

Trier 5

Segmentation and positioning

Previewing concepts (1)

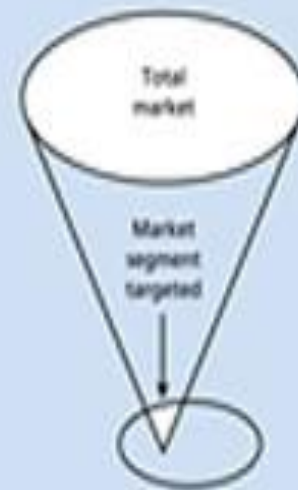
- Define the steps in designing a customer-driven marketing strategy: market *segmentation*, market *targeting*, differentiation, and *positioning* (**STP**)
- List and discuss the major *bases* for segmenting consumer and business markets

Previewing concepts (2)

- Explain how companies identify attractive market segments and choose a market *targeting strategy*
- Discuss how companies *position* their products for maximum competitive advantage in the marketplace

WHAT IS SEGMENTATION ABOUT?

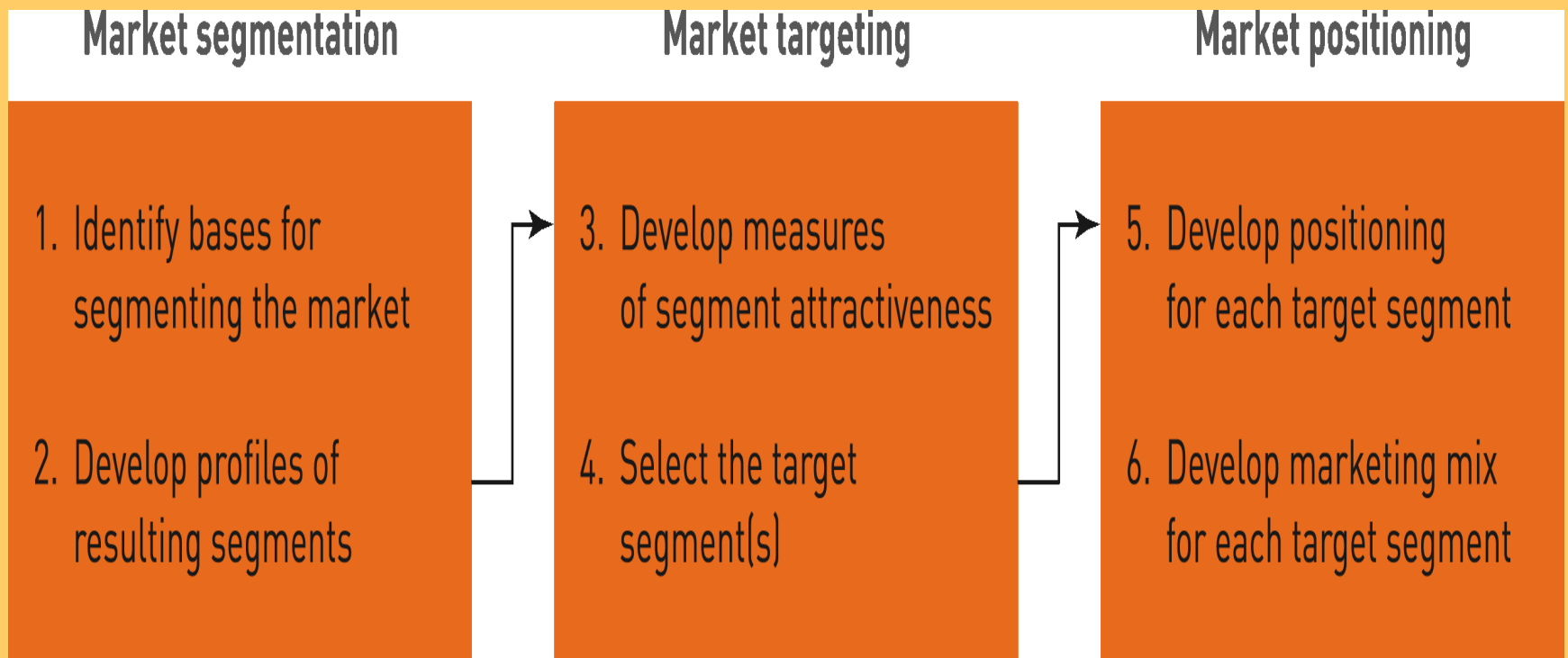
- “The identification of subsets of buyers within a market who share similar needs and who have similar buying processes”
- Companies aim to satisfy the needs of specific market segments better than anybody else



S.T.P – The basics of a Marketing Strategy

- Most companies have moved away from mass marketing and toward market segmentation and targeting—identifying market segments, selecting one or more of them, and developing products and marketing programmes tailored to each.

The Segmentation Process

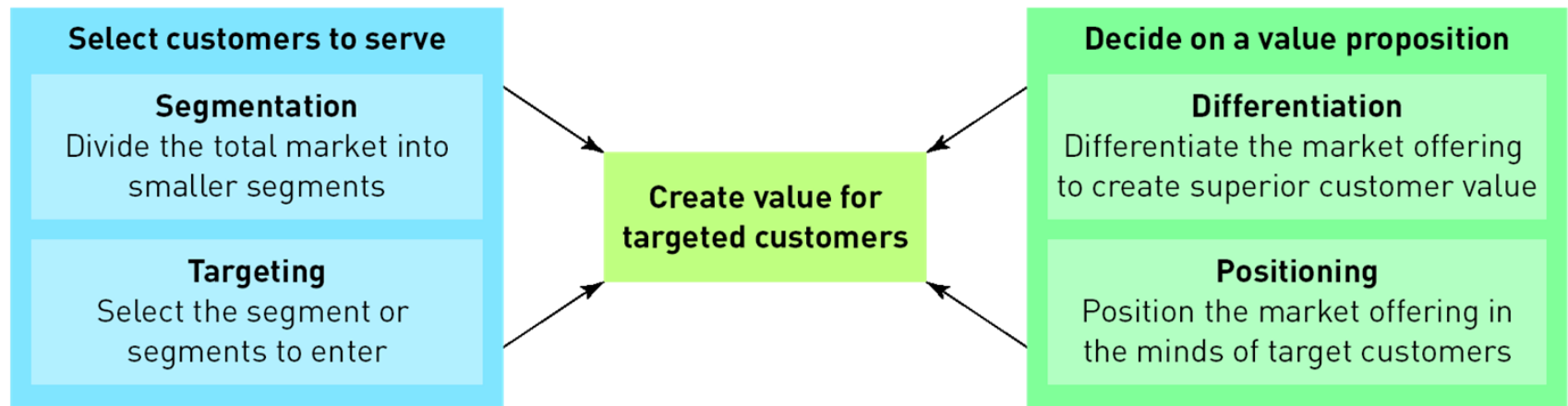


Source: Kotler et al, 2003.

S.T.P

- The first is market segmentation—dividing a market into smaller groups of buyers with distinct needs, characteristics, or behaviours who might require separate products or marketing mixes.
- The second step is target marketing—evaluating each market segment's attractiveness and selecting one or more of the market segments to enter.
- The third step is differentiation—differentiating the firm's market offering to create superior customer value.
- The fourth and final step is market positioning—setting the competitive positioning for the product and creating a detailed marketing mix.

Figure 9.1 Steps in market segmentation, targeting and positioning



What is market segmentation?

Market segmentation involves dividing large, heterogeneous markets into smaller segments that can be reached more efficiently and effectively with products and services that match their unique needs.

Segmenting consumer markets

Geographic

Demographic

Psychographic

Behavioral



Tesco

Tesco caters for two market segments: consumers looking for value and those who are more quality conscious.



Eggs.
Value for 52p.
Or Finest Free Range for £1.95.
Tricky.
It's six of one.
And half a dozen of the other.

TESCO | Every little helps

eg business and consumer travel markets



Segmenting the ice-cream market

These could include:

- Benefits sought
- Purchase occasion
- Usage
- Age
- Gender
- Life cycle
- Income

Benefit Segmentation

The Toothpaste Market

Benefit segments	Demographics	Behaviour	Psychographics	Favoured brands
Economy (low price)	Men	Heavy users	High autonomy, value oriented	Brands on sale
Medicinal (decay prevention)	Large families	Heavy users	Hypochondriacal, conservative	Crest
Cosmetic (bright teeth)	Teens, young adults	Smokers	High sociability, active	Aqua-Fresh, Ultra Brite
Taste (good tasting)	Children	Spearmint lovers	High self-involvement, hedonistic	Colgate, Aim

Source: Kotler et al, 2003.

Exercise

Go to a retail bookstore or newsstand and survey the magazine section. What unique market segments appear to be the target of specialty magazines? How did you determine the segments?

Variable	Typical breakdowns
Psychographic Social class Lifestyle Personality	Lower lowers, upper lowers, working class, middle class, upper middles, lower uppers, upper uppers. Achievers, believers, strivers. Compulsive, gregarious, authoritarian, ambitious.
Behavioural Purchase occasion Benefits sought User status Usage rate Loyalty status Readiness state Attitude towards product	Regular occasion, special occasion. Quality, service, economy. Non-user, ex-user, potential user, first-time user, regular user. Light user, medium user, heavy user. None, medium, strong, absolute. Unaware, aware, informed, interested, desirous, intending to buy. Enthusiastic, positive, indifferent, negative, hostile.

Source: Kotler et al, 2003

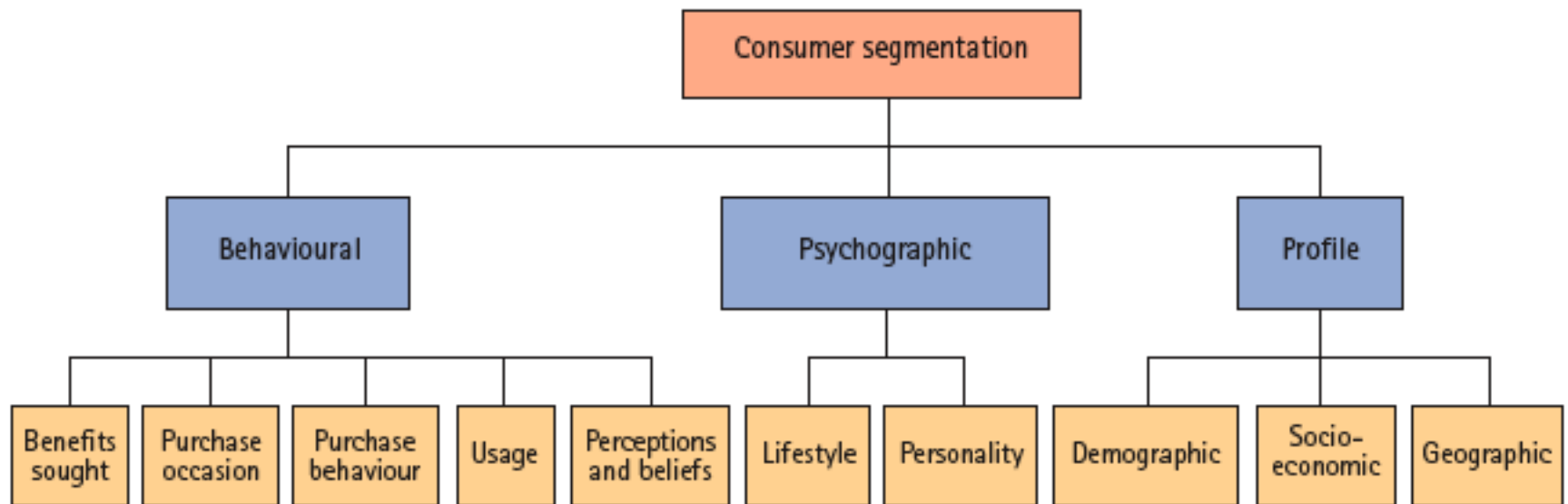


Figure 5.1 Segmenting consumer markets

Table 5.1 Consumer segmentation methods

Variable	Examples
<i>Behavioural</i>	
Benefits sought	Convenience, status, performance
Purchase occasion	Self-buy, gift
Purchase behaviour	Solus buying, brand switching, innovators
Usage	Heavy, light
Perceptions and beliefs	Favourable, unfavourable
<i>Psychographic</i>	
Lifestyle	Trendsetters, conservatives, sophisticates
Personality	Extroverts, introverts, aggressive, submissive
<i>Profile</i>	
Age	Under 12, 12–18, 19–25, 26–35, 36–49, 50–64, 65
Gender	Female, male
Life cycle	Young single, young couples, young parents, middle-aged empty-nesters, retired
Social class	Upper middle, middle, skilled working, unwaged
Terminal education age 16, 18, 21 years	
Income	Income breakdown according to study objectives and income levels per country
Geographic	North vs south, urban vs rural, country
Geodemographic	Upwardly mobile young families living in larger owner-occupied houses, older people living in small houses, European regions based on language, income, age profile and location

What is geographic segmentation?

Geographic segmentation means dividing the market into different geographical units such as nations, regions, states, counties, cities, or neighbourhoods.

Geographic segmentation

- Tesco Metro
- Tesco Express
- One Stop



What is demographic segmentation?

Demographic segmentation means dividing the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation and nationality.

Demographic segmentation

- Demographic factors are the most popular basis for segmenting customers
- One reason is that consumer needs, wants, and usage rates often vary closely with demographic variables.
- Another is that demographic variables are easier to measure than most other types of variables.

What is psychographic segmentation?

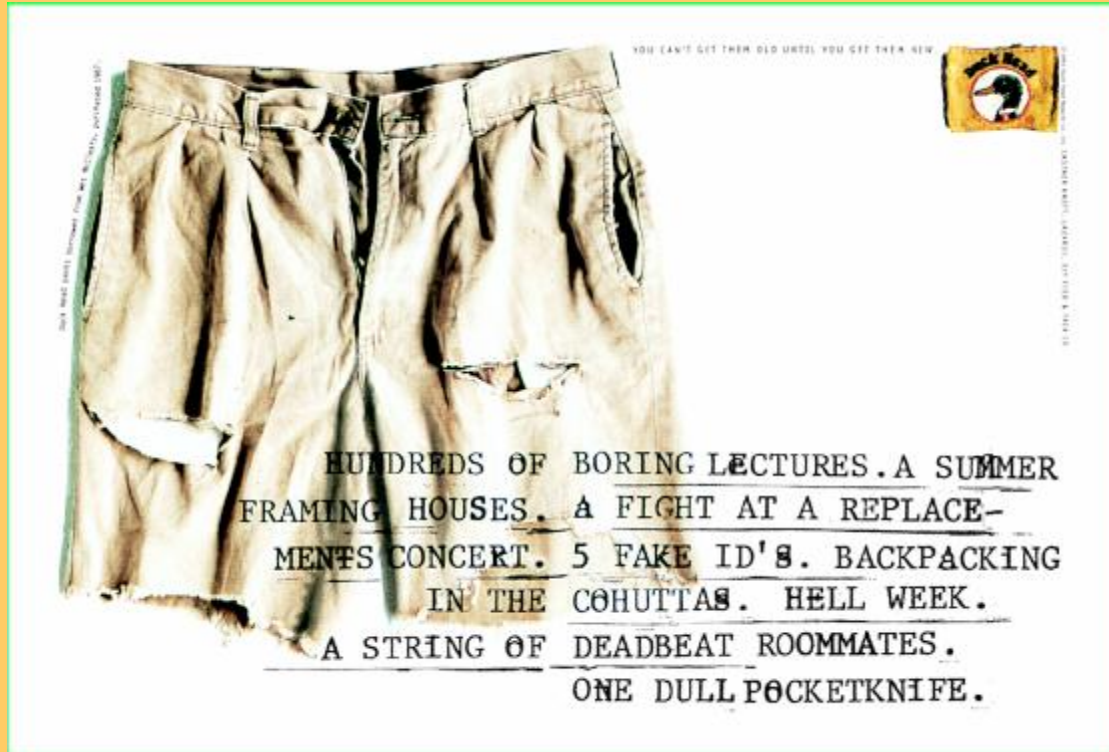
Psychographic segmentation means dividing the market into groups based on social class, lifestyle or personality characteristics.

Think-Pair-Share

Q. Is gender segmentation discriminatory? Explain.

Q. What about segmentation based on ethnicity? Explain.

Duck Head targets with lifestyle segmentation



Psychographic – Age and Lifestyle

- Some companies use age and life-cycle segmentation, offering different products or using different marketing approaches for different age and life-cycle groups.
- But, Marketers must be careful to guard against stereotypes when using age and life-cycle segmentation. Age is often a poor predictor of a person's life cycle, health, work or family status, needs, and buying power.

What is behavioural segmentation?

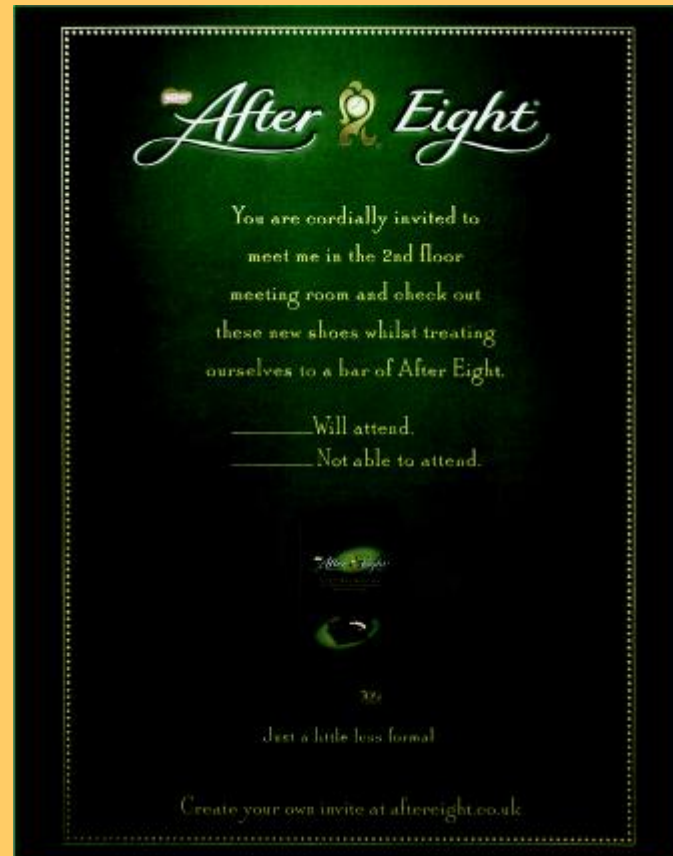
Behavioural segmentation means dividing the market into groups based on their knowledge, attitudes, uses or responses to a product.

Behavioural segmentation

- » Buyers can be grouped according to occasions when they get the idea to buy, actually make their purchase, or use the purchased item.
- » Markets can be segmented into groups of nonusers, ex-users, potential users, first-time users, and regular users of a product. Markets can also be segmented into light, medium, and heavy product users.
- » A market can additionally be segmented by consumer loyalty.

Forms of behavioural segmentation

- Occasions
- User status
- Usage rate
- Loyalty status



Loyalty Segments

- Current loyal user, continuing purchase
- Current customer, switching possible
- Occasional user, could become loyal
- Occasional user, switching possible
- Non-user, could become user
- Non-user, unlikely to become user

Geodemographic segmentation



The screenshot shows the ACORN website interface. On the left is a navigation menu with links: 'What is ACORN', 'Why ACORN was updated', 'Why ACORN works better', 'Your ACORN type', 'Financial ACORN type', 'ACORN map', and 'Contact Us'. The main content area is titled 'What is ACORN?' and explains that ACORN is a leading geodemographic tool used to identify and understand the UK population and the demand for products and services. It mentions that businesses use this information to improve their understanding of customers, target markets, and determine where to locate operations. It also states that informed decisions can be made on where direct marketing and advertising campaigns will be most effective, where branches should be opened or closed, or where sites are located, including retail outlets, leisure facilities, and public services. A table lists the ways ACORN is available, including as a directory, database, area reports, customer data profiles, list selection variables, and links. On the right side, there are two images: one labeled 'Affluent Grey?' showing a house and another labeled 'Meagre Means?' showing a car. At the bottom right, there are links for 'CACI Login', 'Register here', 'Login here', and 'Forgotten Password'.

What is ACORN?

ACORN is the leading geodemographic tool used to identify and understand the UK population and the demand for products and services. Businesses use this information to improve their understanding of customers, target markets and determine where to locate operations.

Informed decisions can be made on where direct marketing and advertising campaigns will be most effective, where branches should be opened or closed, or where sites are located, including retail outlets, leisure facilities and public services.

ACORN categorises all 1.9 million UK postcodes, which have been described using over 125 demographic statistics within England, Scotland, Wales and Northern Ireland, and 287 lifestyle variables, making it the most powerful discriminator, giving a clearer understanding of clients and prospects.

People in similar areas have the same needs and lifestyles.

ACORN is available as...

ⓐ A directory	every postcode in the country with its ACORN type
ⓑ A database	the number and mix of ACORN types by geographic area for the whole country
ⓒ Area reports	ACORN breakdown of defined geographic areas
ⓓ Customer data profiles	analysis of customer data
ⓔ List selection variables	based on CACI's Consumer Register Database of 40 million UK consumers
ⓕ Links	to leading market research surveys

Affluent Grey?

Meagre Means?

[CACI Login](#)
[Register here](#)
[Login here](#)
[Forgotten Password](#)

Marketers can use multiple segmentation bases to identify smaller, better-defined target groups

Behaviour Segmentation - Usage

eg usage segmentation in the *soup market*

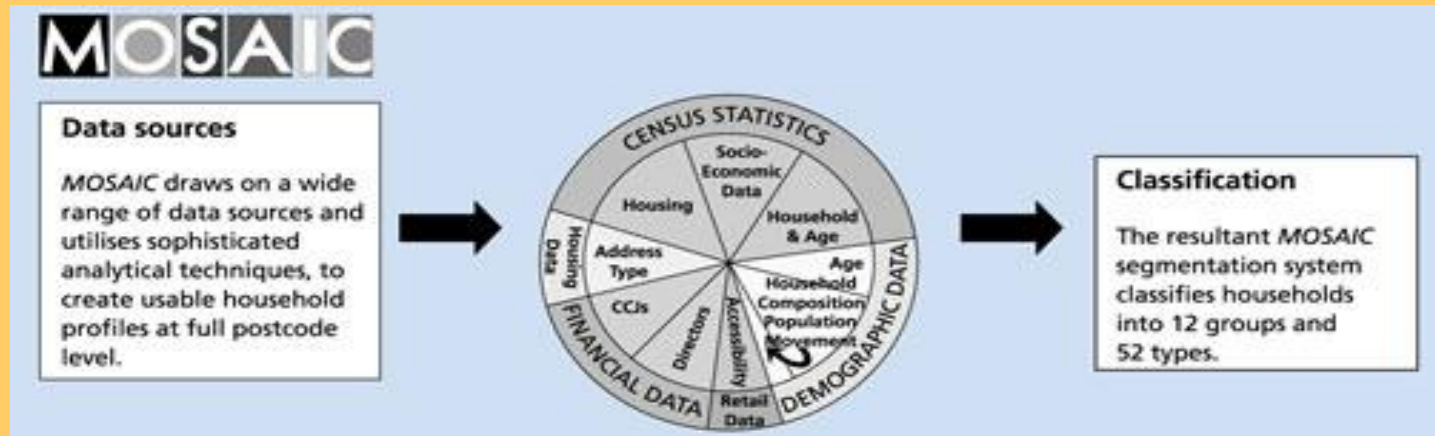
- Dinner party starter
- Warming snack
- Meal replacement
- Recipe ingredient
- Easy office lunch

Exercise

A convenience store in Measham (postcode DE12 7GF) has a chance to purchase a second store in nearby Appleby Magna (postcode DE12 7AQ). Visit www.upmystreet.com to view the ACORN geodemographics of the two locations and suggest how the convenience store's merchandise and promotions should be adjusted to meet the needs of Appleby Magna.

GEODEMOGRAPHIC SEGMENTATION

- Combines many approaches to segmentation
- Based on postcode analysis
- Where we live is correlated with many aspects of buying behaviour



eg Geodemographic Segmentation and Mosaic

- The analysis of people by where they live
- Micro-targeting system
- Targets by neighbourhood



Source: Experian Ltd, <http://www.experian.com>. © 2005 Experian Ltd. All rights reserved. The word 'Experian' is a registered trademark in the EU and other countries and is owned by Experian Ltd and/or its associated companies

How segmentation variables?

- Marketers rarely limit their segmentation analysis to only one or a few variables. They are increasingly using multiple segmentation bases in an effort to identify smaller, better defined target groups.

Calvin Klein uses several layers of segmentation



Segmenting Business Markets

- Consumer and business marketers use many of the same variables to segment their markets.
- Business buyers can be segmented geographically, demographically (industry, company size), or by benefits sought, user status, usage rate, and loyalty status.
- Yet, business marketers also use some additional variables, such as customer operating characteristics, purchasing approaches, situational factors, and personal characteristics.

Requirements for effective segmentation

Measurable

Accessible

Substantial

Differentiable

Actionable

Effective segmentation

- Measurable: The size, purchasing power, and profiles of the segments can be measured.
- Accessible: The market segments can be effectively reached and served.
- Substantial: The market segments are large or profitable enough.
- Differentiable: The segments are conceptually distinguishable and respond differently to different marketing mix elements and programmes.
- Actionable: Effective programmes can be designed for attracting and serving the segments.

Segmentation for financial services.

- *Who do you wish to target? (target segment)*
- *How did you measure the size, purchasing power, and profiles of the segment? (measurable)*
- *How will you reach this segment effectively and efficiently? (accessible)*
- *Just how large is this market in annual sales dollars? (substantial)*
- *How have you differentiated this product from others? (differentiable)*
- *Explain again why you believe we can, and should, pursue this idea? (actionable)*

What is market targeting?

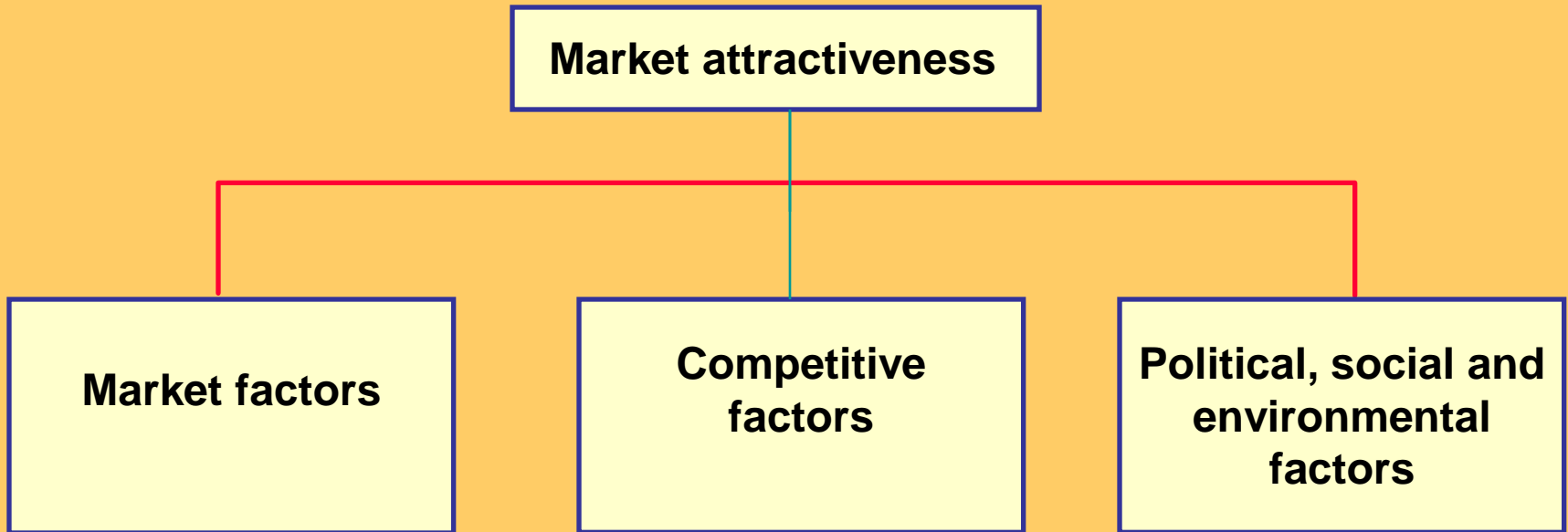
Market targeting involves evaluating the various segments identified during the segmentation process and deciding how many and which segments it can serve best.

Targeting - Evaluating market segments

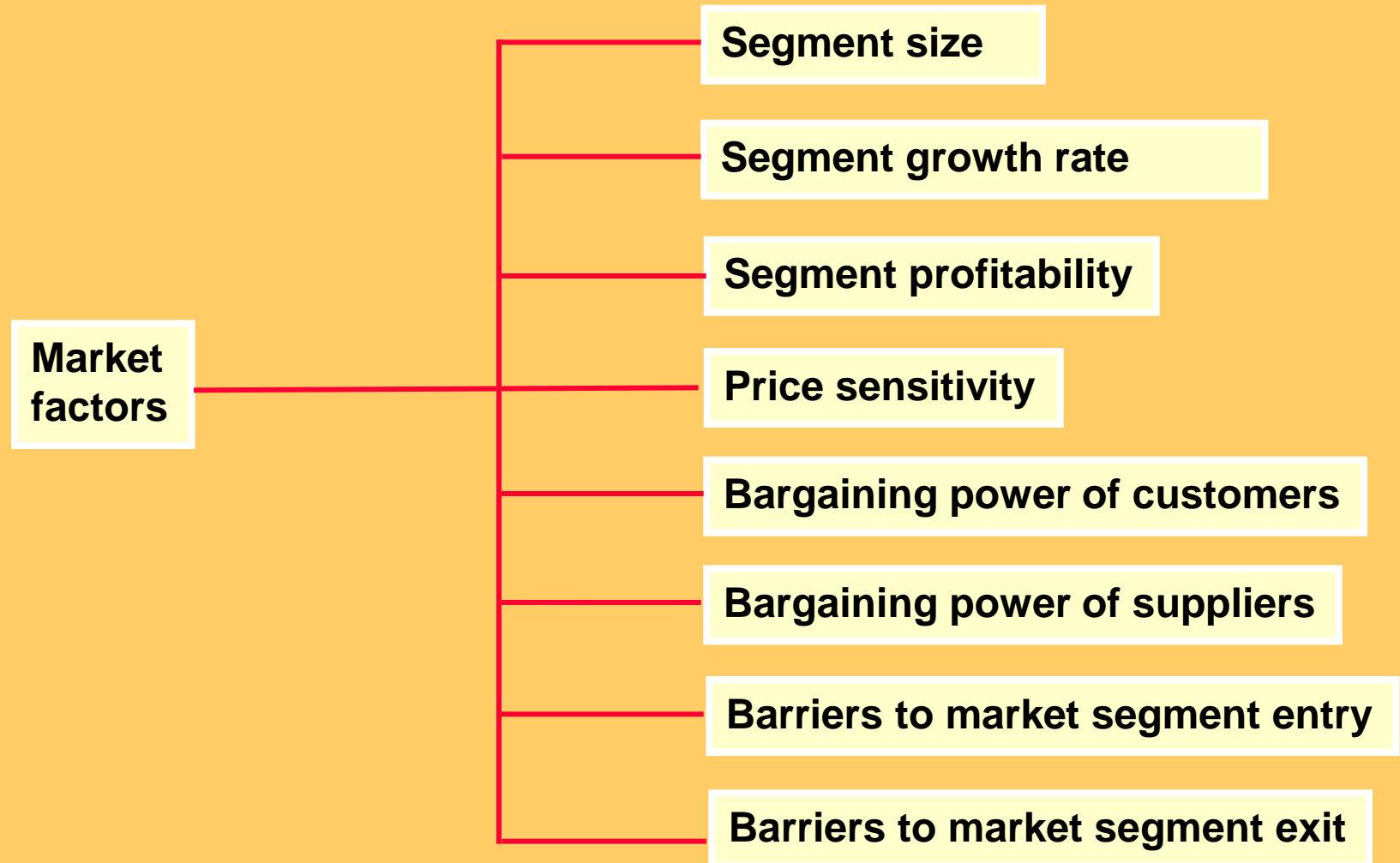
In evaluating different market segments, a firm must look at three factors:

- segment size and growth
- segment structural attractiveness
- and company objectives and resources.

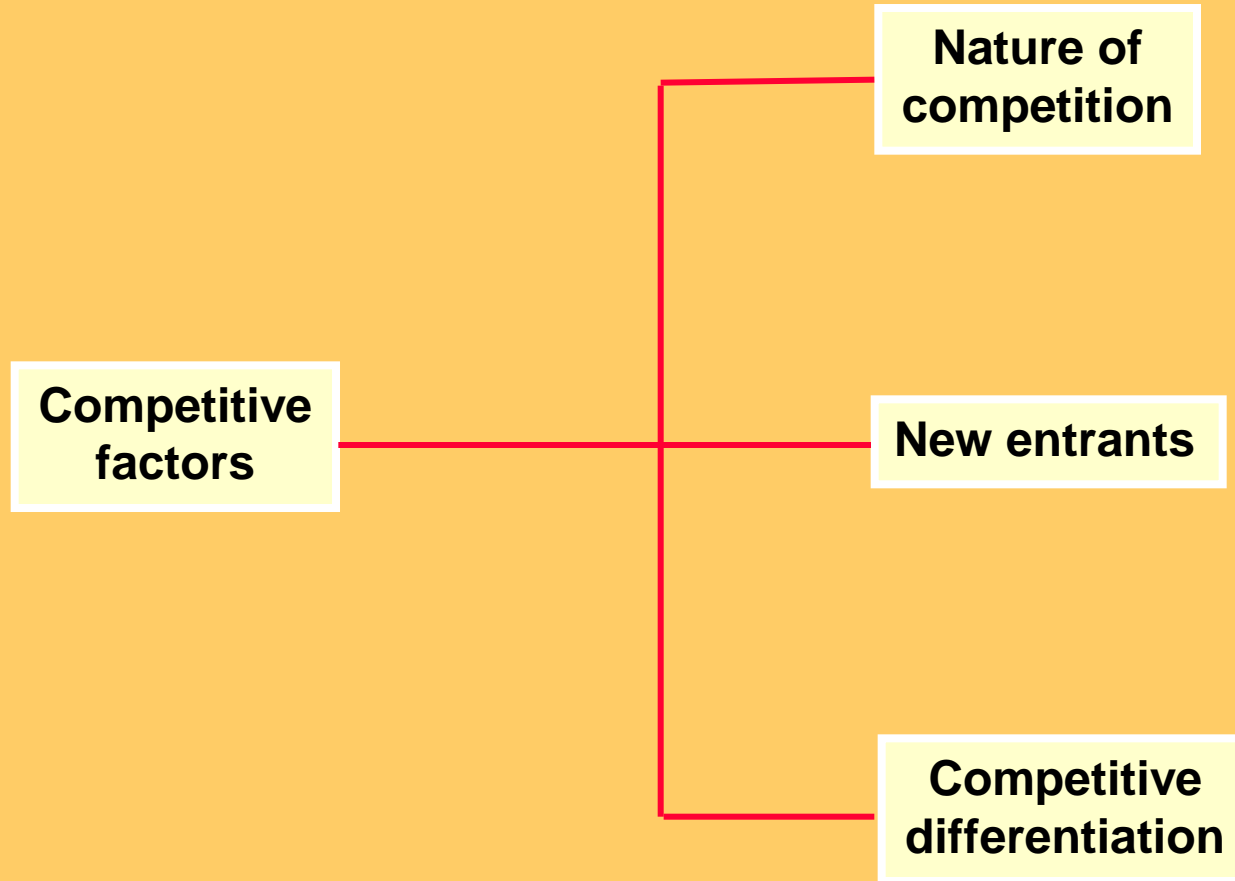
Factors used to assess market/segment attractiveness



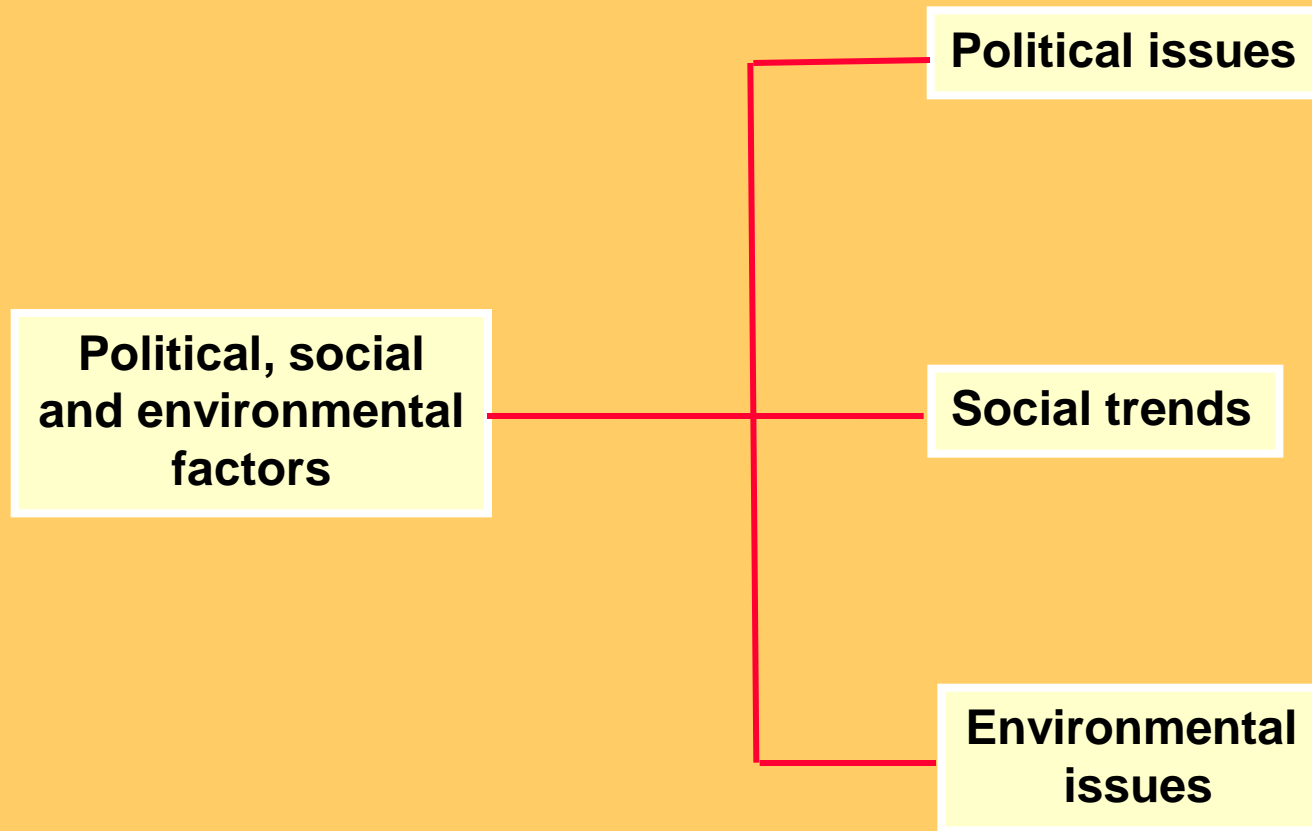
Market/Segment attractiveness



Market/Segment attractiveness



Market/Segment attractiveness



In summary - factors affect segment attractiveness.

- A segment is less attractive if it already contains many strong and aggressive competitors.
- The existence of many actual or potential substitute products may limit prices and the profits that can be earned in a segment.
- The relative power of buyers also affects segment attractiveness.
- A segment may be less attractive if it contains powerful suppliers who can control prices or reduce the quality or quantity of ordered goods and services.

Figure 9.2

Target marketing strategies

Undifferentiated
marketing

Differentiated (segmented)
marketing

Concentrated (niche)
marketing

Micromarketing

Target marketing strategies

- Undifferentiated marketing.
- Differentiated marketing.
- Focused (Concentrated/Niche) marketing.
- Customized (Micromarketing) marketing.

Target marketing strategies

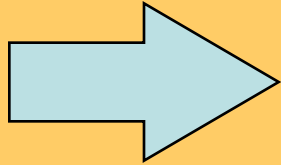
Undifferentiated marketing



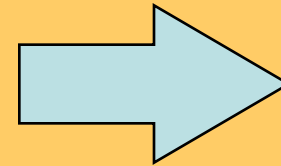
Example of Undifferentiated Strategy

Example

ORGANISATION



MARKETING MIX

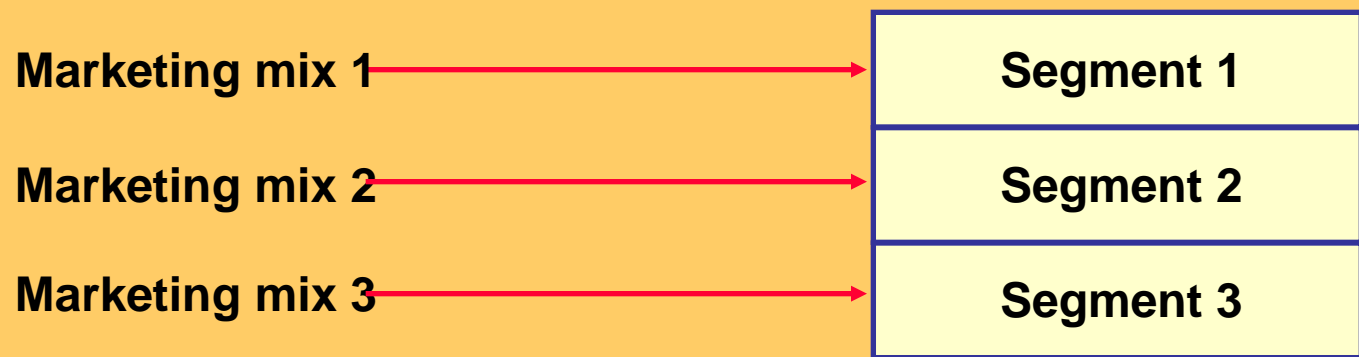


TARGET MARKET

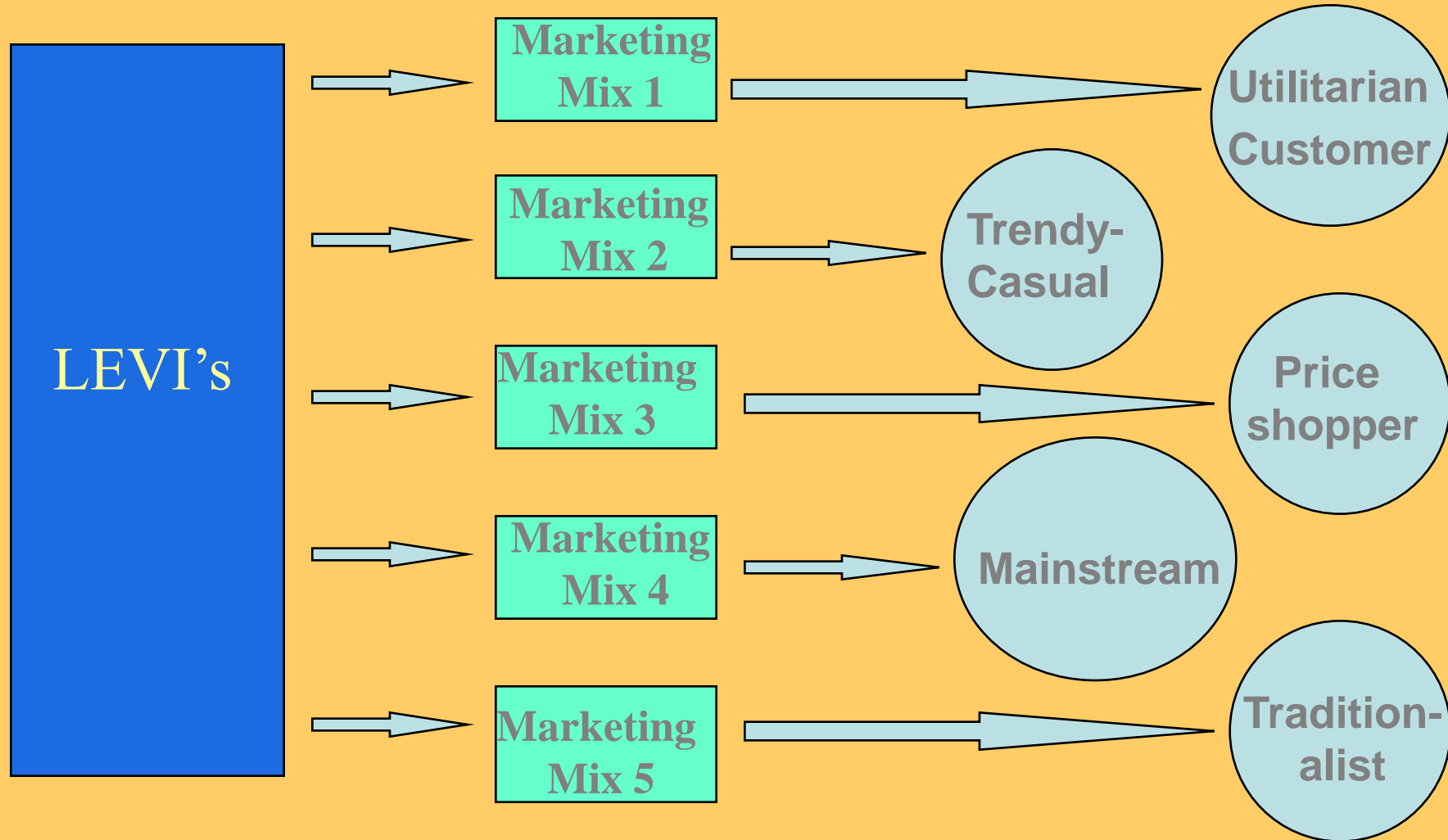


Target marketing strategies

Differentiated marketing



Example of Differentiated Strategy

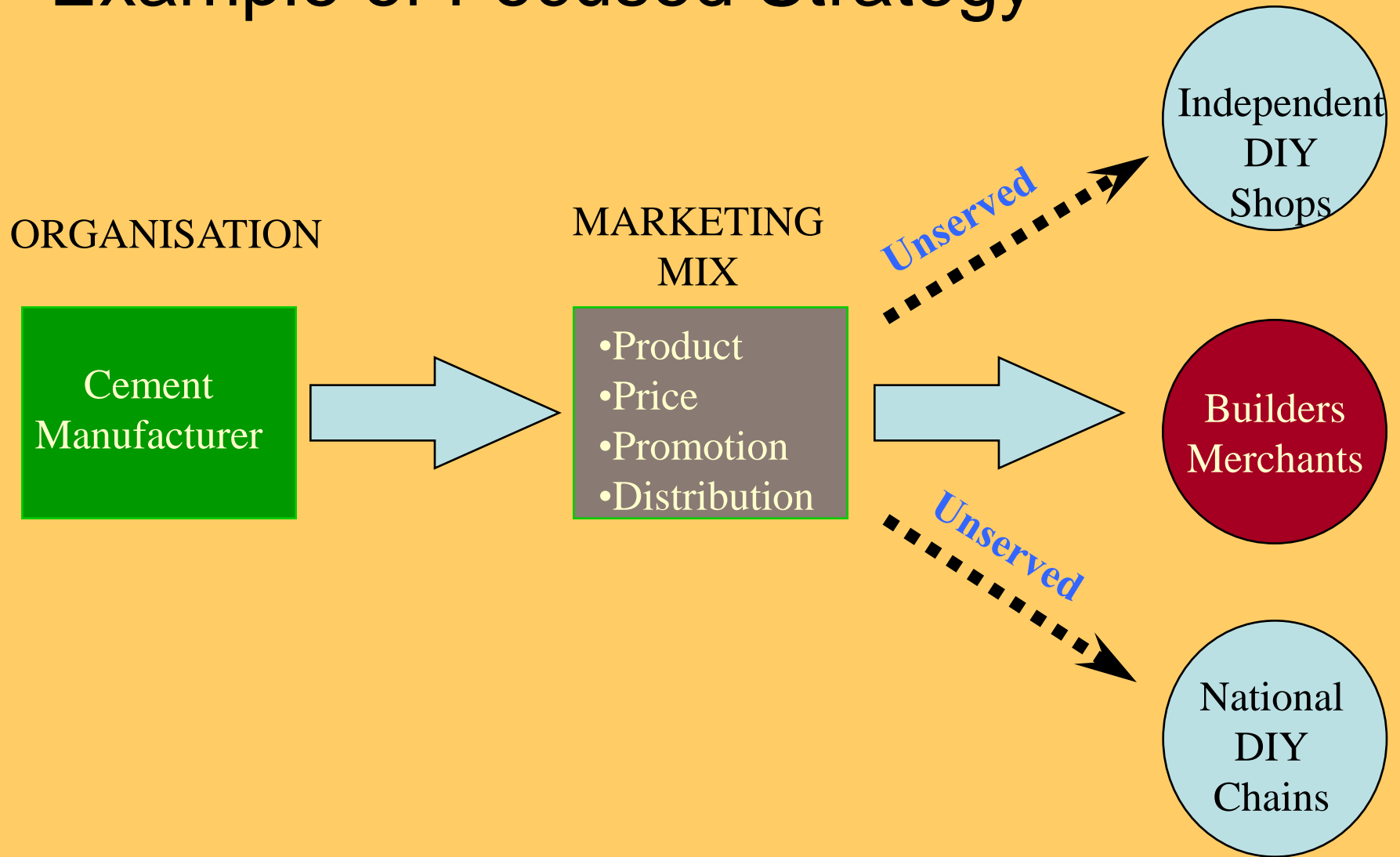


Target marketing strategies

Focused marketing

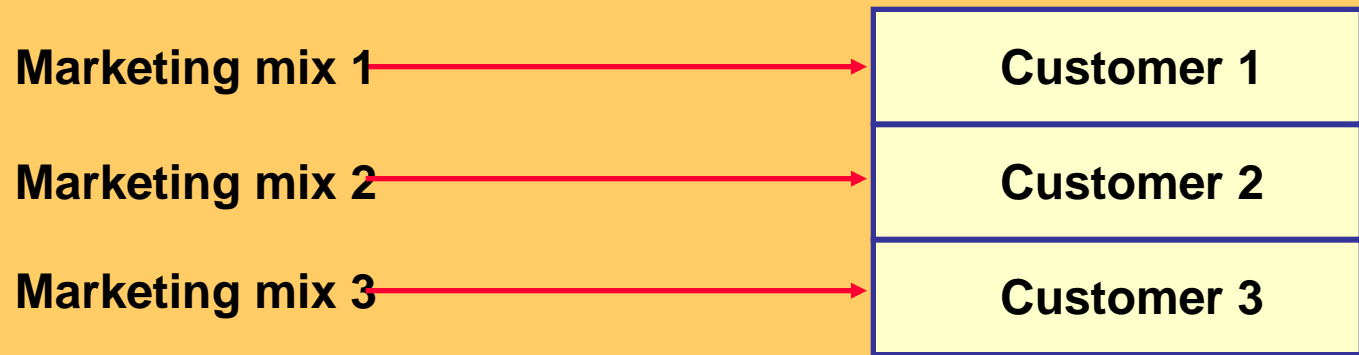


Example of Focused Strategy



Target marketing strategies

Customized marketing

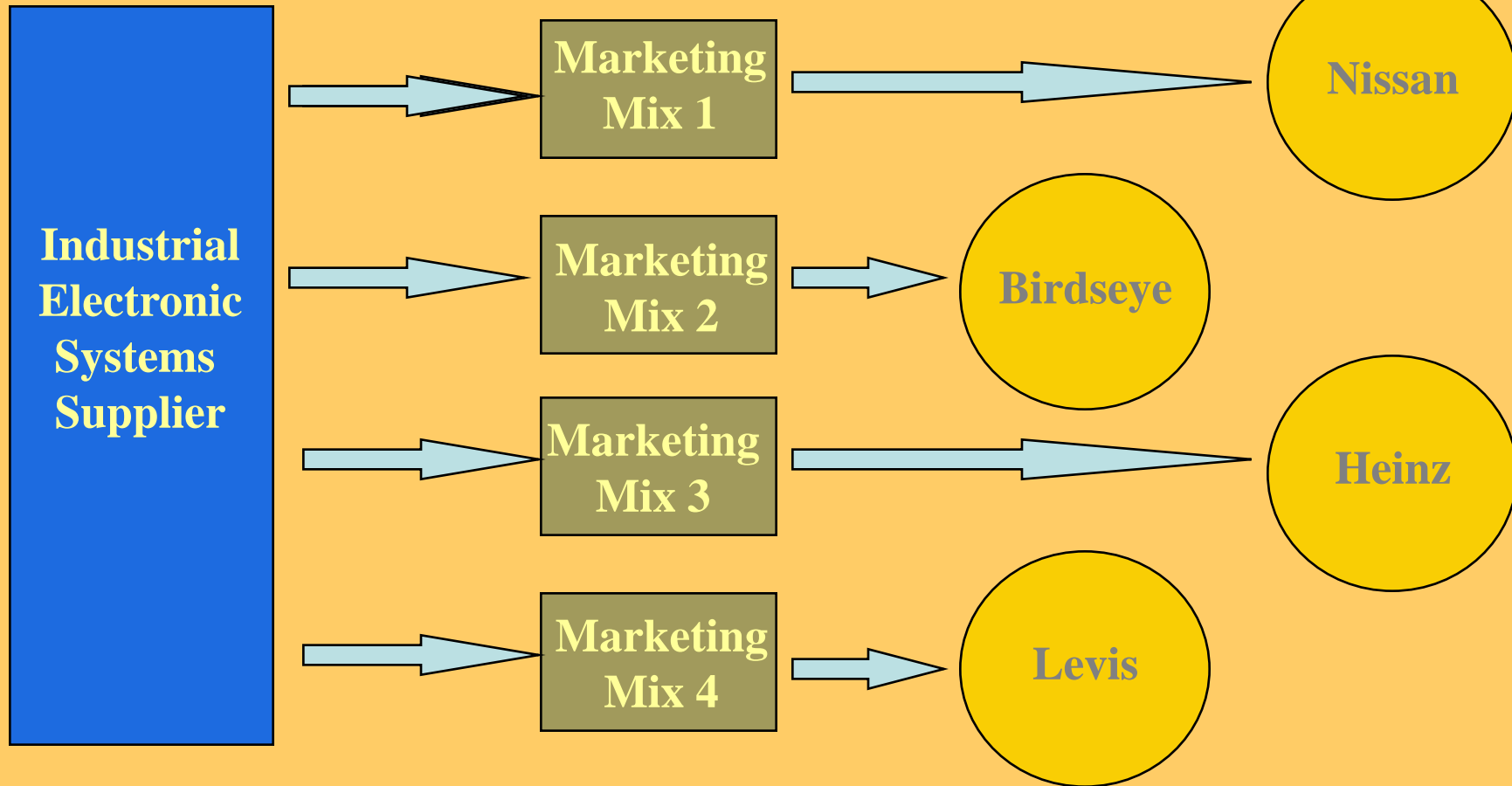


Example of Customized Strategy – Business markets

ORGANISATION

INDIVIDUAL MIXES

INDIVIDUAL CUSTOMERS



Individual marketing



Micromarketing

- Rather than seeing a customer in every individual, micro-marketers see the individual in every customer.
- In the extreme, micromarketing becomes *individual* marketing—tailoring products and marketing programmes to the needs and preferences of individual customers.
- Individual marketing has also been labeled one-to-one marketing, mass customisation, and markets-of-one marketing.

Think-Pair-Share

- Consider this scenario: You've gone to work for a shoe designer who is just launching her business. Each group should then answer the following questions:
 - Suggest a way to segment the market for her.
 - Then, select a target market to go after, keeping in mind segment size and growth, structural attractiveness, and probable company resources.
 - What target marketing strategy would you use? Explain your answers.

Factors affecting the choice of market targeting strategy

- Company resources
- Product variability
- Product's life cycle stage
- Market variability
- Competitor's marketing strategy

Choosing a target-marketing strategy.

- When the firm's resources are limited, concentrated marketing makes the most sense.
- Products that can vary in design, such as cameras and automobiles, are more suited to differentiation or concentration.
- The product's life-cycle stage also must be considered. When a firm introduces a new product, it may be practical to launch only one version, initially.
- Market variability - If most buyers have the same tastes, buy the same amounts, and react the same way to marketing efforts, undifferentiated marketing is appropriate.
- Finally, competitors' marketing strategies are important. When competitors use differentiated or concentrated marketing, undifferentiated marketing may be unadvisable.

Differentiation and positioning

Companies must decide on a **value proposition** – how it will create **differentiated value** for targeted segments and what positions it wants to occupy in those segments.

A **product's position** is the way the product is defined by consumers on important attributes.

Bang & Olufsen

Bang & Olufsen
targets
upmarket
consumers.

We have hidden 400 CDs in this picture.
Guess where?



The BeoSound 3200 copies the equivalent of all the music on 400 CDs. Using your Beo4 remote control, you can sit back and enjoy your different playlists, find particular CDs or ask for random tracks to be played. Find your nearest Bang & Olufsen store at www.bang-olufsen.com or call 0800 118 8399.

The very roomy BeoSound 3200

BANG & OLUFSEN B&O

Positioning maps

- Marketers often prepare perceptual positioning maps that show consumer perceptions of their brand versus competing products on important buying dimensions.
- Figure 9.3 shows a positioning map. The position of each circle on the map indicates the brand's perceived positioning on two dimensions—price and orientation. The size of each circle indicates the brand's relative market share.

Figure 9.3 Positioning map of large luxury SUVs

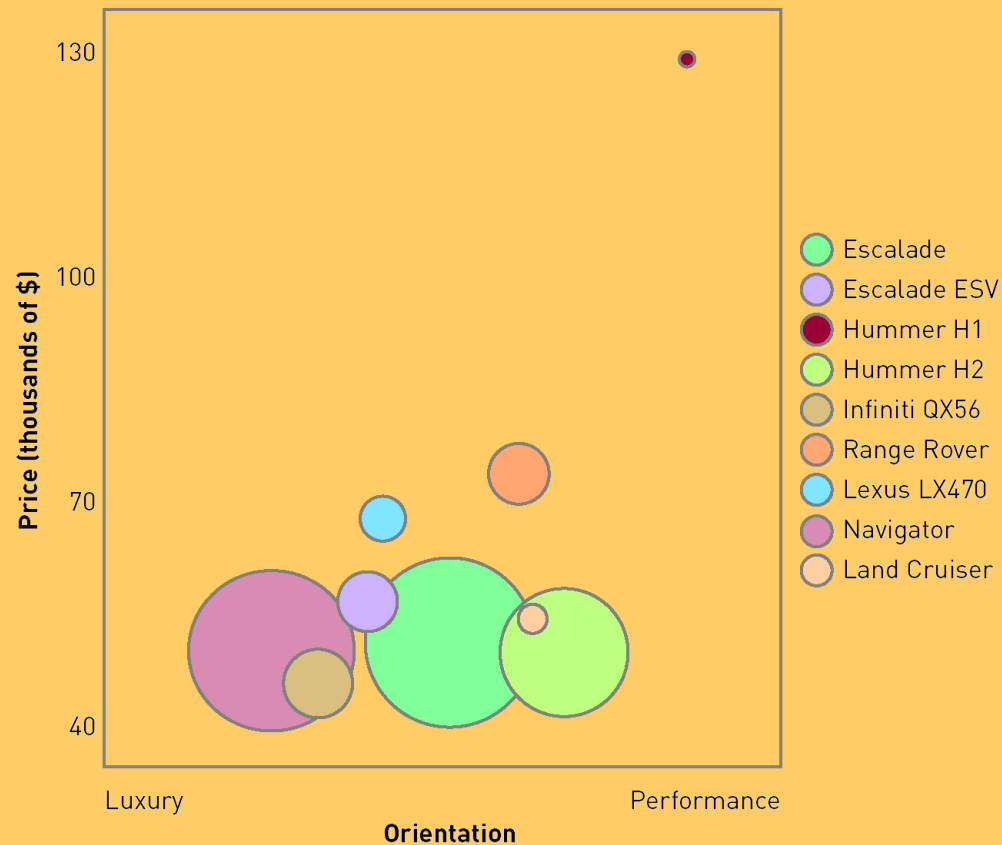




Figure 5.5 A perceptual map of supermarkets

Perceptual map - breakfast cereal market

- Identify all competing brands in the breakfast cereal market
- Discuss the important attributes consumers' use when choosing between brands e.g. price, taste, and calorie content.
- Score each brand on these key attributes
- Plot the brands on a two dimensional map (or maps)

Steps in choosing a differentiation and positioning strategy

- Identify possible value differences and competitive advantages
- Choose the right competitive advantages
- Select an overall positioning strategy
- Develop a positioning statement

Sources of differentiation



Product

Services

Channels

People

Image

Criteria for choosing which differences to promote

- Important
- Distinctive
- Superior
- Communicable
- Pre-emptive
- Affordable
- Profitable

What is a positioning statement?

A **positioning statement** is a statement that summarises company or brand positioning.

It takes this form: *To* (target segment ad need) *our* (brand) *is* (concept) *that* (point of difference).

Mountain Dew's positioning statement

To young, active soft-drink consumers who have little time to sleep, Mountain Dew is the soft drink that gives you more energy than any other brand because it has the highest level of caffeine.



Discussing the concepts (1)

- What are the benefits of mass marketing versus market segmentation for a business?
- Is the EU an attractive and distinctive geographic market segment? Can businesses market in the same way to different consumers in member states?
- How can financial service providers segment their markets and implement targeting strategies?