

Market segmentation, targeting and positioning essay sample

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



Market segmentation, targeting and positioning are very important terms in marketing. To discuss about market segmentation, targeting, positioning, first of all we need to know about market and marketing Market: Market is combination of actual and potential buyers of a product. Marketing:

Marketing is the process of communicating the value of a product or service to customers, for the purpose of selling that product or service Abstract:

An organization can't afford to have similar strategies for product promotion amongst all individuals. Not every individual has the same requirement and demand. The marketers thus came with the concept of STP. STP stands for segmentation, targeting and positioning. Market segmentation means

Market Segmentation refers to the process of creation of small groups (segments) within a large market to bring together consumers who have similar requirements, needs and interests. Once market segments are created, organization then targets them. Targeting is the second stage and is done once the markets have been segmented. Positioning is the last stage in the Segmentation Targeting Positioning Cycle. Once the organization decides on its target market, it strives hard to create an image of its product in the minds of the consumers. The marketers create a first impression of the product in the minds of consumers through positioning. Positioning helps organizations to create a perception of the products in the minds of target audience.

Steps in market segmentation, targeting and positioning:

The steps of market segmentation, targeting and positioning is as follows:

Now we will discuss about market segmentation, targeting and positioning broadly- Market segmentation:

A marketing term referring to the aggregating of prospective buyers into groups (segments) that have common needs and will respond similarly to a marketing action. Market segmentation enables companies to target different categories of consumers who perceive the full value of certain products and services differently from one another. Generally three criteria can be used to identify different market segments: Homogeneity (common needs within segment)

Distinction (unique from other groups)

Reaction (similar response to market)

Why segmentation is required:

Not all individuals have similar needs. A male and a female would have varied interests and liking towards different products. A kid would not require something which an adult needs. A school kid would have a different requirement than an office goers. Market Segmentation helps the marketers to bring together individuals with similar choices and interests on a common platform. Market Segmentation helps the marketers to devise appropriate marketing strategies and promotional schemes according to the tastes of the individuals of a particular market segment Market segmentation helps the marketers to understand the needs of the target audience and adopt specific marketing plans accordingly. Organizations can adopt a more focused approach as a result of market segmentation. Market segmentation also gives the customers a clear view of what to buy and what not to buy.

Individuals from the lower income group never use a Blackberry. In simpler words, the segmentation process goes a long way in influencing the buying decision of the consumers. An individual with low income would obviously prefer a Nano or Alto instead of Mercedes or BMW. Market segmentation helps the organizations to target the right product to the right customers at the right time. Geographical segmentation classifies consumers according to their locations. A grocery store in colder states of the country would stock coffee all through the year as compared to places which have defined winter and summer seasons. Segmentation helps the organizations to know and understand their customers better. Organizations can now reach a wider audience and promote their products more effectively. It helps the organizations to concentrate their hard work on the target audience and get suitable results.

Steps in segmentation process:

There are several steps in market segmentation which are followed consequently . the steps of market segmentation are :

Stages of Identifying Market Segments :

the stages of identifying market segments are as following :

Market Segmentation of Consumer Market , Business Market and

international marketing : Consumer market:

There are various ways to segment a market. A marketer has to try different segmentation variables, alone and in combination to understand the

structure of the market in the best way. The major variables are; geographic segmentation

demographic segmentation

psychographic segmentation

behavioral segmentation

Geographic Segmentation:

Companies may divide the market into different geographic units such as nations, countries, regions, cities... A company may decide to operate in one or more geographic locations but it must pay attention to the geographical differences in needs and wants. E. g. McDonald's serve corn soup in Japan, pasta salads in Rome, wine in Paris...

Demographic Segmentation:

Companies divide the market into groups based on;

Age and life-cycle: needs and wants change with age, that is why, a company may use different marketing approaches for different age and life-cycle groups. Lewi's 501 and Pepsi " generation next" are mainly targeted to the young people. Gender: is mainly used in clothing, cosmetics, and magazines. Coca Cola Light is targeted to women, whereas Pepsi Max is to men. Income: is mainly used for automobiles, boats, clothing, cosmetics, financial services, and travel. Credit cards are offered as ordinary, gold, platinum cards for different income groups; Holiday Inn offers upscale properties " Crowne Plaza", economy properties " Hampton Inn", luxury "

Embassy Suites”; Vakko and Beymen target the high income group whereas Tiffany & Tomato to low income.

Behavioral Segmentation:

Companies may divide buyers into groups based on their knowledge, attitudes, uses or responses to a product. Occasions: buyers can be grouped according to occasions when they buy or use an item. Coca Cola is for “Always” Benefit sought: buyers can be grouped according to the benefits that they seek from the product. In the toothpaste market, benefit segments are – economic, medicinal, cosmetic, and taste; detergent market – cleanliness, cost; sewing gum – healthy teeth, fresh breath... User status: markets can be segmented into groups of nonusers, ex-users, potential users, first-time users and regular users of a product. Potential users and regular users may require different kinds of marketing appeal from each other. Usage rate: markets also can be segmented into light-, medium-, and heavy- user groups. Most beer companies target the heavy beer drinker. Loyalty status: a market can also be segmented by consumer loyalty. Consumers can be loyal to brands (Alo), stores (Vakko), and companies (BMW) Consumer may be completely loyal (buy one brand all the time), somewhat loyal (favor one brand, sometimes buying others), no loyalty (each time they buy a different product)

Psychographic Segmentation:

Companies may divide the market into different groups based on; Social class:

Has a strong effect on preferences in cars, clothes, home furnishings, leisure

activities... Sports International, Bilkent and Or-an are targeted to people at higher social class. Lifestyle: Mezzaluna targets to a business lifestyle, whereas the rest of the restaurants in Ankuva to a student lifestyle.

Personality: Mainly used for cosmetics, cigarettes, and liquor. Marlboro is targeted to the macho man with its macho Cowboy image.

Segmenting business market :

Demographically

Industry

Company size

Usage Rate

Loyalty Status

Segmenting International Markets

Multi-domestic Strategy : Where every country represents separate segment

Global or Pan-Regional Strategy : Borderless segmentation

Requirements for effective segmentation :

Market segmentation requirements are measurable, actionable, accessible, differential, substantial. These are being discussed bellow :

Measurable : Example Accessible :

Substantial :

Differential :

Actionable: Must be able to attract and serve the customers

Target market:

Target markets are groups of individuals that are separated by distinguishable and noticeable aspects. A target market is a group of customers towards which a business has decided to aim its marketing efforts and ultimately its merchandise. A well-defined target market is the first element to a marketing strategy. The marketing mix variables of product, place (distribution), promotion and price are the four elements of a marketing mix strategy that determine the success of a product in the marketplace.

Targeting strategies:

The selection of potential customers to whom a business wishes to sell products or services. The targeting strategy involves segmenting the market, choosing which segments of the market are appropriate, and determining the products that will be offered in each segment. A business offering multiple products can determine if the various segments should receive one generic product (such as in mass marketing), or if each segment should receive a customized product (multi-segment), based upon the market's diversity, maturity, the level of competition and the volume of sales expected. Also called targeting. There are several different target-market strategies that may be followed. Targeting strategies usually can be categorized as one of the following: Single Segment concentration:

We have brands in the market which concentrate only on one segment. For example, Zodiac brand concentrates on formal wear for executives and

professionals. Farm Equipment Division of M&M concentrates on tractors. Through concentrated marketing, the firm gains a strong knowledge of the segment needs and achieves a strong market presence. But, a particular market's growth can deteriorate or a competitor may invade the segment. For example, when Digital camera technology took off, Kodak's market share started to fall gradually and they could not regain their dominance as new competitors like Sony and Nikon had arrived. Selective Specialization:

A firm selects the number of segments, each objectively attractive and appropriate. There may be little or no synergy among them but each promises to be a money-maker. For example, Cadbury's advertising targets audience of a wide range with one select ad for each segment. Product Specialization:

A microscope manufacturer makes different microscopes for different customer groups such as University, Govt., Hospitals and commercial laboratories and builds a strong reputation in that product area. The risk is that the product may be replaced by newer technologies. Market Specialization:

A firm gains strong reputation in serving a customer group and becomes a channel for additional products the customer group can use. For example, ITC first concentrated only on tobacco related products, and later they moved into the field of FMCG and IT services. The downside is that the customer group suffers budget cuts or shrink in size. Full Market Coverage:

The firm attempts to all customer groups will all the products that might be needed. Only very less firms like Microsoft(Software), General Motors(Vehicle), Dell(Electronics) etc. can undertake a full market coverage strategy. They can cover the whole market via Undifferentiated Marketing, where the firm ignores segment differences and Differentiated marketing, where the firm offers different products for different segment.

Evaluating segmentation for targeting:

The selection of target markets involves the examination of various aspects and measures of a market segment in comparison to the firm's goals and resources. Typically the firm assesses whether this particular target market logically fits with the firm's strategic direction, whether it is the best use of its resources (opportunity cost), and to what degree with a firm be able to successfully compete in the segment.

Evaluating Market Segments :

1. Segment size and growth
2. Segment structural attractiveness

Level of competition

Substitute products

Power of buyers

Powerful suppliers

3. Company objectives and resources

Process of choosing target market:

We must make sure that target market is not synonymous to segmentation.

Segmentation is just the first step of the target market. Target market follows different basis of segmentation. We must view each segment as a distinct marketing opportunity and continuously evaluate the worth of each segment (sales/profit potential). Estimating whether the segment is:

Ø Distinguishable.

Ø Measurable

Ø Sizable.

Ø Accessible.

Ø Growing.

Ø Profitable

Ø Compatible with the firm's resources.

Ø Checking out if the firm has the differential advantage Ø Distinctive capability for serving the selected segments. Factors to be considered while target market selection :

Target marketing tailors a marketing mix for one or more segments identified by market segmentation. Target marketing contrasts with mass marketing, which offers a single product to the entire market. Two important factors to consider when selecting a target market segment are the attractiveness of the segment and the fit between the segment and the firm's objectives, resources, and capabilities. Decision involved in in targeting:

There are several factors to be considered before the formulation of a marketing strategy. But some factors stand apart and you can build your marketing strategy just from these crucial factors. I have outlined 3 such

factors which are absolutely essential while formulating a marketing strategy. They are as follows - 1) Developing customer intimacy -

Several marketing strategies talk about customer satisfaction and customer retention separately. But all things related to a customer can be classified as customer intimacy. A company can gain a lot by investing time in its customers, getting to know them, their likes, dislikes, preferences.

2) The health of the brand -

The second most important factor while formulating a marketing strategy is determining the health of the brand. This takes the external environment into account. Several companies carry out regular market research studies to find out what the stakeholders, customers and other entities involved in the external business environment think of the company or the brand.

3) Innovation -

“ Innovate or die” is a famous quote by Tom peters, a legendary American writer on business management tactics. The same was repeated by Bill gates to his employees at Microsoft in 1997 when the competition was on the rise. An innovative culture in the organization is half the work done .

Targeting strategy decisions are influenced by :

Market maturity.

Diversity of buyers' needs and preferences.

Strength of the competition.

The volume of sales required for profitability.

Target market size:

The number of buyers and sellers in a particular market. This is especially important for companies that wish to launch a new product or service, since small markets are less likely to be able to support a high volume of goods. Large markets could bring in more competition. Whole market size of commodity varies from the whole market of a particular country. Comparison of whole world market and only u. s. a market given below :

Result of wrong targeting strategy:

Ineffective augmentation and targeting led to wrong product offers, inappropriate marketing appeals, wrong pricing, and overemphasis on the brand name. No firm can offer single product to satisfy all the segment. For example, in Indian market many MNCs offered single product to the entire segment. The offer did not suit middle class as such. They suited only the premium segment. Naturally, the firms were unable to gather worthwhile volumes. As the firm did not target those segments and as they failed to make product offers that were appropriate for them, the end result was poor. For this reason firms like Reebok, Ray-ban, and Levi did not showed satisfactory result for quite sometime in Indian market while they were very successful in the western markets. Thus the choice of target marketing for a given industry can decide the fate of the industry in the market. This is because firms differ in their competencies, resources, objectives, and strategies.

Positioning:

Positioning is what you do to mind of the prospect'. They iterate that any brand is valued by the perception it carries in the prospect or customer's

mind. Each brand has thus to be 'Positioned' in a particular class or segment. Example: Mercedes is positioned for luxury segment, Volvo is positioned for safety.

The position of the brand has thus to be carefully maintained and managed. Example: when Marlboro cut down its prices, its sales dropped immediately, as it began being associated with the generic segment. Watches like Rolex are positioned as luxury segment watches, thus they being one of the most expensive have become a symbol for accomplishment in life. If Rolex reduces its prices, it loses its perceived image and hence is in danger of losing its customers Positioning concept :

Generally, there are three types of positioning concepts:

Functional positions

Solve problems.

Provide benefits to customers.

Get favorable perception by investors (stock profile) and lenders. Symbolic positions

Self-image enhancement.

Ego identification.

Belongingness and social meaningfulness.

Affective fulfillment.

Experiential positions

Provide sensory stimulation.

Provide cognitive stimulation.

The main issues in product positioning are:

Where is the new offer going to compete? As what?

Which product function/customer need is it trying to meet?

What other product categories serve this need? In other words, what are the substitute products that serve the same need? Where the real gap is, where is such a new offer welcome and wanted by the market? What are the company's competencies to fight here?

In fact, these are the issues the firm agitates in target market decision selection too. The linkage is only natural because in product positioning, the firm is actually bridging the product offer with the right target market.

Communicating the Positioning:

Companies must be certain to DELIVER their value propositions. Positions must be monitored and adapted over time. Developing a Positioning Statement:

Positioning statements summarize the company or brand positioning.

Example : To (target segment and need) our (brand) is (concept) that (point-of-difference) Repositioning:

Repositioning involves changing target market or distinct positioning claim/differences advantages or both to bring the saturated attention of the existing customers back into the limelight once again to survive safely and happily in the market. In some cases, the products that are faring well are repositioned. This is done mainly to enlarge the reach of the product offer and to increase the sale of the product by appealing to a wider target market. The product is provided with some new features or it is associated with some new uses and is repositioned for existing as well as new target

market. For say, McDonalds have been trying to move to a healthier position in people's perceptions. Example of Maruti Omni repositioning can be cited as important case in repositioning strategy. When Maruti Omni was launched it was positioned as the low priced, spacious van. But in the market as the time passed, Maruti Omni cannot acquire a dominant position. The major competing brands are more spacious, though higher priced. Thus Maruti decided to take the path of repositioning. The features that were after repositioning are:-

1. Most cars do not have any fifth door in the car. Maruti Omni had the boot-latch at the back of the car which can be used both for entering and also for keeping goods.
2. In the new car there is around 7.5 cubic meter of space. This gives the advantage of more space for luggage and more people.
3. For having a pleasant driving experience Maruti Omni the instrument panel is sleek, the steering columns just positioned just right, seat are adjustable with control lever and gear shaft at hand-touch distance.
4. Engine was improved from the previous one. It is more fuel efficient and delivers higher performance.
5. Safety features are standard.
6. A coolant system that eliminates daily chores of filling water in the radiator was introduced. As a result of repositioning the whole perception of customer has changed toward Maruti Omni. Many people start taking it as a family car. The company found a positioning theme "the most spacious car at lowest price".

Positioning Strategies:

Marketers can position (differentiate) their products on; Product: a company can differentiate its physical product from the competitors e. g. product feature - Volvo provides safety, Delta Airlines offers wider seating and free in-flight telephone use; product performance - Vestel Washing Machine offers express washing, Rinso offers better whiteness; style and design - Porsche offers unique look; atmosphere - Hard Rock Café is special with its interior design, Ciragan Palace with its building; place - Swiss Hotel offers the best Bosphorus view... Service: a product can be differentiated by its speedy, convenient or careful service delivery e. g., Garanti offers service during the lunch time, Osmanli Bank offers branches in supermarkets, Migros offers home delivery, McDonald's offer training for its franchisees...

Personnel: A company can hire better people than competitors do e. g. Singapore Airlines is well known with its beautiful flight attendants, IBM's people are professional, McDonald's people are polite...

Against another product: this approach can be named as competitive advertising where the company positions itself directly against one competitor e. g. Avis " we try harder" against Hertz, Wendy's " where is the beef?" against McDonald, Sabah against Milliyet; Burger King against McDonald; Sheraton against Hilton... Product class dissociation: a product may also be positioned away from all competitors e. g. Sprite has positioned itself against the " cola" products... Price: a product can be differentiated by using its price. The product would be having the lowest price in the market e. g. Symphony phone... Thus marketers position their products on the basis of

price, personnel, service, against another product, product class dissociation and so on. It may be decided on organization situation, economic condition, competitors product, customer/consumer needs or demand.

Comparison of Physical and Perceptual Positioning Analysis:

The comparisons between physical positioning and perceptual positioning are given below:

Stage of positioning:

Steps of positioning are given below:

Brand positioning:

Brand positioning is how a product perceived in the mind of the consumers in relations to competitors' brand in market. Positioning is act of placing a company's brand in consumers mind over and against competitors' in terms of characteristics and other benefits that the brand does and does not offer.

Firms can position its brand on the basis of :

attributes and benefits attached with product or services

high-tech image of company

category of users

comparison with competitors

entire range of service

quality of brand

Positioning errors:

Under-positioning

Over-positioning

Confused-Positioning

Criteria for successful positioning:

Certain criteria are needed to be fulfilled for successful positioning are:-

Clarity: While positioning its brand the firm must be able to position itself in both distinct value, proposition, and to its target audience. **Consistency:**

Consistency in positioning means keeping the positioning plank/bases intact for longtime. Planks should be carefully chosen while positioning. But it does not mean that the firm must change its positioning bases even though its survival is at stake. The firm must be flexible to the changing environment.

Credibility: The firm must deliver trustworthy and believable value proposition. There should be perfect match between promise and action.

Competitiveness: For surviving in this competitive and changing environment innovative resources, talent pool, competitive advantage, strong financial backup etc are very important.

Conclusion:

Thus we can say that the total process of market segmentation, targeting and positioning is a very important attribute of marketing mix. All these three process is very closely interrelated with each other.

Once the organization has decided which customer groups within which market segments to target, it has to determine how to present the product to this target audience. This allows to exactly addressing the needs and expectations of the target groups with a tangible marketing mix that consists of product characteristics, price, promotional activities and places to present the product. Effective strategies of segmentation, targeting and positioning

gives an extra advantage in changing and highly competitive environment. To make this three marketing process effective a thorough SWOT analysis of the firm is very important. Keeping in mind the strength, weakness, opportunity and threat the firm can formulate and implement its total marketing mix.

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