

Topic 5. Market segmentation. Positioning. Targeting.

- **Marketing course**

Kotler on Marketing

“Don’t buy market share. Figure out how to earn it.”

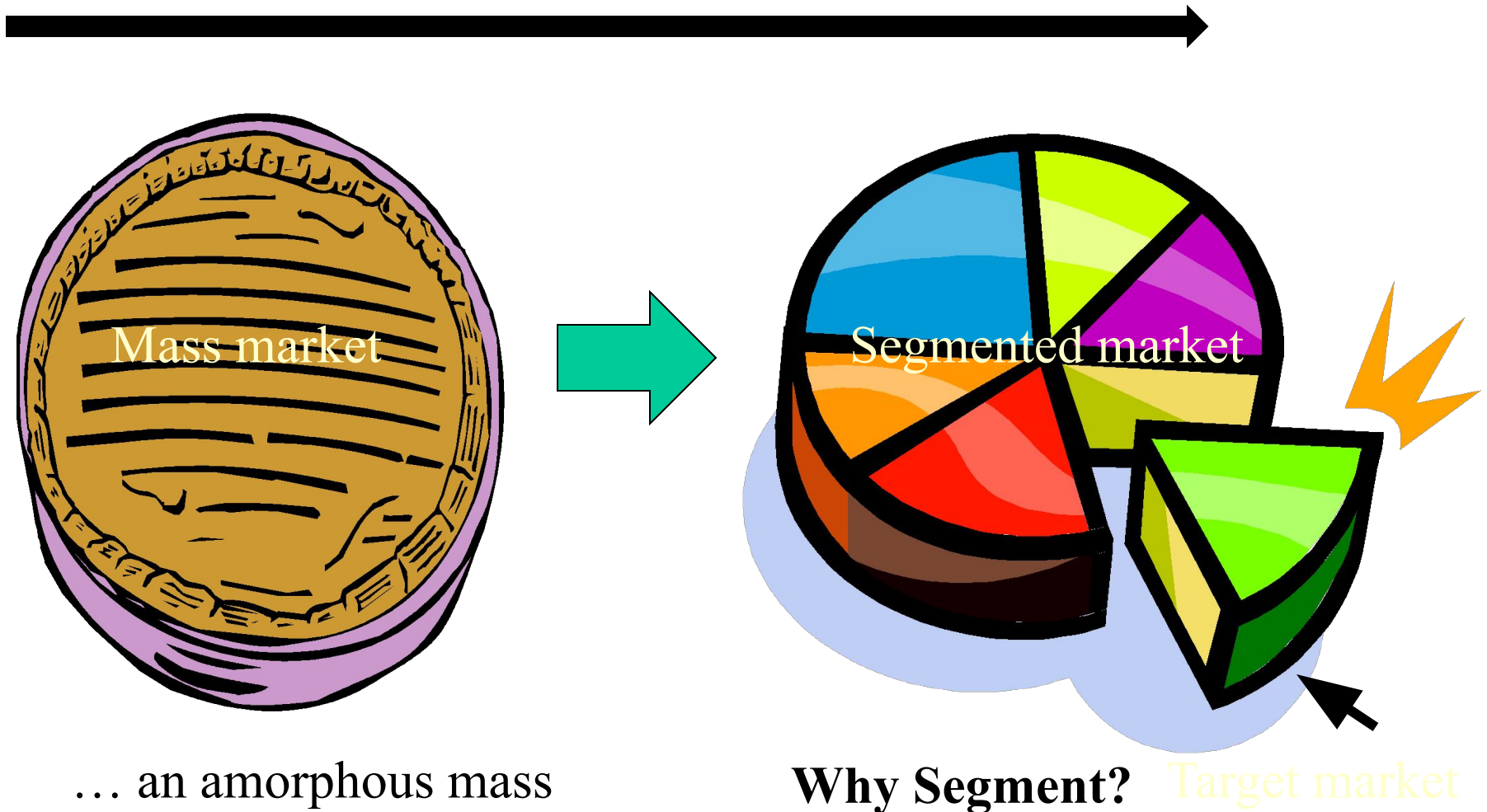


Chapter Objectives

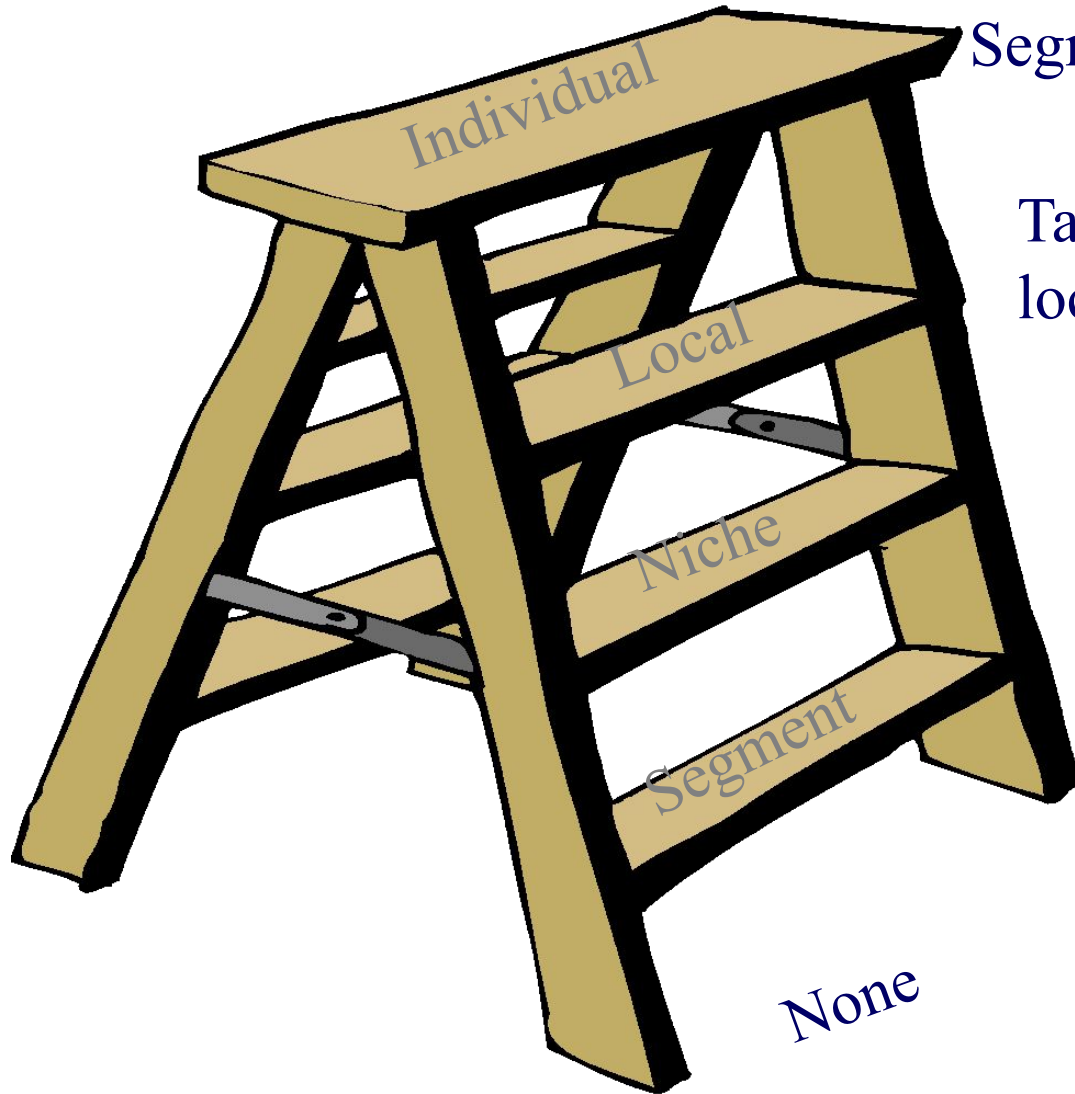
- **We focus on the following questions:**
 - **How can a company identify the segments that make up a market?**
 - **What criteria can a company use to choose the most attractive target markets?**



Mass – segment - target



Levels of Market Segmentation



Segments of 1: customised

Tailored products/services to local customer

Narrowly defined group; needs not currently met

Identifiable group, differentiated product

Mass marketing

None

Niches: Ferrari-Lamborghini/Porsche/Aston Martin

Advantages of niches?



Mass customized marketing # customized marketing

Segmentation Viability

Viability of segment affected by:
market factors

Size &
growth rate

identity

relevance
(to product)

Bargaining power of
customers & suppliers



Political/social &
Environmental
factors

access

intensity of
competition

New entrants &
substitute products

And

Consumer Segmentation

Demographic

Geographic

Psychographic

Age

Country

Personality

Gender

Region

Lifestyle

Family life cycle

City size

Activities

Occupation

Population density

Social Class

Education

Continent

Religion

Climate

Nationality

income

Consumer Segmentation (2)

Behaviour

Benefits sought

Purchase occasion

Purchase behaviour

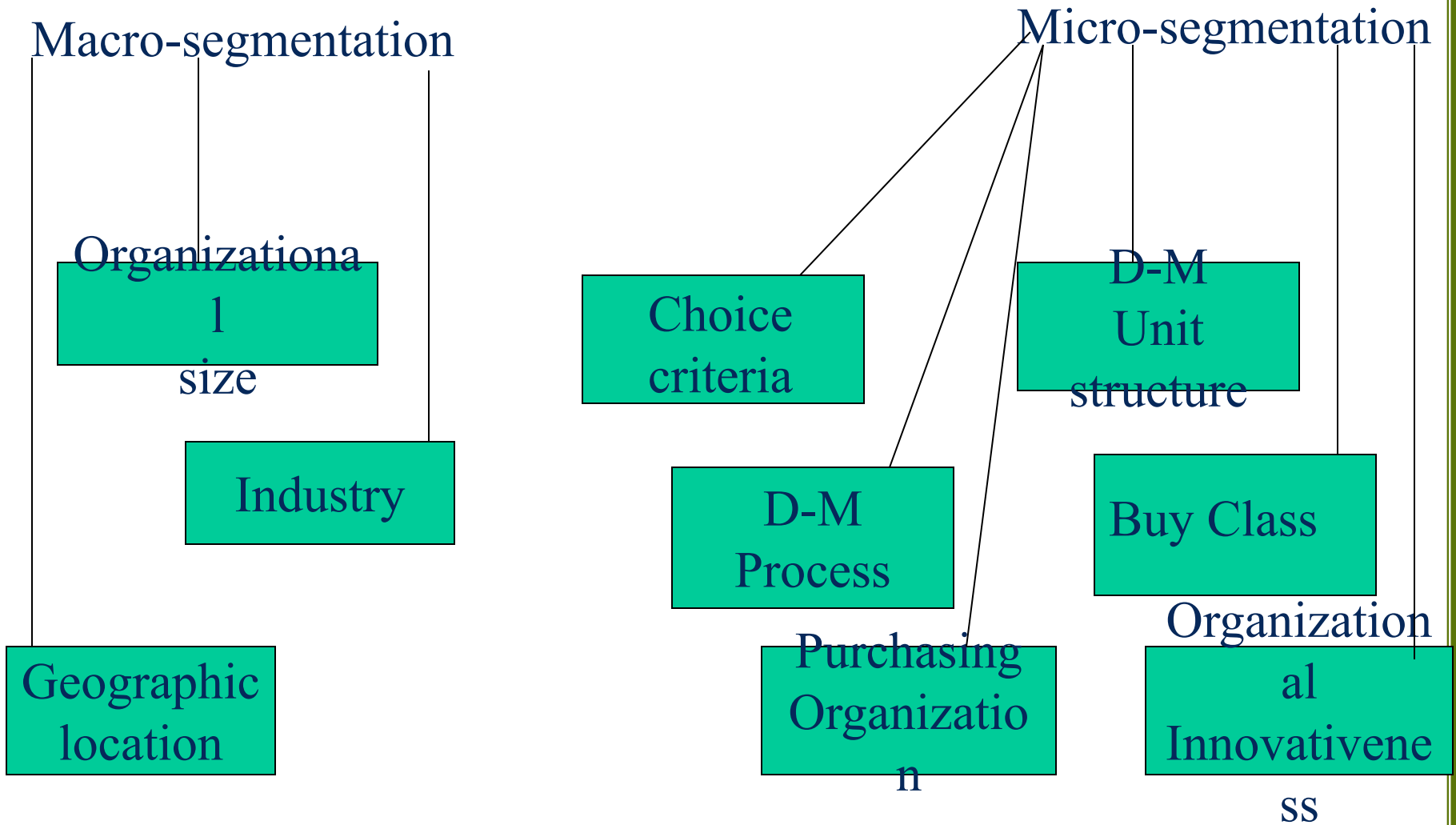
Usage

Perceptions and beliefs

Examples

- **Ramstor**
- **Magnum**

Organizational Segmentation



Source: Jobber, 2001, p.199

Target Marketing

- **Target marketing requires marketers to take three major steps:**
 - **Identify and profile distinct groups of buyers who differ in their needs and preferences (market segmentation).**
 - **Select one or more market segments to enter (market targeting).**
 - **For each target segment, establish and communicate the key distinctive benefit(s) of the company's market offering (market positioning).**

Levels and Patterns of Market Segmentation

- **Levels of Market Segmentation**
 - **Mass marketing**
 - **Micromarketing**
 - **Segment marketing**
 - **Market segment**
 - **Sector**
 - **Flexible market offering**
 - **Naked solution**
 - **Discretionary options**

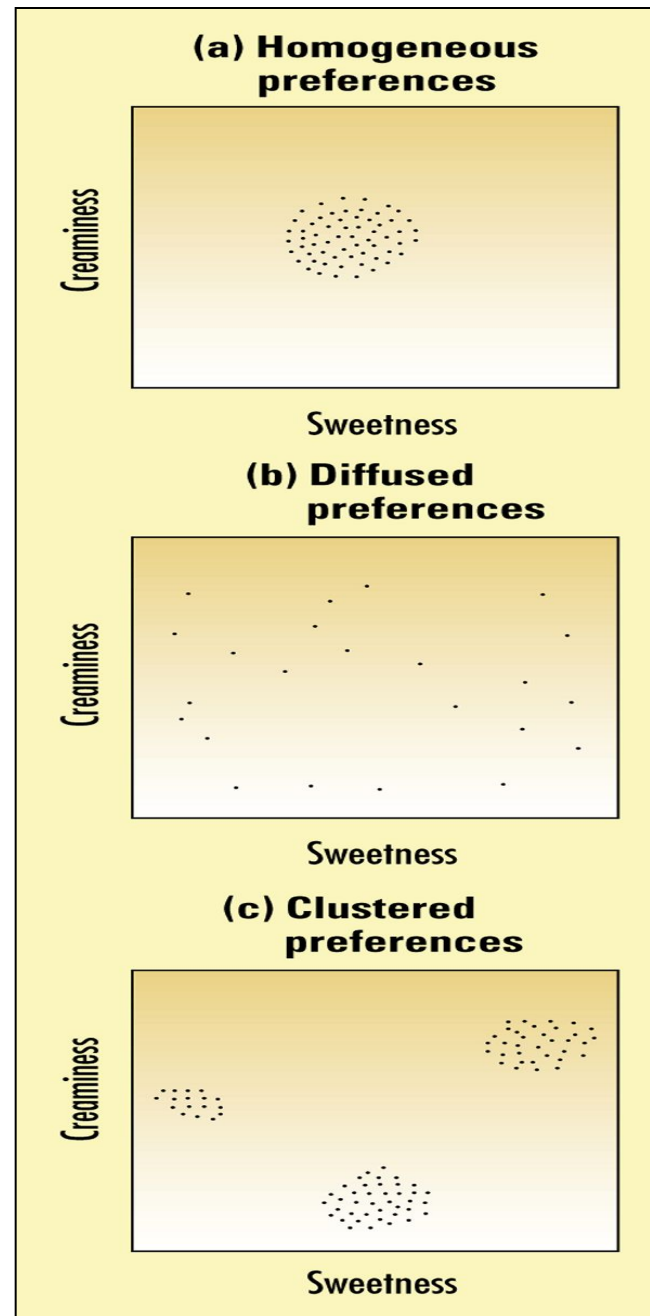
Levels and Patterns of Market Segmentation

- **Niche Marketing**
 - **Niche**
- **Local Marketing**
- **Individual Customer Marketing**
 - **Mass-customization**
 - **Choiceboard**
 - **Customerization**
 - **Segments**
 - **Individuals**

Levels and Patterns of Market Segmentation

- **Patterns for Market Segmentation**
 - **Preference segments**
 - **Homogeneous preferences**
 - **Diffused preferences**
 - **Clustered preferences**
 - **Natural market segments**
 - **Concentrated marketing**

**Figure 10-1:
Basic
Market-Preference
Patterns**



Levels and Patterns of Market Segmentation

- **Market Segmentation Procedure**
 - **Needs-based market segmentation approach**
 - **Market partitioning**
 - **Brand-dominant hierarchy**
 - **Nation-dominant hierarchy**

Table 10-1: Steps in Segmentation Process

	Description
1. Needs-Based Segmentation	Group customers into segments based on similar needs and benefits sought by customer in solving a particular consumption problem.
2. Segment Identification	For each needs-based segment, determine which demographics, lifestyles, and usage behaviors make the segment distinct and identifiable (actionable).
3. Segment Attractiveness	Using predetermined segment attractiveness criteria (such as market growth, competitive intensity, and market access), determine the overall attractiveness of each segment.
4. Segment Profitability	Determine segment profitability.
5. Segment Positioning	For each segment, create a “value proposition” and product-price positioning strategy based on that segment’s unique customer needs and characteristics.

See text for complete table

Levels and Patterns of Market Segmentation

■ Effective Segmentation

- Measurable
- Substantial
- Accessible
- Differentiable
- Actionable



Segmenting Consumer and Business Markets

- **Bases for Segmenting Consumer Markets**



Table 10-2: Major Segmentation Variables for Consumer Markets

Geographic

Region	Pacific, Mountain, West North Central, West South Central, East North Central, East South Central, South Atlantic, Middle Atlantic, New England
City or metro size	Under 5,000; 5,000-20,000; 20,000-50,000; 50,000-100,000; 100,000-250,000; 250,000-500,000; 500,000-1,000,000; 1,000,000-4,000,000; 4,000,000 or over
Density	Urban, suburban, rural
Climate	Northern southern

Demographic

Age	Under 6, 6-11, 12-19, 20-34, 35-49, 50-64, 65+
Family size	1-2, 3-4, 5+

See text for complete table

Segmenting Consumer and Business Markets

- **Bases for Segmenting Consumer Markets**
 - **Geographic Segmentation**
 - **Demographic Segmentation**
 - **Age and Life-Cycle Stage**

Discussion Question

An easily identifiable demographic group which is often targeted by marketers is college students. Do you think this is influenced more by a common economic status of the target group, geographic concentration of a specific age group, or some other factor(s)?



Segmenting Consumer and Business Markets

- **Life Stage**
- **Gender**
- **Income**
- **Generation**
 - **The Depression Cohort**
 - **The World War II Cohort**
 - **The Post-War Cohort**
 - **Leading-Edge Baby Boomer Cohort**
 - **Trailing-Edge Baby Boomer Cohort**
 - **Generation X Cohort**
 - **The Generation Y Cohort**



Segmenting Consumer and Business Markets

- **Lifestage Analytic Matrix**
 - Lifestages
 - Physiographics
 - Emotional effects
 - Socioeconomics
- **Social Class**
- **Psychographic Segmentation**
 - **Lifestyle**
 - Time-constrained
 - multitasking
 - Money-constrained



Discussion Question

Improvements in both the average standard of living and in health care have had profound effects in the industrialized world during the last two generations. Other than an increase in the average life expectancy for both men and women, what effects has this trend toward longer and healthier lives in general had on the traditional life stage assumptions that marketers make?



Segmenting Consumer and Business Markets

- **Personality**
 - “Brand personality” examples:
 - Sincere
 - Exciting
 - Competent
 - Sophisticated
 - Rugged
- **Values**
 - Core values

Segmenting Consumer and Business Markets

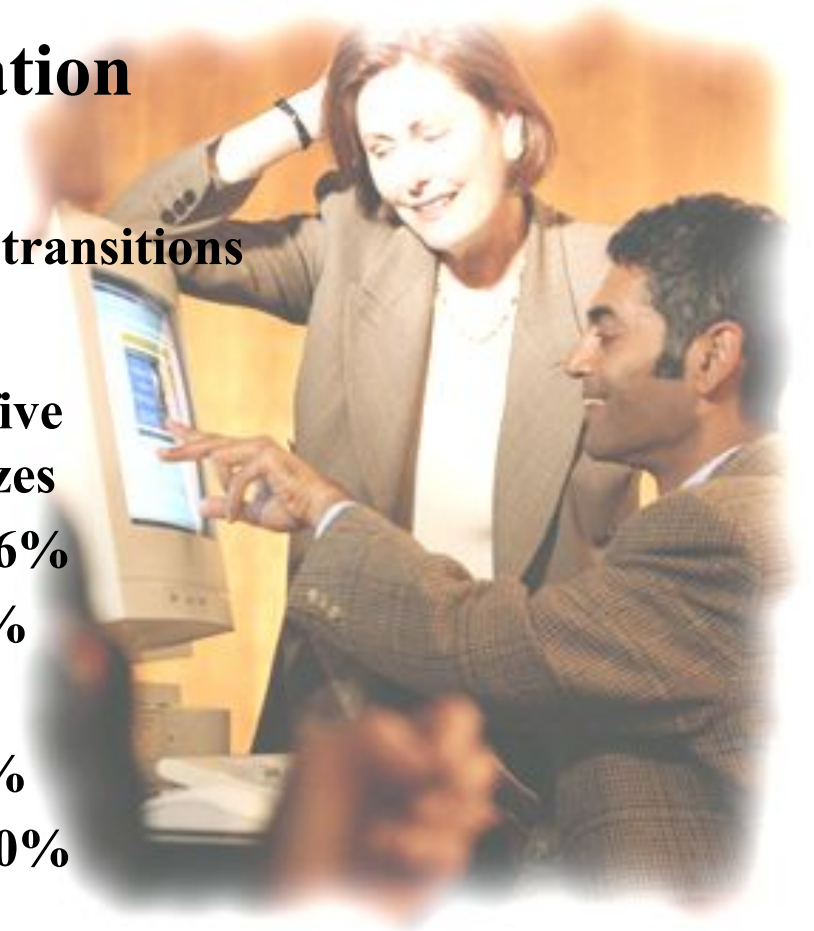
- **Behavioral Segmentation**

- **Occasions**

- **Critical life events or transitions**

- **Benefits**

- **Mobil has identified five segments and their sizes**
 - **Road Warriors 16%**
 - **Generation F 27%**
 - **True Blues 16%**
 - **Home Bodies 21%**
 - **Price Shoppers 20%**



Segmenting Consumer and Business Markets

- **User Status**
- **Usage Rate**
- **Loyalty Status**
 - **Hard-core loyals**
 - **Split loyals**
 - **Shifting loyals**
 - **Switchers**
- **Buyer-Readiness Stage**
- **Attitude**



Segmenting Consumer and Business Markets

- **Multi-Attribute Segmentation (Geoclustering)**

- **Four PRIZM clusters**

- **American Dreams**
 - **Rural Industria**
 - **Gray Power**
 - **Country Squires**

- **Targeting Multiple Segments**



Segmenting Consumer and Business Markets

- **Bases For Segmenting Business Markets**



Table 10-3: 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?

See text for complete table

Segmenting Consumer and Business Markets

- **Business buyers seek different benefit bundles based on their stage in the purchase decision process.**
 1. **First-time prospects**
 2. **Novices**
 3. **Sophisticates**

Segmenting Consumer and Business Markets

- **Rangan, Moriarty, and Swartz studied a mature commodity market, steel stamping, and found four business segments**
 - 1. Program buyers**
 - 2. Relationship buyers**
 - 3. Transaction buyers**
 - 4. Bargain hunters**

Segmenting Consumer and Business Markets

- **Rackman and Vincentis proposed a segmentation scheme that classifies business buyers into three groups**
 - **Price-oriented customers (transactional selling)**
 - **Solution-oriented customers (consultative selling)**
 - **Strategic-value customers (enterprise selling)**

Market Targeting

- **Evaluating and Selecting the Market Segments**
 - **Single-Segment Concentration**
 - **Selective Specialization**
 - **Product Specialization**
 - **Market Specialization**
 - **Full Market Coverage**
 - **Undifferentiated marketing**
 - **Differentiated marketing**

Market Targeting

- **Higher costs using differentiated marketing include:**
 - **Product modification cost**
 - **Manufacturing cost**
 - **Administrative cost**
 - **Inventory cost**
 - **Promotion cost**

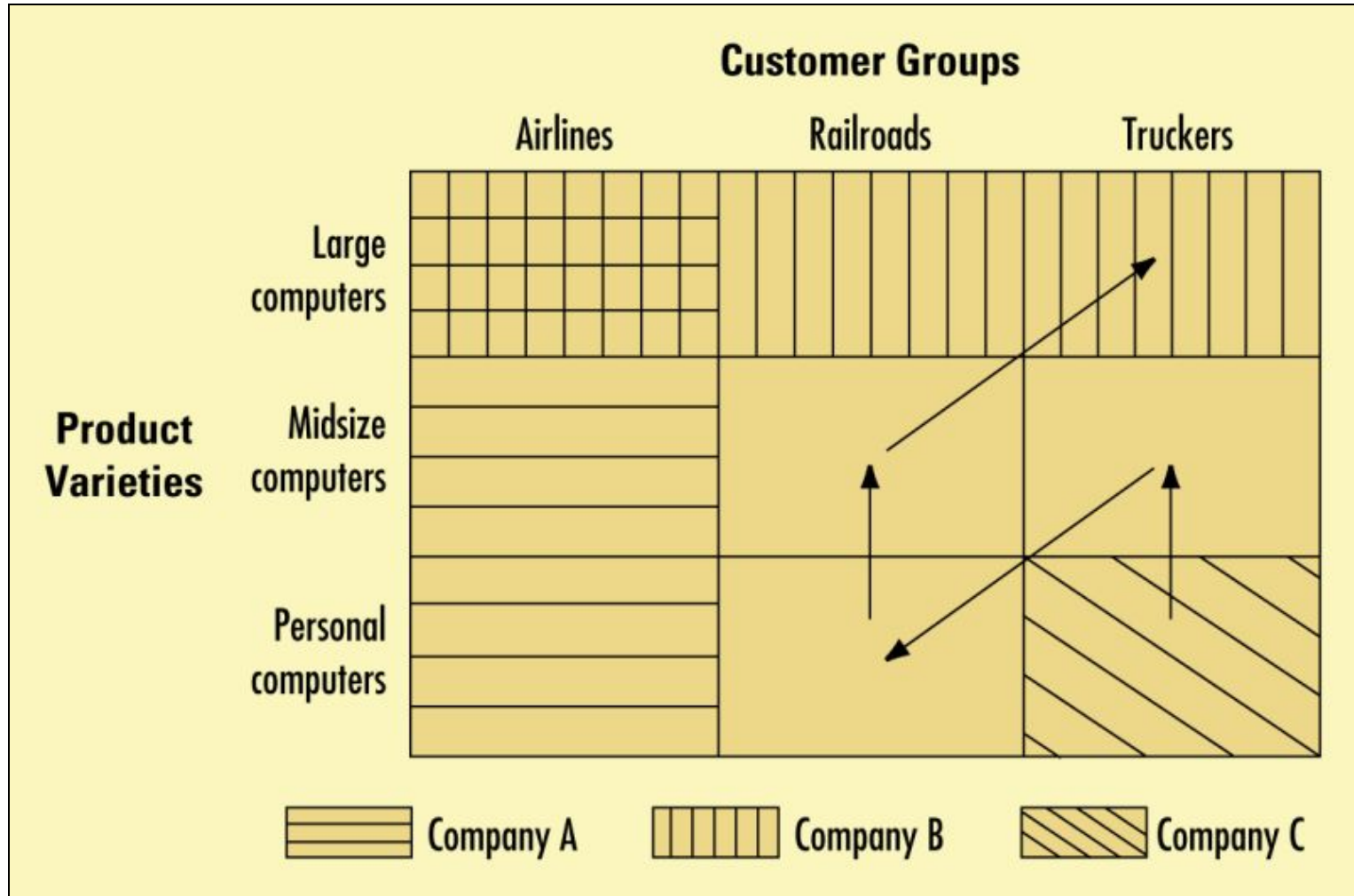


Market Targeting

- **Additional Considerations**
 - **Ethical Choice of Market Targets**
 - Supersegment
 - **Segment-By-Segment Invasion Plans**



Figure 10-3: Segment-by-Segment Invasion Plan



Market Targeting

- **Intersegment Cooperation**



Competitive Advantage?

(Treacy & Wiersema, 1997)

- Excel in specific dimension
- Maintain threshold standards in other value dimensions
- Improvement year after year
- Well-tuned operating model dedicated to delivering unmatched value

Customer benefit/Unique/Profitable/Sustainable

Company Growth Paths? Nine Ways to build Demand

Products

	Existing	Modified	New
Existing	Market Penetration	Product Modification	New Product Development
<u>Markets</u>	Geographical Expansion	Geographical expansion	Geographical Expansion
New	Segment Invasion	New types of Customers	Diversification

Two New Additional Growth Paths

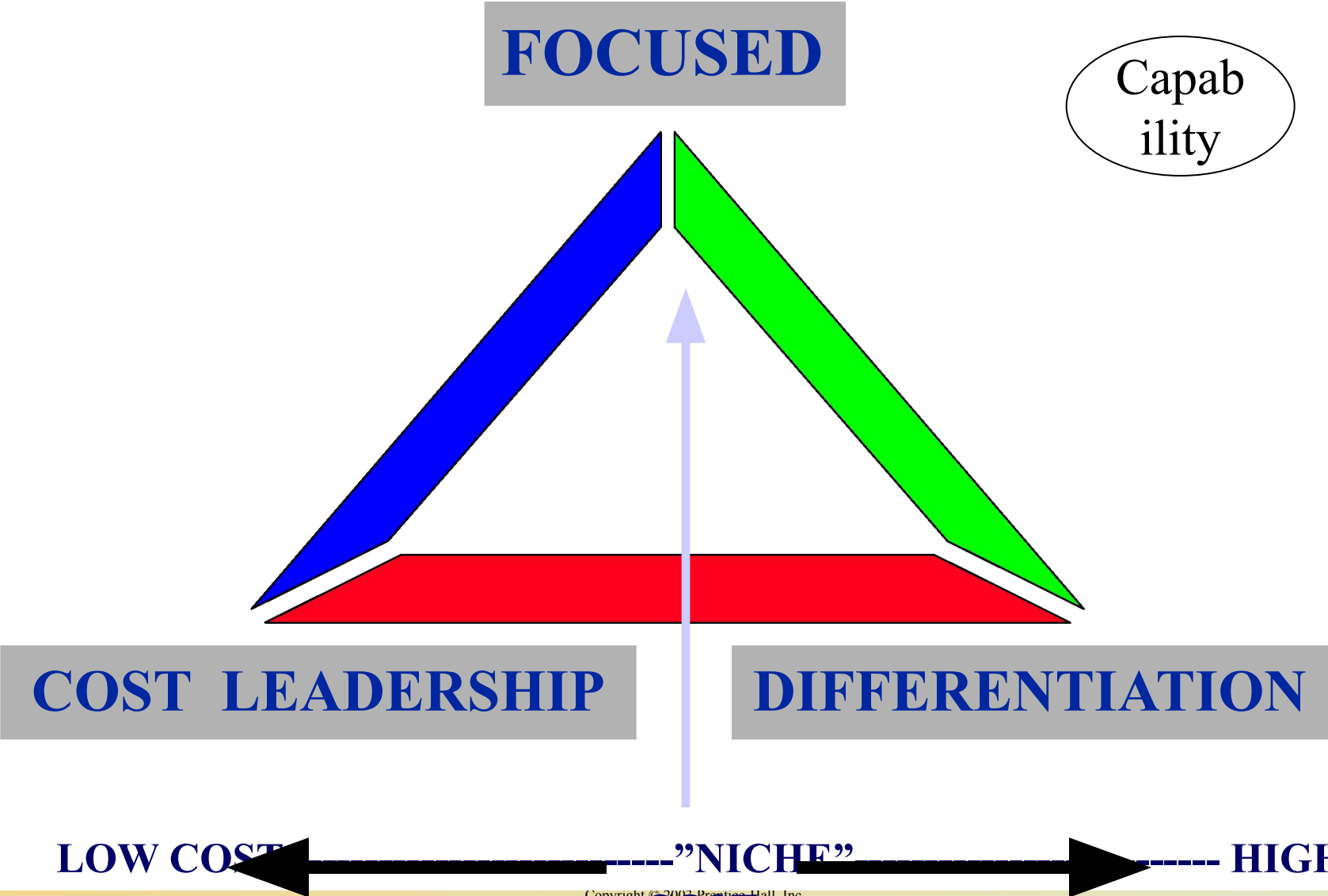
- Innovating new value Systems

Dell/First Direct (Bank)/Amazon

- Invading new market spaces

Walt Disney/Honda/Nike

1/ Porter's Generic Competitive Strategies



DEVELOPMENT OF A POSITIONING STRATEGY

- **Identify competitors**
 - **Primary**
 - **Secondary**
 - **What would you buy if the brand was not available?**
- **Determine how they are perceived / evaluated**
 - **List of product associations**
 - **Most relevant / useful**

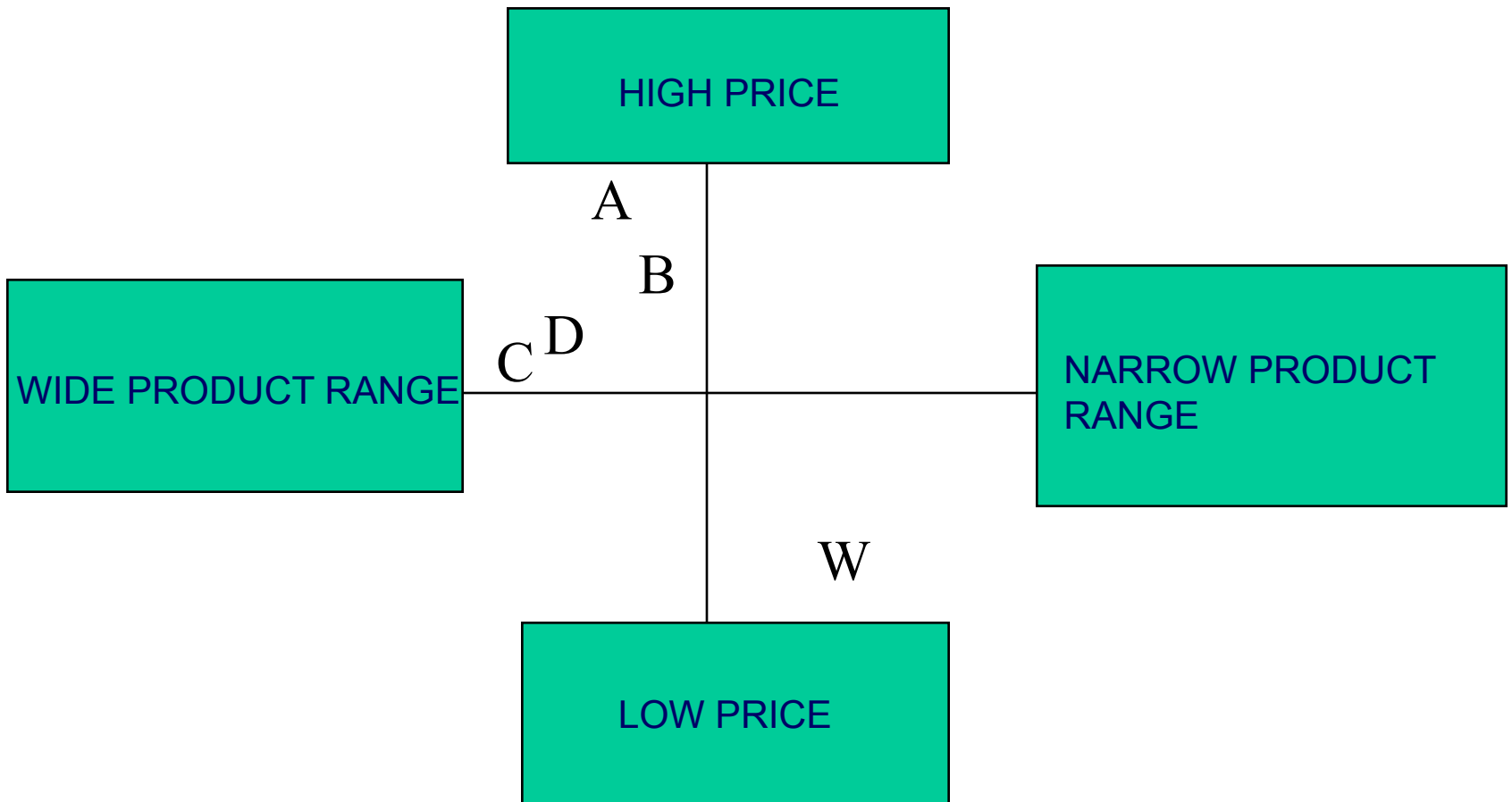
DEVELOPMENT OF A POSITIONING STRATEGY

- **Determine competitors' positioning**
 - **Subjective**
 - **Multi - dimensional scaling & Perceptual map**

DEVELOPMENT OF A POSITIONING STRATEGY

- **Analyse the consumer**
 - Motivations / perceptions
 - Habits
 - Benefits sought
 - Behaviour patterns
- **UNDERSTAND THE CONSUMER AND THE MARKET**
 - **BENEFIT SEGMENTATION?**

PERCEPTUAL MAP OF SUPERMARKETS



DEVELOPMENT OF A POSITIONING STRATEGY

- **Make the positioning decision**
 - **Commit to a segment**
 - **Don't try to be something you're not**
 - **Don't change for the sake of it**
 - **Economic analysis**
(Potential market x penetration probability)
- **Monitor**
 - **Objective measures**

2/ Specific Positioning

Single Benefit

Mercedes/BMW/Hyundai

Volvo(2)

Triple Benefit: Aquafresh Toothpaste (Smithkline Beecham)

Attribute/Benefit/user/use(application)/competitor/quality-price...

Positioning



Avoid:

Underpositioning - Overpositioning - Confused positioning - Irrelevant p. & Doubtful one.

3/ Choosing a value positioning

- More for more (Häagen-Dazs/Starbucks) (**Imitation issue**)
- More for the Same (Lexus)
- Same for Less (John Lewis/Letsbuyit.com)
- Less for much Less (Aldi/Southwest Airlines)
- More for Less (Wal-Mart/Toys'R'Us)

4/ Developing the Total Value Proposition

Volvo



Repositioning

- **Disney World & Disney Parks**
- **Bayer Aspirin**

- **Questions?**

Homework for Tutorials of 5th week

A group or individual presentation on topic “Market Segmentation, Targeting and Positioning of food products in Kazakhstan”.