Chapter 7
Segmentation, Targeting, and Positioning

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

Steps in Market Segmentation, Targeting, and Positioning

Levels of Segmentation
• Mass Marketing
• Segment Marketing
• Niche Marketing
• Micromarketing

Market Segmentation
• Geographical segmentation
  – Marketing mixes are customized geographically
• Demographic segmentation
• Psychographic segmentation
• Behavioral segmentation
• Using multiple segmentation variables

Key Topics
• Segmenting Consumer Markets
• Segmenting Business Markets
• Segmenting International Markets
• Requirements for Effective Segmentation

Geographic Segmentation Variables
• World Region or Country
• U.S. Region
• State
• City
• City or Metro Size
• Neighborhood
• Density
• Climate
Market Segmentation

Key Topics

- Segmenting Consumer Markets
- Segmenting Business Markets
- Segmenting International Markets
- Requirements for Effective Segmentation

- Geographical segments
- Demographic segmentation
  - Most popular type
  - Demographics are closely related to needs, wants and usage rates
- Psychographic segmentation
- Behavioral segmentation
- Using multiple segmentation variables

Demographic Segmentation Variables

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

What type of demographic segmentation is reflected by this ad?
Market Segmentation

Key Topics

- Segmenting Consumer Markets
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- Geographic segments
- Demographic segmentation
- Psychographic segmentation
  - Lifestyle, social class, and personality-based segmentation
- Behavioral segmentation
- Using multiple segmentation variables

Swatch targets those with an active lifestyle

Needs and benefits are the characteristics or attributes of a product that consumers seek or consider important.

Behavioral Segmentation Variables

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

The List of Value (LOV) Scale consists of nine value:

- A sense of belonging, excitement, fun and enjoyment in life, self-fulfillment, being well respected, warm relationship, security, accomplishment and self respect

What does consumer like or dislike?

What are consumers’ activities, opinions, and interests?

Market Segmentation

Key Topics

- Segmenting Consumer Markets
- Segmenting Business Markets
- Segmenting International Markets
- Requirements for Effective Segmentation

- Geographic segments
- Demographic segmentation
- Psychographic segmentation
- Behavioral segmentation
  - Typically done first
- Using multiple segmentation variables

Needs and benefits are according to different benefits that consumers seek from the product.

Graphic Designer

WANTS

DIFFERENT NEEDS

Using for jobs ➔ Professional Computer

Using for homework ➔ Average Level Computer

Student

DIFFERENT NEEDS

Using for homework ➔ Average Level Computer

Graphic Designer

WANTS

Using for jobs ➔ Professional Computer

Needs and benefits are the characteristics or attributes of a product that consumers seek or consider important.
Behavioral measures ask consumers to indicate which brands (services) they have purchased over a certain time period.

**Behavioral Segmentation**

Dividing the market into groups based on consumer knowledge, attitude, use, or response to a product.

**Ocassions:**

Buyers can be grouped according to occasions when they get the idea to buy or actually make their purchase.

- Orange juice most often is consumed at breakfast
- Candies, flowers, cards other gifts are consumed at Valentine's Day

The Wine Spectrum Co. asked a sample of 1150 wine consumers to record all consumption of wine.

- When and where consumed
- The nature of situation
- If at a meal, what type of meal
- The quantity consumed
- Brand, color, and variety of wine
- Who decided to have wine

These data were employed to form segments based on the occasion during which the wine consumed.

Largest occasion segment (35% of the volume) - **SOCIAL SEGMENT**

Motives: sociability, sharing, celebration, friendship, fun

2nd largest occasion segment (24% of the volume) - **INTROSPECTIVE**

Motives: thirst, pleasure, relaxation, indulgence, good feelings

**Occasion segmentation: Altoids “Love Tin” is a “curiously strong valentine”**

**Checkout Direct** offers retailers & manufacturers an excellent method of reaching segments of heavy users, as well as users of the direct competition.

**Market Segmentation**

**Key Topics**

- Segmenting Consumer Markets
- Segmenting Business Markets
- Segmenting International Markets
- Requirements for Effective Segmentation

- Geographic segments
- Demographic segmentation
- Psychographic segmentation
- Behavioral segmentation
- Using multiple segmentation variables

- 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
Market Segmentation

Key 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

Key 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

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

- Choosing a Target-Marketing Strategy
  Requires Consideration of:
  - Company resources
  - The degree of product variability
  - Product’s life-cycle stage
  - 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.
Positioning

• Choosing a Positioning Strategy:
  – Identifying possible competitive advantages — many potential sources of differentiation exist:
    • Products
    • Services
    • Channels
    • People
    • Image

Porsche is positioned on the basis of performance and freedom.

Criteria for Meaningful Differences

• Important
• Distinctive
• Superior
• Communicable
• Preemptive
• Affordable
• Profitable

Choosing a Positioning Strategy:

• Choosing the right competitive advantage
  • How many differences to promote?
    – Unique selling proposition
    – Positioning errors to avoid
  • Which differences to promote?

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

Communicating and delivering the chosen position

• Entire marketing mix must support the chosen strategy
• May require changes to the product, pricing, distribution or promotion.