



Market Segmentation, Targeting, and Positioning

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The STP Process

Segmentation is the process of classifying customers into groups which share some common characteristic

Targeting involves the process of evaluating each segments attractiveness and selecting one or more segments to enter

Positioning is arranging for a product to occupy a clear, distinctive and desirable place relative to competing products in the mind of the consumer



Target Market

A market is a set of all actual and potential buyers

A target market is a group of people toward whom a firm markets its goods, services, or ideas with a strategy designed to satisfy their specific needs and preferences.

Any marketing strategy must include a detailed (*specific*) description of this.

Advantages of Segmentation

The process of breaking up a homogeneous market into heterogeneous segments forces the marketer to analyse and consider both the needs of the market and the company's ability to competently serve those needs – thereby making the company better informed about its customers

Competitor offerings and marketing positioning must also be analysed in this context so the company must consider what its competitive advantages and disadvantages are, helping it to clarify its own positioning strategy

Limited resources are used to best advantage, targeted at those segments that offer the best potential



Levels of segmentation

Mass Marketing
Same product to all customers

Segment Marketing
Different products to one or more segments
(some segmentation)

Niche Marketing
Different products to subgroups within segments
(more segmentation)

Micromarketing
Products to suit the tastes of individuals and locations
(complete segmentation)

Local Marketing
Tailoring brands/ promotions to local
customer groups

Individual Marketing
Tailoring products/ programs to
individual customers



Requirements for Effective Segmentation

Measurable

- **Size, purchasing power, profiles of segments can be measured**

Accessible

- **Segments can be effectively reached and served.**

Substantial

- **Segments are large or profitable enough to serve**

Differential

- **Segments must respond differently to different marketing mix elements & programs.**

Actionable

- **Effective programs can be designed to attract and serve the segments.**



Bases for customer segmentation

Geographic

- Nation, States
- Regions, Cities

Demographic

- Age, gender
- Family size
- Life cycle, Income

Psychographic

- Social class
- Lifestyle
- Personality

Behavioral

- Occasions
- Benefits sought
- User status
- Loyalty



Bases for Segmenting Business Markets

Demographics	Operating characteristics	Purchasing approaches	Situational Factors	Personal Characteristics
<ul style="list-style-type: none">• General criteria• Broad description of the company• Industry, Company size, Customer location	<ul style="list-style-type: none">• Company Technology• Product Brand and Use Status• Customer capabilities	<ul style="list-style-type: none">• Power structure• Buyer – Seller relationships• Purchasing policies	<ul style="list-style-type: none">• Important factor• Urgency or order fulfillment• Product Application• Size of order	<ul style="list-style-type: none">• Buyer – Seller Similarities and Synergies• Individual Behaviors• Risk Management



Geographic

Economics

Political/Legal

Cultural

Intermarket



Evaluating Market Segments (developing selection criteria)

Segment Size and Growth

- Analyse sales, growth rates and expected profitability for various segments.

Segment Structural Attractiveness

- Consider effects of: Competitors, Availability of Substitute Products and, the Power of Buyers & Suppliers.

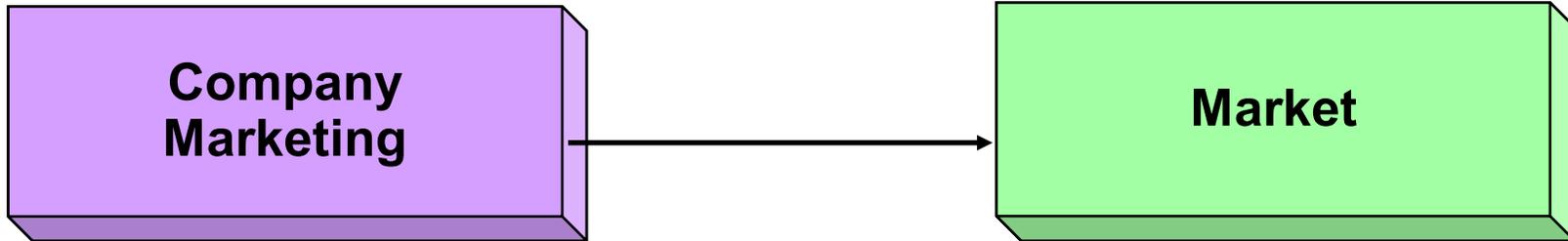
Company Objectives and Resources

- Company skills & resources relative to the segment(s).
- Look for Competitive Advantages.

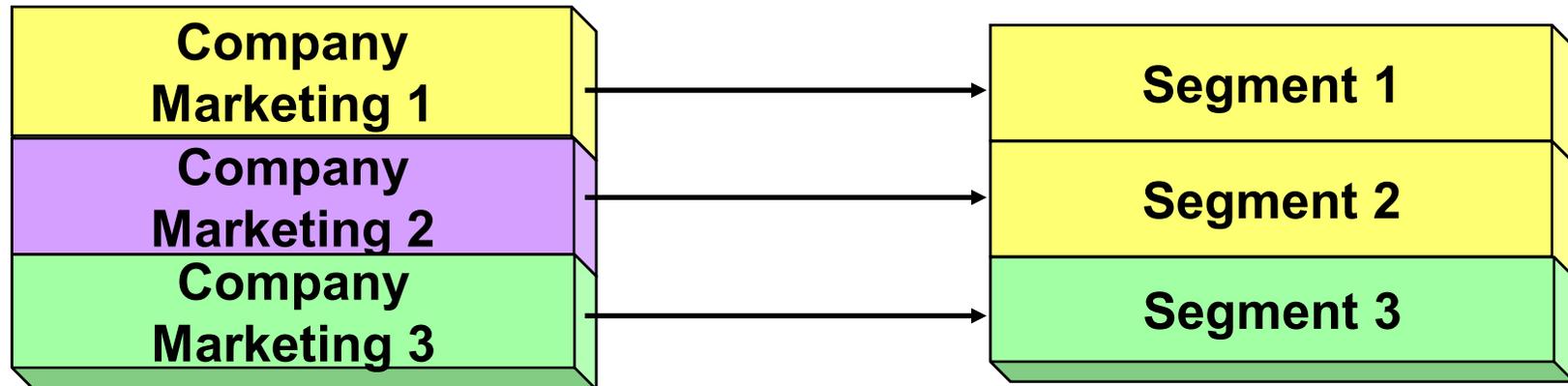
Market Targeting

Market Coverage Strategies

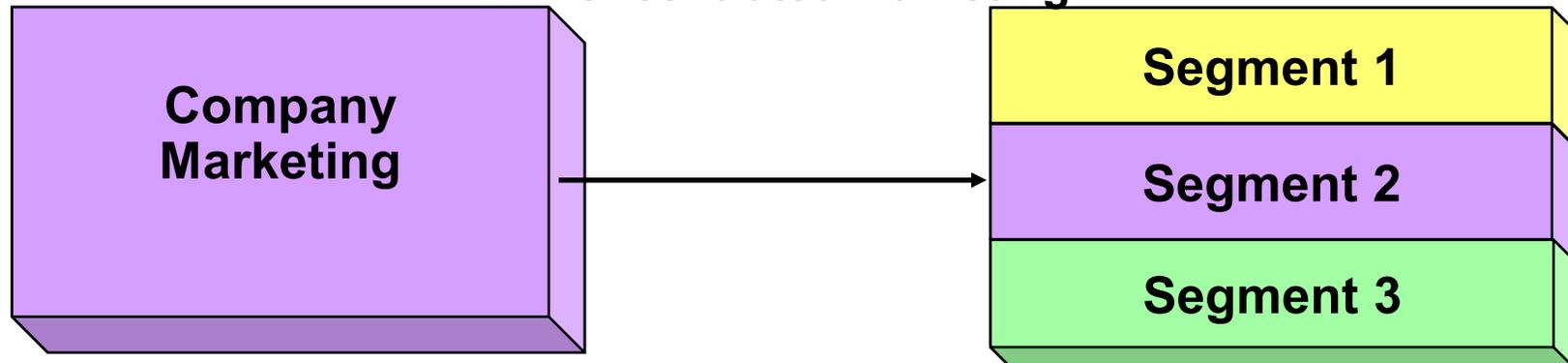
A. Undifferentiated Marketing



B. Differentiated Marketing

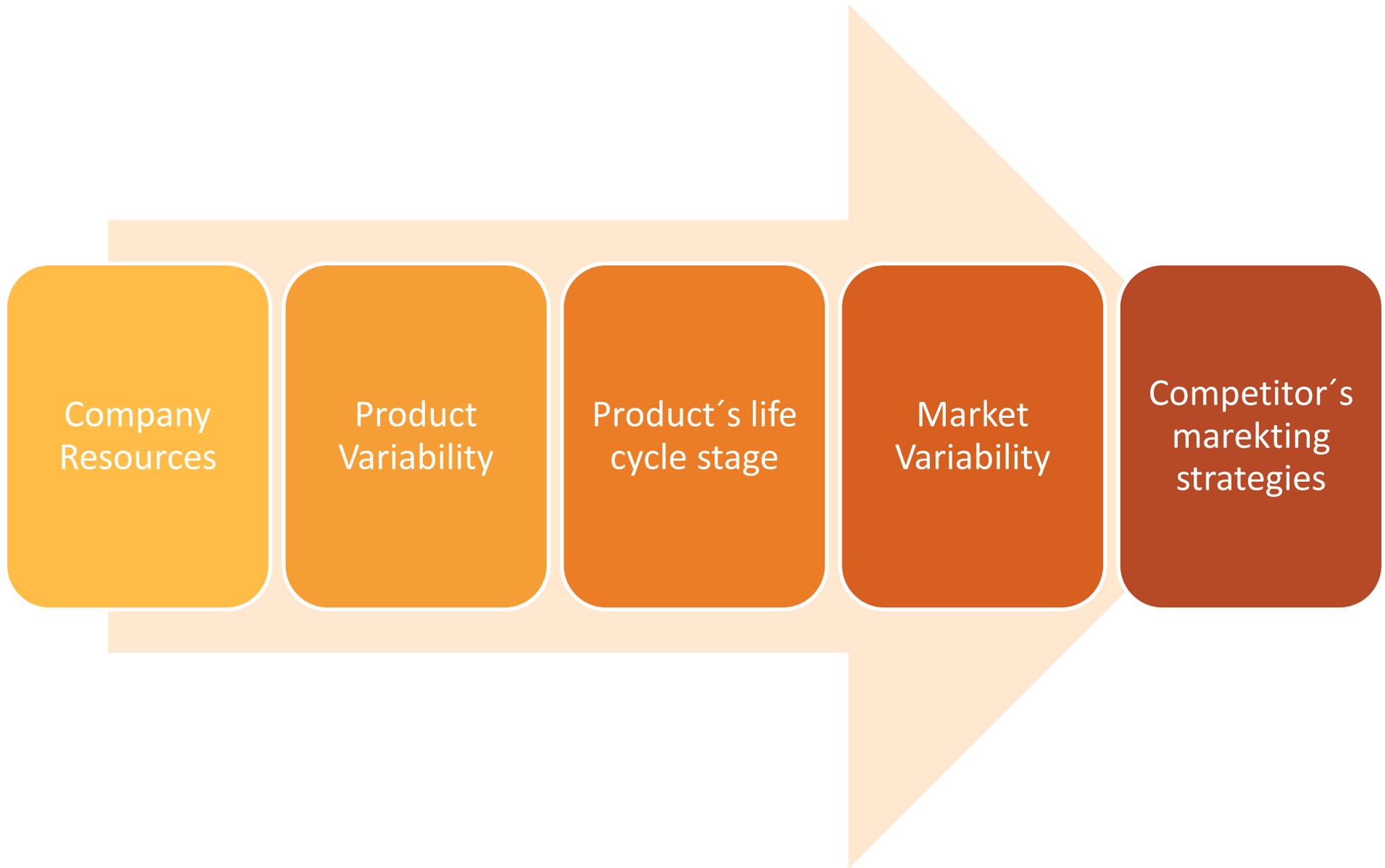


C. Concentrated Marketing





Market Targeting



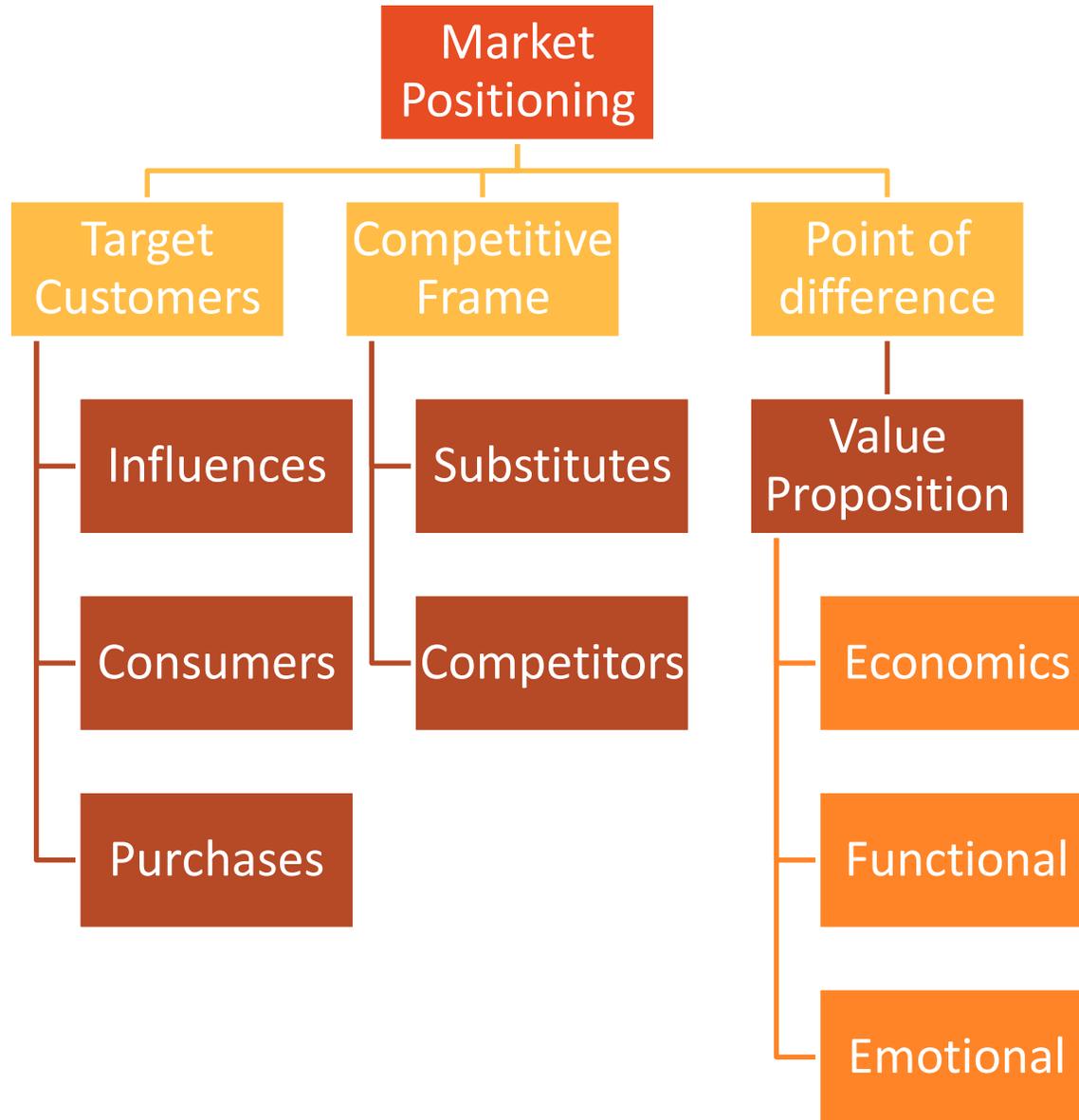
Positioning for Competitive Advantage

Product's Position

- the way the product is *defined by consumers* on important attributes - the place the product occupies in consumers' minds relative to competing products.

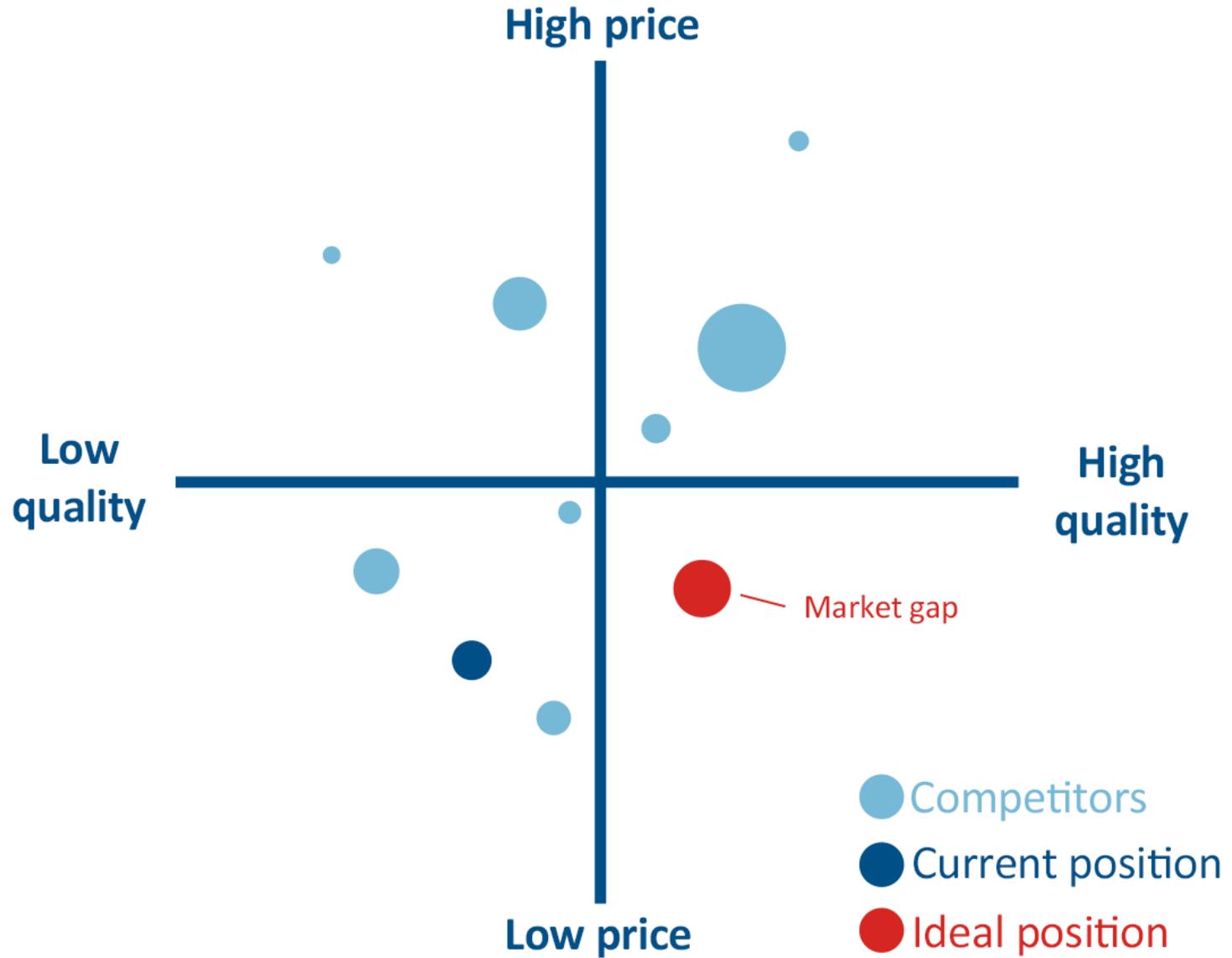
Marketers must

- *Plan* positions to give their products the greatest advantage in selected target markets,
- *Design* marketing mixes to create these planned positions.





Market Positioning Strategy





Marketing Positioning - Strategies

Product Class

Product Attributes

Benefits Offered

Usage Occasions

User Class

Against Competitor

Away from Competitors



Steps to Choosing and Implementing a Positioning Strategy

Identifying Possible Competitive Advantages: Competitive Differentiation.



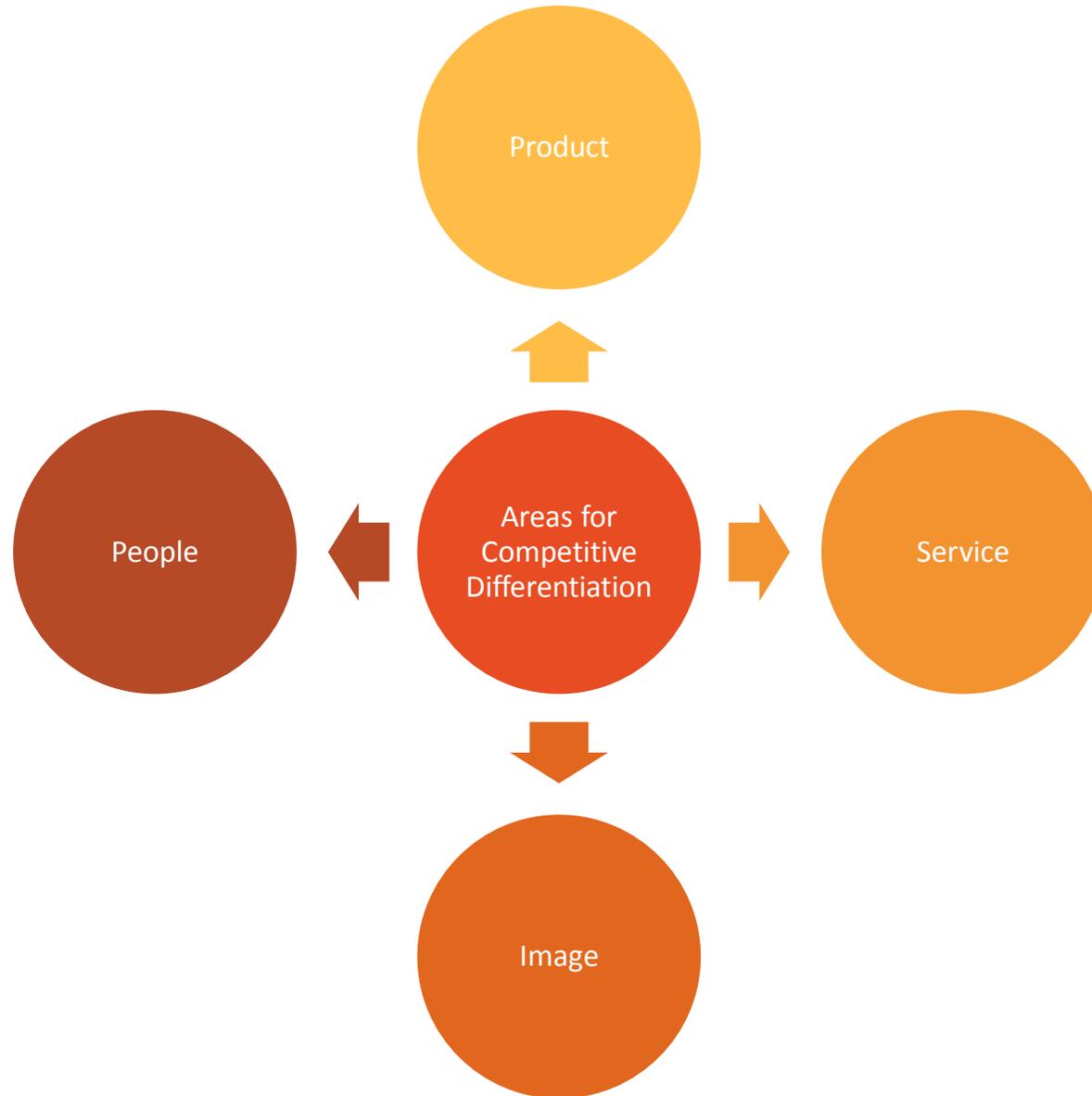
Selecting the Right Competitive Advantage: Unique Selling Proposition (USP).



Communicating and Delivering the Chosen Position.



Support the positioning strategy with a unique marketing





Selecting the Right Competitive Advantages





Steps in Market Segmentation, Targeting and Positioning

Market Segmentation

Identify the bases for segmentation

Develop Profiles of Resulting Segments



Market Targeting

Develop Selection Criteria

Select Target Segments



Market Positioning

Develop Positioning for Each Target Segment

Develop Marketing Mix for Each Target Segment



Summary

- Segmentation
 - Types of segmentation
 - Why to do
- Targeting
 - How to evaluate segments
 - How to choose the right segment
- Positioning
 - How to develop strategy