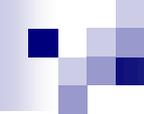




Chapter 7

Segmentation, Targeting, and
Positioning: Building the Right
Relationships with the Right
Customers



Learning Goals

1. Understand the three steps of target marketing, market segmentation, target marketing, and market positioning
2. Explore the major bases for segmenting consumer and business marketing strategy
3. Explain how companies identify attractive market segments and choose target marketing strategy
4. Discuss how companies position their products for maximum competitive advantage in the marketplace

Market Segmentation, Targeting, and Positioning

Market Segmentation

1. Identify bases for segmenting the market
2. Develop segment profiles

Market Targeting

3. Develop measure of segment attractiveness
4. Select target segments

Market Positioning

5. Develop positioning for target segments
6. Develop a marketing mix for each segment

Definition

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



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Segmenting Consumer Markets

- Geographical segmentation
- Demographic segmentation
 - Most popular segmentation
- Psychographic segmentation
 - Lifestyle, social class, and personality-based segmentation
- Behavioral segmentation

Geographic Segmentation Variables

- World region or country
- U.S. region
- State
- City
- Neighborhood
- City or metro size
- Density
- Climate

Geographic Segmentatio

This rate card shows leading magazines use geographic segmentation when charging advertisers.



MNI HEALTH & BEAUTY

COSMOPOLITAN | ELLE | FITNESS | HARPER'S BAZAAR | HEALTH | MARIE CLAIRE

State	Market	Rate Base	Page Rate
Arizona	PHOENIX/TUCSON	69,500	\$11,970
California	LOS ANGELES	138,620	\$22,150
	ORANGE COUNTY	56,110	\$ 9,685
	SAN DIEGO	53,940	\$ 9,655
	SAN FRANCISCO	136,630	\$21,830
Colorado	DENVER	56,550	\$ 9,740
Connecticut	FAIRFIELD COUNTY	20,000	\$ 6,790
D.C.	WASHINGTON, D.C./ NORTHERN VIRGINIA	79,250	\$12,890
Florida	MIAMI/FT. LAUDERDALE/ PALM BEACH	81,690	\$13,285
	TAMPA/ST. PETERSBURG/ CLEARWATER	36,940	\$7,375
Georgia	ATLANTA	66,260	\$11,410
Illinois	CHICAGO	145,980	\$23,325
Louisiana	NEW ORLEANS/ BATON ROUGE	37,590	\$ 7,505
Maryland	BALTIMORE	38,520	\$ 7,510
Massachusetts	BOSTON	91,880	\$14,945
Michigan	DETROIT	80,810	\$13,145
Minnesota	MINNEAPOLIS/ST. PAUL	57,830	\$ 9,960
Missouri	ST. LOUIS	44,670	\$ 8,350
Nevada	LAS VEGAS/RENO	33,390	\$ 6,790
New Jersey	NEW JERSEY	156,960	\$25,080
New York	NEW YORK/LONG ISLAND	208,020	\$32,840
North Carolina	CHARLOTTE/GREENSBORO	48,530	\$ 9,070

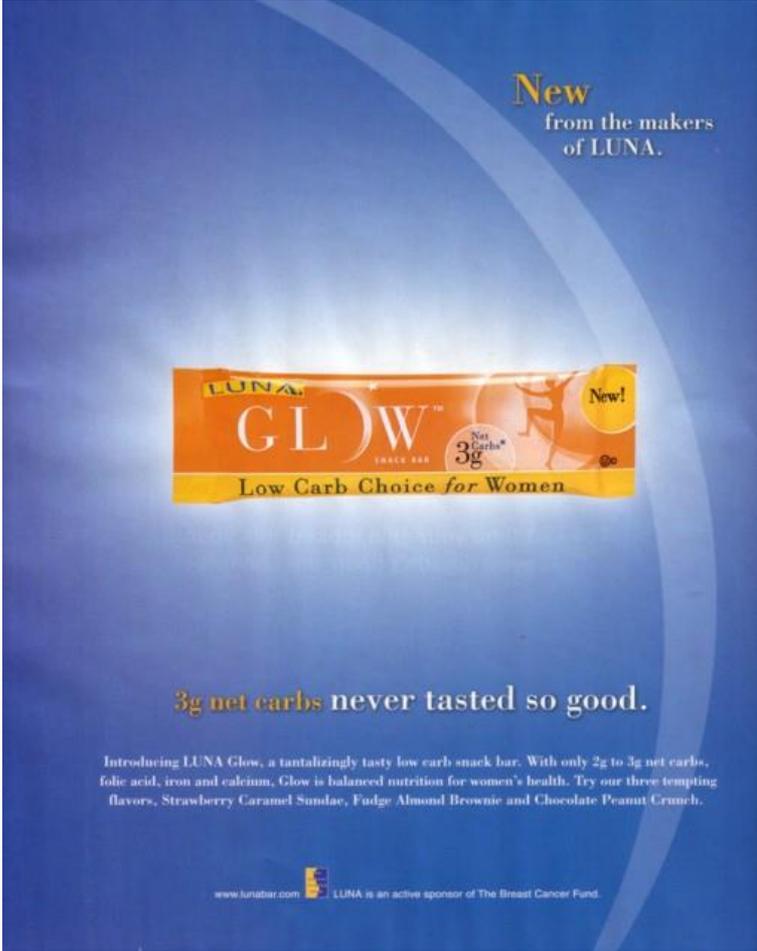
State	Market	Rate Base	Page Rate
Ohio	CINCINNATI	32,630	\$ 6,790
	CLEVELAND	35,190	\$ 7,025
Pennsylvania	PHILADELPHIA	70,020	\$12,060
	PITTSBURGH	40,270	\$ 7,525
Texas	DALLAS/FT. WORTH	79,220	\$12,885
	HOUSTON	61,650	\$10,620
Virginia	NORFOLK/RICHMOND	50,740	\$ 9,485
Washington	SEATTLE/TACOMA	53,380	\$ 9,610

Demographic Segmentation Variables

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

Demographic Segmentation Variables

Nutrition bars are targeted to varying demographics including men, women and children



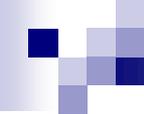
New
from the makers
of LUNA.

LUNA
GLOW
TRIPLE BAR
Net Carbs*
3g
New!
Low Carb Choice for Women

3g net carbs never tasted so good.

Introducing LUNA Glow, a tantalizingly tasty low carb snack bar. With only 2g to 3g net carbs, folic acid, iron and calcium, Glow is balanced nutrition for women's health. Try our three tempting flavors, Strawberry Caramel Sundae, Fudge Almond Brownie and Chocolate Peanut Crunch.

www.lunabar.com LUNA is an active sponsor of The Breast Cancer Fund.



Behavioral Segmentation Variables

- Occasions
- Benefits
- User status
- User rates
- Loyalty status
- Readiness stage
- Attitude toward the product

Behavioral Segmentation Variables

This fridge with a built in TV is targeted to the owner who watches television in the kitchen and has a design that faces the fridge



Discussion Question

- Based on the car examples on the following slide, how do car manufacturers use the following segments when marketing products?
 - Geographic
 - Demographic
 - Psychographic
 - Behavioral



Examples of Cars



Scion tC Pic 2

Major Segmentation Variables for Business Markets

Demographic

1. **Industry: Which industries should we serve?**
2. **Company size: What size companies should we serve?**
3. **Location: What geographical areas should we serve?**

Operating Variables

4. **Technology: What customer technologies should we focus on?**
5. **User or nonuser status: Should we serve heavy users, medium users, light users, or nonusers?**
6. **Customer capabilities: Should we serve customers needing many or few services?**

Purchasing Approaches

7. **Purchasing-function organization: Should we serve companies with highly centralized or decentralized purchasing organizations?**
8. **Power structure: Should we serve companies that are engineering dominated, financially dominated, and so on?**

Segmenting International Markets

- 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

Requirements for Effective Segmentation

Measurable

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

Substantial

- Segments must be large or profitable enough to serve.

Accessible

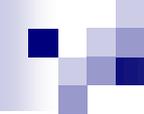
- Segments can be effectively reached and served.

Differentiable

- Segments must respond differently to different marketing mix elements

Actionable

- Must be able to attract and serve the segments by effective programs.



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Target Marketing

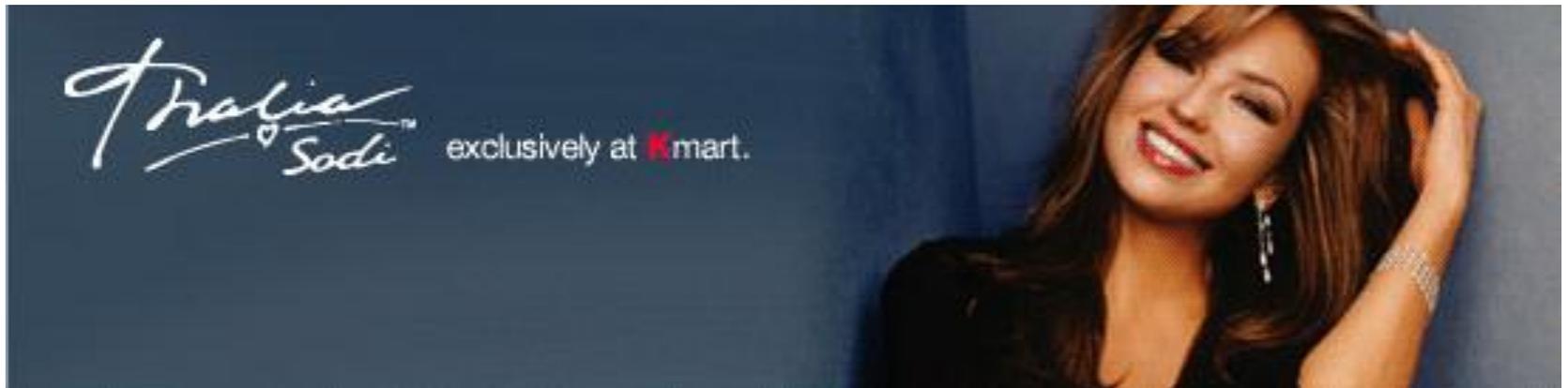
- Target Market

- Consists of a set of buyers who share common needs or characteristics that the company decides to serve

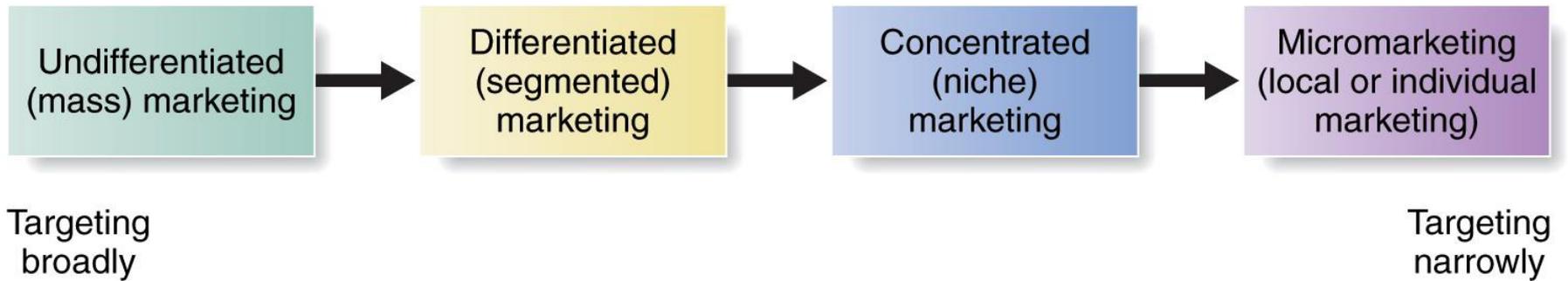
Target Marketing

- Evaluating Market Segments
 - Segment size and growth
 - Segment structural attractiveness
 - Level of competition
 - Substitute products
 - Power of buyers
 - Powerful suppliers
 - Company objectives and resources

Kmart has been targeting
the growing Hispanic Market

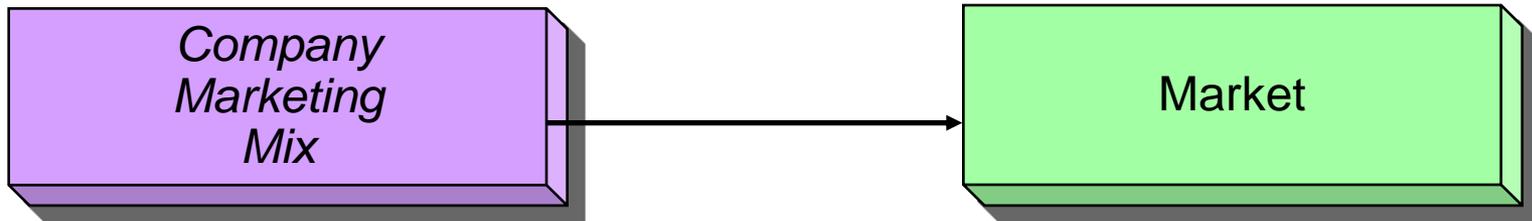


Target Marketing Strategies

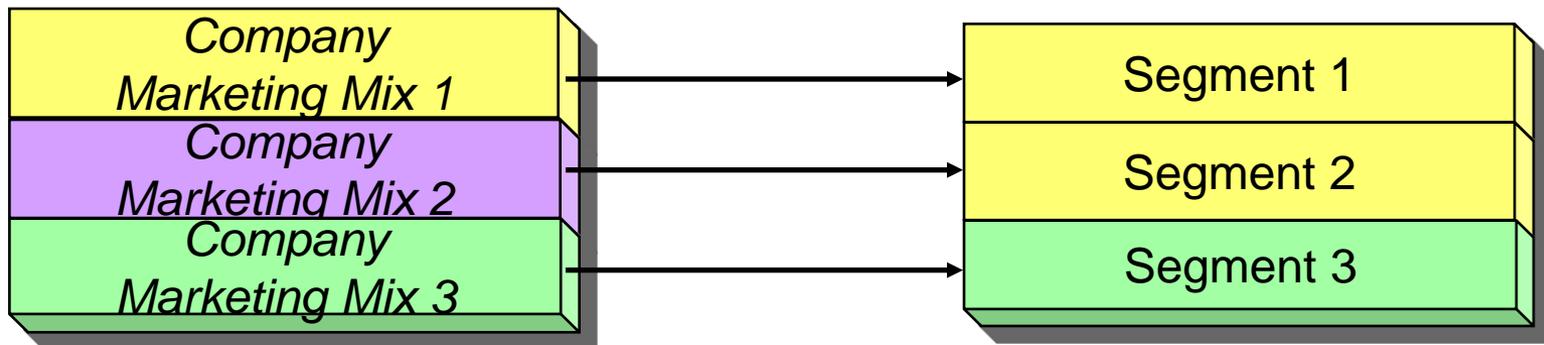


Target Marketing

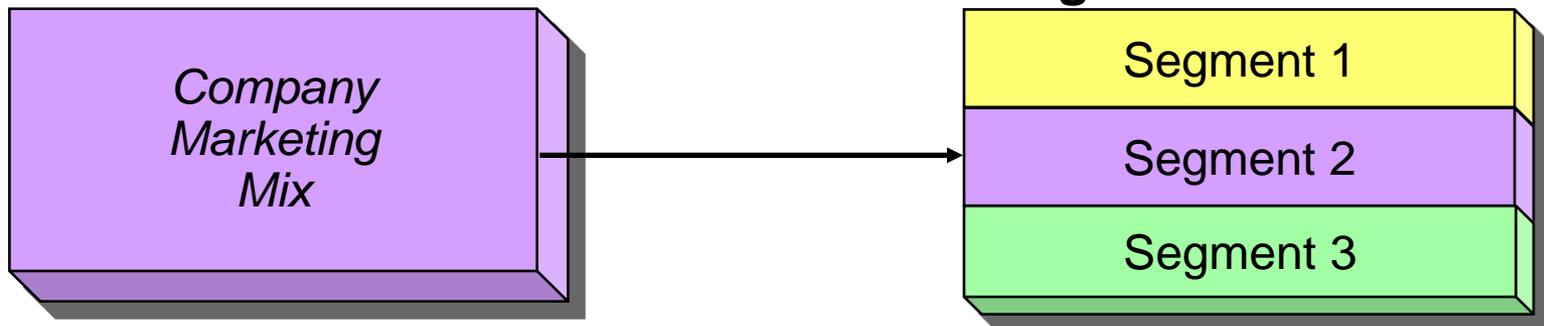
A. Undifferentiated Marketing



B. Differentiated Marketing



C. Concentrated Marketing



Target Marketing Strategies

Mass Marketing

“*undifferentiated mktg*”

Same product to all consumers
(*no segmentation*)

Segmented Marketing

“*differentiated mktg*”

Different products to one or more segments
(*some segmentation*)

Target Marketing Strategies

Niche Marketing

“*concentrated mktg*”

Different products to subgroups within segments

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 and programs to the needs of individual customers

Target Marketing Strategies

■ ***Niche Marketing***

- Niches can be identified by dividing a segment into subsegments or by defining a group seeking a distinctive mix of benefits
- Niches are fairly small and attract one or a few competitors
- Niche marketers understand their niches' needs so well that their customers willingly pay a price premium
- Both small and large companies can practice niche marketing

Target Marketing Strategies

■ ***Characteristics of an attractive niche:***

- The customers in the niche have a distinct set of needs
- They will pay a premium to the firm best satisfying their needs
- The nicher has the required skills to serve the niche in a superior fashion
- The nicher gains certain economies through specialization
- The niche has sufficient size, profit and growth potential

Target Marketing Strategies

■ ***Local Marketing***

- Local marketing leads to ⇒marketing programs tailored to the needs and wants of local customer groups
- Those in favor of localizing a company's marketing ⇒see national advertising as wasteful since it fails to address local target groups
- Those against local marketing ⇒argue that it drives up manufacturing and marketing costs by reducing economies of scale

Target Marketing Strategies

■ ***Individual Marketing***

- The ultimate level of segmentation leads to → “customized” or “one-to-one marketing”.
- Technological developments → permit companies to return to customized marketing
- ***Mass customization*** → the ability to produce on a mass basis individually designed products to meet each customer’s requirements

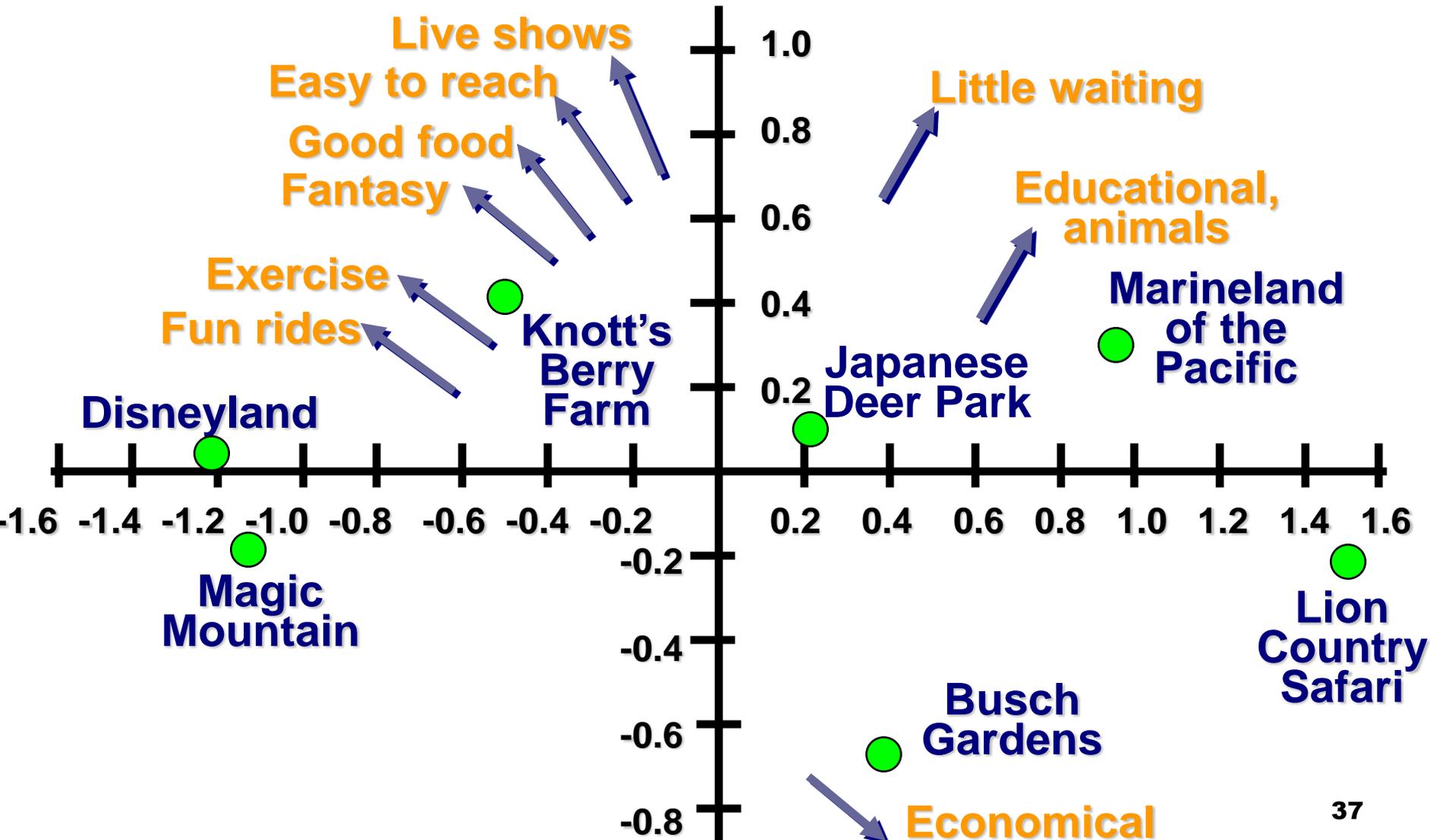
Positioning

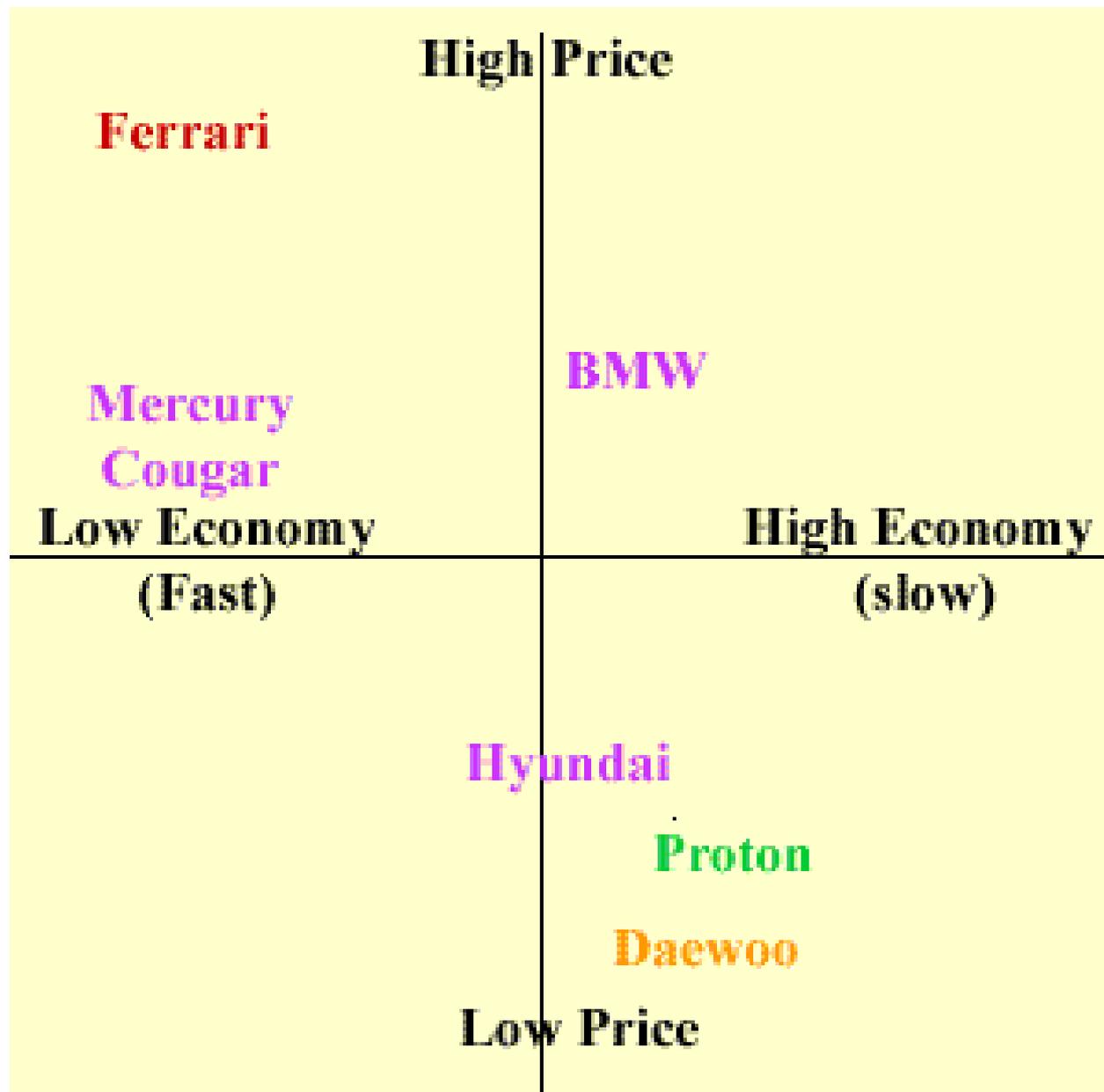
- Positioning:
 - The place the product occupies in consumers' minds relative to competing products
 - Typically defined by consumers on the basis of important attributes
 - Involves implanting the brand's unique benefits and differentiation in the customer mind
 - Positioning maps that plot perceptions of brands are commonly used

Positioning

- Positioning the act of designing the company's offering and image to occupy a **distinctive place** in the target market's mind
- Marketers must:
 - Plan positions to give their products the greatest advantage in selected target markets,
 - Design marketing mixes to create these planned positions.
- Positioning maps that plot perceptions of brands are commonly used.

Perceptual Map in Positioning (Example of Theme Parks)





Positioning

Topics

- Identifying possible competitive advantages
- Choosing the right competitive advantage
- Choosing a positioning strategy

- Differentiation can be based on:
 - Products
 - Services
 - Channels
 - People
 - Image

Identifying Possible Competitive Advantages

<p>Product Differentiation</p> <p>(Features, Performance, Style & Design, or Attributes)</p>	<p>Services Differentiation</p> <p>(Delivery, Installation, Repair Services, Customer Training Services)</p>
<p>Image Differentiation</p> <p>(Symbols, Atmospheres, Events)</p>	<p>Personnel Differentiation</p> <p>(Hiring, Training Better People Than Competitors Do)</p>

Positioning

Topics

- Identifying possible competitive advantages
- Choosing the right competitive advantage
- Choosing a positioning strategy

- How many differences to promote?
 - Unique selling proposition
 - Several benefits
- Which differences to promote?
Criteria include:
 - Important
 - Distinctive
 - Superior
 - Communicable
 - Preemptive
 - Affordable
 - Profitable

Choosing the Right Competitive Advantages



Kohler is
choosing to
promote the
distinctive
features of
its faucets

As I See It, #2 in a photographic series by Sacha Waldman.

The surprisingly roomy Harborview Cast Iron Sink. Built to be ridden hard.

1-800-4-KOHLER, ext. BL9
kohler.com/harborview

THE BOLD LOOK
OF **KOHLER**

©2004 Kohler Co.

Positioning

Topics

- Identifying possible competitive advantages
 - Choosing the right competitive advantage
 - Choosing a positioning strategy
- Value propositions represent the full positioning of the brand
 - Possible value propositions:
 - More for more
 - More for the same
 - More for less
 - The same for less
 - Less for much less

What segment is being targeted?

What is the positioning?



MATRIX XR. Potent VVT-i engine. 36 mpg* A 115-volt outlet.** 53 cubic feet of cargo space. It all adds up to possibly the most versatile car on the planet.



Product Position Statement

Positioning statements summarize the company or brand positioning

- **For** [target end user]
- **Who wants/needs** [compelling reason to buy]
- **The** [product name] **is a** [product category]
- **That provides** [key benefit].
- **Unlike** [main competitor],
- **The** [product name] [key differentiation]



Communicating the Positioning

- Companies must be certain to DELIVER their value propositions
- Positions must be monitored and adapted over time