



# Session 3

## Segmentation, Targeting & Positioning

# Market Segmentation

- **Market Segmentation:** division of the total market into smaller, relatively homogeneous groups.
- No single marketing mix can satisfy everyone. Therefore, separate marketing mixes should be used for different market segments.

# Levels of Market Segmentation

## **Mass Marketing**

***Same product to all consumers  
(no segmentation)***

## **Segment Marketing**

***Different products to one or more segments  
(some segmentation)***

## **Niche Marketing**

***Different products to subgroups within segments  
( more segmentation)***

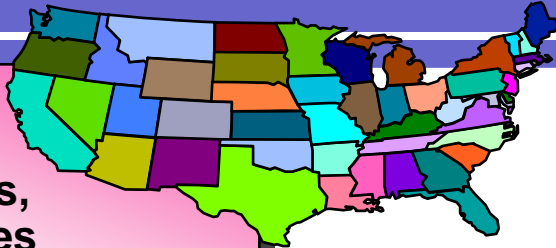
## **Micromarketing**

***Products to suit the tastes of individuals or locations  
(complete segmentation)***

# Bases for Segmenting Consumer Markets

## Geographic

Nations, states,  
regions or cities



## Demographic

Age, gender,  
family size and  
life cycle, or  
Income



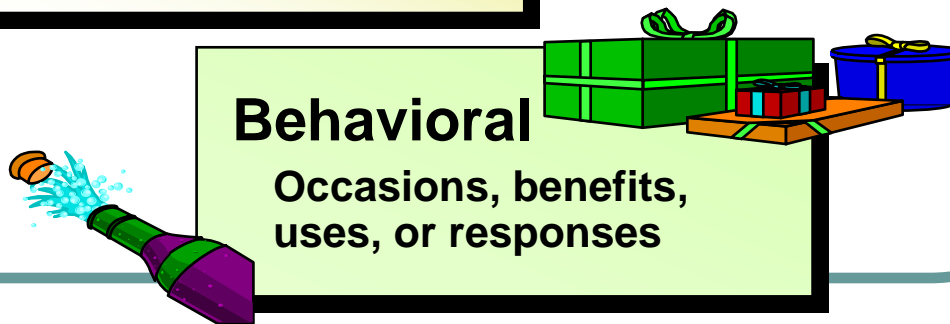
## Psychographic

Social class, lifestyle,  
or personality



## Behavioral

Occasions, benefits,  
uses, or responses

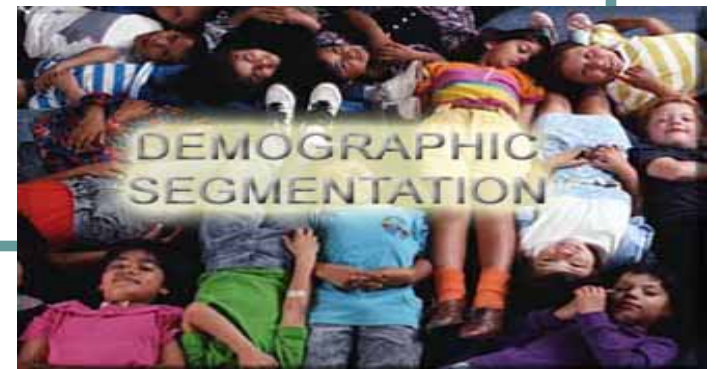


# Using Geographic Segmentation

- Demand for some goods and services can vary according to the geographic region
- Most major brands get 40-80 percent of their sales from what are called **core regions**
- Regional sentiments and culture is another important segmentation factor:
  - Rice and Fish favorite food in Bengal/Orissa
  - N-E states have high commonalities

# Segmenting by age

- Sociologists attribute different consumer needs and wants among various age groups to the ***cohort effect***.
- ***Cohort effect*** is a tendency among members of a generation to be influenced and drawn together by significant events occurring during their key formative years, roughly 17 to 22 years of age



## Family Life Cycle Stages Segmentation

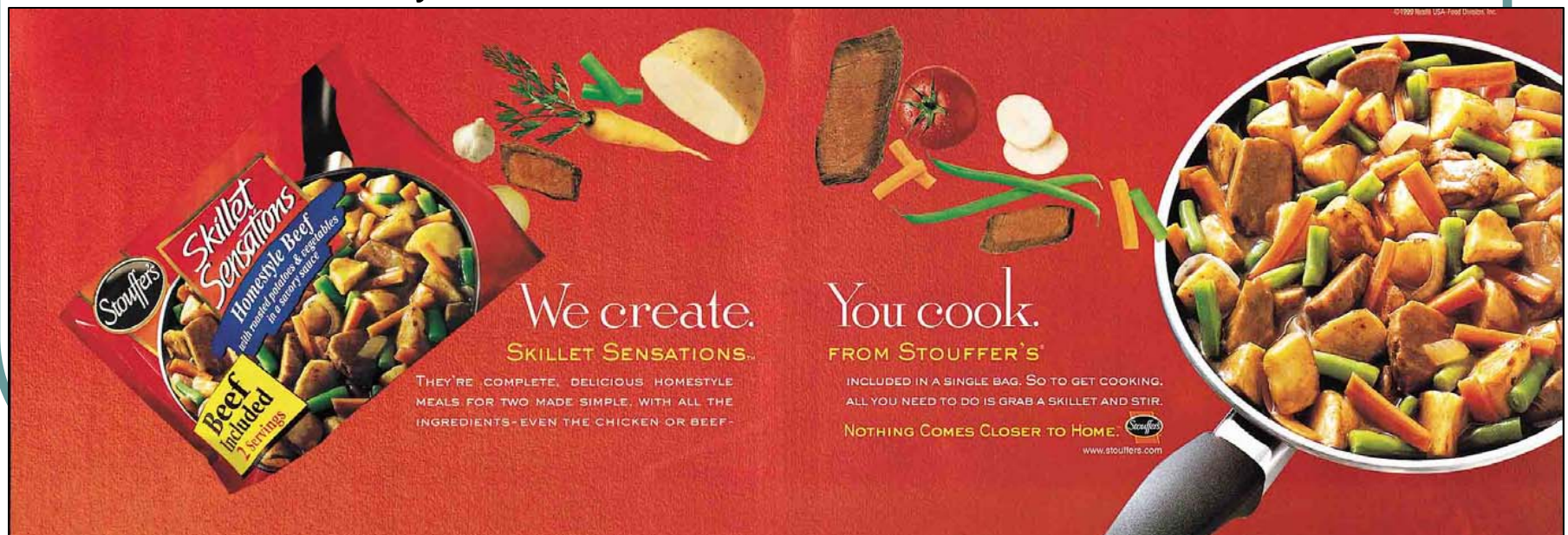
- ✓ The process of family formation and dissolution.
- ✓ The underlying theme is that life stage, not age per se, is the primary determinant of many consumer purchases.





# Segmenting by household type

- The “traditional family” has declined over the years.
- Single-parent families, single-person households, and non-family group households have more than doubled during the same time.
- Non-traditional households make likely buyers of single-serving and convenience foods
- **DINKs**, dual-income childless couples, are big buyers of gourmet foods, luxury items, and travel





# Usage Rates

- Segmenting by grouping people according to the amounts of a product that they buy and use
- Markets often divided into heavy-user, moderate-user, and light-user segments
- The 80/20 principle (“Praedo’s Law”) holds that a big percentage of a product’s revenues (roughly 80%) comes from a relative small, loyal percentage (around 20%) of total customers

# Bases for Segmenting B2B Markets

**Producers**

**Resellers**

**Government**

**Institutions**

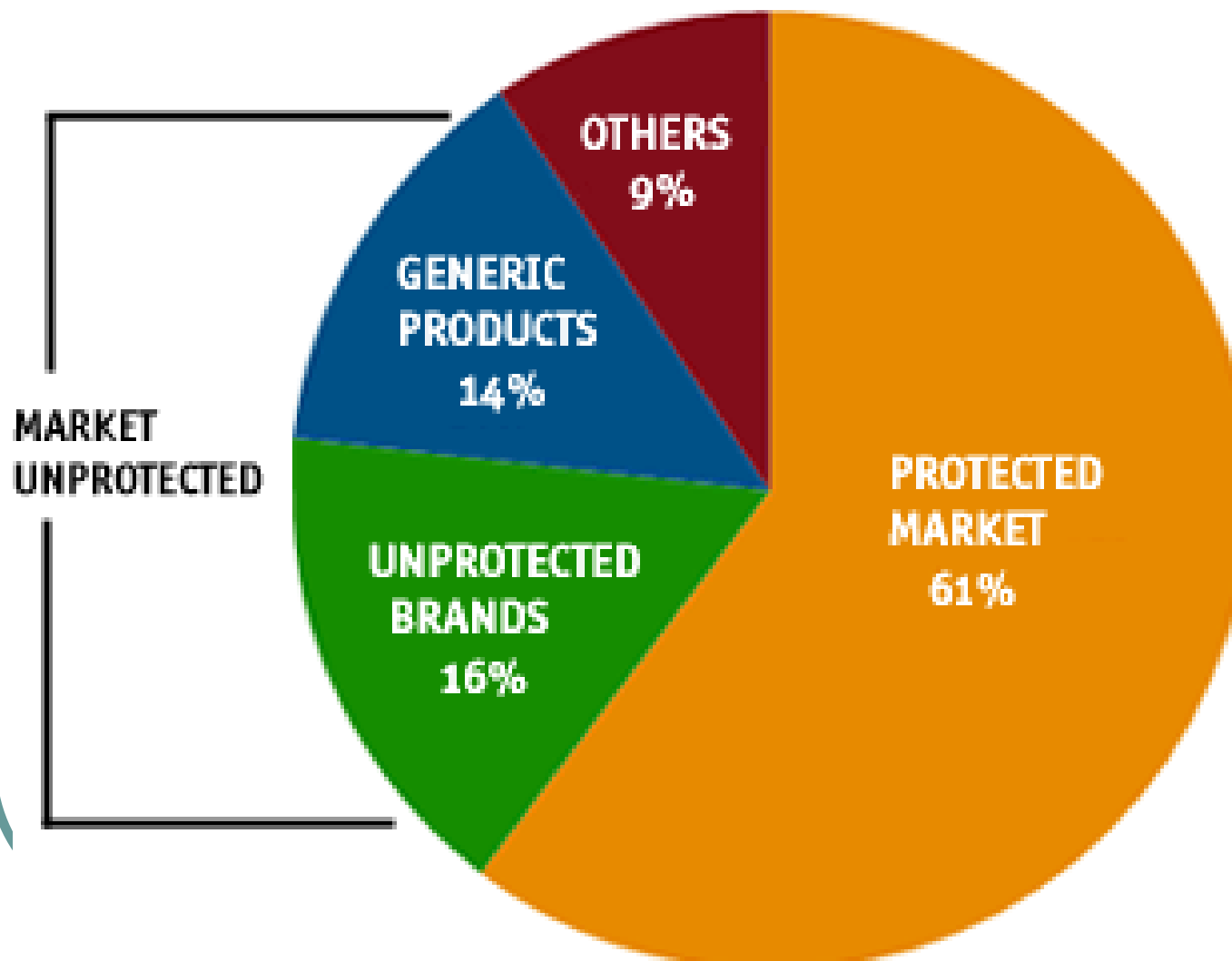


**Company  
Characteristics**

**Buying  
Processes**

Thursday, April 09, 2015

# Pharmaceutical industry segmentation



# Shopper Segments : India

## DISCERNING SHOPPER

*"I am very particular about the brands and products I buy for my family. Offers are necessary but they have to be relevant to me"*

**IS IT GOOD ENOUGH?**

## BARGAIN HUNTER

*"If I find a good offer I will buy it even if I don't need that product at that time"*

**IS IT ON SPECIAL OFFER?**

## IMAGE SHOPPER

*"The store that you shop at reflects your status... when I tell my friends where I shop, they need to feel that I have some class..."*

**IS IT UP MARKET?**

## CONVENIENCE SHOPPER

*"I juggle so many things during the day, I want things that make my life easier, even if it means paying a little more"*

**IS IT EASY?**

## COMPETITIVE SHOPPER

*"I like visiting various stores to see what's the latest...I get a high when my friends ask my opinion of new launches"*

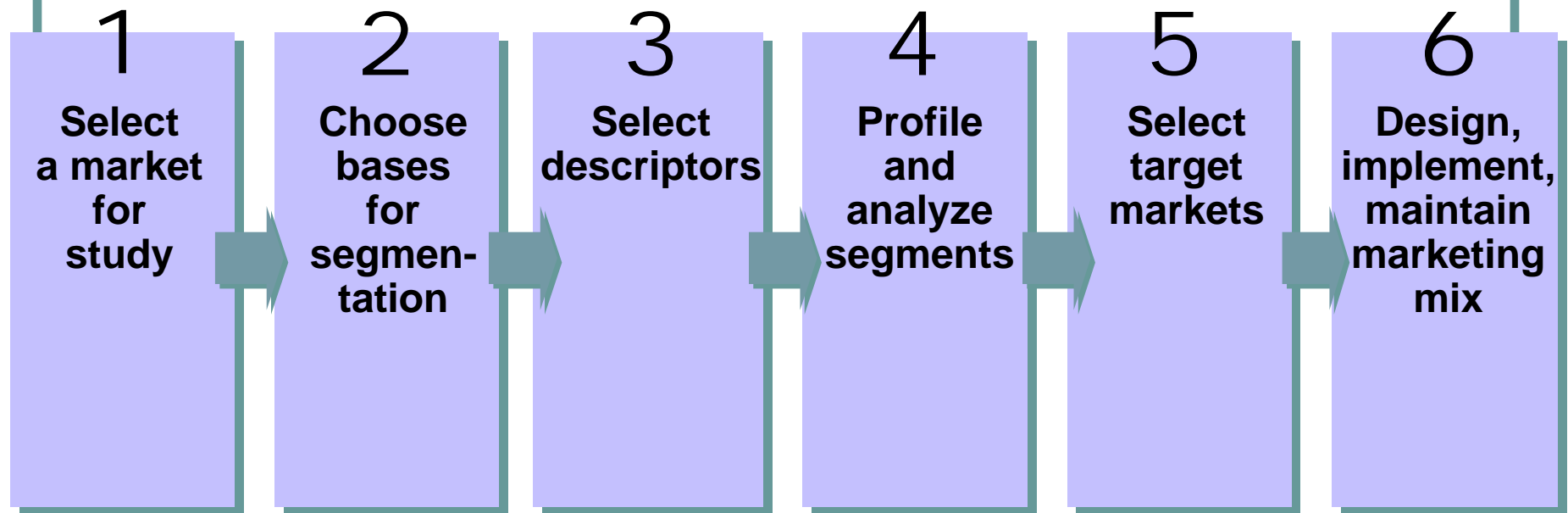
**IS IT NEW?**

## PROGRESSIVE SHOPPER

*"My life today is better than it was yesterday, and will be better tomorrow... my shopping reflects this... I can afford so much more now..."*

**IS IT BETTER THAN BEFORE?**

# Steps in Segmenting Markets



Note that steps 5 and 6 are actually marketing activities that follow market segmentation (steps 1 through 4).



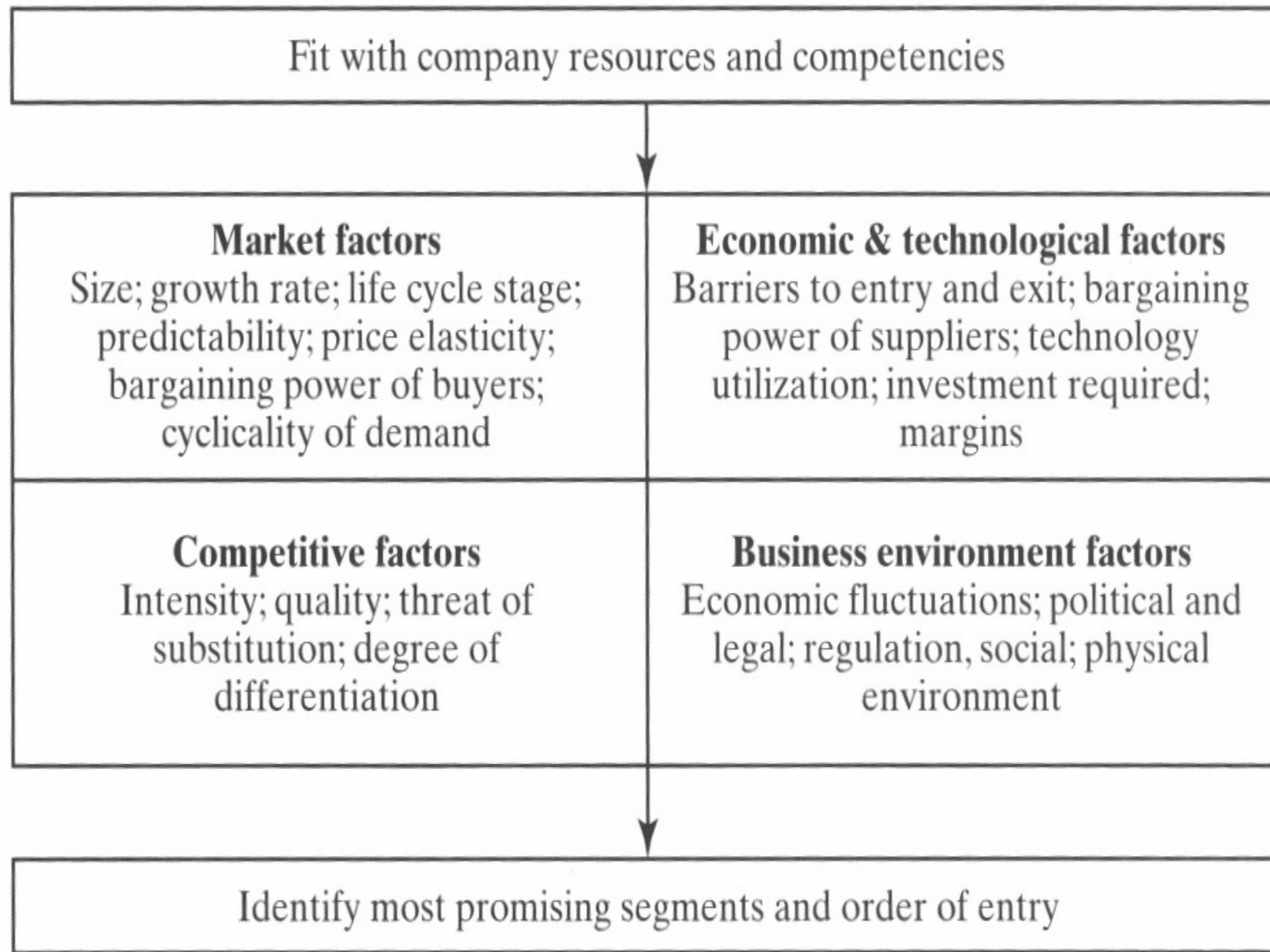
# Criteria for Effective Segmentation

- Market segmentation cannot be used in all cases. To be effective, segmentation must meet the following basic requirements.
  - The market segments must be measurable in terms of both purchasing power and size.
  - Marketers must be able to effectively promote to and serve a market segment.
  - Market segments must be sufficiently large to be potentially profitable.
  - The number of segments must match the firm's capabilities.

# Targeting-Evaluating Market Segments

- Segment Size and Growth
  - Analyze sales, growth rates and expected profitability.
- Segment Structural Attractiveness
  - Consider effects of: Competitors, Availability of Substitute Products and, the Power of Buyers & Suppliers.
- Company Objectives and Resources
  - Company skills & resources relative to the segment(s).
  - Look for Competitive Advantages.

## EXHIBIT 4.4 Assessing Segment Attractiveness



## A Useful Tool for Assessing Market Segments: Segment Rating Chart

	WEIGHT	RATING (0-10)	TOTAL
<b>Market attractiveness factors</b>			
Customer needs and behavior	.5	10	5.0
Segment size and growth rate	.3	7	2.1
Macro trends	.2	8	1.6
<b>Total: Market attractiveness</b>	<b>1.0</b>		<b>8.7</b>
<b>Competitive position factors</b>			
Opportunity for competitive advantage	.6	7	4.2
Capabilities and resources	.2	5	1.0
Industry attractiveness	.2	7	1.4
<b>Total: Competitive position</b>	<b>1.0</b>		<b>6.6</b>

## Market-Attractiveness Factors

### Customer needs and behavior

- Are there unmet or underserved needs we can satisfy?

### Market or market segment size and growth rate

- Market potential in units, revenue, number of prospective customers
- Growth rate in units, revenue, number of prospective customers
- Might the target segment constitute a platform for later expansion into related segments in the market as a whole?

### Macro trends: Are they favorable, on balance?

- Demographic
- Sociocultural
- Economic
- Political/legal
- Technological
- Natural



## Competitive-Position Factors

### Opportunity for competitive advantage

- Can we differentiate?
- Can we perform against critical success factors?
- Stage of competing products in product life cycle: Is the timing right?

### Firm and competitor capabilities and resources

- Management strength and depth
- Financial and functional resources: marketing, distribution, manufacturing, R&D, etc.
- Brand image
- Relative market share

### Attractiveness of industry in which we would compete

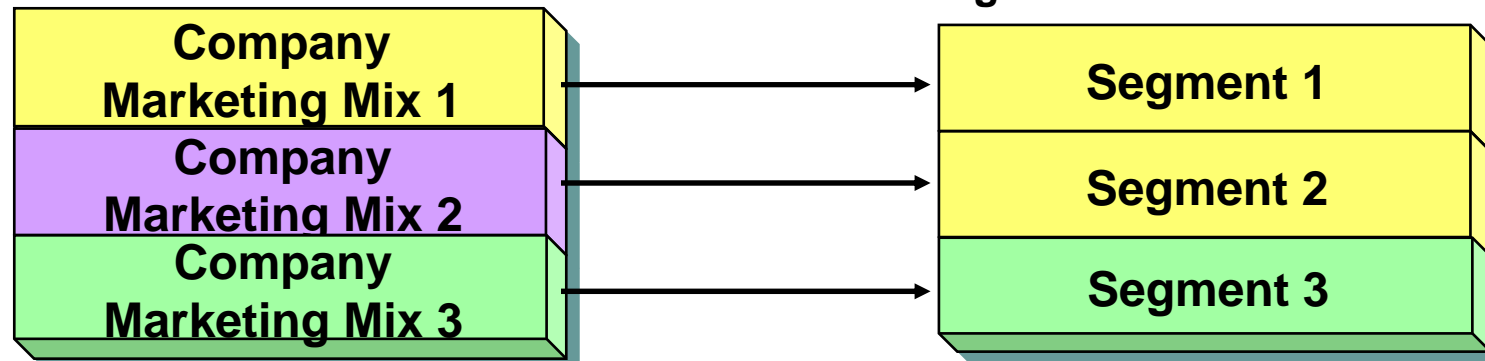
- Threat of new entrants
- Threat of substitutes
- Buyer power
- Supplier power
- Competitive rivalry
- Industry capacity

# Market Targeting

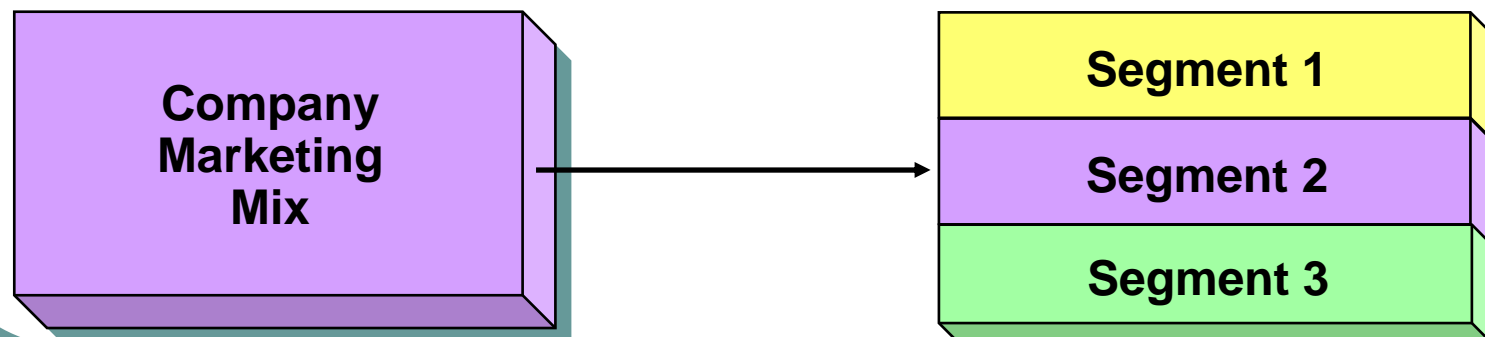
## Market Coverage Strategies



**A. Undifferentiated Marketing**

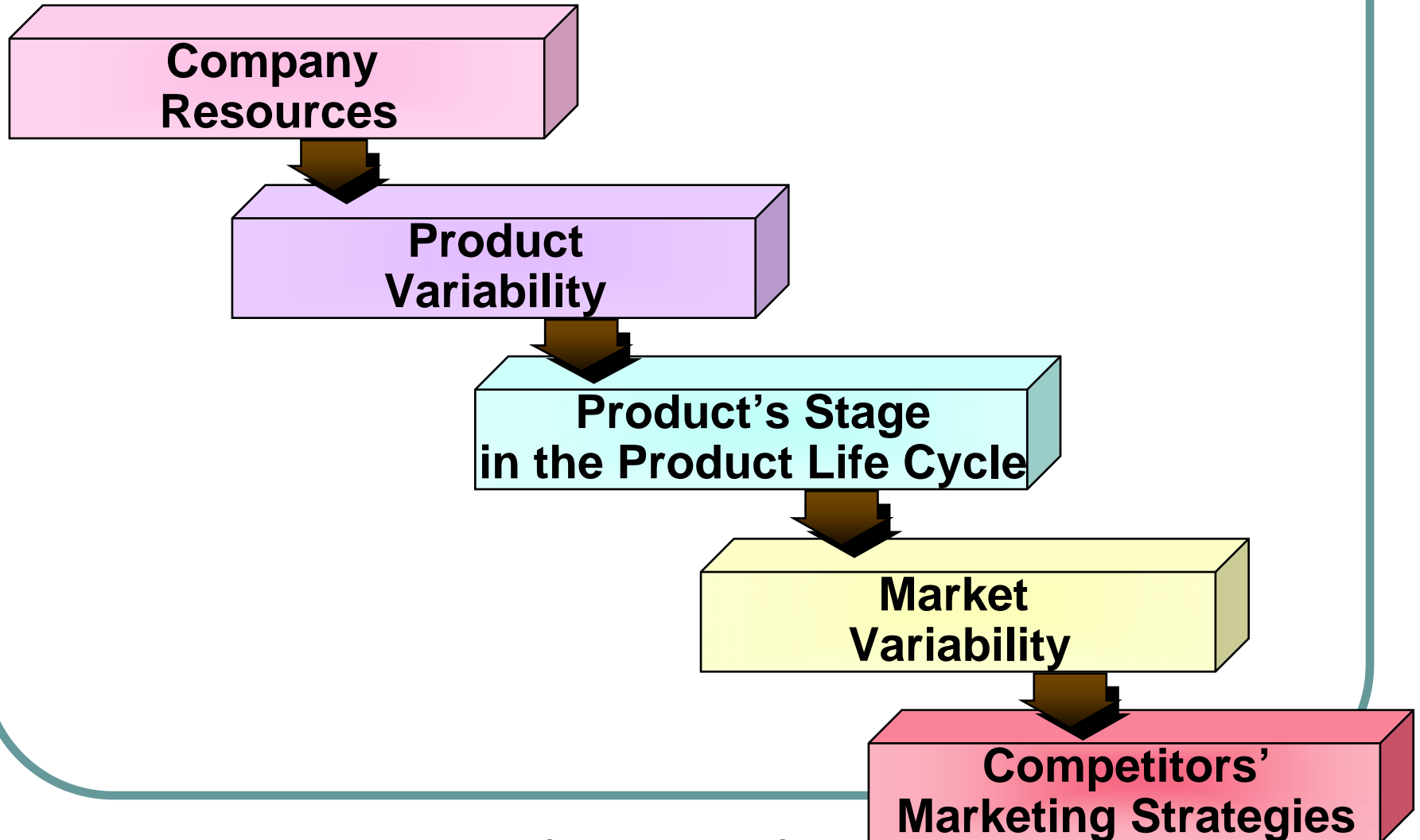


**B. Differentiated Marketing**



**C. Concentrated Marketing**

# Choosing a Market-Coverage Strategy



# Five Patterns of Target Market Selection

Single-segment concentration

	M1	M2	M3
P1	Yellow	Yellow	Yellow
P2	Magenta	Yellow	Yellow
P3	Yellow	Yellow	Yellow

Selective specialization

	M1	M2	M3
P1	White	White	Purple
P2	Purple	White	White
P3	White	Purple	White

Product specialization

	M1	M2	M3
P1	Light Green	Light Green	Light Green
P2	Dark Green	Dark Green	Dark Green
P3	Light Green	Light Green	Light Green

Market specialization

	M1	M2	M3
P1	Orange	Yellow	Yellow
P2	Orange	Yellow	Yellow
P3	Orange	Yellow	Yellow

Full market coverage

	M1	M2	M3
P1	Cyan	Cyan	Cyan
P2	Cyan	Cyan	Cyan
P3	Cyan	Cyan	Cyan

P = Product  
M = Market

# Steps in Market Segmentation, Targeting, and Positioning

## Market Segmentation

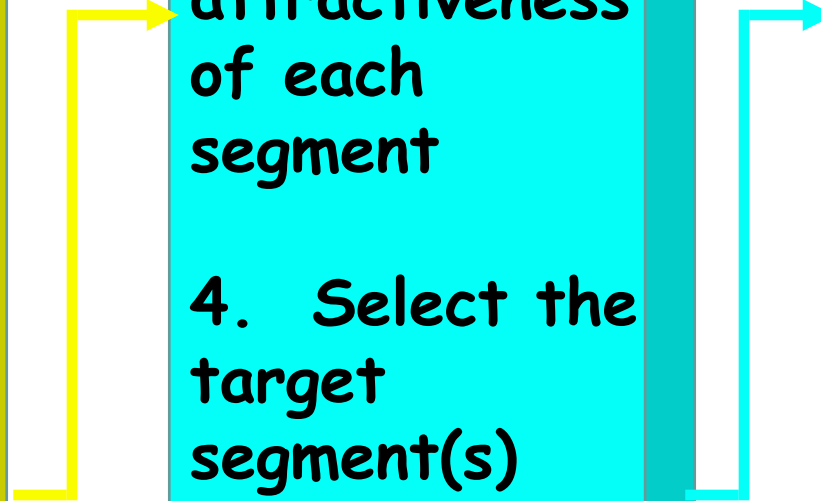
1. Identify segmentation variables and segment the market
2. Develop profiles of resulting segments

## Market Targeting

3. Evaluate attractiveness of each segment
4. Select the target segment(s)

## Market Positioning

5. Identify possible positioning concepts for each target segment
6. Select, develop, and communicate the chosen positioning concept





# Product Positioning

- *Positioning is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect.*

-Al Ries and Jack Trout (1981)

# Positioning of Procter & Gamble Detergents

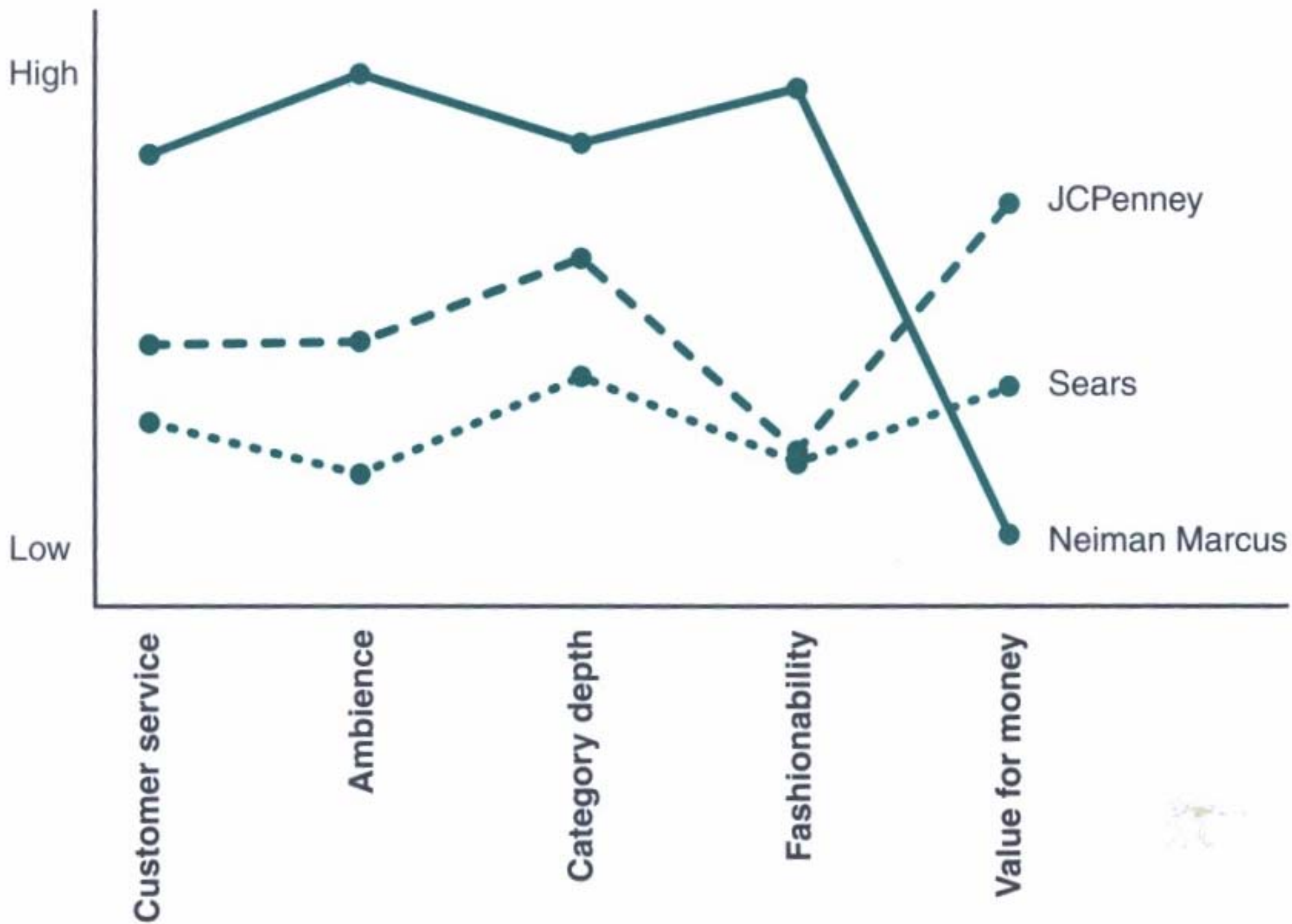
Brand	Positioning	Market Share
Tide	Tough, powerful cleaning	31.1%
Cheer	Tough cleaning, color protection	8.2%
Bold	Detergent plus fabric softener	2.9%
Gain	Sunshine scent and odor-removing formula	2.6%
Era	Stain treatment and stain removal	2.2%
Dash	Value brand	1.8%
Oxydol	Bleach-boosted formula, whitening	1.4%
Solo	Detergent and fabric softener in liquid form	1.2%
Dreft	Outstanding cleaning for baby clothes, safe	1.0%
Ivory Snow	Fabric & skin safety on baby clothes	0.7%
Ariel	Tough cleaner, aimed at Hispanic market	0.1%

# Product Positioning Dimensions

- Product Attributes / Differences / Benefits
- Product User / Usage
- By Association
- Problem Solution
- Against a Competitor / Away from Competitors

# Perceptual Mapping

A means of displaying or graphing, in two or more dimensions, the location of products, brands, or groups of products in customers' minds.





# Perceptual Maps

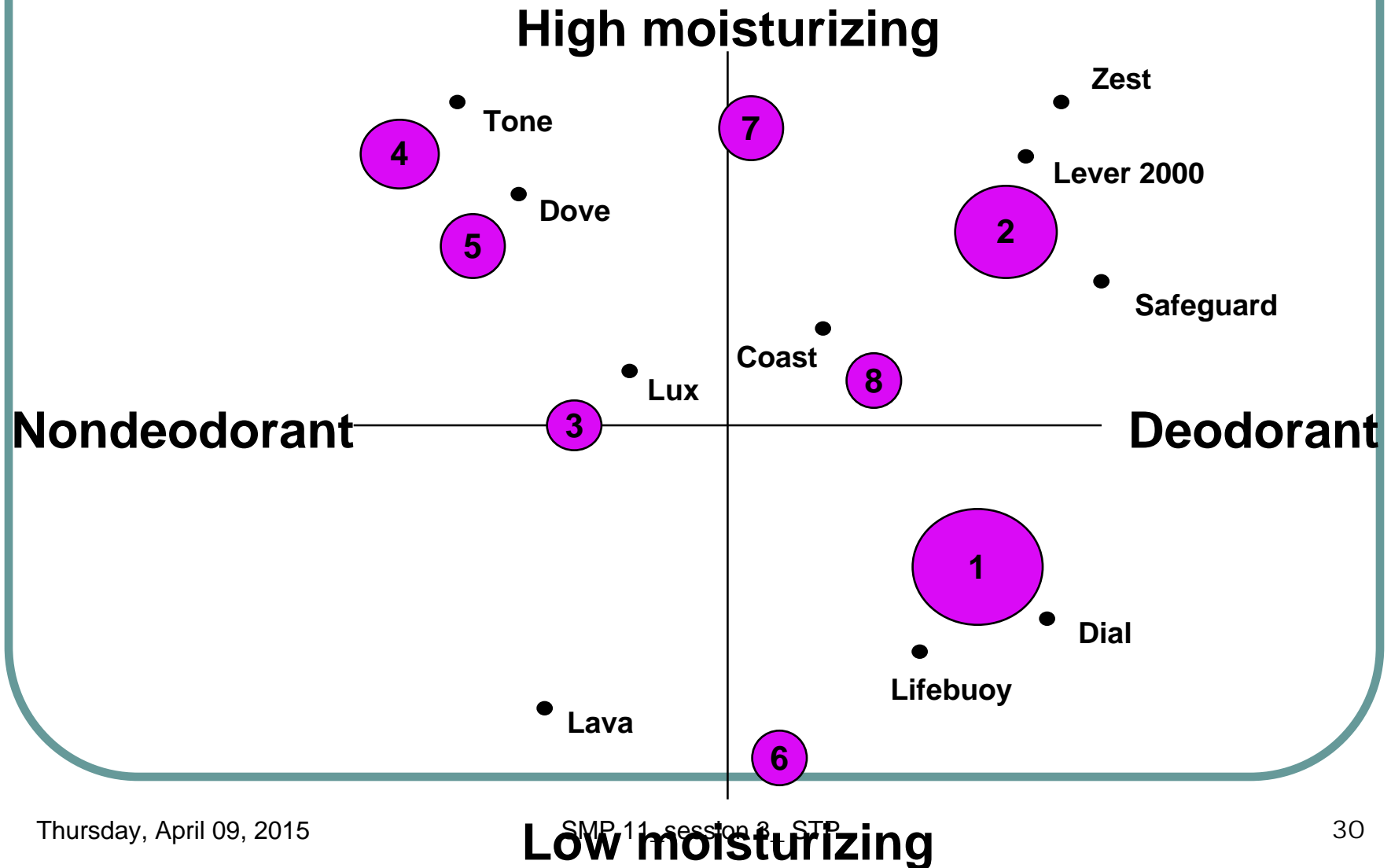
**Corolla** **Celica** **Avalon** **Camry**  
**Expensive**

**Sporty**

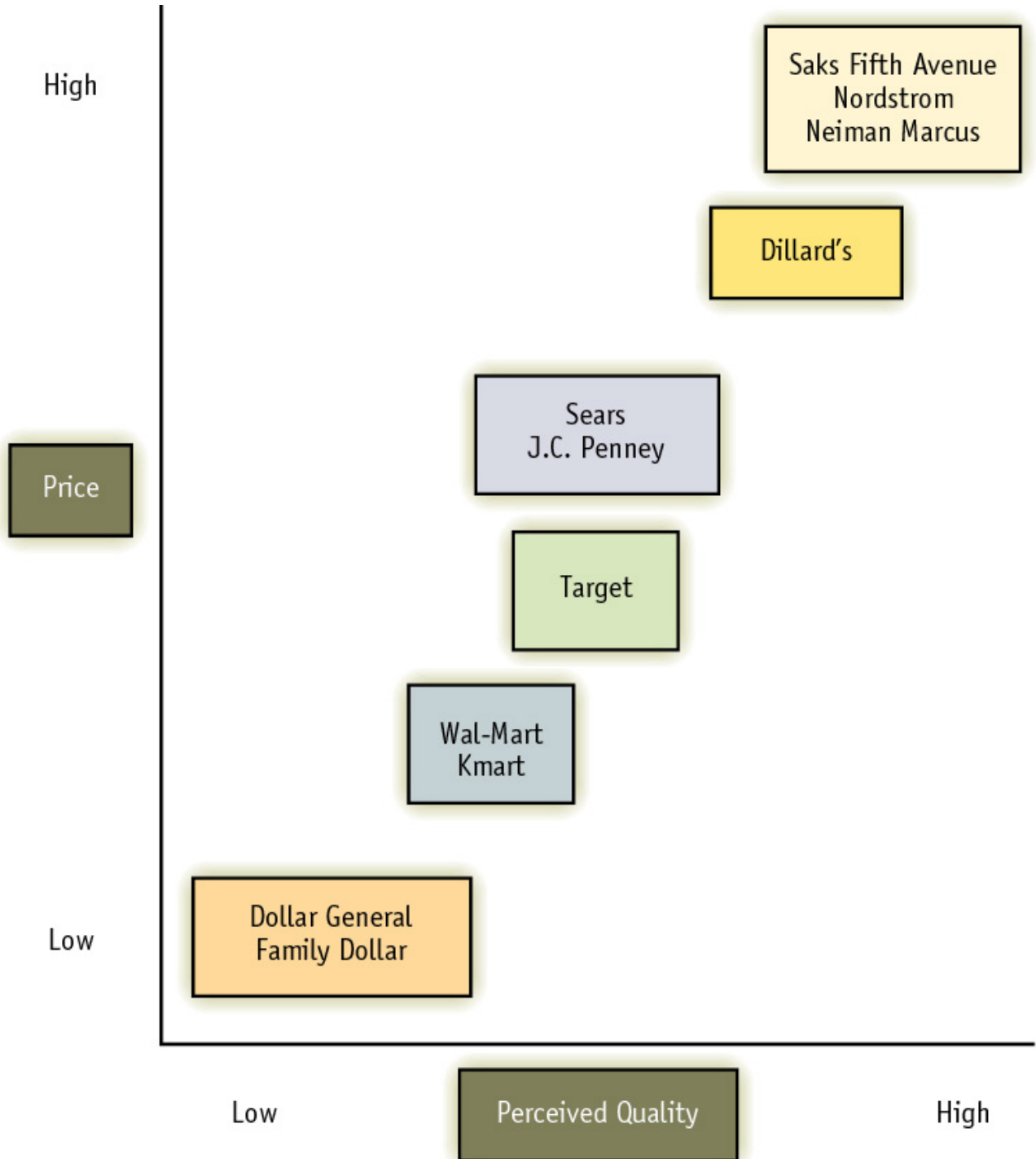
**Conservative**

**Inexpensive**

# Product Positioning using perceptual maps



# Positioning Map for Selected Retailers



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# Positioning and Product Differentiation

Each car occupies a position in consumers' minds.  
Cars can be positioned according to attribute (sporty, conservative, etc.),  
to price/quality (affordable, classy, etc.) or other bases.  
Cadillac has repositioned itself as a car for younger drivers with edgier ads.

