

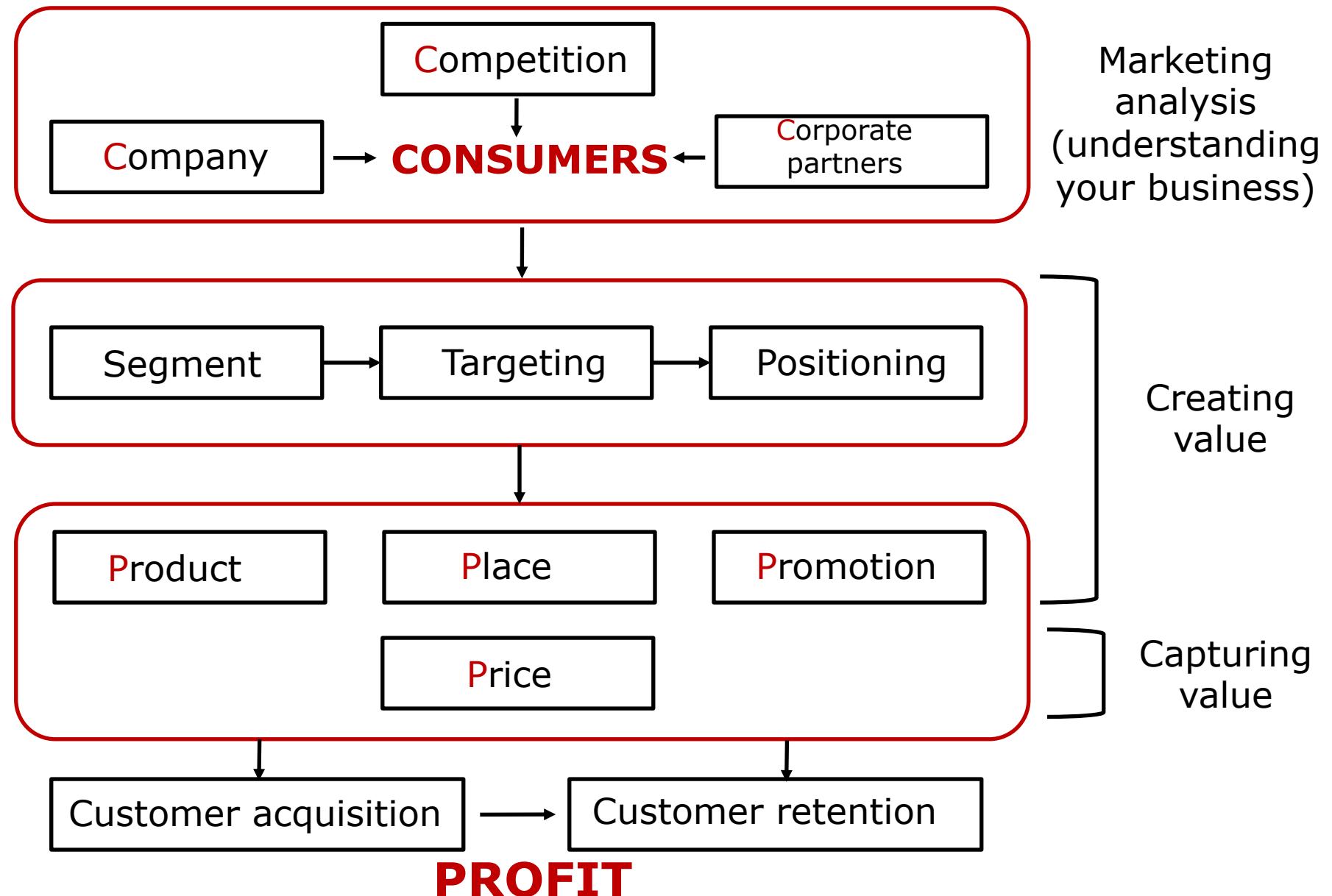
# Chapter 9

# **STP: Segmentation, Targeting, and Positioning**

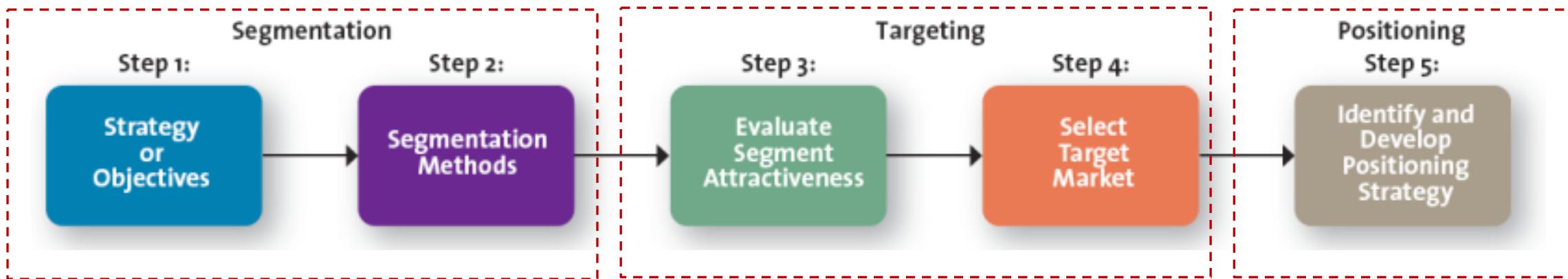
# Today

- Outline the different methods of segmenting a market
- Describe how firms determine whether a segment is attractive and therefore worth pursuing
- Articulate the differences among targeting strategies: undifferentiated, differentiated, concentrated, or micromarketing
- Define positioning and describe how firms do it

# The big picture



# STP Process

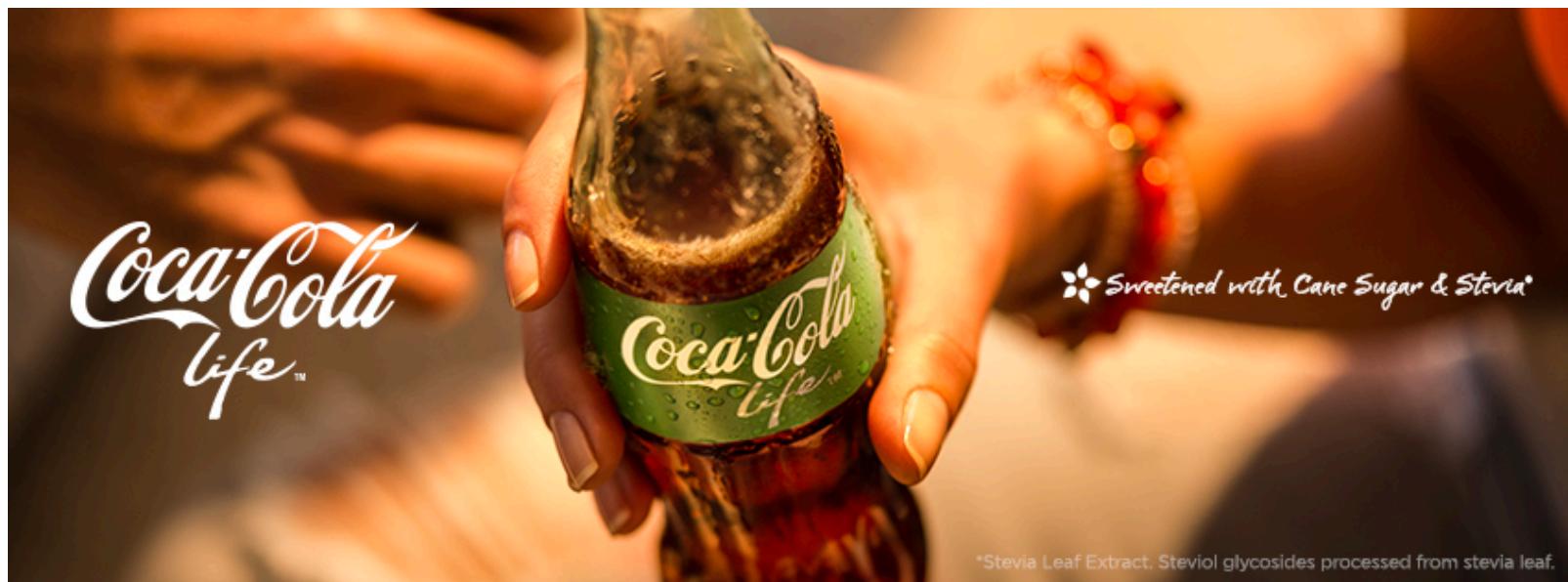


Important for group projects

Step 1: Establish overall  
vision or objectives for your marketing strategy

Segmentation strategy MUST be consistent with

- Firm's mission/objective
- Firm's current situation (SWOT)



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"Coca-Cola's objective is to increase sales in a mature industry." If this is our objective:

1. What **research** should we be doing about our consumer?

2. **Who** is our consumer?

3. What **benefits** is he/she seeking?

The above questions lead you through the STP process.



# Step 2: Segmentation Methods

<b>Segmentation Method</b>	<b>Sample Segments</b>
<b>Geographic</b>	Continent: North America, Asia, Europe, Africa. Within the United States: Pacific, mountain, central, south, mid-Atlantic, northeast
<b>Demographic</b>	Age, gender, income
<b>Psychographic</b>	Lifestyle, self-concept, self-values
<b>Benefits</b>	Convenience, economy, prestige
<b>Behavioral</b>	Occasion, loyalty

# Step 2: Segmentation Methods

## Geographic Segmentation

- Consumers organized on the basis of where they live

McDonalds has a strategy of standardization, in fact, in order to be recognized as a global brand the company produces a range of standard products. The best example is the Big Mac known all around the world. Indeed in 1986, the magazine The Economist created the Big Mac Index to compare the purchasing power between countries this shows that this burger is the legendary product of the firm.

However, McDonalds has to face cultural differences within each country. This is why they adapted the concept of « Think global, act local ». They had to adapt their foods in each country due to legal, religious and cultural food habits. For example,

- in the Arabic World they launched the MacArabia which is a Grilled Chicken/Grilled Kofta sandwich with a pita bread.
- In Japan they created Teriyaki Burger, it is a Big Mac with a sweet and dark Teriyaki sauce and mayo.
- In Norway, they launched the McLaks which is a Grilled Salmon sandwich
- In France, they serve a McBaguette. A sandwich made of typical French bread and other French ingredients.
- In Canada and New England you can order a McLobster. Its primary ingredients are lobster and bread.
- For the Asian World they decided to serve the McRice Burger. It's a burger with rice formed into buns with beef or chicken meat between.



[https://www.youtube.com/watch?v=6Pkq\\_eBXJ4](https://www.youtube.com/watch?v=6Pkq_eBXJ4)

# Step 2: Segmentation Methods



- Children: Happy Meals, Toys, Playgrounds  
[www.happymeal.com/en\\_US/index.htm](http://www.happymeal.com/en_US/index.htm)  
I#/McWorld
- Young Adults: Free Wi-Fi
- Women: Lower Calorie Items



# Step 2: Segmentation Methods

## Psychographic Segmentation

- Consumers organized on the basis of lifestyle and values

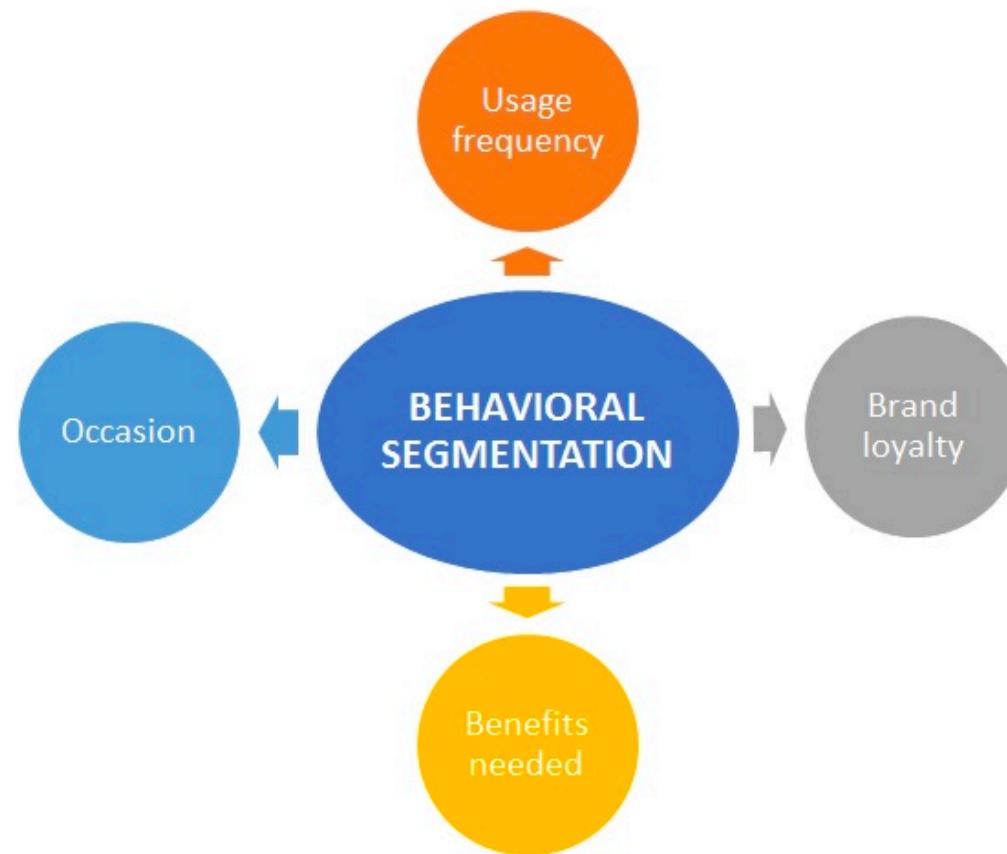
### TWO VIEWS OF THE SAME USER



# Step 2: Segmentation Methods

## Behavioral Segmentation

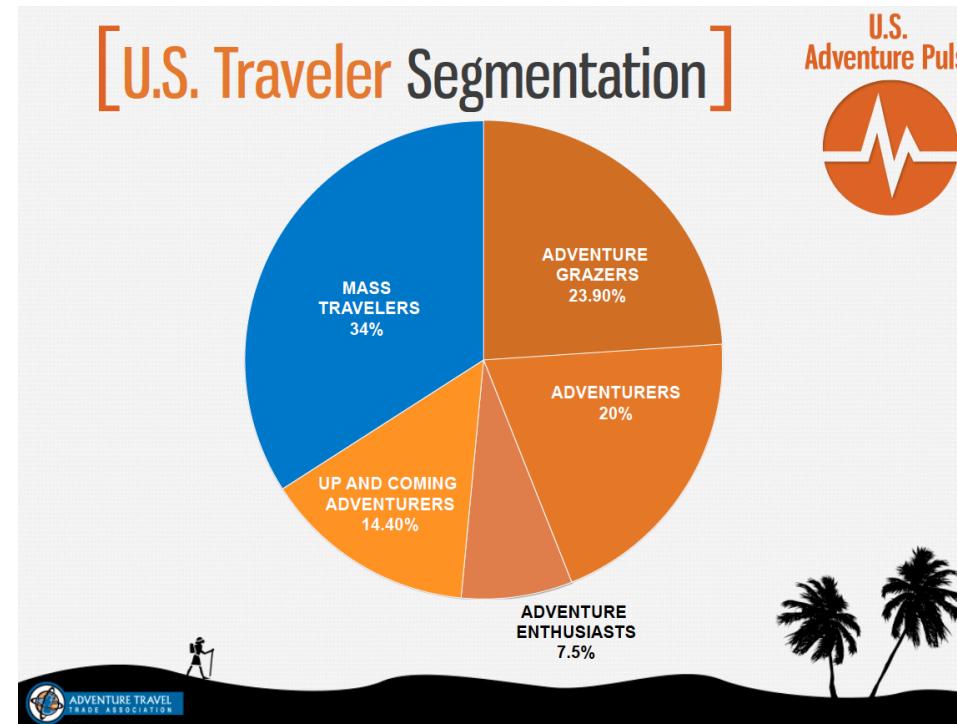
- Consumers organized on the basis of how they use the product/service



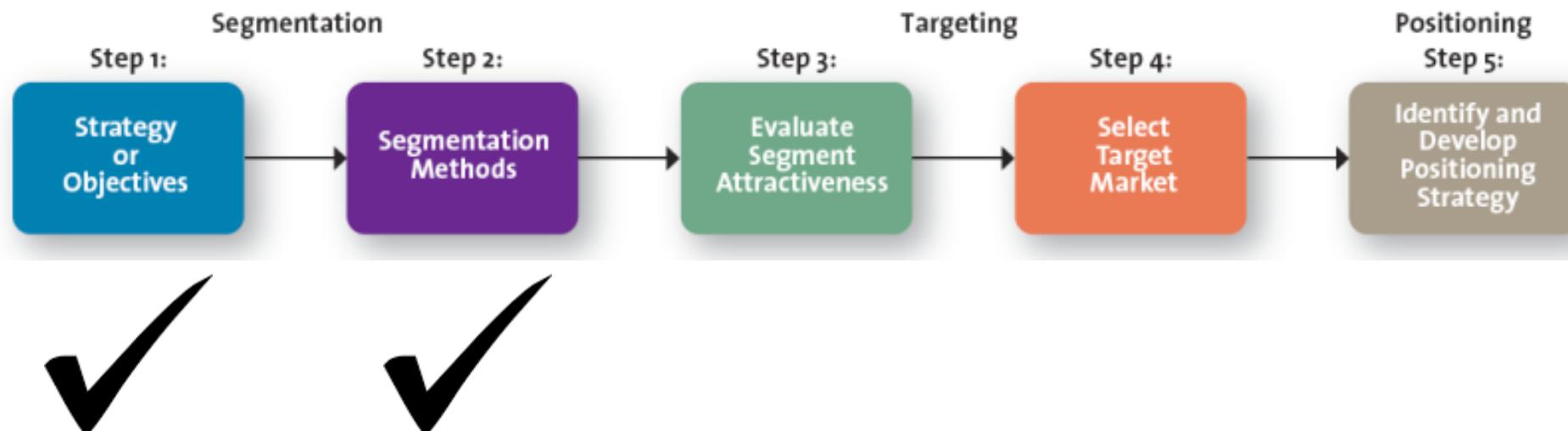
# Step 2: Segmentation Methods

## Behavioral Segmentation

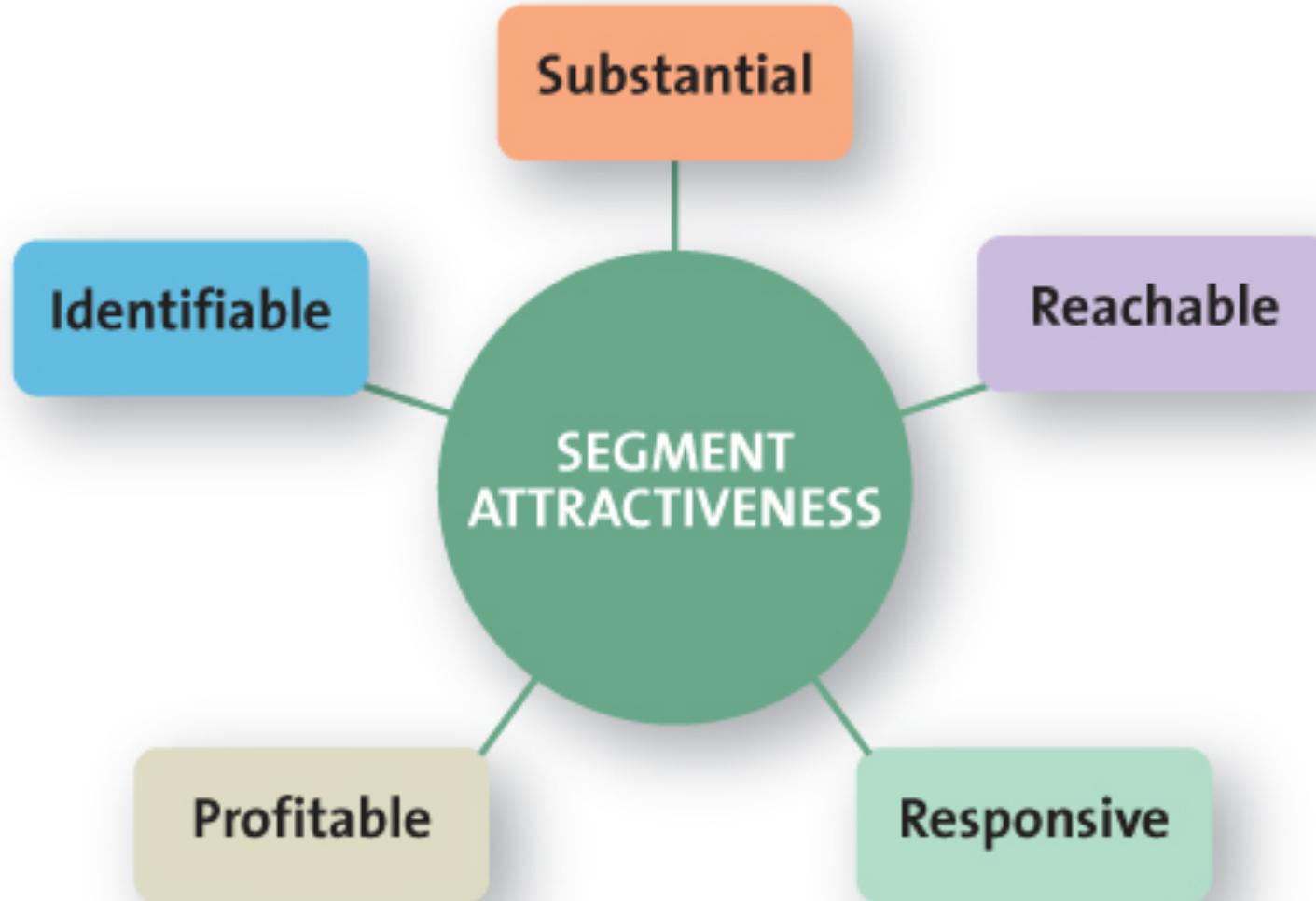
- Consumers organized on the basis of how they use the product/service



# STP



# Step 3: Evaluate Segment Attractiveness



# Step 3: Evaluate Segment Attractiveness

## **Identifiable**

- Who is in their market?
- Are the segments unique?
- Does each segment require a unique marketing mix?



# Step 3: Evaluate Segment Attractiveness

## Substantial

- **Too small** and it is insignificant – can you create an effective message to reach the segment in question?
- **Too big** and it may be impossible to craft a message that resonates equally with all the members of your chosen “segment”!
- **Effective segmentation is critical**, even if your product has a general market appeal.



# Step 3: Evaluate Segment Attractiveness

## Reachable

Know the product exists



Understand what it can do



Recognize how to buy

# Step 3: Evaluate Segment Attractiveness

## Responsive

Customers in each segment must:



React positively  
to firm's offering



**Accept the  
firm's value  
proposition**



Trust your firm!  
(Reputation,  
ethics)

Benefits to be received  
from a product or service

# Step 3: Evaluate Segment Attractiveness

## Profitable

	Homeowners	Businesses
Segment size	75,000	1,000
Segment adoption percentage	1%	20%
Purchase behavior <ul style="list-style-type: none"><li>• Purchase price</li><li>• Frequency of purchase</li></ul>	\$100 12 times	\$500 20 times
Profit margin percentage	60%	80%
Fixed costs	\$400,000	\$1,000,000
Segment profit	\$140,000	??

Important for group project!

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Profit margin percentage	60%	80%
Fixed costs	\$400,000	\$1,000,000
Segment profit	\$140,000	\$600,000

Important for group project!

# Step 4: Selecting a Target Market

There are several targeting strategies

Mass marketing



Undifferentiated

Differentiated

Concentrated

Micromarketing

Targeting broadly

Targeting narrowly



# Restaurant example

Assume a restaurant is trying to market its new business.

- Using a **differentiated marketing strategy**, the restaurant can appeal to the college crowd by marketing cheap specials on food and drinks, the family crowd by marketing kid-friendly meal options and table entertainment and to the elderly by marketing senior discounts and early-bird specials.
- Using a **concentrated marketing strategy**, the restaurant can market its convenient location to a group of residents within 10 miles of the business.
- Using an **undifferentiated marketing strategy**, the restaurant can highlight its grand opening celebration.

# Step 4: Selecting a Target Market

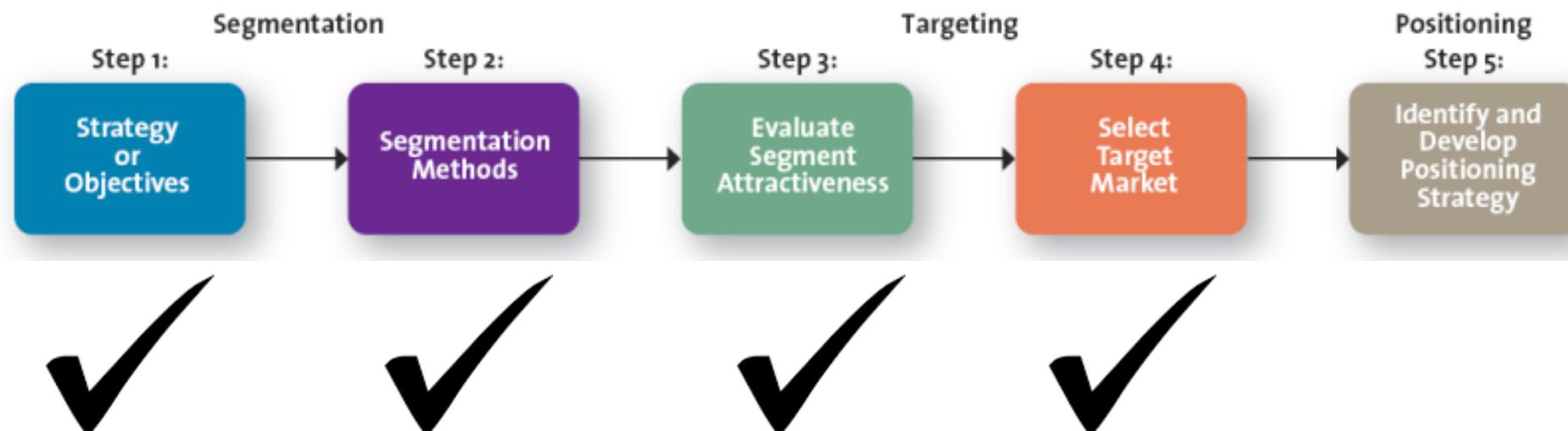


# Step 4: Selecting a Target Market

## **Whole food target market**

- Working parents, aged approximately 30 to 50
- Diverse, multi-cultural, embrace opportunities to “try new foods”
- Environmentally-conscious
- Sustainability, animal welfare, organically-grown foods are among these consumers shopping priorities
- City and suburban
- Educated professionals (B.A., M.A., MBA, Ph.D., etc.)
- Seeking premium service
- Willing to pay premium prices for a specific grocery-shopping experience

# STP



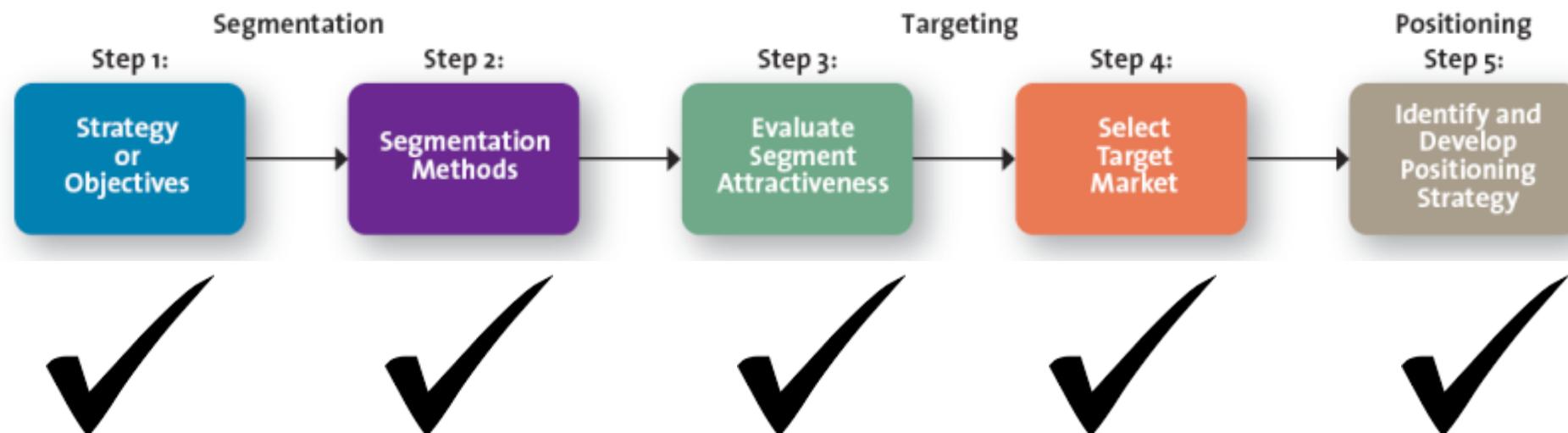
## Step 5: Develop a Positioning Strategy

### Positioning methods

- Value (relationship price to quality)
- Salient attributes
- Symbol
- Competition

What sets your product or service apart from the others (**unique value proposition**)? You already offer what they offer, but your company takes it to the next level!

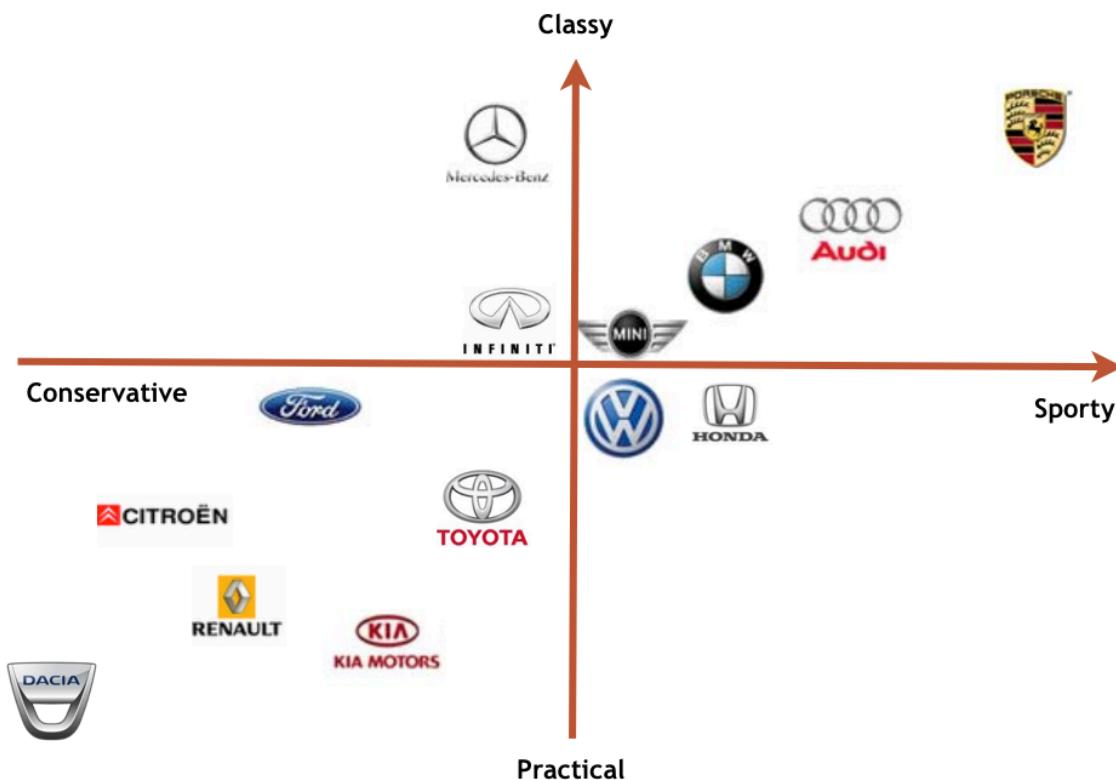
# STP



# Positioning methods

## Perceptual map

- Display, in 2+ dimensions, the position of the product in the consumer mind
- E.g., Car brands



# Tesla example



<https://www.youtube.com/watch?v=BCPaO1Sv-hE>