

# Chapter 5

## Market Segmentation, Targeting, and Positioning



# Markets

- ✓ **Market** is the set of all actual and potential buyers of a product.
- ✓ **Organizations that sell to consumer and industrial markets recognize that they cannot appeal to all buyers in those markets.**
- ✓ **Thus, rather than trying to compete in an entire market, each company must identify that parts (sectors) of the market that it can serve best.**

- ✓ **Sellers have not always practiced this philosophy. Their thinking has passed through three stages:**



### **1- Mass Marketing :**

**In mass marketing, the seller mass produces, mass distributes, and mass promotes **one product to all buyers.****

### **2- Product-variety Market:**

**The seller **produces two or more products** that have different features, styles, quality, size and so on.**

### **3- Target Marketing :**

**The seller **identifies market segments, select one or more of them, and develops products and marketing mixes tailored to each.****

# Steps in Market Segmentation, Targeting, and positioning

## Market Segmentation

- 1- Identify bases for segmenting the market
- 2- Developing profiles of resulting segments

## Market Targeting

- 3- Develop measures of attractiveness
- 4- select the target Segment ( Segments)

## Market Positioning

- 5- Develop positioning for each target segment
- 6- develop marketing mix for each market segment

✓ The first step is **Segmentation**

Which is mean **dividing** a market into **distinct groups** who might call for separate products or marketing mixes.

✓ The second step is **Market Targeting**

Evaluating each **segment's attractiveness** and selecting one or more of the market segment to enter.

✓ The third step is **Market Positioning**

**Formulating competitive positioning** for product and detailed marketing mix.

# 1-Market Segmentation

## Bases for segmenting Consumer Markets



### **A-Geographic Segmentation :**

Dividing a market into different geographic units such as nations, states, regions, countries, and cities.

### **B- Demographic Segmentation :**

Dividing the market into groups based on demographic variable such as age, sex, family size, family life cycle, income, occupation, education, religion, and nationality.

### **C-Psychographic Segmentation :**

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

# Market Segmentation

## D- Behavior Segmentation :

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

### Notice:

Many marketers believe that behavior variable is the best starting point for building market segments.

## 1-Occasion - Occasion Segmentation :

Dividing the market into groups according to **occasions** when buyers get the idea to buy, actually make their purchase, or use the purchased item.

# Market Segmentation

## 2-Benefit Segmentation :

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

## 3- Usage Rate

Markets can also be segmented into light, medium, and heavy-user groups.

## 4- loyalty Status:

A market can also be segmented by consumer loyalty.



# Segmenting International Markets

Companies can segment international markets using one or more a combination of several variable.

They can segment by Geographic Location: grouping countries by regions such as: western Europe, the Middle East or Africa.

Markets can be segmented on the basis of Economic Factors, For example: Countries might be grouped by **population income levels**.

Countries can be segmented by Political and legal Factors such as the type and stability of government, the amount of bureaucracy.

✓ Cultural Factors also can be used.

# Requirement For effective Segmentation

To be useful, market segments must have the following characteristics:

- 1-Measurability:** the degree to which the **size and purchasing power** of a market segment can be measured.
- 2-Accessibility:** the degree to which a **market segment** can be reached and served.
- 3-Substantiality:** the degree to which **a market segment** is sufficiently large or profitable.
- 4-Actionability:** the degree to which **effective programs** can be designed for attracting and serving a given market segment.

# 2-Market Targeting

- ✓ **The firm now has to evaluate the various segments and decide how many and which ones to serve.**
  
- ✓ **A- Evaluating Market Segments**
- ✓ **In evaluating different market segments, a firm must look at three factors: :**
  - Segment **Size** and **Growth**
  - Segment Structural **Attractiveness**
  - Company Objectives and **Resources**



## B-Selecting Market Segments

It must then decide **which and how many segments to serve.**

This is the problem of Target-Market selection

Target Market is a set of **buyers sharing common needs or characteristics** that the company decide to serve.

The firm can adopt one of three market-coverage strategies:**1-Undifferentiated Marketing:** A market-coverage strategy in which a firm decides to **ignore market segment differences** and go after the **whole market with one offer.**

# Selecting Market Segments

**2- Differentiated Marketing:** A market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each.

**3- Concentrated Marketing:**

✓ A third market-coverage strategy in which a firm goes after a large share of one submarket.

**Notice:**

✓ This strategy is especially appealing when company resources are limited.

# Choosing a Market-Coverage Strategy

✓ **Many factors need to be considered when choosing a market coverage strategy :**

- 1- Company Resources**
- 2- Product Variability**
- 3- Product's Stage in life cycle**
- 4- Competitors' Marketing Strategies**



# 3-Market Positioning

- ✓ Once a company has decided which segments of the market it will enter, it must decide what **“Positions”** it **wants to occupy in those segments.**

## **Product Position : (product defined by consumers)**

The way the product is defined by consumers on important attributes (the place the product occupies in consumers' mind relative to competing product).



# Choosing and Implementing a Positioning Strategy

## ✓ The positioning task consists of three steps:

### 1-Identifying Possible Competitive Advantages:

- ✓ **Competitive Advantage** : is an advantage over competitors gained by offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices.





# Choosing and Implementing a Positioning Strategy

## 2- Selecting the Right Competitive Advantage

**It must decide :**

**1- How Many Differences to promote ?**

**2- Which Differences to promote ?**

## 3-Communicating and Delivering the Chosen Position