

UNIT 3

SEGMENTATION, TARGETING, POSITIONING (STP)

DR NAGA SAI KUMAR

Learning Objectives

- After reading this chapter, you should be able to:
- Define market segmentation and market targeting.
- List and discuss the primary bases for segmenting consumer and business markets.
- Explain how companies identify attractive market segments and choose a marketcoverage strategy.
- Define differentiation and market positioning. n
Explain why companies seek to differentiate their markets and use positioning strategies

Introduction

- Organisations that sell to consumer and business markets recognise that they cannot appeal to all buyers in those markets or at least not to all buyers in the same way. Buyers are too numerous, too widely scattered
- companies identify the parts of the market they can serve best. Segmentation is thus a compromise between mass marketing, which assumes everyone can be treated the same, and the assumption that each person needs a dedicated marketing effort.

Target marketing

- —Directing a company's effort towards serving one or more groups of customers sharing common needs or characteristics.

Market segmentation

- — Dividing a market into distinct groups of buyers with different needs, characteristics or behaviour, who might require separate products or marketing mixes
- It is dividing the a market into smaller groups with distinct needs, characteristics, or behavior that might require separate marketing strategies or mixes

Market targeting (Targeting)

- —The process of evaluating each market segment's attractiveness and selecting one or more segments to enter.

Differentiation

- Actually differentiating the market offering to create superior customer value

Market positioning

- — Arranging for a product to occupy a clear, distinctive and desirable place relative to competing products in the minds of target consumers.
- Formulating competitive positioning for a product and a detailed marketing mix for target group of customers is necessary.

Market Segmentation:

1. Identify the bases for segmenting market
2. Develop profiles of resulting segments

Market Targeting:

3. Develop measures of segment attractiveness
4. Select the target segment

Market Positioning:

5. develop positioning for target segment
6. Develop Marketing Mix for target segment

Six steps in market segmentation, targeting and positioning

Create Value for Targeted Customers

- **Select customers to serve:**
 - > **Segmentation** (Dividing the total market into smaller segments)
 - > **Targeting** (Selecting the profitable segment to enter)
- **Decide on a value proposition:**
 - > **Differentiation** (Differentiate the market offering to create superior customer value)
 - > **Positioning** (position the market offering in the minds of customers)

Levels of market segmentation

- Mass marketing—Using almost the same product, promotion and distribution for all consumers
- Segment marketing— Adapting a company's offerings so they more closely match the needs of one or more segments
- Niche marketing—Adapting a company's offerings to more closely match the needs of one or more subsegments where there is often little competition

Segmenting consumer markets

- Geographic segmentation— Dividing a market into different geographical units such as nations, states, regions, counties, cities or neighbourhoods
- Demographic segmentation —Dividing the market into groups based on demographic variables such as age, sex, family size, family life cycle, income, occupation, education, religion, race and nationality.
- Ex: Kids group, Male-Female group (Cosmetics, Deodorants), Nuclear family (1BHK) etc

- Psychographic segmentation—Dividing a market into different groups based on social class, lifestyle or personality characteristics
 - Life-cycle segmentation— Offering products or marketing approaches that recognise the consumer's changing needs at different stages of their life.

Ex: Cosmetics to look young etc

- Behavioural segmentation— Dividing a market into groups based on consumer knowledge, attitude, use or response to a product.
- Occasion segmentation— Dividing the market into groups according to occasions(Mothers day) when buyers get the idea to buy, actually make their purchase, or use the purchased item.
- Benefit segmentation— Dividing the market into groups according to the different benefits (relief from tooth decay)that consumers seek from the product(Colgate tooth paste).

Requirements for effective segmentation

- **Measurable**—The degree to which the size, purchasing power and profits of a market segment can be measured
- **Accessible**—The degree to which a market segment can be reached and served.
- **Substantial**—The degree to which a market segment is sufficiently large or profitable.
- **Differentiable**: The segments are distinguishable and respond differently to different marketing mix elements
- **Actionable**—The degree to which effective programmes can be designed for attracting and serving a given market segment.

Market targeting

- After dividing the markets into segments, the company decides which segments to enter and serve.
- Market targeting will answer, "Which customers will the company serve?"
- Marketing segmentation reveals the firm's market-segment **opportunities**. The firm now has to evaluate the various segments and decide to target.
- Target market—A set of buyers sharing common needs or characteristics that the company decides to serve.

Evaluating Market Segments

- 3 factors are important here:
- Segment size and growth
- Segment structural attractiveness
- Company objectives and resources

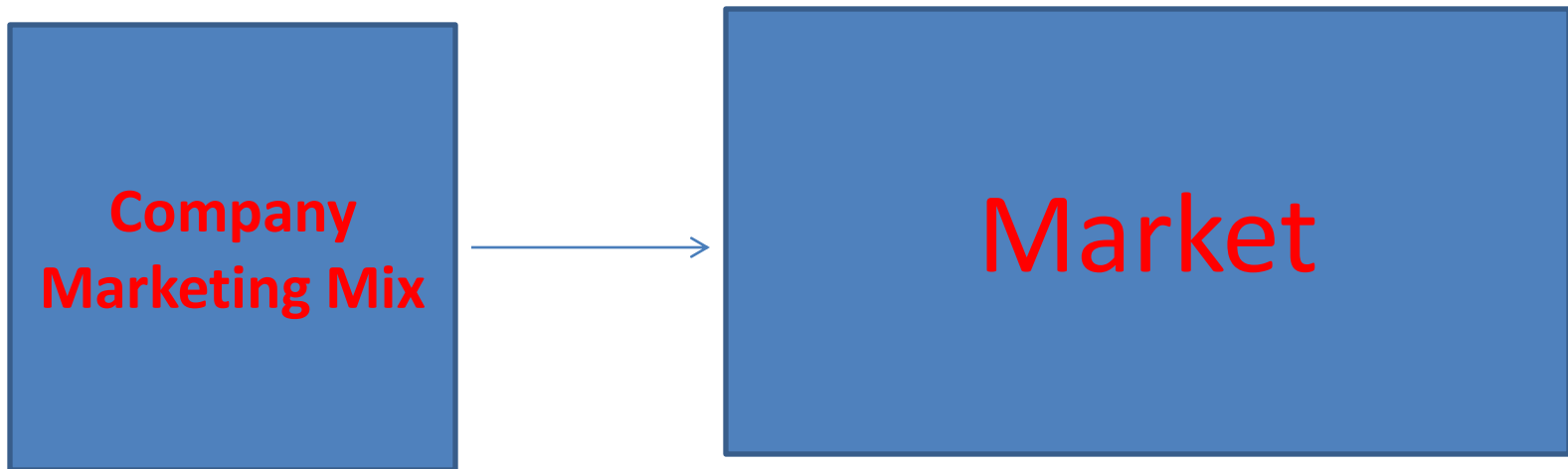
- The company must first collect and analyze data on current segment sales , growth rates, expected profitability for each segment.
- Avoid a segment where
 - there are strong competitors,
 - strong bargaining power of buyers
 - Powerful suppliers who control prices etc

Selecting Target market segments

- A target market consists of a set of buyers who share common needs and characteristics.
- Companies may target very broadly (Undifferentiated marketing)
- Very narrowly (micro marketing)
- Somewhere between (Differentiated marketing or Concentrated marketing)

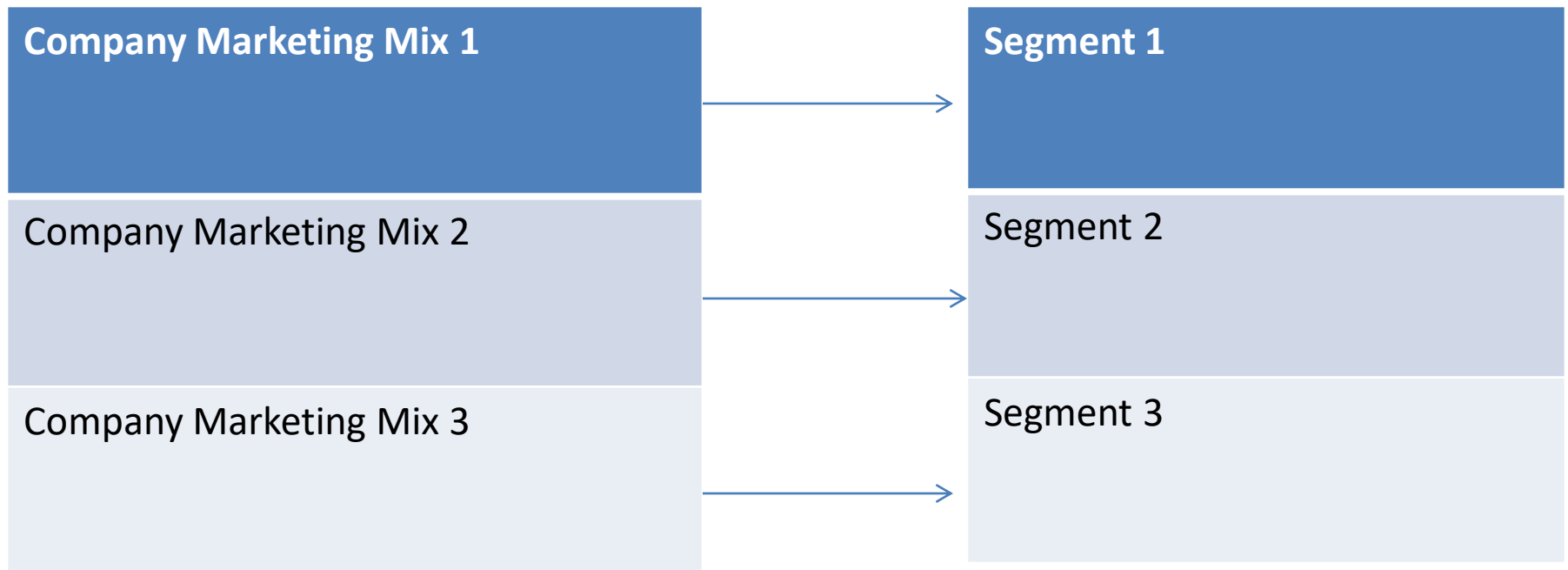
Undifferentiated marketing strategy

- —A marketcoverage strategy in which a firm decides to *ignore market segment differences* and go after the whole market with one offer
- Ex: Steel



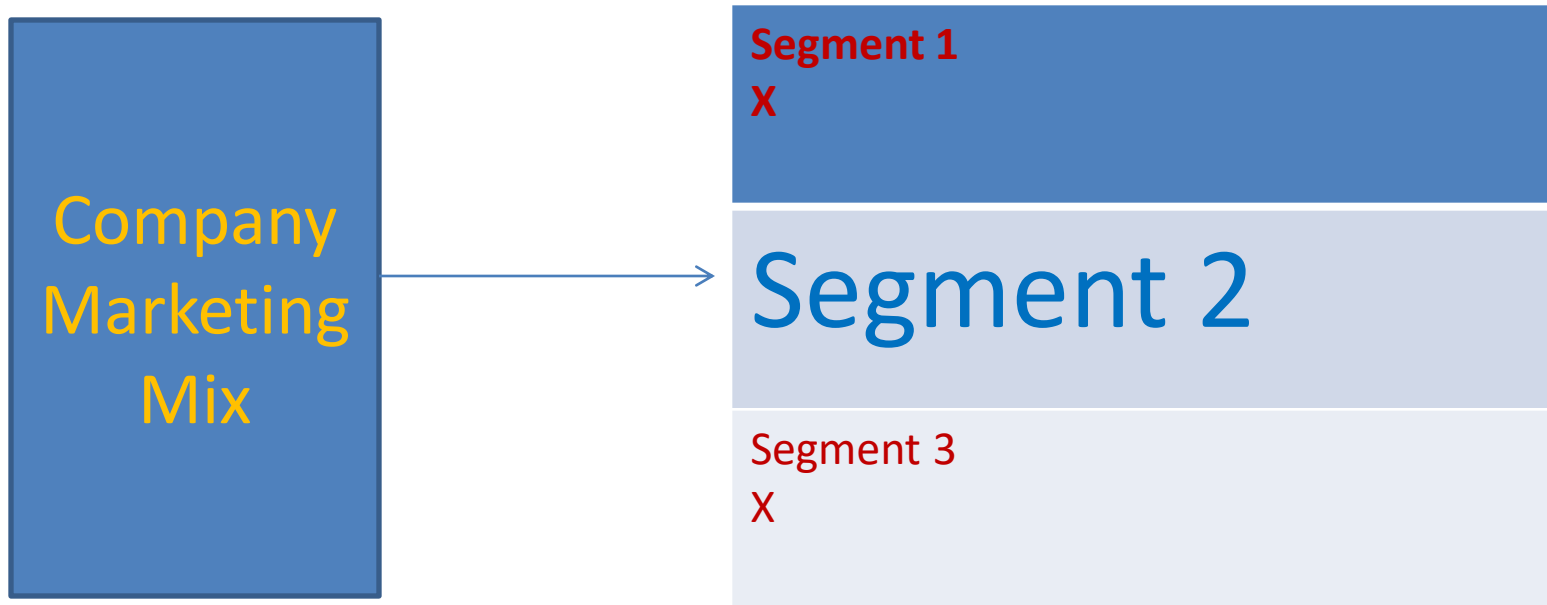
Differentiated Marketing Strategy

- A market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each. (HUL makes 8 variants of soaps, lux, Hamam, Dove etc)



Concentrated Marketing Strategy

- A market-coverage strategy in which a firm goes after a large share of one or a few submarkets (Nirma started as a nicher for rural,semi urban consumers)



Micro Marketing

- The practice of tailoring products to the needs and wants of specific individuals and local customer groups
- Local marketing (cities, neighborhoods, specific stores)
Ex: fast food centers at office/work places
- Individual marketing (customized marketing)
Ex: Dell creates custom configured computers.

Differentiation and Positioning

- Differentiation is actually differentiating the market offering (from competitor's brands) to create superior customer value.
- Positioning is arranging for a market offering to occupy a clear, distinctive and desirable place (relative to competing products) in the minds of the target customers.

Value proposition

- After deciding which segment to target, the company now decides on value proposition- on how it will create differentiated value for target segments and what position it wants to occupy in those segments.
- A product's position is the way the product is *defined by consumers on important attributes*
- *Position is a place the product occupies in the minds of consumers (relative to competitor's products)*

Products and Brands

- "Products are created in the factory but brands are created in the mind"

Automobile market

- Tata Indica and Maruti Suzuki 800 are positioned as ECONOMY CARS
- Mercedes and Cadillac are positioned as LUXURY CARS
- Porsche and BMW are positioned as BEST PERFORMANCE CARS
- Volvo is positioned as SAFETY
- Toyota as FUEL EFFICIENT
- Hybrid Prius as a HITECH-SOLUTION TO THE ENERGY SHORTAGE (How far will you go to save the planet? It asks)

Detergent

- Tide is positioned as a powerful,all purpose family detergent
- Ariel is a gentle detergent for fine washables and baby clothes

3 steps for positioning strategy

- Identify a set of differentiating competitive advantages (upon which to build a position)
 - Choose the right competitive advantages
 - Select an overall positioning strategy
- > The company must then effectively communicate this differentiating advantage of the product to the target segment and deliver the value to the customers effectively

Competitive advantage

- An advantage over competitors, gained by offering greater customer value , either through lower prices or by providing more benefits that justify the higher prices.

Why should I purchase your brand?

- The value proposition answers this question
- The full positioning of a brand -the full mix of benefits upon which it is positioned.
- Ex: Why should I buy Volvo (whose price is higher than the average)?
- The value proposition hinges on mix of benefits:
 - Safety
 - Reliability
 - Roominess
 - Styling

STP

- Sellers can take three approaches to a market. Mass marketing is the decision to massproduce and mass-distribute one product and attempt to attract all kinds of buyers.
- Target marketing is the decision to identify the different groups that make up a market and to develop products and marketing mixes for selected target markets. Sellers today are moving away from mass marketing and product differentiation towards target marketing because this approach is more helpful in spotting market opportunities and developing more effective products and marketing mixes.