

# [Stp: segmentation, targeting and positioning in marketing strategies](https://assignbuster.com/stp-segmentation-targeting-and-positioning-in-marketing-strategies/)

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Introduction

All marketing is built on STP – Segmentation, Targeting and Positioning (Kotler &

Keller, p. 310). In the chapter of fundamental marketing concepts, trends, and tasks it
says: “ A marketer can rarely satisfy everyone in a market. Not everyone likes the same
cereal, hotel room, restaurant, automobile, collage or movie. Therefore, marketers start
by dividing up the market into segments” (Kotler & Keller, 2005, p. 24).

Segmentation is often the key to developing a sustainable competitive advantage based
on differentiation, low cost, or a focus strategy (Aaker, 1995, p. 49). It is difficult to
identify segments, but typically you consider five, ten or more segmentation variables.
These variables needs to be evaluated on the basis of their ability to identify segments
for which different strategies are (or should be) pursued (Aaker, 1995, p. 51).
Once the segments are defined, it is possible for the marketers to evaluate what segments
presents the greatest opportunity for business and make an offer to target this specific
segment. The useful segment variables for this are :

(1) Parameters unrelated to the product (demographic, gender etc)

(2) Parameters related to the product

(3) Competitor segmentation

(4) Benefit segmentation

(5) Price Sensitivity

(6)Loyalty

(7)Application segmentation (Aker, 1995, p. 52-54).

No company can win if its products and offerings resemble every other product and
offering. Companies must pursue relevant positioning and differentiation. In the line of
making these strategies, each company must represent a distinctive big idea in the mind
of the target market. Positioning is the act of designing the company’s offering and
image to occupy a distinctive place in the mind of the target market (Kotler & Keller,
2005, p. 310).

This way of positioning works for static businesses like the shampoo and the washing
powder businesses for example. Products in a more dynamicenvironmentlike PC’s and
semiconductors, where things change often, fast and dramatically, need another way of
thinking which is described below:

” Standard approaches to positioning do not necessarily work. A company that is #1
today has no guarantee that it will be #1 tomorrow. New technologies can turn a
seemingly solid position into a fragile one almost overnight. No amount of
advertising can prevent that from happening. Even with the best of slogans, a
company can lose its position in the market.” McKenna (1985, p. 15)

Positioning is not something that you do with the product, positioning is what you do to
the mind of the prospect. That is, you position the product in the mind of the prospects.
This is described in the book Positioning (Ries & Trout, 2006), who claims that the
market place today is an overcommunicated society where there is too much of
information communicating its offer (Ries & Trout, 2006, p. 6). This is the reason of why
we need positioning. We need positioning to be successful in communicating our
message on the market place in the overcommunicated society.

Positioning is a concept that has changed the nature of advertising, a concept so simple,
people have difficulty understanding how powerful it is (Ries & Trout, 2006, p. 2).
According to Trout the history within theadvertisementon the market place, which now
is overcommunicated, have been in three different eras (Ries & Trout, 2006, p. 22-24):

•Product era; where Unique Selling Points were communicated, but was destroyed

by Me-too companies.

•Image era; where successful companies found image more important than

product features. This era was also destroyed by the Me-too companies.

•Positioning era; to succeed in our overcommunicated society, a company mustcreate a position in the prospect’s mind. In this era, strategy is king and there isnot necessary to invent and be first with the product, but you need to be first in the mind of your customer.
In our overcommunicated society, the paradox is that nothing is more important than
communication. With communication going for you, anything is possible. Without it,
nothing is possible. No matter how talented and ambitious you may be (Ries & Trout,
2006, p. 19). Positioning is about communication. Positioning is to say the right things to
the right person at the right time, NASA call this a window in space. In other words,
positioning is an organized system for finding windows in the mind. It is based on the
concept that communication can only take place at the right time under the right
circumstances. With this in mind, it is also important to keep the position statement
oversimplified, to be able to reach the mind of the prospects (Ries & Trout, 2006, p. 7)

According to Ries & Trout, there are two possible ways to get into the mind of a person,

the easy one and the hard one. The easy one is to be first, the hard one is to be second or

ater. Most of the people know the name of the first man on the moon, a lot fewer know
the name of the second. But even if you are second, there are strategies for this kind of
situation. These situations are described as repositioning by Ries & Trout (2006, p. 63).
Once you are in the mind of the person, the positioning requires consistency. It should be kept year after year. It is very common that companies forget what made them
successful, and change the positioning communication. This is normally wrong strategy
according to Trout, and refers to when Avis changed their successful slogan: “ Avis is
only No. 2 in rent-a-cars, so why go with usWe try harder.” to the less successful;
“ Avis is going to be No. 1”.

The explanation behind this logic is that to be successful you need to touch base with
reality. And the only reality that counts is what’s already in the prospect’s mind (Ries &
Trout, 2006, p. 5). In this case, Avis was not destined to be No. 1, unless it could find a
weakness in Hertz to explore.

To develop an offer, you need to know your strategies of what you are going to sell to
whom. If you are working according to the suggestions in Michael Porter’s book
Competitive Strategies (Porter, 1998, p. 35), where he claims that you need to choose
between (1) Product differentiation, (2) Low price or (3) Niches to be successful, then
you need to form a clear offer for that specific segment. You can only have success by
being the best in one segment, if you try to combine you will most likely have trouble
with resources and risk that another company wins this area. When you know the
segment, you need to decide about your specific positioning. Kotler recommend the
company to evaluate between 7 specific sources of positioning (Kotler, 1999, p. 78):
(1) Attribute positioning

(2) Advantage positioning

(3) Application positioning

(4)User positioning

(5) Competitive positioning

(6) Category positioning

(7)Quality/price positioning. Further on Kotler (1999) writes that companies must not do the following mistakes:

Under positioning: Fail to offer a strong benefit or reason to buy the product
Over positioning: To create a position that is too tight, which results in that you miss customers.
Confusing positioning: To offer two or more benefits that interfere with each
Other irrelevant positioning: To offer benefits to customers that doesn’t matter forthem.

Doubtful positioning: To claim a benefit that customers will doubt the company to achieve.
In the book “ Crossing the chasm” by Geoffrey Moore, he claims that the positioning is
the single largest influence on the buying decision. Not only for the final decision, but
also for how to evaluate alternatives leading up to the final choice (Moore, 2001, p. 144).

Geoffrey Moore describes the positioning process in four components (Moore, 2001,

p. 147):

The claim: The fundamental position statement
Theevidence: Develop sufficient evidence for the statement
Communications: Address the right audience in the right sequence with the right message
Feedback and adjustments: Competitors can be expected to respond to the

statement trying to poke holes in the effort, this might require a patch up.

There are different tools to use when evaluating the status of the position. Some of them
can be found in the handbook of Andberg & Eliasson (2005, p. 47-54) where they are
mentioned: 1) Marketing positioning diagram 2) Marketing roles 3) Marketing stairs 4)
Profile diagram. Sjostrom, R. (1996, p26) have made a deep analysis of positioning and found out that there are four different groups of how to see positioning: Product-, Competition-,
Relation-, and Phase oriented Positioning.

## Marketing Mix, Four P’s

The Marketing Mix model also commonly known as the 4P’s Kotler (2005, p. 19),
describes the marketing tools and variables used by a company to pursue its marketing
objectives.

In other words, the Marketing Mix approach to marketing is a model used to assist in
implementing marketing strategies. The Marketing Mix principles are based on ontrollable variables which can be used by companies to meet the changing needs of the
target group. Typical controllable variables are product variety, quality, list price
advertising and channels. The function on the model is useful helping companies to
develop an optimal package (mix) of variables that will not only satisfy the needs of
their customers within the target markets, but also simultaneously maximize the
performance and profit of the company. Pricing is an important but difficult issue in this
model, important because it is the only mix that generate a turnover for the company, all
other P’s in the model are connected to costs, and “ Pricing is difficult because the
various products have demand and cost interrelationship and are subject to different
degrees of competition” Kotler (2005, p. 387).

Figure – The 4P’s Components of the Marketing Mix (Kotler 2005, p. 19)

The Marketing Mix model is described in figure 3, describing the mix of Product, Price, Promotion and Place. Working with the model, also means working with sub-mixes ofeach different P. For example, the Promotion variable can be further decomposed into apromotional mix consisting of variables like; sales promotion, advertising, sales force, public relations and direct marketing. Within the promotional mix, advertising can befurther broken down into an advertising media mix that specifies how much emphasis isplaced on television ads, radio ads, newspaper ads, internet ads, magazine ads, etc.

I would like to reflect on some variables within each group of the model that I find

interesting when analyzing a Marketing Mix of a company.

### 1 Product

The mix of products in each company is defined in one or more product lines, and each
line has its own length depending on the companies strategy and competition. The
lengths (amount of products) can be stretched to cover wider area of products or it can be
filled (features of product within the range), both activities strive to find new customers
and increase the sales and market share. The product line is also an interesting object for
analyzing, to find out which product line to grow, maintain, harvest or divest. The
quality is a variable to benefit from when communicating the message of the
product/brand, but also when dealing with warranties, services and returns, while
services and returns costmoney.

### 2 Price

Pricing is as mentioned above, a complex issue. There are both internal and external
parameters to consider, with internal I mean manufacturing and marketing costs that
need to be covered and with external I mean that you should consider the need of the
market, the competition etc. I have read about 6 different situations only involving
different product-mix pricing Kotler (2005, p. 387). Pricing is also about credits,
discounts, interests and leasing. It is all about to find out the most beneficial method for
the company and in the same time give the customer maximum satisfaction according to
his expectations.

### 3 Promotion

Promotion is a group that handles variables likeadvert i si ng and sales promotion. These
two variables I mentioned affect each other in a positive way. According to a study
described (Kotler, 2005, p. 387), a price promotion resulted in a 15% increase in sales
volume, combined with feature promotion the product sales increased 19 %. Most affect
was when also POP (Point-of-Purchase) was added to the campaign, like
demonstrations. The tools to use are many and some will work better than others
depending on the product and market. The main different areas when talking about

omotion tools are; Consumer-, Trade- and Business and Sales Force Promotion Tools

(Kotler, 2005, p. 588-599).

### 4 Place

I find the variableschannel andlocation in the group “ Place” to be important variables
to have control of. The channels are about moving goods from producer to consumer.
Location is about where to find and get the product, not only physical but also places like
web pages on the Internet. When discussing channels, functions and flow (Kotler, 2005,
p. 473) are easy to understand for me. Functions like physical or promotion creates a
forward flow, from company to customer, and functions like ordering and payment
create a backward flow. I find it more complex to understand, control and implement the
Vertical marketing System Kotler (2005, p. 486), Horizontal Marketing System (Kotler,
2005, p. 488) or the most common of them, the Multi channel Marketing System (Kotler,
2005, p. 488) into the strategies of a company. But this is the strength of this model I
think, because if you can control all the independent variables in this model, you will
most likely have good success in the sales volume.

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