Segmentation
Targeting
Positioning

Step 1. Market Segmentation

Segmentation: Dividing a market into smaller groups of buyers with distinct needs, characteristics, or behaviors - where any segment(s) may conceivably be selected as a target market to be reached with a distinct marketing mix.

Why Segmentation?

- difficult to appeal to all buyers in the same way
- targeting multiple segments with different offers can increase sales, or support higher prices

1A: Segment the Market using a Segmentation Base

Geographic
Countries, regions, cities, …

Demographic
Age, gender, family size, life cycle, income

Psychographic
Social class, lifestyle, personality

Behavioral Segmentation
Need / Benefit Based: Benefits sought, needs
Behavior Based: Usage occasion, usage rate, loyalty
Decision Making: Involvement, expertise
Ex: Segmentation Base?

Ex: Behavioral Segmentation

Ex: Benefits Sought: e.g. customers seeking durability vs. style in clothing.
Rationale: Benefits people seek in consuming a product are the basic reasons for the existence of true segments

Ex: Usage Rate: e.g. heavy / light users.

Ex: Usage Occasion: e.g. “Maret barbecue sausage”
Rationale: Usage context is strongly related to benefits sought

1B: Develop Profiles of Resulting Segments

Profiling: who are they?
e.g. suppose usage segmentation: heavy vs. light users
what are the age, income, education, HH size, media habits etc. of heavy and light users?

Step 2. Targeting

2A. Evaluate the Attractiveness of Segments:
- Segment Size and Growth
- Segment Structure Characteristics
- Company Objectives and Resources
2B. Select Target Segments

Market Coverage Strategies

- **Undifferentiated (Mass)**: Same offer to segments
- **Differentiated (Segmented)**: Separate offers to segments
- **Concentrated / Niche**: Targeting one or a few segments, or niches

- **Micromarketing**: Tailoring products and marketing programs...
  - Local marketing
  - Individual marketing

How to Choose a Market Coverage Strategy?

- Company resources
- Product variability
- Product's stage
- Market variability (do buyers have same tastes, preferences?)
- Competitors' marketing strategies

Step 3. Product Positioning and Differentiation

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

- **Positioning**: Arranging or influencing the product position
  - Consumers' *actual* perception may be different than firm’s intended strategy.

Example: Product Positioning

- EasyJet
- Nautica
- Toyota Prius
Product Positioning

In planning positioning and differentiation, marketers often use Perceptual Maps that show consumer perceptions of brands on important buying dimensions:

- Brands that are perceived as similar are located close to each other
- Brands that are perceived as dissimilar are further apart

Perceptual Map of the Beer Market

Positioning

3A. Choose a positioning strategy

i. Identify possible competitive advantages (Sources of Differentiation):
   - Product, Service, Channel, Personnel, Image, Price …

ii. Select the right competitive advantage to promote:
   - How many advantages? Unique Selling Proposition vs. More than One
   - Which advantage? • Important • Distinctive • Superior • Communicable
     • Sustainable • Affordable • Profitable

3B. Deliver the chosen position