

Ch.9 Segmentation, Targeting, and Positioning

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The Segmentation, Targeting and Positioning Process

- Step One: Establish Overall Strategy or Objectives
 - Articulate the vision or objectives of the company's marketing strategy clearly
 - Segmentations must be consistent
- Step Two: Segmentation Methods
 - Use a particular/combination of methods to segment the market then distinguish similarities and differences across the market
 - Geographic: organizes customers into the group in which they live
 - Demographic: groups customers according to easily measured objective characteristics such as age, gender, income, and education
 - Psychographics: delves how consumers describe themselves
 - Self value: goals for life. Overriding desires that drive how a person lives his/her life. Determine the benefits the target market may be looking for from a product
 - Self concept (self image) - image people ideally have of themselves
 - Lifestyles- how we live to achieve goals
 - **Value Lifestyle Survey (VALS)- psychographic segmentation tool**
 - **Classifies consumers into eight segments : innovators, believers, achievers, strivers, experiencers, makers, or survivors**
 - **Three primary motivations of U.S consumers**
 - Ideals
 - **Guided by knowledge and principles**
 - Achievement

- **Look for products demonstrating success**
 - o **Self-Expression**
 - **Desire social/physical activity, variety, risk**
 - **Benefit segmentation** - dividing the market into segments whose needs and wants are best satisfied by the product benefit
 - **Behavioral: segmentation on the basis of how they use the product or service**
 - **Occasion: segmentation based on when a product or service is being purchased**
 - **Loyalty: investing in loyalty initiatives to retain the firms most profitable customers**
 - **Multiple segmentation methods**
 - **Geodemographic: segmentation on the basis of a combination of geographic, demographic, and lifestyle characteristics**
 - **PRIZM (potential rating index by zip market)**
 - **ESRI**
- **Step Three: Evaluate Segment Attractiveness**
 - o **Identifiable: must be able to distinguish - not a lot of over lap**
 - o **Substantial: must be big enough or wont turn profit**
 - o **Reachable: must be able to reach consumers (communicate)**
 - o **Responsive: customers must react positively to a firms offer**
 - o **Profitable:**
 - **Factors to keep in mind: market growth, market competitiveness, market access**
 - **Segment profitability = (segment size X segment adoption percentage X purchase behavior X profit margin percentage - fixed costs)**
 - **Segment size: # of ppl in a sement**
 - **Segment adoption percentage: % of customers in the segment who are likely to adopt the product or service**

- Purchase behavior: purchase price X # of times the customer would buy the product/services in a year
 - Profit margin percentage: (selling price - variable costs) / selling price
 - Fixed costs: advertising expenditures, rent, utilities, insurance and administrative salaries for managers
 - Other factors: how long the customer will stay loyal, the defection rate, the cost of replacing lost customers, whether customers will buy more or more expensive merchandise in the future, etc.
- Step Four: Select the Target Market - Targeting Strategies
 - o Undifferentiated Targeting Strategies, or Mass Marketing
 - The product provides the same benefit (salt, gas) to everyone, with no need to develop different strategies
 - o Differentiated targeting strategies -
 - targets several market segments with a different offering for each (Conde Nast - Vogue Bon appetite, GQ, The new Yorker)
 - o Concentrated Targeting Strategy
 - Selecting a single, primary market and focusing all energies on providing a product to fit that market's needs. (Entrepreneurial)
 - o Micromarketing (one-to one)
 - An extreme form of segmentation that tailors a product or service to suit an individual customer's wants or needs
 - Cookies: computer programs, installed on hard drives, that provide identifying information.
- Step 5: Develop a positioning strategy: defining the marketing mix variables so that target customers have a clear distinctive, desirable understanding of the product does or represents in comparison with competing products