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**

1. Market segmentation
   1. Identify bases for segmenting the market
   2. Develop segment profiles
2. Target marketing
   3. Develop measure of segment attractiveness
   4. Select target segments
3. Market positioning
   5. Develop positioning for target segments
   6. Develop a marketing mix for each segment

**Levels of Segmentation**

- Mass Marketing
- Segment Marketing
- Niche Marketing
- Micromarketing
Market Segmentation

Key Topics

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

- Geographical segmentation
  - Marketing mixes are customized geographically
- Demographic segmentation
- Psychographic segmentation
- Behavioral segmentation
- Using multiple segmentation variables

Geographic Segmentation Variables

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

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 these ads?

DIGITAL NATIVES VS. DIGITAL IMMIGRANTS

- Digital Natives have known only the digital culture.
- Collaborating across boundaries, with a variety of people
  - Home and work boundaries are dissolving
- Multi-tasking + multi-screening
- Sophisticated consumers
  - Process information very fast
- Seeking convenience and having high expectations regarding customer services
  - “Online oxygen.”
- Avoid personal interaction, prefer digital interaction

- Digital Immigrants lived in two cultures: the pre-digital and the digital.

TWO VIEWS OF THE SAME USER

- Gender: Female
- Status: Single
- Age: 34 yrs old
- Location: New York, NY
- Interests & Likes: Music, Books, TV Shows, Movies, Sports, Hobbies, ...
Market Segmentation

**Key Topics**
- Segmenting Consumer Markets
- Segmenting Business Markets
- Segmenting International Markets
- Requirements for Effective Segmentation

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

Apple Watch Series 2 targets people who are sports enthusiastic or who have active lifestyle.

### Psychographic Segmentation

Dividing the market into groups based on social class, lifestyle, or personality characteristics.

- What does consumer like or dislike?
- What are consumers’ activities, opinions, and interests?

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.
Market Segmentation

**Behavioral Segmentation Variables**

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

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

**Benefit Segmentation**

Dividing the market into groups according to different benefits that consumers seek from the product

- Graphic Designer
- Student

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.

**Occasions:**

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

Dividing the market into groups according to consumer knowledge, attitude, use, or response to a product.
Behavioral Measures

The Wine Spectrum Co. asked a sample of 1150 wine consumers to record all consumption of wine. These data were employed to form segments based on the occasion during which the wine was 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
Market Segmentation

Key Topics
- Segmenting Consumer Markets
- Segmenting Business Markets
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- Requirements for Effective Segmentation

Key Topics
- Geographic segmentation
- Demographic segmentation
- Psychographic segmentation
- Behavioral segmentation
- Using multiple segmentation variables

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

Key Topics
- Demographic segmentation
  - Industry, company size, location
- Operating variables
  - Technology, usage status, customer capabilities
- Situational factors
  - Urgency, specific application, size of order
- Personal characteristics
  - Buyer-seller similarity, attitudes toward risk, loyalty

Key Topics
- 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
Market Segmentation

**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 Strategies

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.

Positioning

Criteria for Meaningful Differences

- Important
- Superior
- Preemptive
- Distinctive
- Communicable
- 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?
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

Positioning

- Choosing a Positioning Strategy:
  - Communicating and delivering the chosen position
    - Entire marketing mix must support the chosen strategy
    - May require changes to the product, pricing, distribution or promotion.