

Step: segmentation, targeting and positioning in marketing strategies

[Business](#), [Marketing](#)



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 dynamic environment like 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 the advertisement on 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 must create a position in the prospect's mind. In this era, strategy is king and there is not 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

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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

later. 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 us? We 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 for them.

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

The evidence: 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 controllable 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 of each different P. For example, the Promotion variable can be further decomposed into a promotional mix consisting of variables like; sales promotion, advertising, sales force, public relations and

direct marketing. Within the promotional mix, advertising can be further broken down into an advertising media mix that specifies how much emphasis is placed 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 company's 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 cost money.

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 like advertising 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 variables channel and location 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

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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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