

Chapter 8: Segmentation, Targeting, and Positioning

Step 1: Establish Overall Strategy or Objectives (Segmentation)

the segmentation strategy must be consistent with and derived from the firm's mission and objectives, as well as its current situation - its strengths, weaknesses, opportunities, and threats.

Step 2: Profile Segments

describe the different segments which helps firms better understand the profile of the customers in each segment, as well as the customer similarities within a segment and dissimilarities across segments.

Geographic Segmentation

organize on the basis of where they live, country, province, region, climate.

Demographic Segmentation

groups consumers according to easily measured objective characteristics such as age, gender, income, and education. Demographics can be poor predictors also, as Nike thought only young active people buy their active wear, but that is in fact not true.

Psychographic Segmentation

how consumers describe themselves. psychographics allow people to describe themselves using those characteristics that help them choose how they occupy their time and what underlying psychological reasons determine those choices. Determined psychographics involves knowing and understanding three components

Self-Values: life goals, overriding desires that drive how a person lives his or her life including, self-respect, self-fulfillment, or a sense of belonging.

Self Concept: the image people have of themselves. Wants to see himself as a fun, and hip. So commercials show people having fun who look hip.

Lifestyles: how we live our lives to achieve goals. Lululemon based on lifestyle, of healthy balanced fun-filled lifestyle.

Value and Lifestyle Survey

there are three universal primary motives are ideals, achievements, and self-expression

ideals: are guided by knowledge and principles

achievement: look for products/services that demonstrate success to their peers

psychographic segmentation is often used in conjunction with other methods, cause it's difficult to identify the segment.

Benefit Segmentation

benefits they derive from products or services. dividing the market into segments whose needs and wants are best satisfied by the product benefits can be very powerful. And it's easy to portray the benefits of the product.

Loyalty Segmentation

those who feel so strong that the firm can meet their relevant needs best that any competitors are virtually excluded from the consideration. These consumers buy almost exclusively from the firm.

Using Multiple Segmentation Methods

segmenting by geographic and demographics because information of who they are and where they are located is easy. Companies usually combine geographic demographics, and lifestyle characteristics called **Geodemographic Segmentation**. Consumers in the same neighborhoods tend to buy the same type of cars, appliances, and apparel, shop at the same types of retailers, and behave similarly to media and promotions. (PSYTE clusters)

Retail stores can find similar locations

Step 3: Evaluate Segment Attractiveness (targeting)

marketers must determine whether the segment is worth pursuing using several descriptive criteria: is the segment identifiable, substantial, reachable, responsive, and profitable.

Identifiable

who is within their market to be able to design product or services to meet their needs.

Substantial

need to measure its size and make sure it's not too small or its buying power is insignificant.

Reachable

cannot have any impact, no matter how identifiable or substantial the target market is, if that market cannot be reached through persuasive communications and products distribution. the consumer must know the product or service exists, understand what it can do for him or her, and recognize how to buy it.

Responsive

must react similarly and positively to the firm's offerings.

Profitable

potential profitability of each segment, both current and future.

Profitability = Segment size - adoption % (percent of people who will buy the product) - purchase behavior (price x how much the customer will buy / service time) - profit margin - fixed costs

should evaluate the profitability of a segment over the lifetime of a typical customer. the defection rate (people who switch), the cost of replacing lost customers (advertising), whether they will buy more or more expensive merchandise in the future, and other such factors.

Step 4: Select Target Market

select a target market. the key factor likely to affect this decision is the marketer's ability to pursue such an opportunity or target segment.

Undifferentiated Segmentation Strategy or Mass Marketing

if the product or service is perceived to provide the same benefits to everyone, there simply is no need to develop separate strategies for different groups. However if a retail store sells the same shit, sometimes they can add value by appearing to be special, gasoline?.

Differentiated Segmentation Strategy

target several market segments with a different offering for each. You can have different product lines that complement each other. And having more than one product line, will lower the risk of your business going down.

Concentrated Segmentation Strategy

organization selects a single primary target market and focuses all its energies on providing a product to fit that market's needs.

Micromarketing

small producers and service providers generally can tailor their offering to individual customers more easily, whereas it is far more difficult for longer companies to achieve this degree of segmentation. Firms that interact on a one-to-one basis with many people to create custom-made products or services are engaged in **mass customization**.

Step 5: Identify and Develop Positioning Strategy

defining the marketing mix variable so that target customers have a clear, distinctive, desirable understanding of what the product does or represents in comparison with competing products. the objective is to play up how the brand being marketed provides the desired benefits better than do those of competitors.

Value

a popular positioning method because the relationship of price to quality is among the most important considerations for consumers when they make a purchase decision.

Product Attributes

focus on the product attributes that are most important to the target market. For example Volvo emphasizes their safety.

Benefits and Symbolism

emphasizes the benefits of the brand as well as the psychological meanings of the brand to customers. Strong and well known brands create a position for the brand that distinguishes it from its competition.

Competition

firms can choose to position their products or services head-to-head against a specific competitor or an entire product / service classification on similar attributes within the target market, or use differentiation strategy.

head-to-head usually end up being price wars, which is bad for business

firms can choose a different strategy by going after a less competitive smaller market niche

Positioning Stages

a perceptual map displays two or more dimensions the position of products or brands in consumer's minds. the circles are the brand, and the star's are the ideal points, where a particular market segments ideal product would lie on the map.

1. **determine consumer's perceptions and evaluations of the product or service in relation to competitors.** You do this by asking consumers a series of questions about their and competitors products. (how do they use it, what items they use, alternative shit, what you like or dislike about brands)
2. **identify competitors positions,**
3. **determine consumer preferences,** determine the ideal product or service that appeals to each market. Where is the star?
4. **select the position,** do you want to develop a new product to meet the needs of a target market, or simply ignore it, since you're the closest one either way.
5. **monitor the positioning strategy,** consumer's tastes shift and competitors react to those shifts. firms must always view the first three steps of the positioning process as ongoing, with adjustments made up in step four as necessary

Repositioning

sometimes firms try to change their positioning. Currently the junk food industry is trying to reposition themselves as healthier choices, like with those multi-grain shit.