

Marketing Management Chapter 4—Segmentation, Targeting and Positioning

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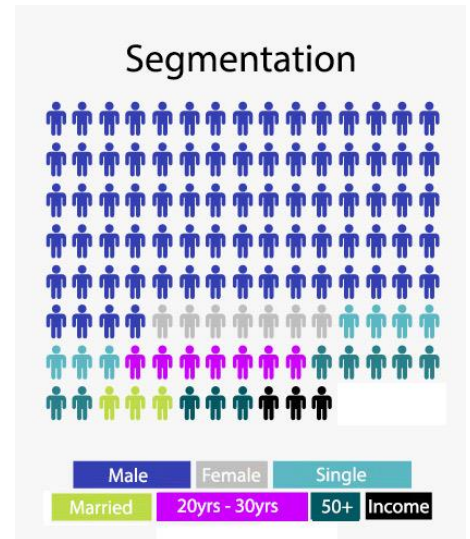
- **Market segmentation:** dividing market into distinct groups which will require separate marketing mixes
- **Target marketing:** choosing which group(s) to appeal to
- **Market positioning:** creating a clear, distinctive position in the consumer's mind relative to competition



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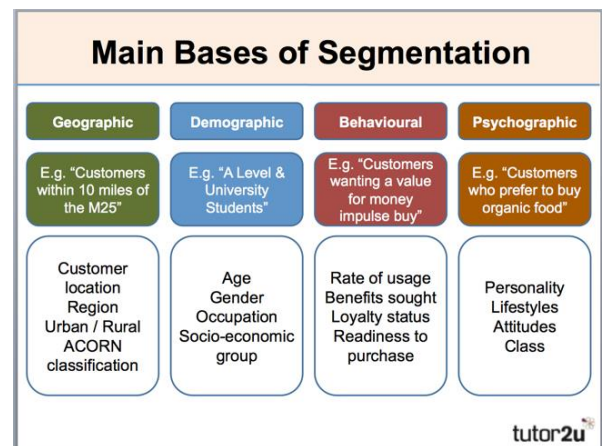
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4



A. Segmentation – grouping consumers by distinct needs, characteristics and consumption patterns

- (a) **Geographic:** world region [Asia] / country [China] / region or city within country [HK]
- (b) **Demographic:** age/gender/income/occupation/region/nationality/family size
- (c) **Psychographic:** Social Class/lifestyle [e.g organic food. Health conscious]/personality: outgoing



MARKET SEGMENTATION CONT....

- ▶ **GEOGRAPHIC SEGMENTATION.**
- **INTERNATIONALLY:** Coke segments its products country wise and region wise.
- The most important things is the taste and quality.
- It varies according to the taste and income level of the people in that country. I.e.: third world countries are given low quality and taste.

- (d) **Behavioural:** usual rate [users: light, medium, heavy], occasion: special festivals, benefit sought [e.g. toothpaste: different protections]
- customer loyalty [commitment to repurchase continuously]

Geographic	Demographic	Psychographic	Behaviouristic
<ul style="list-style-type: none"> • Worldwide • Density - Urban 	<ul style="list-style-type: none"> • Income - Wealthy £182,100 + • Occupation - Top Executives and professional Racers 	<ul style="list-style-type: none"> • Social Class - Upper middles and Upper uppers • Personality - Ambitious 	<ul style="list-style-type: none"> • Occasions - Special occasions and Holidays • Loyalty status Strong or absolute • Low or No price sensitivity

B. Target Marketing-evaluating attractiveness of each segment and enter one or a few of them

I. Evaluation of Segments

- (a) **Operating characteristics:** competitors, substitutes, suppliers and buyers [bargaining power]
- (b) **size and growth rates:** current sales, expected profitability
- (c) **objectives and resources:** financial strengths, required capital investment [e.g. payback period]

II. Selection strategies

(a) undifferentiated marketing – ignore segment differences and target whole market with one product

[mass marketing: Global, ubiquitous brands] * efficient: focus resources * can't satisfy employee

Ch # 7-Segmentation, Targeting & Positioning

Segmentation strategies

- **Undifferentiated:** Ignore segments
- **Concentrated or focused:** Concentrate on a single segment (Small firms)
- **Differentiated:** Different marketing mix for each segment (Large firms)



Undifferentiated Marketing (Mass Marketing)

- Appeals to a broad spectrum of people
- Efficient due to economies of scale
- Effective when most consumers have similar needs



(b) differentiated marketing – select several segments and tailor products for each segment

* better serve customers * sales revenue increases * operating costs increase: separated efforts

Differentiated (Segmented) Marketing

- Targets several segments and designs separate offers for each.
- firms that produce numerous products w/ dif marketing mixes designed to satisfy smaller segments
- Coca-Cola (Coke, Sprite, Diet Coke, etc.)
- Procter & Gamble (Tide, Cheer, Gain, Dreft, etc.)
- Toyota (Camry, Corolla, Prius, Scion, etc.)



Differentiated(segmented) Marketing

Five major segments:

1. **Jeanswear** Lee, Wrangler, RIDERS Lee, AURA
2. **Imagewear (workwear)** Majestic, RED RAP, BARNETT, CHEF
3. **Outdoor** THE NORTH FACE, VANS, JASPER, EASTPAK, REEF, lucy
4. **Sportswear** NAUTICA, kipling
5. **Contemporary Brands** just jared, john varvatos, ella moss, Sephora



Each Colgate Total® Formula Fights Plaque Germs for 12 hours and Helps Prevent

- ✓ Plaque
- ✓ Gingivitis
- ✓ Tartar Build-up
- ✓ Cavities
- ✓ Bad Breath



Advanced Whitening
Removes 80% of surface stains***



Advanced Clean
Helps maintain a dentist-clean feeling



Advanced Fresh
Helps reduce over 80% more bad breath germs*



Gum Defense
Reduces plaque germs that cause gum problems



Enamel Strength
Strengthens tooth enamel

(c) concentrated marketing – focus resources on one or a few small segments [niche marketing]

- * better understand consumer requirements *more efficient: focus resources
- * if poor market conditions or change of consumers’ preferences: sales and profits drop, more risky
- * rapid growth or earn profits: attract large firms –increase competitions

Concentrated Marketing

- Concentrated Marketing
 - When an organization concentrates its marketing efforts on a smaller segment of a larger market



Example of Concentrated (Niche) Whole Foods Market & the Organic Niche



tutor2u

Strategies for Selecting Target Markets

Concentrated Targeting

A strategy used to select one segment of a market for targeting marketing efforts.

Companies select a marketing niche to target and they focus on the needs, motives, & satisfactions of that group

Examples:

- Starbucks – Gourmet coffee
- Rolex – High priced watch
- OshKosh B’Gosh – Kids clothes

LO7 Concentrated Targeting Strategy

Advantages:

- Concentration of resources
- Meets narrowly defined segment
- Small firms can compete
- Strong positioning

Disadvantages:

- Segments too small, or changing
- Large competitors may market to niche segment

Concentrated Strategy

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TARGETING APPROACHES HOW MANY SEGMENTS?

Concentrated marketing

- The organization concentrate on a single segment in order to serve it comprehensively / niche marketing



Differentiated marketing

-The company selects two or more segments in the same market with different offers of value



C. Positioning – creating image for products and projecting it to consumers' minds

* differentiation *help formulate strategies * easier for consumers to remember product

#Steps:

1) Identify Competitive Advantages [differentiation]

*product[physical] *service[quality] *people[Training] *channel[delivery] *image[promotion]

Segmentation Types

1. Product Differentiation:

Adopting and launching different versions of the offering so they may attract various segments of the mass market. (Pantene, Mobile packages)

- ✓ Research focused on product development
- ✓ Mature markets with perfect competition



Ordering
Ease



Delivery

Services Differentiation

- When the physical product cannot easily be differentiated, the key to competitive success may lie in adding valued services and improving their quality.

Bases of Service Differentiation

People Differentiation

- Companies can **hire and train better people than their competitors** do. People differentiation requires company select its *customer-contact people* carefully and train them well.
- **Singapore Airlines** has an excellent reputation, largely because of the grace of its flight attendants.



2) Select Right advantages

*distinctive[unique: others don't have] *important[valuable to customers] *communicable[let c know]
* superior[hard to get same benefits] *preemptive [hard to copy] *affordable *profitable

3) Design Positioning Statement & Communicate to Consumers

* target consumers *brand/product * unique benefits

Market Segmentation

1. Identification of customers' needs and market segments
2. Develop profiles of resulting market segments



Identification of Target Markets

3. Evaluation of attractiveness of each segment
4. Selection of target segments



Positioning

5. Identification of differential advantages in each segment
6. Development and selection of positioning concepts



Marketing Planning

7. Development of a marketing mix for each segment according to the chosen position

