



# Unit 3

## Market Segmentation, Targeting, and Positioning for Competitive Advantage

# Road Map: Previewing the Concepts

- Define the three steps of target marketing: market segmentation, market targeting, and market positioning.
- List and discuss the major levels of market segmentation and bases for segmenting consumer and business markets.
- Explain how companies identify attractive market segments and choose a market coverage strategy.
- Discuss how companies can position their products for maximum competitive advantage in the marketplace.

# Steps in Market Segmentation, Targeting, and Positioning



# Six Step STP Process

1. Determine the segmentation basis
2. Segment the Market
3. Profile each segment
4. Assess segment attractiveness
5. Select target segments
6. Determine positioning

# Step 1. Market Segmentation

## Levels of Market Segmentation

Dividing Markets into Smaller Segments that Can be Reached More Efficiently And Effectively With Products and Services That Match Their Unique Needs.

### Mass Marketing

Same product to all consumers

*(no segmentation, i.e Coca-Cola at one time)*

### Segment Marketing

Different products to one or more segments

*(some segmentation, i.e. Marriott)*

# Step 1. Market Segmentation

## Levels of Market Segmentation

### Niche Marketing

Different products to subgroups within segments  
*(more segmentation, i.e. Standard or Luxury SUV's)*

### Micromarketing

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

#### Local Marketing

Tailoring brands/promotions to  
local customer groups

#### Individual Marketing

Tailoring products and  
programs to the needs of  
individual customers

# Step 1. Market Segmentation

## Geographic Segmentation



World Region or Country

City or Metro Size

Density or Climate



# Step 1. Market Segmentation

## Demographic Segmentation



- Dividing the market into groups based on variables such as:
  - Age
  - Life-cycle stage or family size
  - Gender
  - Income
  - Occupation
  - Education
  - Religion
  - Race
  - Nationality

Most Popular Bases & Easier to Measure



# Step 1. Market Segmentation

## Psychographic Segmentation

Divides Buyers Into Different Groups Based On:

**Social Class**

**Lifestyle**

**Personality**

# Step 1. Market Segmentation

## Behavioral Segmentation

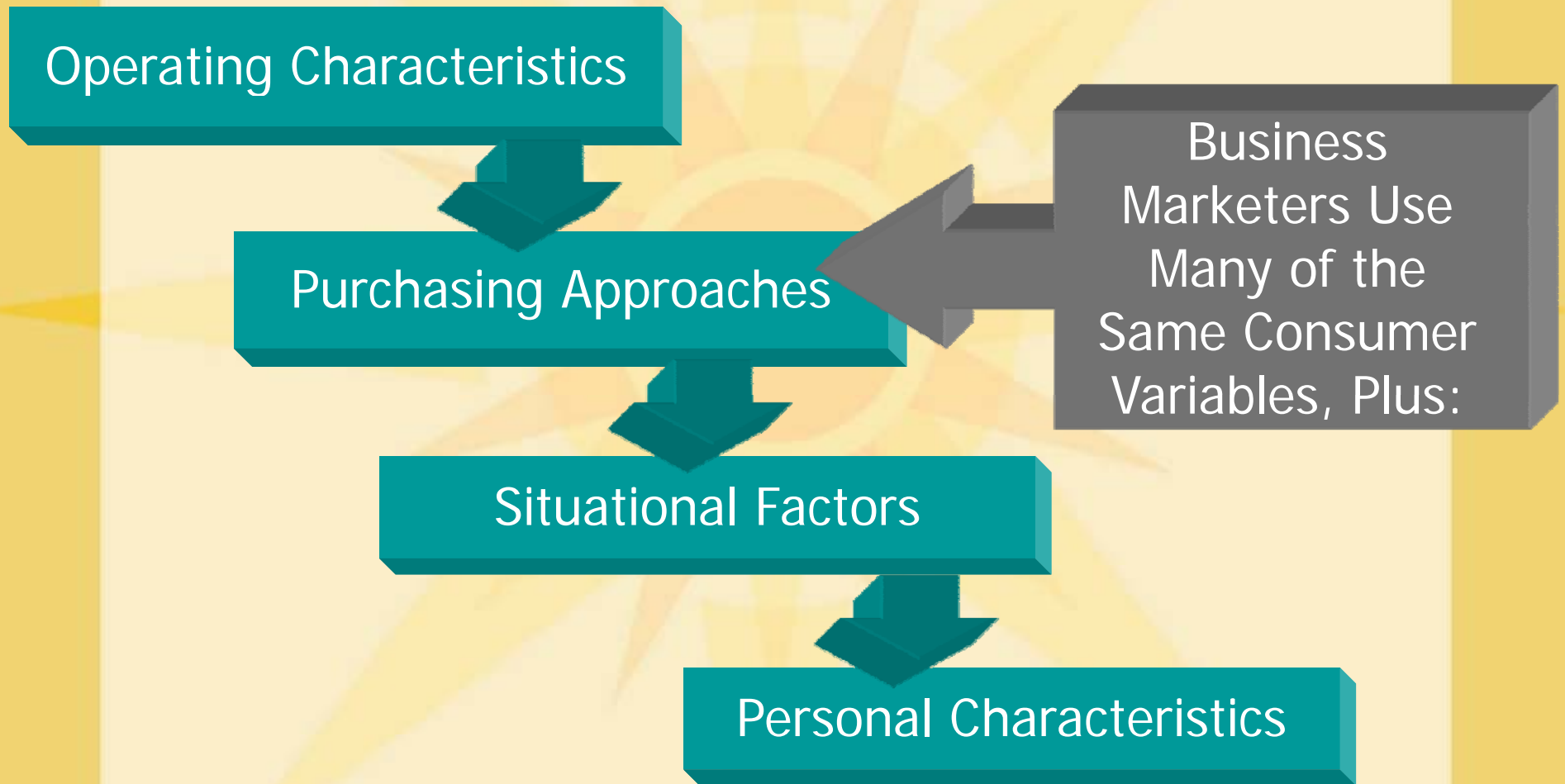
- Dividing the market into groups based on variables such as:
  - Occasions
  - Benefits sought
  - User status
  - Usage rate
  - Loyalty status



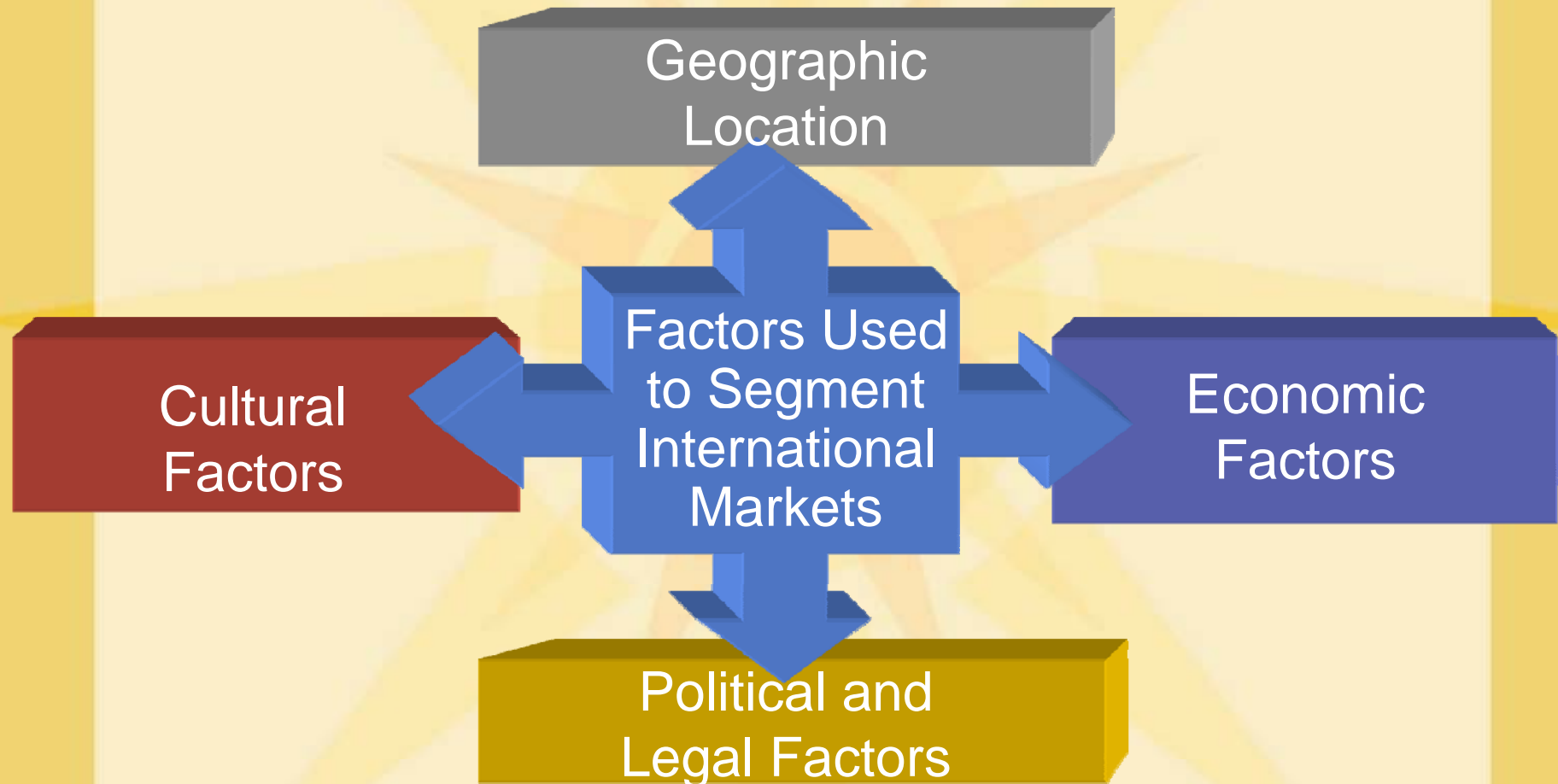
# Interactive Student Assignment

- There are many ways to segment a market. Using the four segmentation variables (Geographic, Demographic, Psychographic & Behavioral), discuss which variables would be most important for segmenting:
  - drivers of a proposed new sports car.
- Explain your choices.

# Segmenting Business Markets



# Segmenting International Markets



May Also Use Intermarket Segmentation

# Step 1. Market Segmentation

## Requirements for Effective Segmentation

- **Measurable:** size, purchasing power, and profiles of segments can be measured.
- **Accessible:** segments can be effectively reached and served.
- **Substantial:** segments are large or profitable enough to serve.
- **Differential:** segments are conceptually distinguishable and respond differently to different marketing mix elements and programs.
- **Actionable:** effective programs can be designed for attracting and serving the segments.

## **Step 2. Market Targeting**

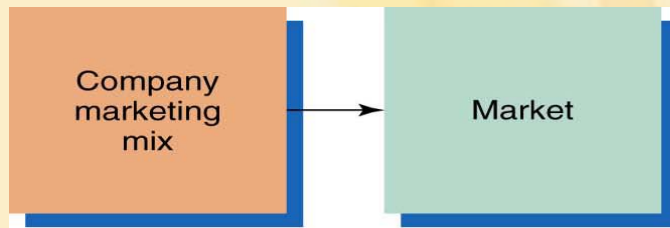
### **Evaluating Market Segments**

- **Segment Size and Growth**
  - Analyze current segment sales, growth rates, and expected profitability for various segments.
- **Segment Structural Attractiveness**
  - Consider effects of: competitors, availability of substitute products, and the power of buyers & suppliers.
- **Company Objectives and Resources**
  - Examine company skills & resources needed to succeed in that segment(s).
  - Offer superior value & gain advantages over competitors.

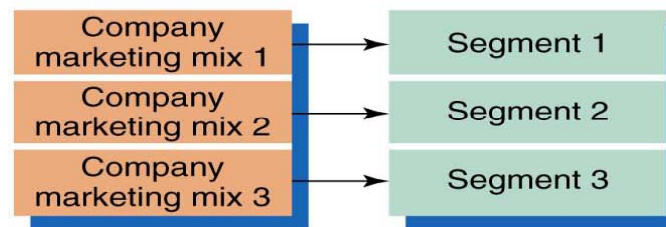


# Step 2. Selecting Market Segments

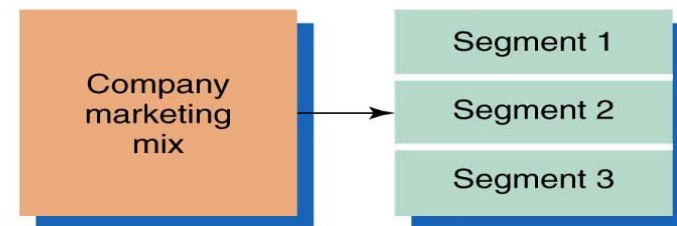
## Market Coverage Strategies



**Undifferentiated marketing**



**Differentiated marketing**



**Concentrated marketing**

## Step 2. Selecting Market Segments

### Choosing a Market-Coverage Strategy



Company Resources

Product Variability

Product's Life-Cycle Stage

Market Variability

Competitors' Marketing Strategies

# **Socially Responsible Target Marketing**

- Smart targeting helps companies and consumers alike.
- Target marketing sometimes generates controversy and concern.
  - Disadvantaged and vulnerable can be targeted.
  - Cereal, cigarette, beer, and fast-food marketers have received criticism in the past.
  - Internet has raised fresh concerns about potential targeting abuses.

## Step 3. Positioning for Competitive Advantage

- Product's Position - the way the product is defined by consumers on important attributes.
- Product is compared with competing products.
- Simplifies the buying process by helping consumers organize products into categories.
- Marketers must:
  - Plan positions to give their products the greatest advantage in selected target markets,
  - Design marketing mixes to create these planned positions.

# Step 3. Choosing a Positioning Strategy

Step 1. Identifying Possible Competitive Advantages

Step 2. Choosing the Right Competitive Advantage

Step 3. Communicating and Delivering the Chosen Position

# Identifying Possible Competitive Advantages

- Key to winning and keeping customers is to understand their needs and buying processes better than competitors do and deliver more value.
- Competitive advantage – extent that a company can position itself as providing superior value to selected target markets.

# Identifying Possible Competitive Advantages

**Product  
Differentiation**  
i.e. Features, Performance,  
Style & Design, Attributes

**Services  
Differentiation**  
i.e. Delivery, Installation,  
Repair Services, Customer  
Training Services

**Channel  
Differentiation**

**Image  
Differentiation**  
i.e. Symbols, Characters

**People  
Differentiation**  
i.e. Hiring, Training Better  
People Than Competitors  
Do



# Volvo

- This ad demonstrates how Volvo positions on the specific product attribute of safety.
- <http://www.volvocars.com>



# Choosing the Right Competitive Advantages



# Selecting an Overall Positioning Strategy

		Price		
		More	The same	Less
Benefits	More	More for more	More for the same	More for less
	The same			The same for less
	Less			Less for much less

# Communicating and Delivering the Chosen Position

- Company must take strong steps to deliver and communicate the desired position to target consumers.
- All the company's marketing mix must support the positioning strategy.
- Positioning strategy must be monitored and adapted over time to match changes in consumer needs and competitors' strategies.

# Rest Stop: Reviewing the Concepts

- Define the three steps of target marketing: market segmentation, market targeting, and market positioning.
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