

Segmentation, Targeting, and Positioning

Lesson 6

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 behaviour 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
- **Behavioural segmentation**

Geographic Segmentation Variables

- **World region or country**
- **U.S. region**
- **State**
- **City**
- **Neighbourhood**
- **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, behavioural 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

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

Choosing a Positioning Strategy

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

Choosing a Positioning Strategy

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

Communicating the Positioning

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