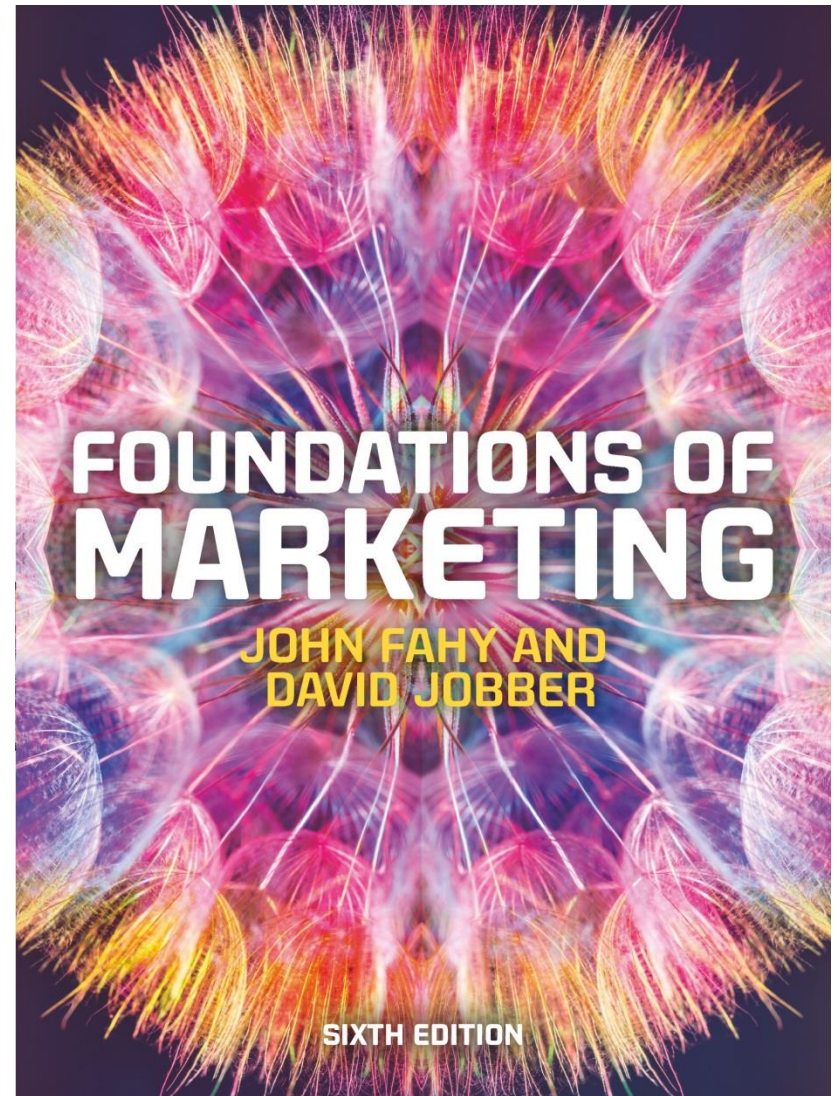


Chapter 5

Segmentation, Targeting and Positioning

Foundations of Marketing, Sixth
Edition



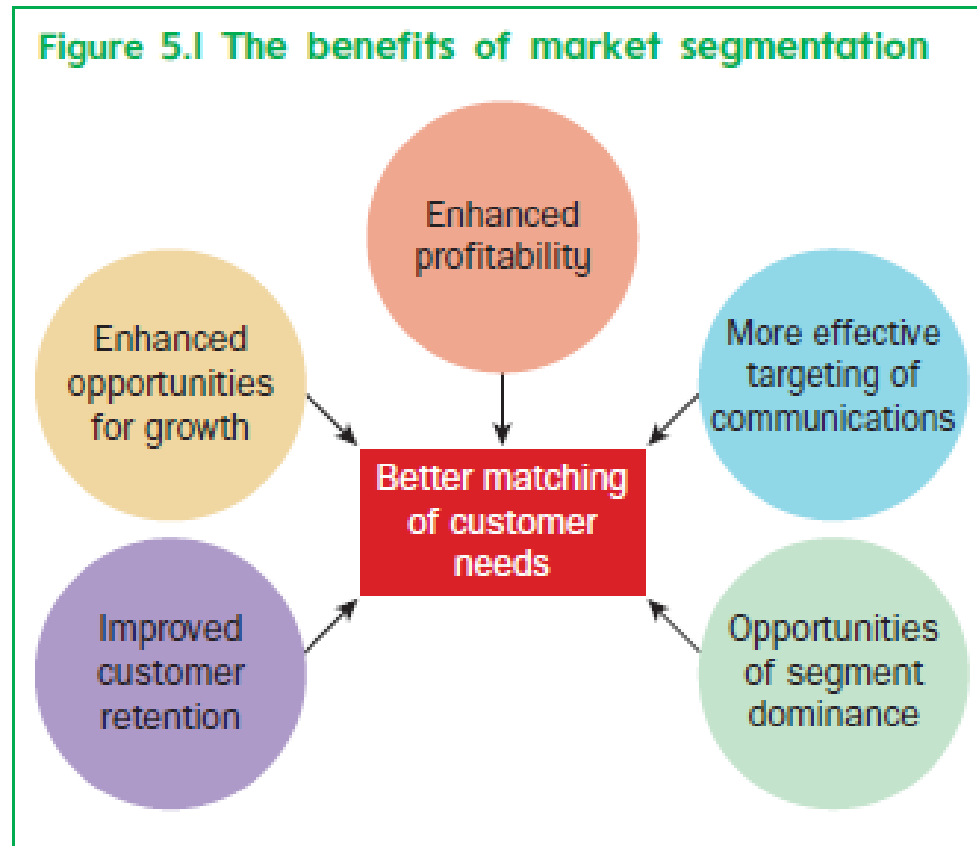
Definition of Market Segmentation

The identification of individuals or organizations with similar characteristics that have significant implications for the determination of marketing strategy.

Market Segmentation

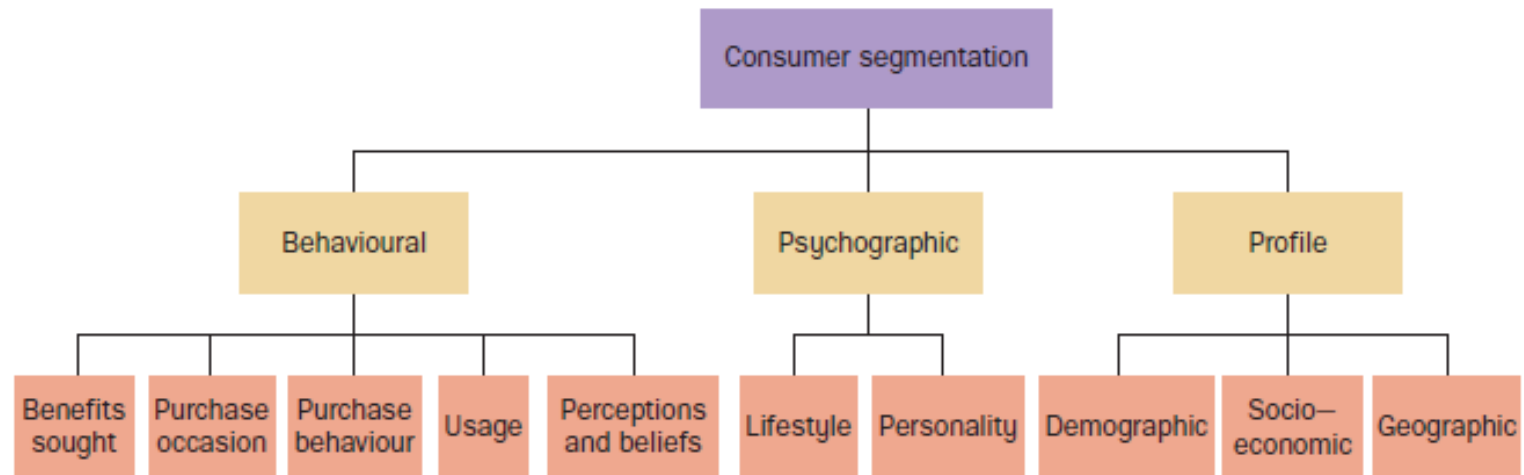
- Involves the division of a diverse market into a number of smaller submarkets that have common features.
- The objective is to identify groups of potential customers with similar requirements.
- Market segmentation provides a commercially viable method of serving customer needs.
- Segmentation is at the heart of strategic marketing.

The Benefits of Market Segmentation



Segmenting Consumer Markets

Figure 5.2 Segmenting consumer markets



Consumer Segmentation Methods

Table 5.1 Consumer segmentation methods

Variable	Examples
<i>Behavioural</i>	
Benefits sought	Convenience, status, performance
Purchase occasion	Self-buy, gift, special occasions
Purchase behaviour	Brand loyal, brand switching, innovators
Usage	Heavy, light
Media behaviour	Snapchat, Instagram, Netflix, radio
<i>Psychographic</i>	
Lifestyle	Trendsetters, conservatives, sophisticates
Personality	Conscientious, agreeable, extrovert
<i>Profile</i>	
Age	Under 12, 12–18, 19–25, 26–35, 36–49, 50–64, 65 and over
Gender	Female, male
Life cycle	Young single, young couples, young parents, middle-aged empty-nesters, retired
Social class	Upper middle, middle, skilled working
Terminal education age	16, 18, 21 years
Income	Income breakdown according to study objectives and income levels per country
Geographic	North vs south, urban vs rural, country
Geodemographic	Upwardly mobile young families living in larger owner-occupied houses, older people living in small houses, European regions based on language, income, age profile and location

Benefits Sought

This advertisement for Tag Heuer conveys the luxury status of the watch brand.



The ACORN Targeting Classification

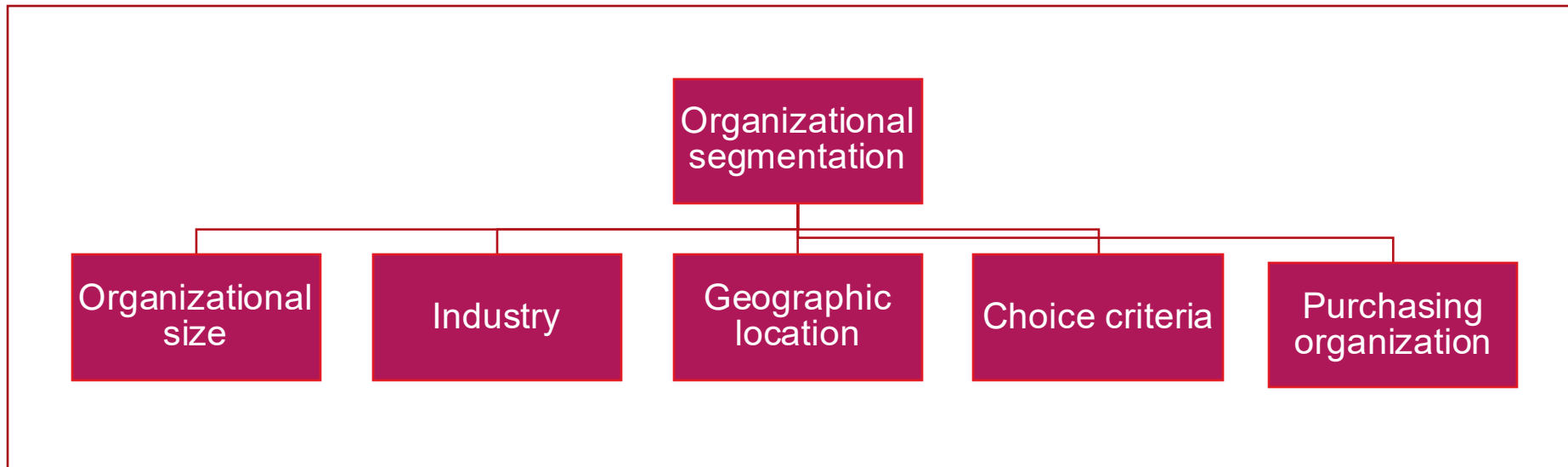
Categories	% in UK population	Groups	% in UK population
A: Affluent Achievers	22.5	1 Lavish Lifestyles	1.3
		2 Executive Wealth	12.4
		3 Mature Money	8.8
B: Rising Prosperity	9.1	4 City Sophisticates	3.2
		5 Career Climbers	5.9
C: Comfortable Communities	27.2	6 Countryside Communities	6.4
		7 Successful Suburbs	6.1
		8 Steady Neighbourhoods	8.3
		9 Comfortable Seniors	2.5
		10 Starting Out	4.0
D: Financially Stretched	22.5	11 Student Life	2.5
		12 Modest Means	7.4
		13 Striving Families	8.1
		14 Poorer Pensioners	4.5
E: Urban Adversity	17.7	15 Young Hardship	5.1
		16 Struggling Estates	7.9
		17 Difficult Circumstances	4.7

Source: Neighbourhood Statistics (NISRA 2011 Census) Website: www.nisra.gov.uk/ninis Contains public-sector information licensed under the Open Government Licence v2.0. Sources include: Land Registry; Strategic Statistics Division; www.justice.gov.uk; DWP, 2012 Contains Crown Copyright data produced by Registers of Scotland. © Crown copyright material is reproduced with the permission of Registers of Scotland. Please see the following link for further information about this register of Scotland Crown Copyright data: www.ros.gov.uk/public/publications/crown_copyright1.html Copyright © (2012) Care Quality Commission (CQC); Care Inspectorate for Scotland 2012; CSSIW – Care and Social Services Inspectorate Wales 2012; Regulation and Quality Improvement Authority 2012. © CACI Limited 1979–2014 © Crown Copyright 2013 Adapted from data from the ONS (2011 Census) and National Records of Scotland, licensed under the Open Government Licence v.1.0. **Note:** Due to rounding, the percentages total 99.

Segmenting Organizational Markets

- Organizational markets, in contrast to consumer markets, tend to be characterized by relatively small number of buyers.
- Some of the most useful bases for segmenting organizational markets are:
 - Organizational size;
 - Industry;
 - Geographic location;
 - Choice criteria;
 - Purchasing Organization.

Segmenting Organizational Markets



Five Criteria for Successful Segmentation



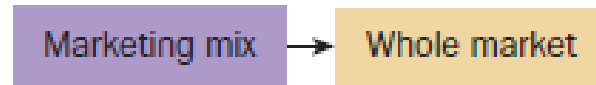
Target Marketing

- Target marketing refers to the choice of specific segments to serve, and is a key element in marketing strategy.
- Organizations need to evaluate the segments to decide which ones to serve using the five criteria for successful segmentation.
- For example, the Coca-Cola brand Powerade conducted research across five European countries and identified seven consumer segments whose attitudes and needs varied significantly and chose to focus on the 'true sportsman' segment.

Target Marketing Strategies

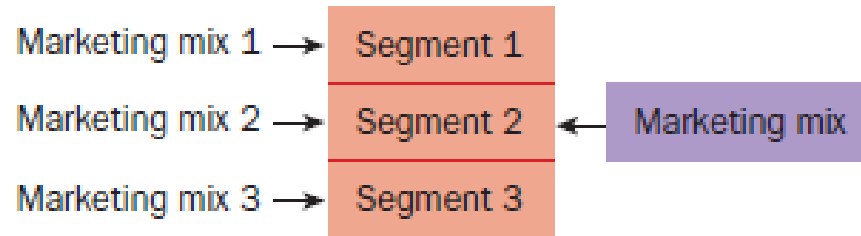
Figure 5.3 Target marketing strategies

Undifferentiated marketing

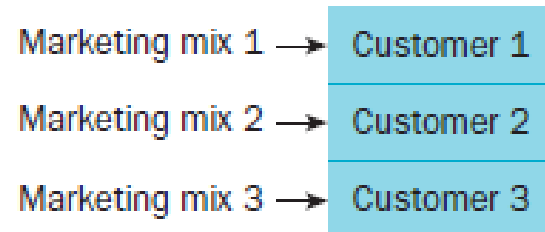


Differentiated marketing

Focused marketing



Customized marketing



Target Marketing Strategies

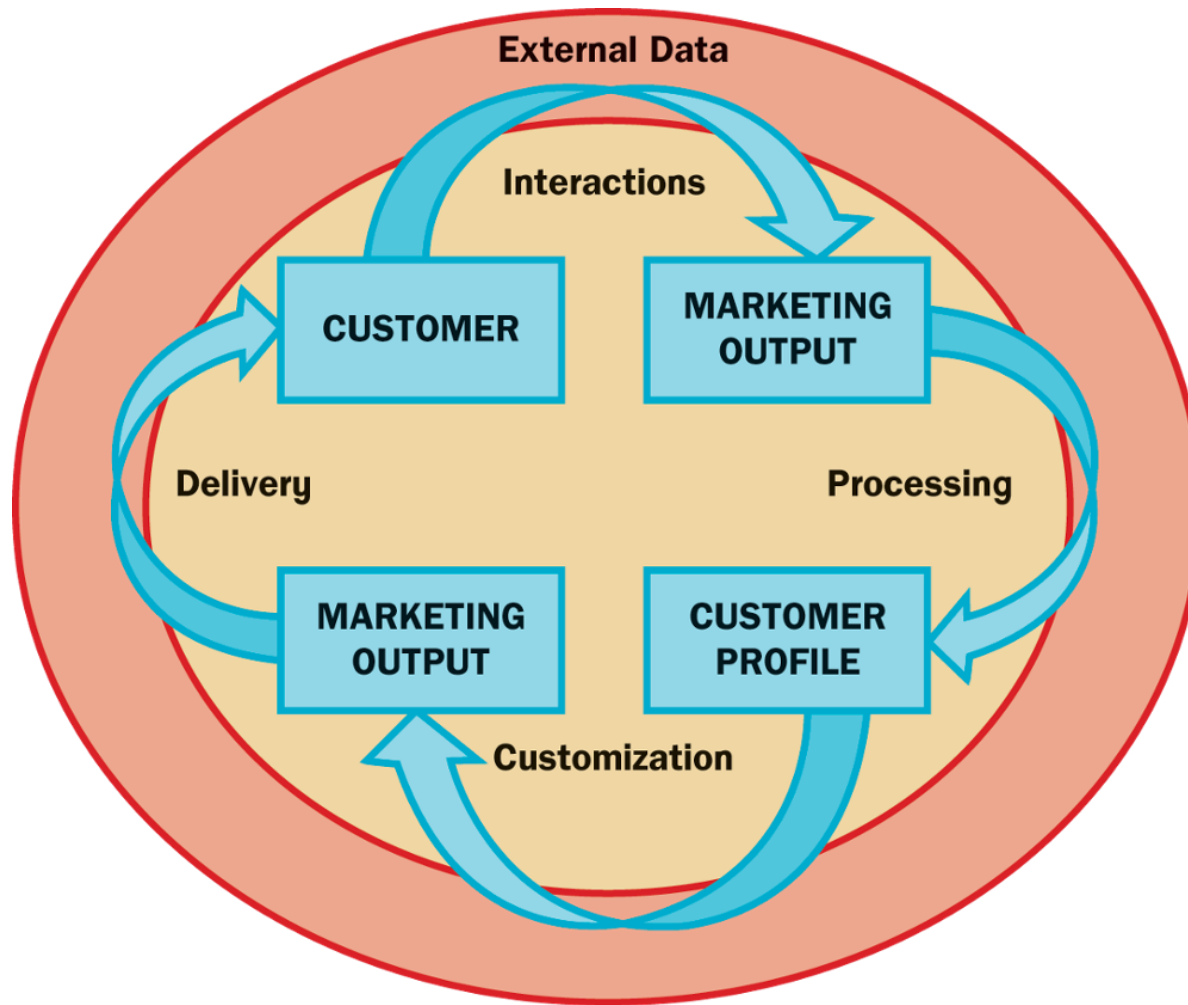
- **Undifferentiated marketing:** a company develops a single marketing mix for the whole market.
- **Differentiated marketing:** a company develops specific marketing mixes to appeal to all or some of the segments.
- **Focused marketing:** a company develops a single marketing mix aimed at one target (niche) market.
- **Customized marketing:** a company develops a discrete marketing mix for each customer.

Target Market



The FPS video game *Battlefield 1* was the 15th instalment of the series and primarily targeted at existing fans of the franchise.

The Process of Personalisation



Source: Adapted from Vesanen and Raulas, 2006

Positioning

- Refers to the act of designing the company's offering, so that it occupies a meaningful and distinct position in the target consumers mind.
- Effective positioning is the act of linking products and services to the solutions that consumers seek.

Positioning: Special K

Kellogg's has positioned its Special K offering for females and its Bran Flakes for males.

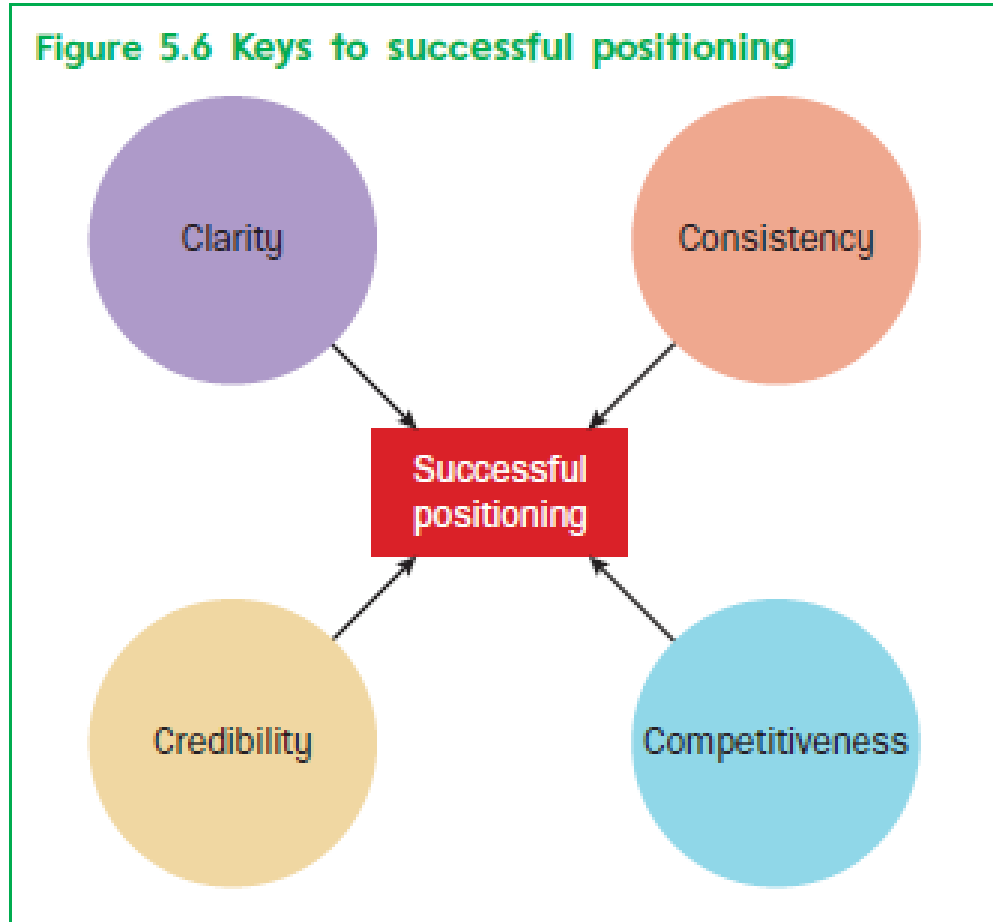


Developing a Positioning Strategy

Deciding what position to occupy in the market requires consideration of three variables:

1. The customers – what attributes matter to them;
2. The competitors – a differential advantage that ideally cannot be easily matched;
3. The company – unique sustainable attributes.

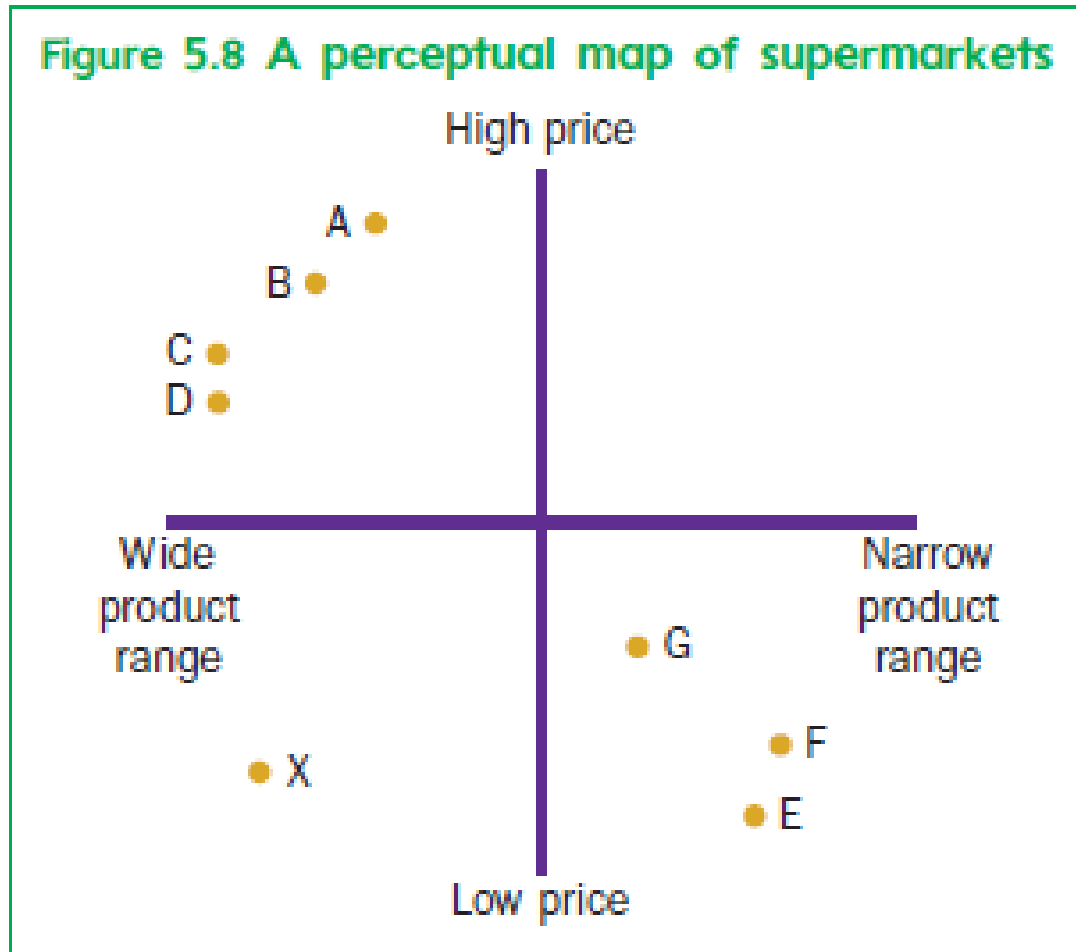
Keys to Successful Positioning



The Perceptual Map

- The perceptual map is a useful tool for determining the position of a brand in the marketplace.
- The key steps in producing a perceptual map are:
 - Identify a set of competing brands;
 - Identify the important attributes consumers use when choosing between brands;
 - Conduct quantitative marketing research where consumers score each brand on all key attributes;
 - Plot brands on a two-dimensional map.

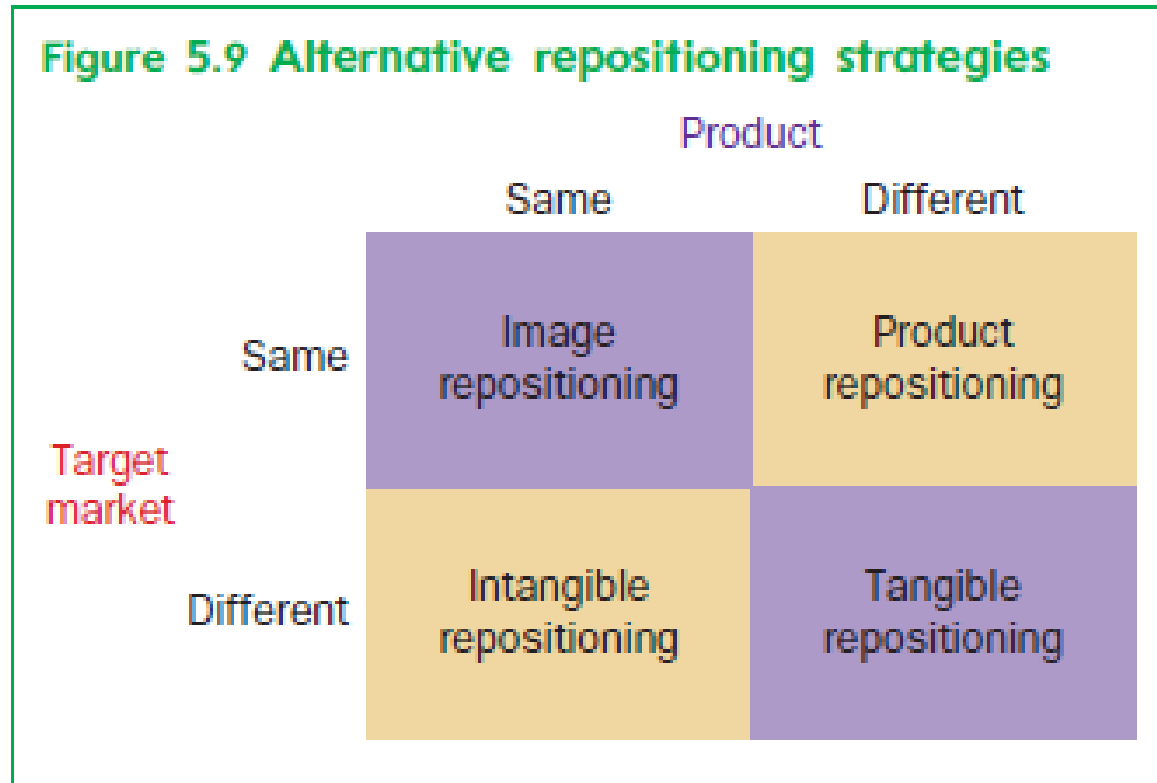
A Perceptual Map of Supermarkets



Repositioning

- Repositioning involves changing:
 - the target markets;
 - the differential advantage;
 - or both.
- The first option is to keep product and target market the same, but to change the image of the product.
- Some repositioning strategies involve retaining the product, but changing the market segment it is aimed at.
- When both product and target market are changed, a company is said to be practicing 'tangible repositioning.'

Alternative Repositioning Strategies



Chapter Summary

1. The process of market segmentation is based on the principles that not all customers have the same needs.
2. There are many different variables that can be used for segmenting consumer and industrial markets.
3. The five criteria for successful segmentation are: effective, measurable, accessible, actionable, and profitable.
4. There are four generic target marketing strategies: undifferentiated, differentiated, focus, and customised marketing,
5. Positioning is the key tool for conveying how companies meet customer needs with products and services.
6. There are 4 repositioning strategies: image, product, intangible, and tangible repositioning.