

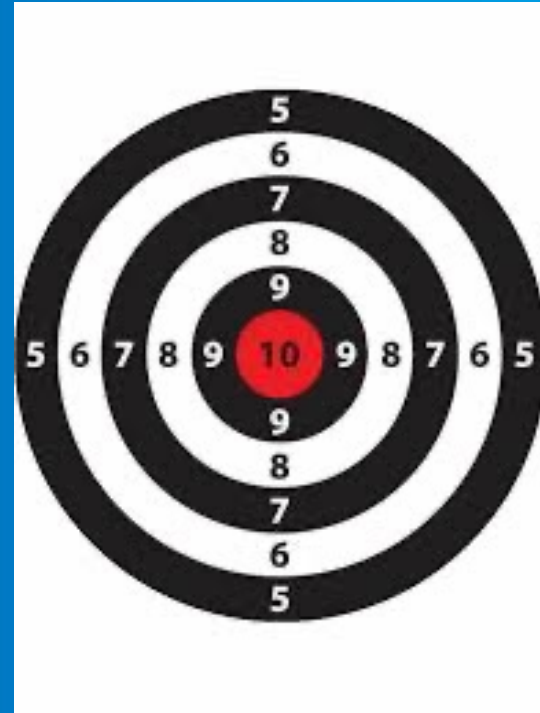
**wbs**  
WARWICK BUSINESS SCHOOL  
THE UNIVERSITY OF WARWICK

# For the Change Makers

**Dr Jenny Lloyd**

Associate Professor in Marketing

*Term 1*



## Segmentation, Targeting and Positioning

# Session objectives

- Define the concepts of segmentation, targeting and positioning
- Understand the purpose and reflect upon the value of segmentation, targeting and positioning strategy
- Understand the value of segmentation, targeting and positioning strategy.
- Analyse the value that effective STP strategy can have for product/service formulation and consumer/customer satisfaction

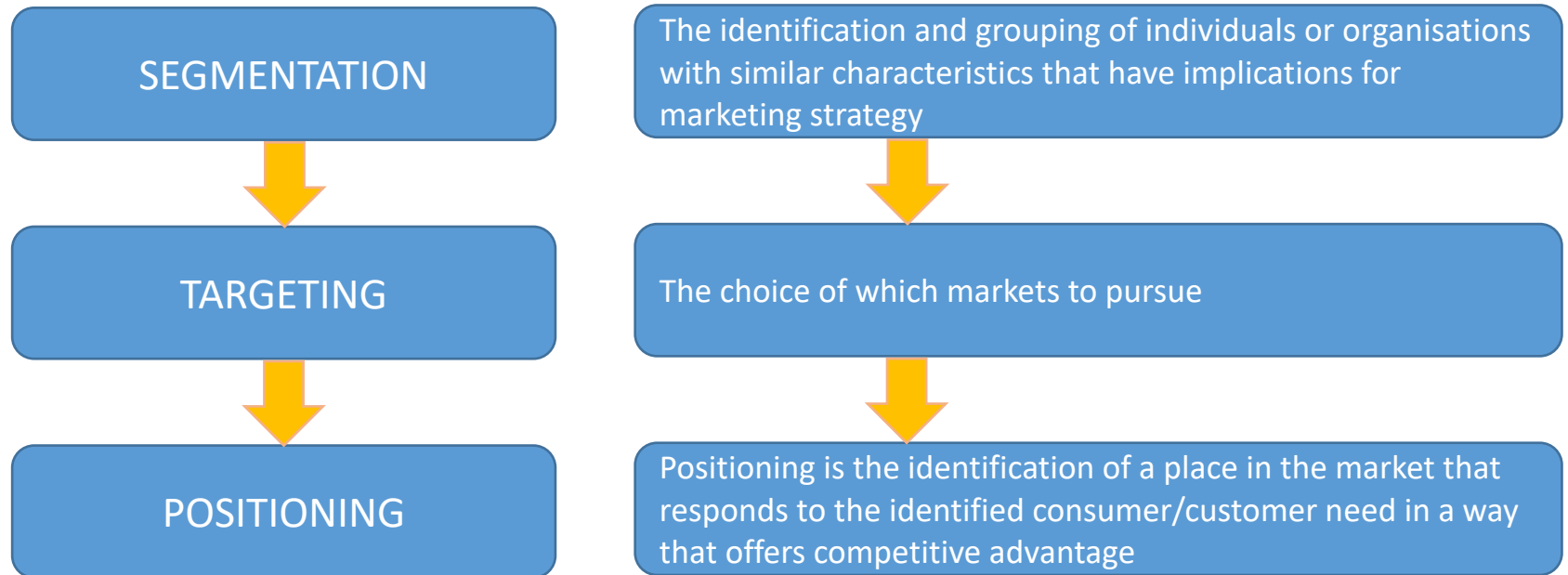
# So what do we know so far?

- Markets (and therefore competitors) should be defined according to the nature of the needs satisfied.
- In order to have an effective market orientation, organisations should maintain an understanding of their marketing environment through a process of market scanning and environmental analysis.
- Customer and consumer choice is influenced by both internal factors (i.e. self concept) and external factors (i.e. culture, reference groups etc).
- Understanding the nature of consumer need and the process of decision-making is essential for marketers as it allows them to tailor their products and services and communicate their value in a way (and at a time) that is meaningful.

**But is it possible or even desirable to target everyone?**



# The STP Process



# Why segment...?

A KEY  
STRATEGIC  
TOOL IN  
MARKETING  
STRATEGY



# Segmentation and Targeting: how to remember which is which...

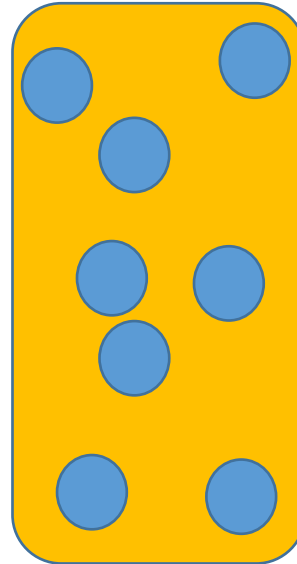


# THE SEGMENTATION PROCESS

Step 1

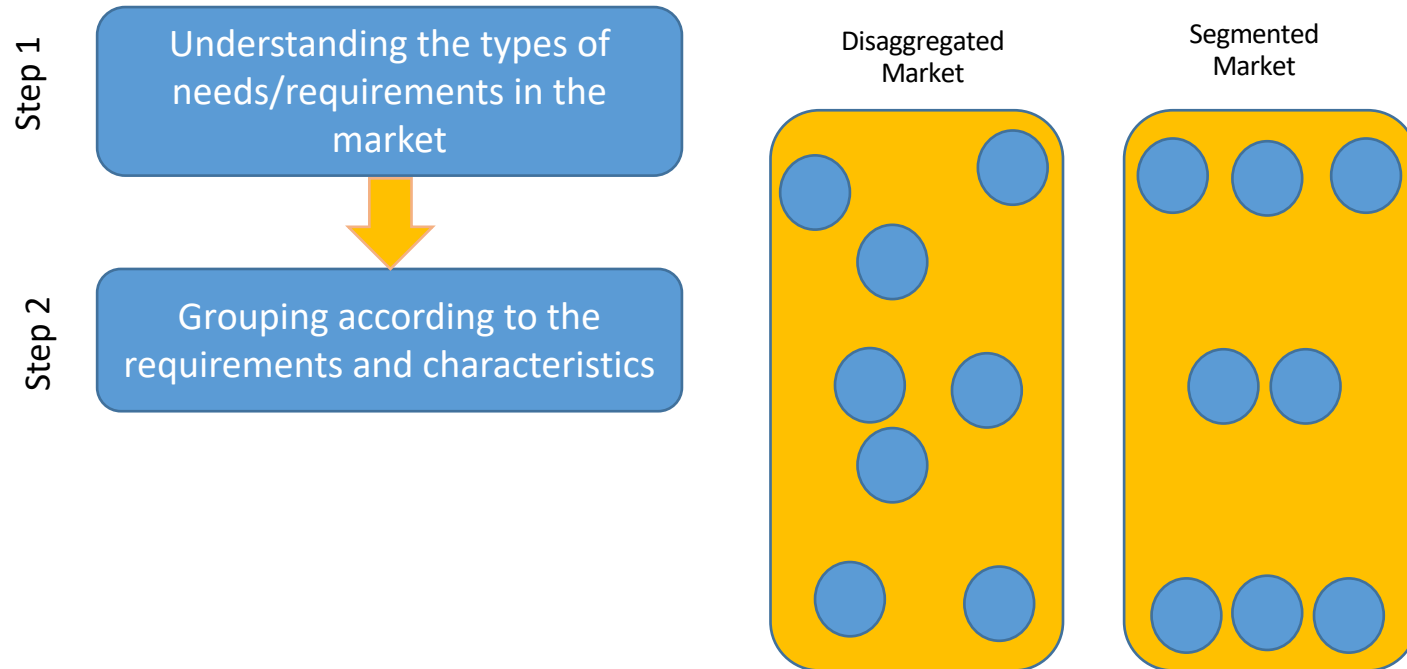
Understanding the types of  
needs/requirements in the  
market

Disaggregated  
Market

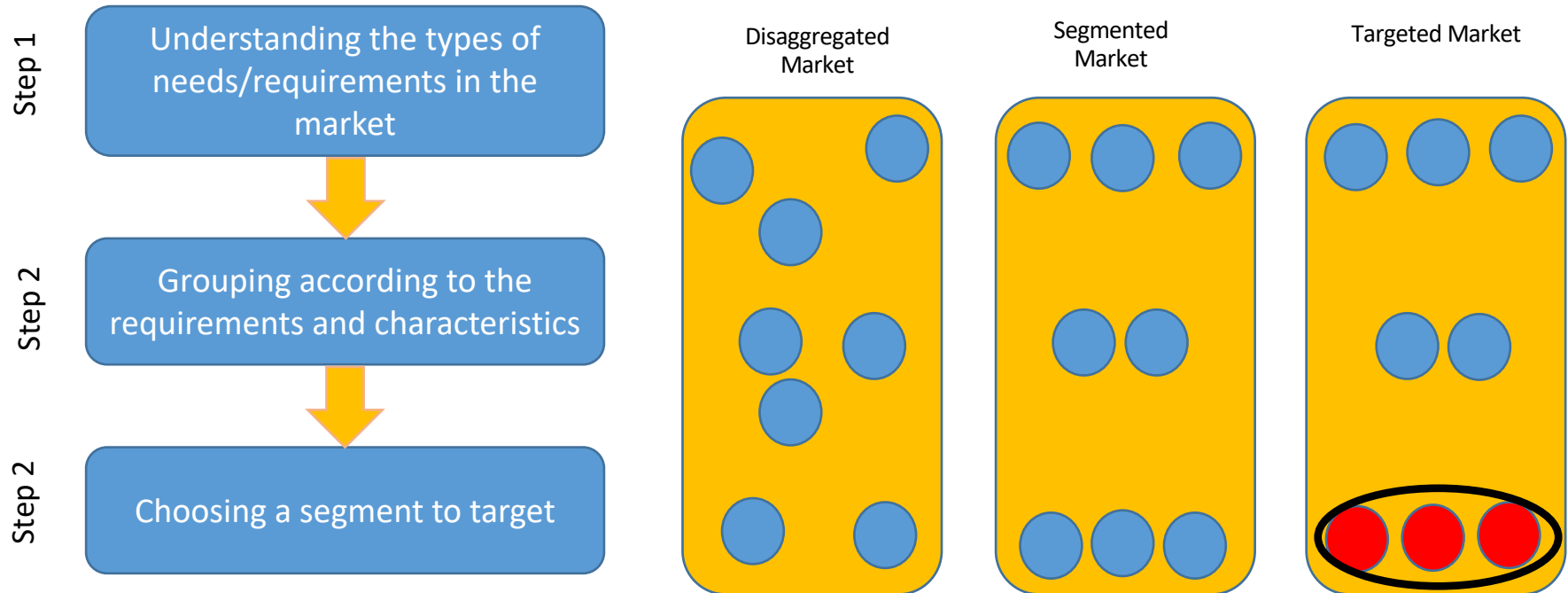




# THE SEGMENTATION PROCESS



# THE SEGMENTATION PROCESS

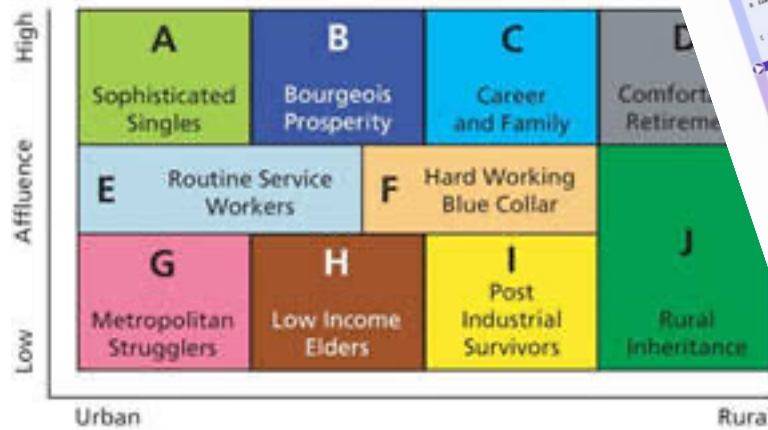


# Segmentation bases

PROFILE

Demographic,  
Socio-economic,  
Geographic

Solomon, Marshall et al (2013)



Solomon, Marshall et al (2013)



| social grade | social status                        | occupation   |
|--------------|--------------------------------------|--|
| A            | upper middle class                   | higher managerial, administrative or professional                            |
| B            | middle class                         | intermediate managerial, administrative or professional                      |
| C1           | lower middle class                   | supervisory or clerical, junior managerial, administrative or professional   |
| C2           | skilled working class                | skilled manual workers   |
| D            | working class                        | semi and unskilled manual workers  |
| E            | those at lowest level of subsistence | state pensioners or widows (no other earner), casual or lowest grade workers |

# Segmentation bases

BEHAVIOURAL

Benefits sought, purchase occasion, purchase behaviour, usage



Solomon, Marshall et al (2013)

# Segmentation bases

PSYCHOGRAPHIC

Values, Lifestyle,  
Personality



## US VALS™ Framework



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# 4 Criteria for Successful Segmentation

|   | Criteria        | Definition   |
|---|-----------------|--|
| 1 | Distinctiveness | Must be clearly distinct from other segments. If not segment boundaries become too blurred and there is a risk that offerings will not be sufficiently well tailored to attract the required customers |
| 2 | Tangibility     | A segment must be of a sufficient size to make its pursuit worthwhile.   |
| 3 | Accessibility   | Accessible both from a distribution and communications points of view.   |
| 4 | Defendability   | Can the organization develop a sufficiently strong differential advantage?   |

Solomon, Marshall et al (2013)

# What do you do with this information?



## MARK, 22

### DEMOGRAPHICS

- Rents a 2 bedroom apartment in uptown Charlotte, NC with old teammates from lacrosse.
- Currently an intern for a large sports management company and a bar tender at a high end cocktail bar on the weekends.
- Recently single and using dating apps. An only child and rescued a puppy 4 months ago.
- Graduated with a 3.8 in Health Sciences from UNCW. Owes \$28,000 in private loans.

### BEHAVIORAL IDENTIFIERS

- Hobbies include eating out, lifting weights, playing club lacrosse, drinking draft beer, tailgating for UNC, and watching live music.
- Prefers chat systems for customer service and support. Values quick responses and 24 hour availability.
- Wants fast shipping. Values a low price. Prefers online marketing, light colors, and simple websites.
- Shops online between 7pm-3am. Buys during pay periods at the end of the month and often uses promo codes.
- Owns an Acura Integra. Spins on Instagram and YouTube.
- Studied abroad in Chile. Can speak Spanish and some Italian. Travels on a budget and prefers hostels to hotels.
- Personal goals to be out of debt by 2024, to be engaged in 4 years, and to work in a university sports medicine department.
- Very fit and active but has a bad diet due to eating on a budget and drinking often. Seeks out health information daily.




## JUSTIN, 31

### DEMOGRAPHICS

- Rents a 1 bedroom apartment in uptown Atlanta with his partner. Saving to buy a home next year.
- Works 40 hours a week in a 5 star hotel as a superintendent with a net income of \$20,000.
- Recently engaged to his boyfriend of 5 years with plans to marry in NYC in the winter.
- Graduated from a community college with honors and held office in 3 on-campus clubs.

### BEHAVIORAL IDENTIFIERS

- Hobbies include vegan cooking, yoga, monthly massages, playing the drums, volunteering, drinking cocktails and watching local plays.
- Prefers to call for customer service and support. Values follow up summary emails and easy to read directions.
- Wants free shipping on large orders. Values quality and privacy. Extremely brand loyal. Prefers email marketing.
- Shops online between 9am-3pm and makes multiple returns. Uses PayPal at checkout.
- Owns an iPhone and shops on this tablet with referrals from email marketing and promotions.
- Travels in the USA twice a year to visit family in Maine and California. Prefers long road trips and holiday travel.
- Personal goals to become a general manager within 4 years and to purchase a suburban home after his wedding and honeymoon.
- Cooks very healthy and with local products. Has great self care and is very active.



## MAGGIE, 52

### DEMOGRAPHICS

- Owns a 4 bedroom home in coastal NC and 2 high end cars. Lives in a suburban gated neighborhood.
- Human Resource Director of a small media company for 5 years with a \$68,000 salary.
- Happily married for 12 years with 2 sons and a house hold income of above \$220,000.
- Well educated with an HR degree from a state university. Graduated without debt.

### BEHAVIORAL IDENTIFIERS

- Hobbies include reading, playing tennis, networking at the country club, being involved in youth groups and visiting the beach.
- Strong need for customer service and support. Values face to face communication and rewards systems.
- Wants a simple product. Values quantity and brand image. Prefers print marketing and bold graphics.
- Shops in department stores after 5pm. Buys in bulk on sale items. Referred by a previous client.
- Owns an iPhone but makes purchases online with a desktop Mac computer. Needs a simple check out system.
- Well traveled in Europe. Prefers traveling in off peak times in chain hotels and loves pre-planned travel like cruises.
- Personal goals to retire by age 65, to own a vacation home on the Spanish Riviera and for her sons to attend an ivy league university.
- In very good health but very busy and often stressed. Visits group exercise programs.

See the async task for how to create customer personas and what goes in them

## You create customer personas!

# TARGETING: HOW DO YOU DECIDE WHICH IS THE MOST ATTRACTIVE SEGMENT TO TARGET?

- How distinct is the segment (ie. is it worth targeting the segment specifically?)
- Is it possible to measure the size of the segment?
- What is the potential for the segment to be profitable now and in the future?
- Can marketing communications reach the segment?
- Can the organization serve the needs of the segment adequately (and profitably)?

Adapted from Solomon, Marshal et al (2013)

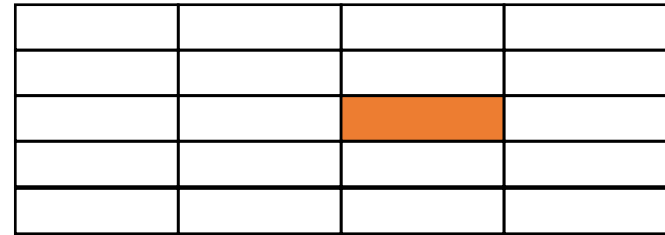


# TARGETING STRATEGIES

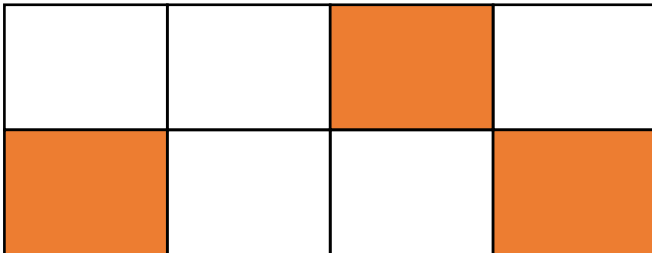
UNDIFFERENTIATED TARGETING



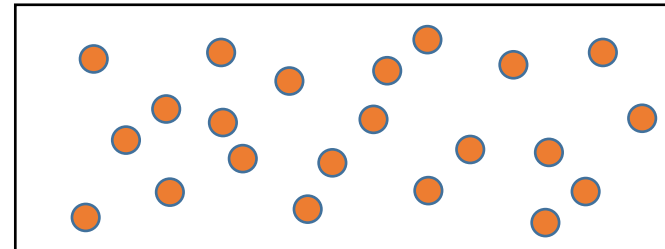
CONCENTRATED TARGETING



DIFFERENTIATED TARGETING



CUSTOM TARGETING



Adapted from Solomon, Marshal et al (2013)

# TARGETING STRATEGIES

## UNDIFFERENTIATED TARGETING



## DIFFERENTIATED TARGETING



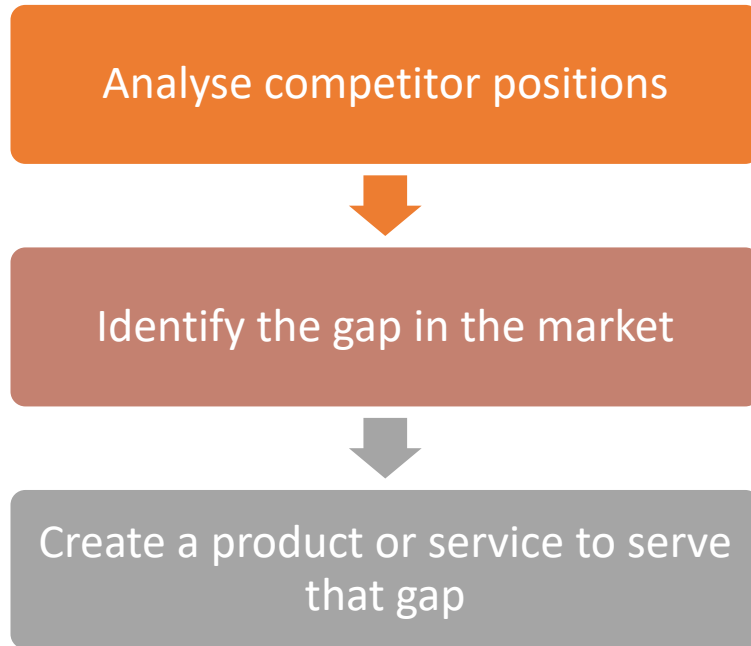
## CONCENTRATED TARGETING



## CUSTOM TARGETING



# So, you've segmented your market, and identified your preferred target segment – what next?



**Positioning...**  
creating a product/service  
that is distinctive and  
unique in the mind of  
customers/consumers

Adapted from Ries and Trout (1986)

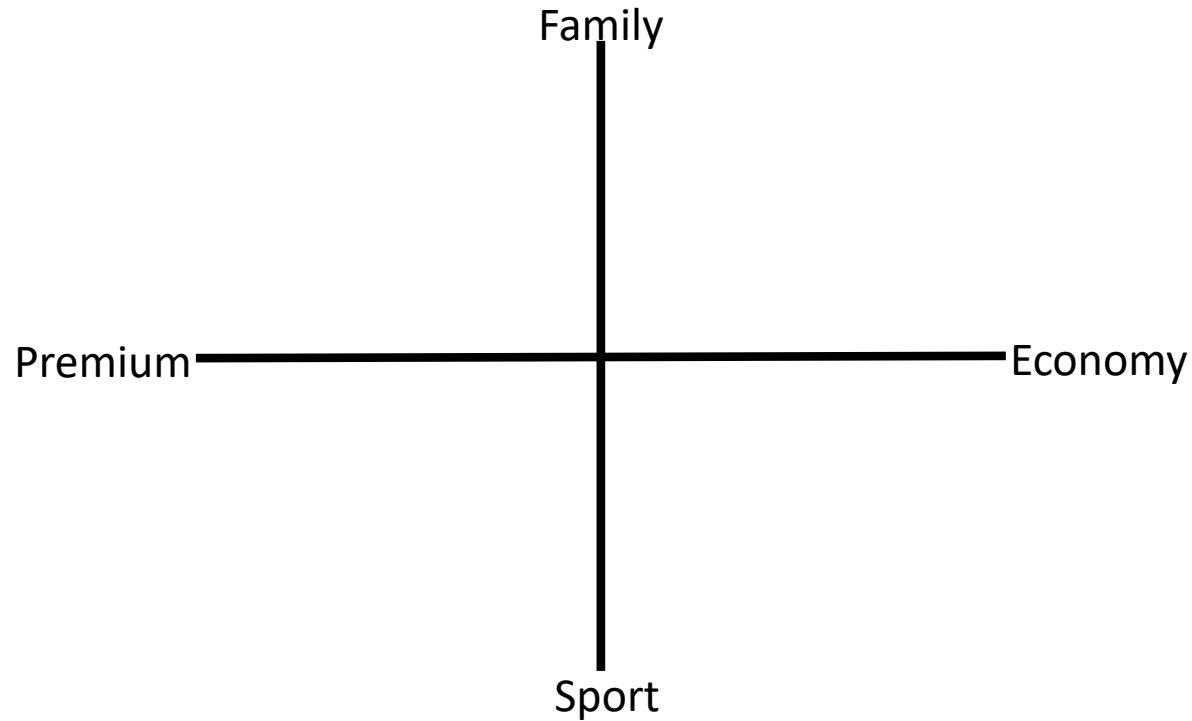
# PERCEPTUAL MAPS

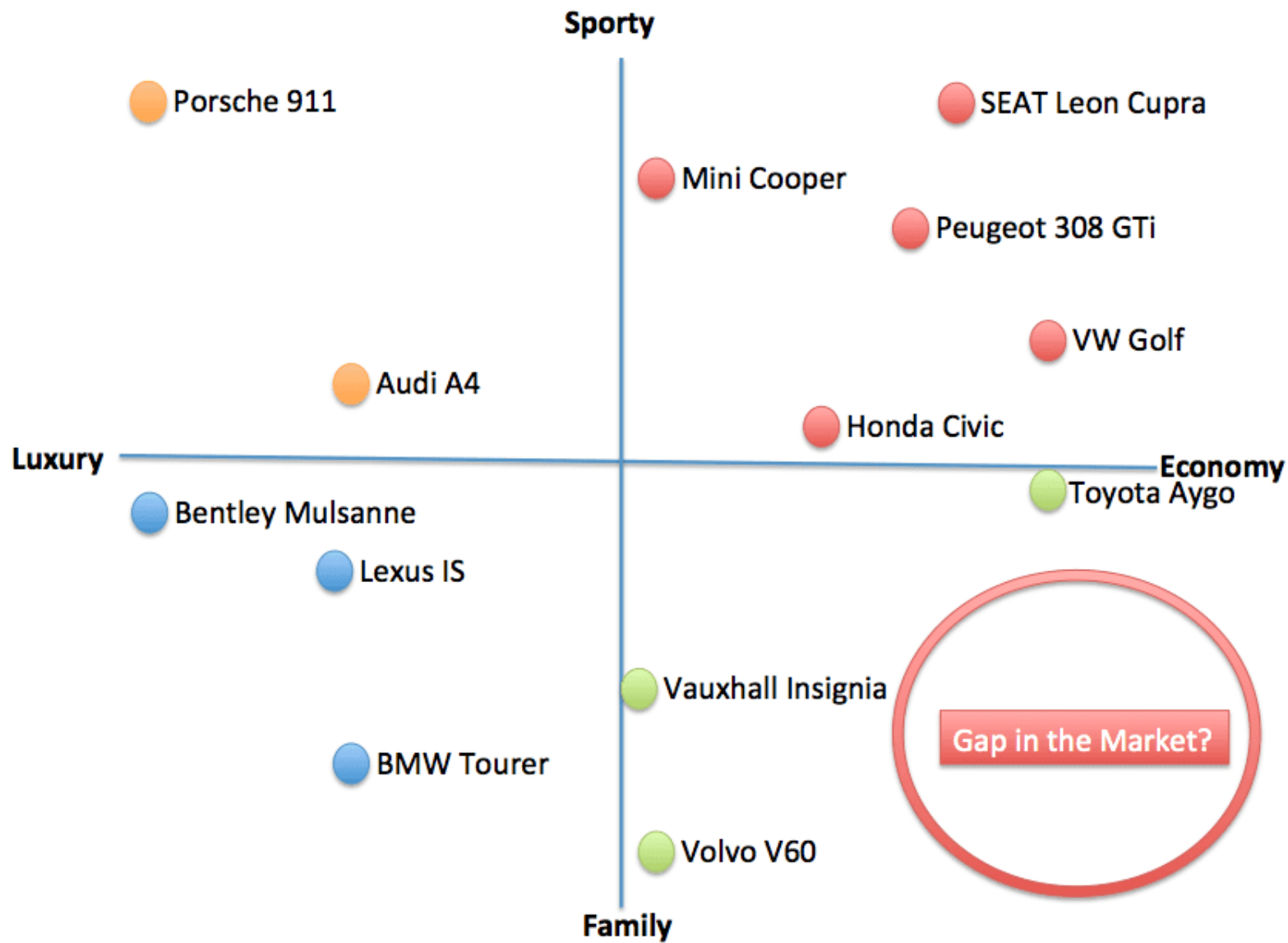
Identify the distinguishing attributes within a category

Identify a set of competing brands

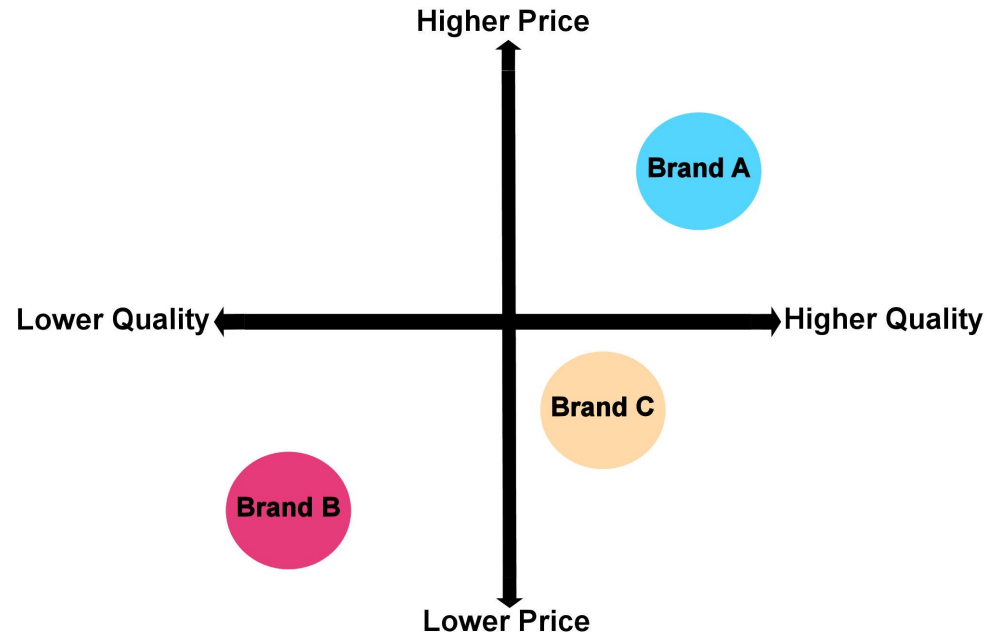
Plot each of the brands on a two-dimensional map

# Perceptual Map





# NO NO NO NO NO.....



Perceptual Map of Price vs Quality

# Perceptual maps



- Identifies gaps in the market
  - Not all gaps are opportunities
- Identifies position in the market
  - Clarifies brand proposition
- Identifies potential competitors



# Positioning (Ries and Trout 1986)

HOW DO YOU ACHIEVE A UNIQUE POSITION IN THE MIND OF CONSUMERS?

CLARITY

CONSISTENCY

CREDIBILITY

COMPETITIVENESS

# Summary

- STP strategy is one of the most important tools in the marketing arsenal
- Successful STP supports effective allocation of resources and a sustainable business model
- Central to effective STP is the ability to understand the market at both a macro and micro level
  - In particular to understand the drivers of consumer need
- The dynamic nature of the market means that successful STP requires ongoing research
  - ...and the ability to develop products and services that uniquely respond to consumer/customer needs and wants.