeting,
and Positioning: Building
the Right Relationships
with the Right Customers***

Chapter 8

Objectives

- Be able to define the three steps of target marketing: market segmentation, target marketing, and market positioning.
- Understand the major bases for segmenting consumer and business markets.

Objectives

- Know how companies identify attractive market segments and how they choose a target marketing strategy.
- Comprehend how companies position their products for maximum competitive advantage.

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

Definition

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

Market Segmentation

Topics

- *Segmenting Consumer Markets*
 - *Segmenting Business Markets*
 - *Segmenting International Markets*
 - *Requirements for Effective Segmentation*
- **Geographical segmentation**
 - Marketing mixes are customized geographically
 - **Demographic segmentation**
 - Most popular segmentation
 - Demographics are closely related to needs, wants and usage rates
 - **Psychographic segmentation**
 - Lifestyle, social class, and personality-based segmentation
 - **Behavioral segmentation**
 - Typically done first

Market Segmentation

Geographic Segmentation Variables

- World Region or Country
- U.S. region
- State
- City
- Neighborhood
- City or Metro Size
- Density
- Climate

Market Segmentation

Demographic Segmentation Variables

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

Market Segmentation

Behavioral Segmentation Variables

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

Market Segmentation

Topics

- *Segmenting Consumer Markets*
 - **Segmenting Business Markets**
 - *Segmenting International Markets*
 - *Requirements for Effective Segmentation*
- **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

Market Segmentation

Topics

- *Segmenting Consumer Markets*
 - *Segmenting Business Markets*
 - ***Segmenting International Markets***
 - *Requirements for Effective Segmentation*
- **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

Market Segmentation

Topics

- *Segmenting Consumer Markets*
- *Segmenting Business Markets*
- *Segmenting International Markets*
- ***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

- **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

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

Target Marketing

- **Choosing a Target-Marketing Strategy Requires Consideration of:**
 - Company resources
 - The degree of product variability
 - Product's life-cycle stage
 - Market variability
 - Competitors' marketing strategies

Target Marketing

- **Socially Responsible Targeting**
 - Some segments are at special risk:
 - ❖ *Children*
 - ❖ *Inner-city minority consumers*
 - ❖ *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.

Positioning

- **Choosing a Positioning Strategy:**
 - Identifying possible competitive advantages
 - ❖ *Products, services, channels, people or image can be sources of differentiation.*
 - Choosing the right competitive advantage
 - ❖ *How many differences to promote?*
 - Unique selling proposition
 - Positioning errors to avoid
 - ❖ *Which differences to promote?*

Positioning

Criteria for Meaningful Differences

- Important
- Superior
- Preemptive
- Distinctive
- Communicable
- Affordable
- Profitable

Positioning

- **Choosing a Positioning Strategy:**
 - Selecting an overall positioning strategy
 - ❖ *More for More Value Proposition*
 - ❖ *More for the Same Value Proposition*
 - ❖ *The Same for Less Value Proposition*
 - ❖ *Less for Much Less Value Proposition*
 - ❖ *More for Less Value Proposition*

Positioning

- **Choosing a Positioning Strategy:**
 - 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 chosen position