

# 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.

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## 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.

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## 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

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## Definition

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

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## 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

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## Market Segmentation

### Geographic Segmentation Variables

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

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## Market Segmentation

### Demographic Segmentation Variables

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

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## Market Segmentation

### Behavioral Segmentation Variables

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

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## 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

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## 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

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## 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

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## 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

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## Target Marketing

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

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## 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

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## 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.

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## Positioning

- **Positioning:**
  - The place the product occupies in consumers' minds relative to competing products.
  - Typically defined by consumers on the basis of important attributes.

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## 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?*

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## Positioning

### Criteria for Meaningful Differences

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

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## 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*

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## 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

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