

Market Segmentation and Targeting, and Positioning for Competitive Advantage

Prepared by Dr. Magdy Alhaj

MGM612
Marketing Management

Lecture 2





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Chapter
8

Learn outcomes

After studying this chapter, you should be able to:

- 1. Explain how companies find and develop new-product ideas**
- 2. List and define the steps in the new-product development process and the major considerations in managing this process**
- 3. Describe the stages of the product life cycle**
- 4. Describe how marketing strategies change during the product's life cycle**
- 5. Discuss two additional product and services issues: socially responsible product decisions and international product and services marketing**

Learning Outcomes

After studying this chapter you should be able to:

- ☐ Define and explain market segmentation, target markets, and product differentiation and positioning.
- ☐ Understand the criteria for Effective Segmentation
- ☐ Know the role of market segmentation in the development of marketing strategies and programs.
- ☐ Understand the Positioning for Competitive Advantage
- ☐ Steps in Segmentation, Targeting, and Positioning

Market Segmentation

- **Market Segmentation:**

- Divides a market into subsets of prospective customers who behave in the same way, have similar wants, or have similar characteristics that relate to purchase.

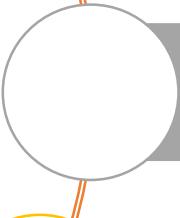
- **Intermarket Segments:**

- Well-defined, similar clusters of customers across national boundaries.

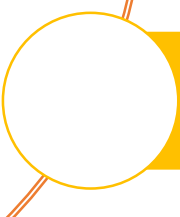
The Importance of Market Segmentation



Markets have a variety of product needs and preferences.



Marketers can better define customer needs.



Decision makers can define objectives and allocate resources more accurately.

Top 10 benefits of the Market Segmentation

- 1. Higher Rate of Success**
- 2. Increases Profitability**
- 3. Increases Competitiveness**
- 4. Retention of Customer**
- 5. Creates and Provides Market Opportunities**

- 6. Effective Market Campaigning**
- 7. Wise and Efficient Use of Resources .**
- 8. Higher Customer Satisfaction**
- 9. Cost-Efficient**
- 10. Know your Customer Better**

Steps in Market Segmentation, Targeting, and Positioning



Market Segmentation

Market Segmentation define:

- **Dividing Markets into Smaller Segments that Can be Reached More Efficiently And Effectively With Products and Services That Match Their Unique Needs..**

Target Markets

Targeting:

- Selecting which segments in a market are appropriate to focus on and designing the means of reaching them.

Positioning

Positioning:

Designing a marketing program, including the product mix, that is consistent with how the company wants its products or services to be perceived.

Repositioning:

When a firm wants to shift consumer opinions about an existing brand.

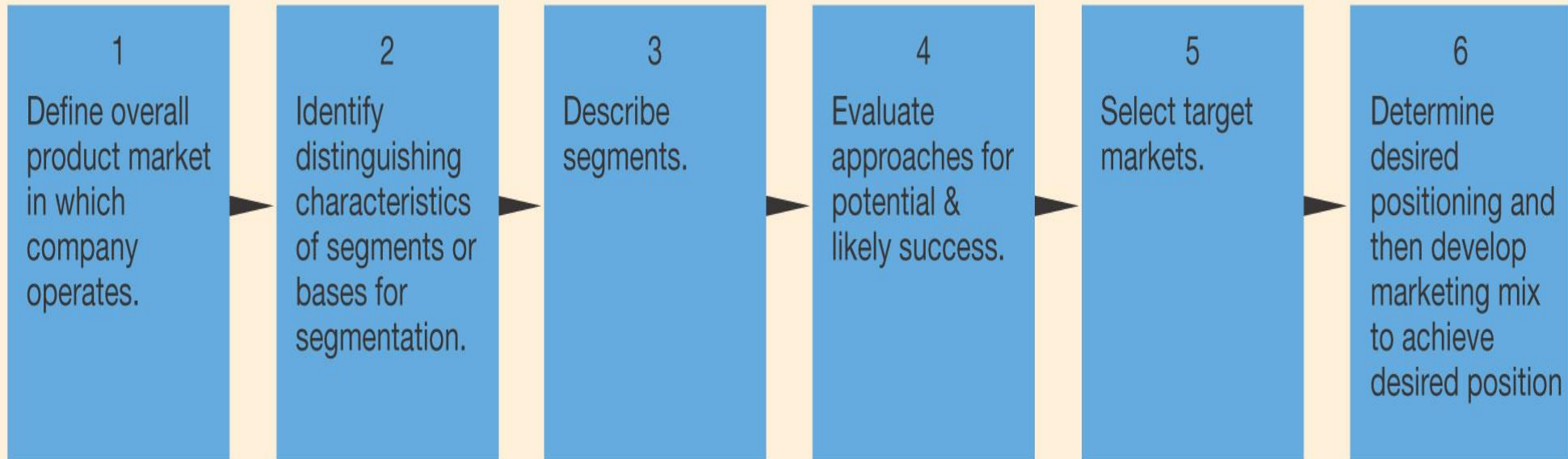
Five Criteria:

- 1. Measurability**
- 2. Accessibility**
- 3. Substantialness**
- 4. Durability**
- 5. Differential Responsiveness**

Stages in Developing Market Segmentation Strategies

Exhibit 7-2

Developing a market segmentation strategy



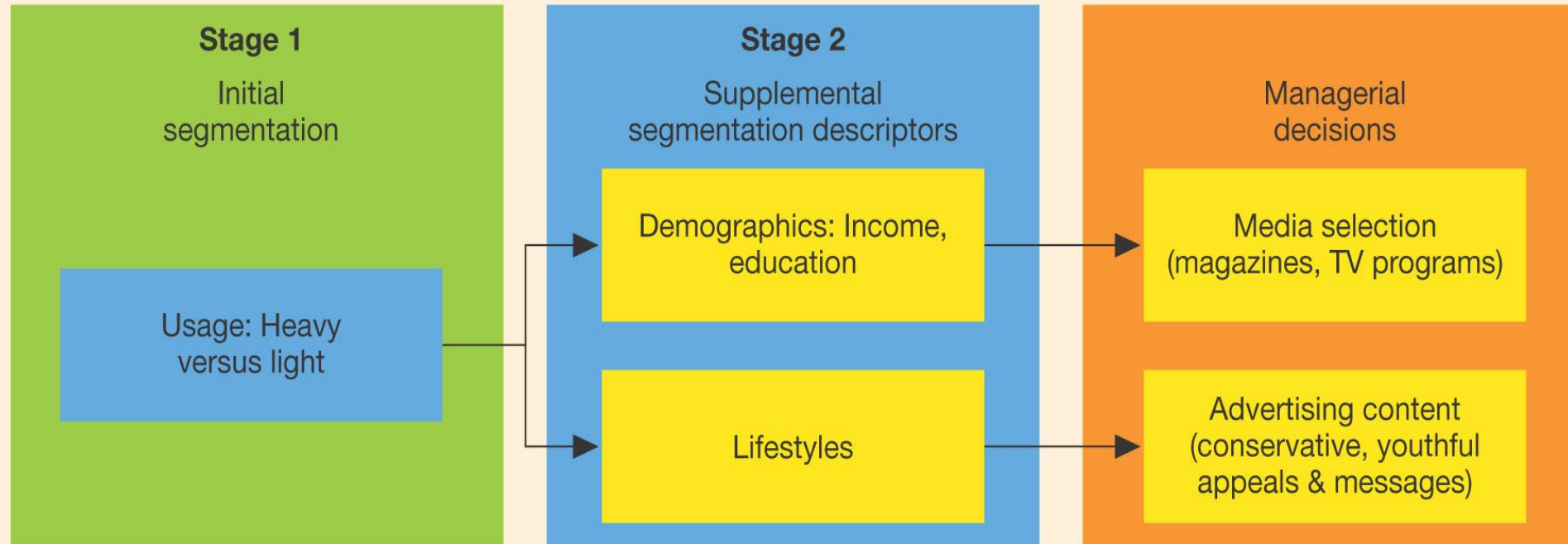
Bases for Segmentation

- ☐ Demographics
- ☐ Geographic's
- ☐ Psychographics & Lifestyles
- ☐ Benefit Segmentation
- ☐ Economic Segmentation
- ☐ International Segmentation

Combining Bases of Market Segmentation

Exhibit 7-5

A two-stage segmentation example



Segmentation Strategies

Undifferentiated Strategy



Differentiated Strategy



Concentrated Strategy

Factors Influencing Segmentation Strategy

- **Size and type of the market**
- **Competitive factors**
- **Product-related factors:**
 1. **Stage in the product life cycle.**
 2. **Degree to which the product may be varied or modified.**
- **Firm's size and financial position**

Estimating Segment Potentials

- 1. Set time period of interest.**
- 2. Define product level.**
- 3. Specify segment characteristics or bases.**
- 4. Identify geographic market boundaries.**

Estimating Segment Potentials..

CONT

- 5. Make assumptions about the marketing environment.**
- 6. Make assumptions about company's own marketing efforts and programs (controllable factors).**
- 7. Make estimates of market potential, industry sales, and company sales.**

Developing Forecasts

- **Qualitative Procedures:**

- Survey of Buyers' Intentions
- Expert Opinion
- Composite of Salesforce Estimates

- **Quantitative Methods:**

- Trend Analysis
- Market Tests
- Statistical Demand Analysis

Targeting Market Segments

- *To select target segments, the firm must consider:*
 - ☐ *The segment's potential sales volume and profits.*
 - ☐ *Competition currently selling to the segments.*
 - ☐ *The firm's abilities and objectives.*



Micromarketing



Micromarketing:

*Combines census and
Demographic data to identify
clusters of households
that share similar
consumption patterns.*

Micromarketing

- **Enhances the effectiveness of marketing efforts by:**
 - Identifying potential markets for direct selling through mail and telemarketing campaigns.
 - Profiling customers by matching them to demographic and lifestyle clusters.
 - Learning which areas offer the greatest potential in site selection for new stores or offices.
 - Tailoring advertising themes and planning media.

Market Segmentation and Ethics



- **Advertising to Children**
- **Harmful Products**
- **Privacy Issues**
- **Product Proliferation**

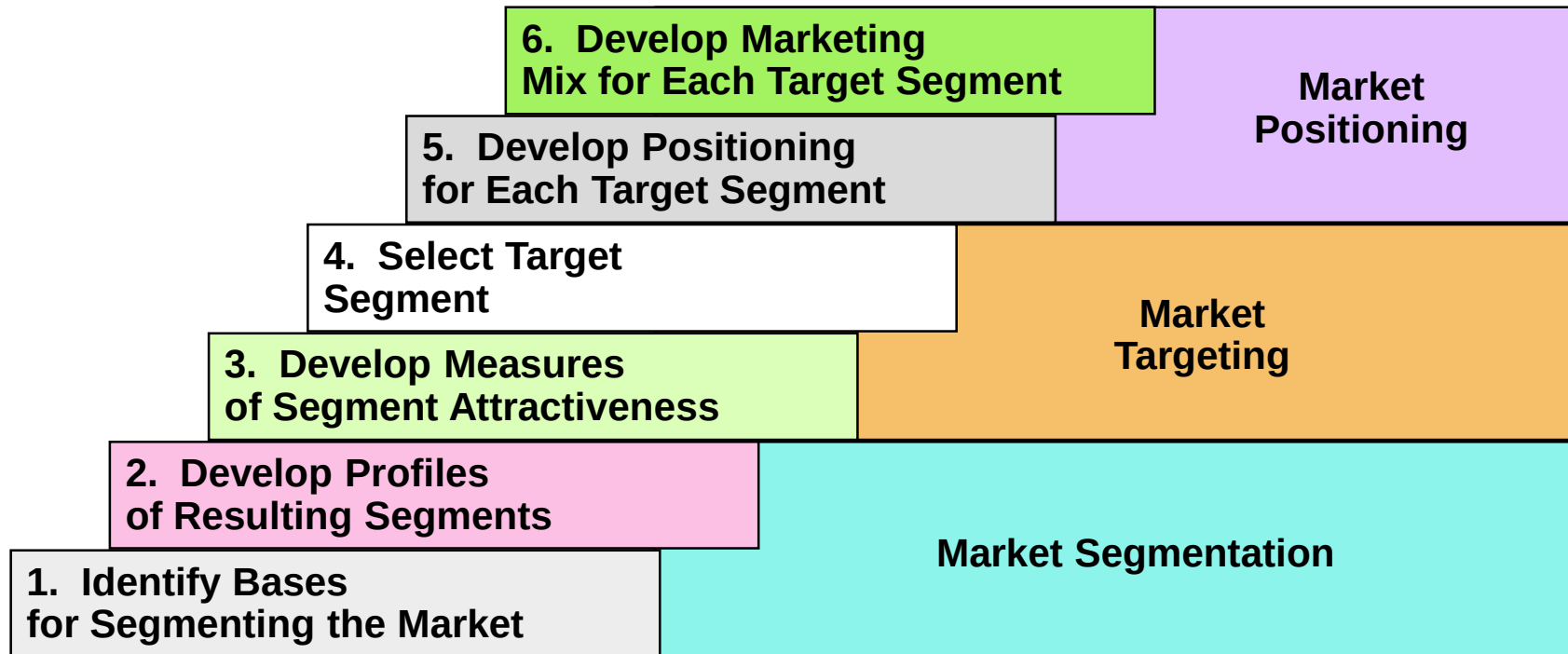
Positioning for Competitive Advantage

What is Positioning?

A couple of definitions

- ❑ Creating distinct and valued physical and perceptual differences between one's product and its competitors, as perceived by the target customer.
- ❑ The act of designing the firm's market offering so that it occupies a distinct and valued place in the minds of its target customers.

Steps in Segmentation, Targeting, and Positioning



Step 1. Market Segmentation

Levels of Market Segmentation

Mass Marketing

*Same product to all consumers
(no segmentation)*

Segment Marketing

*Different products to one or more segments
(some segmentation)*

Niche Marketing

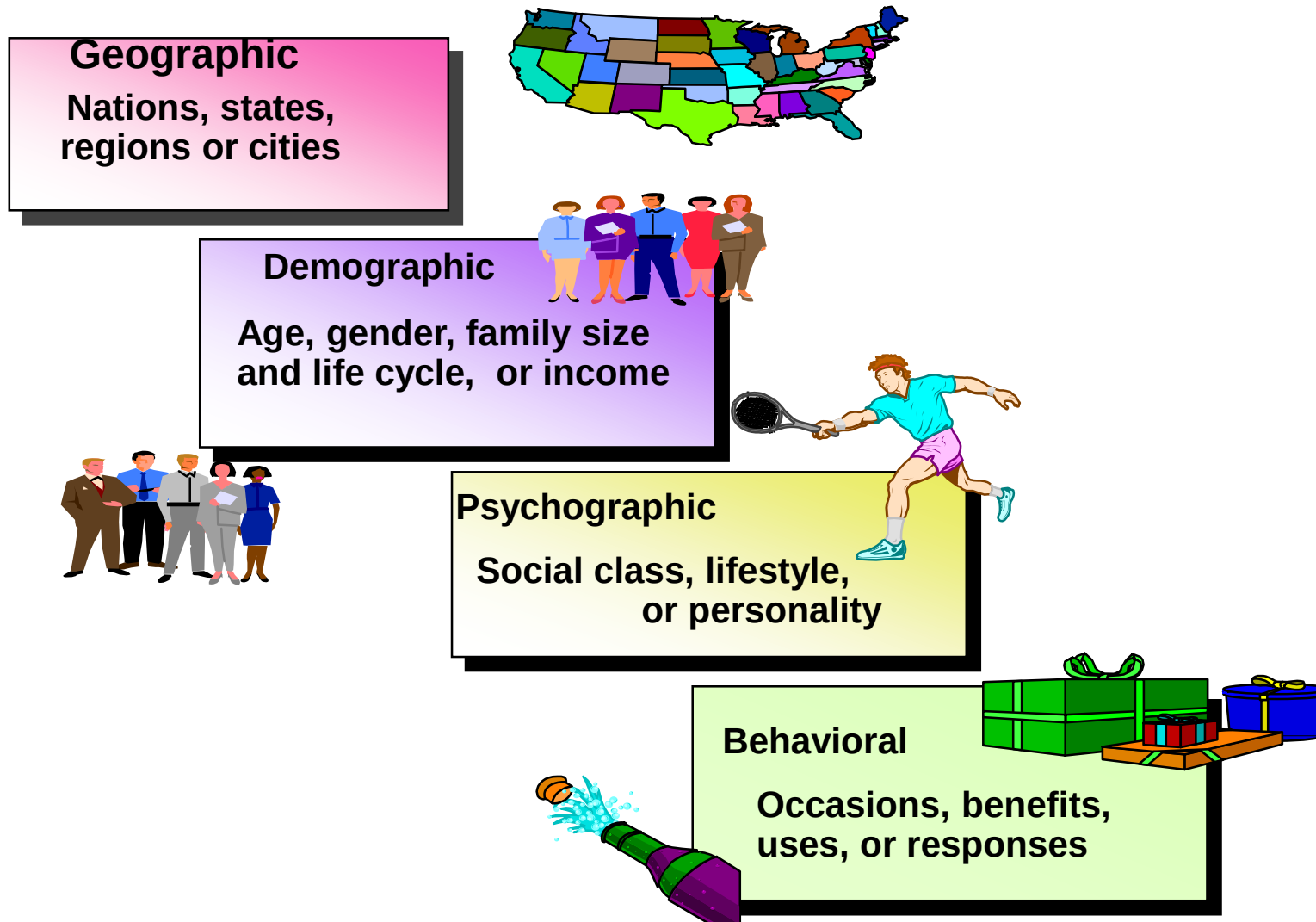
*Different products to subgroups within segments
(more segmentation)*

Micromarketing

*Products to suit the tastes of individuals or locations
(complete segmentation)*

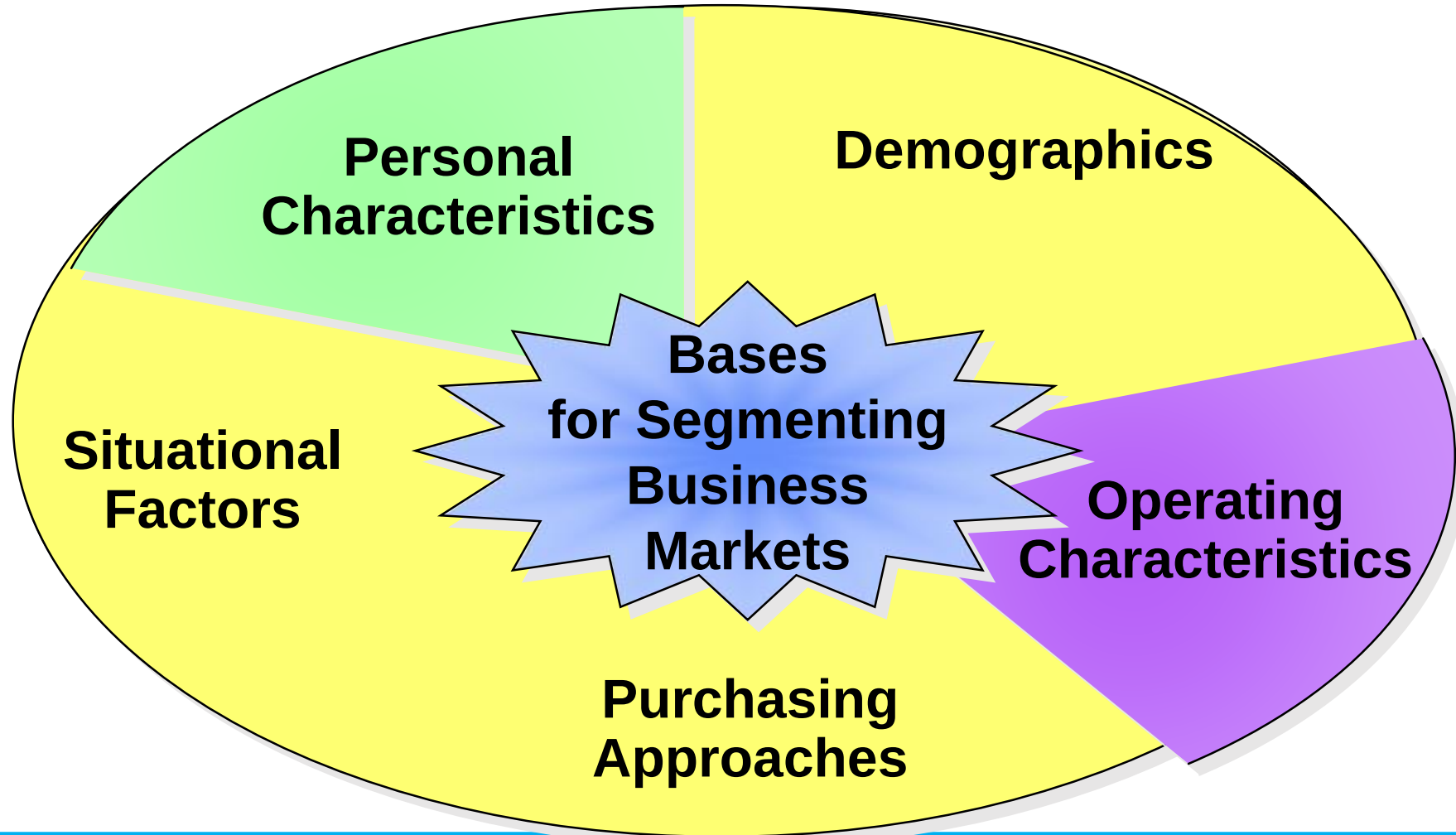
Step 1. Market Segmentation

Bases for Segmenting Consumer Markets



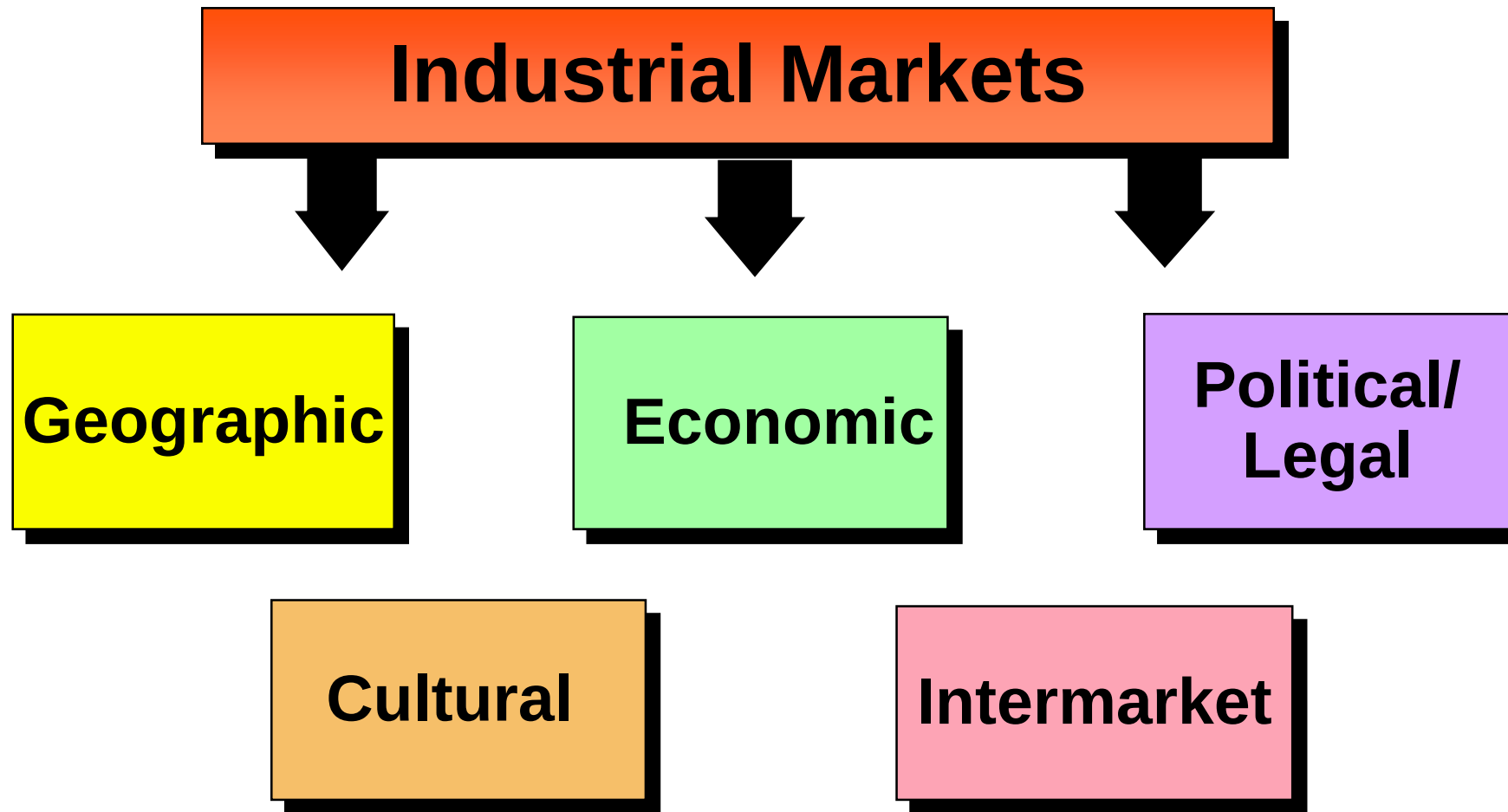
Step 1. Market Segmentation

Bases for Segmenting Business Markets



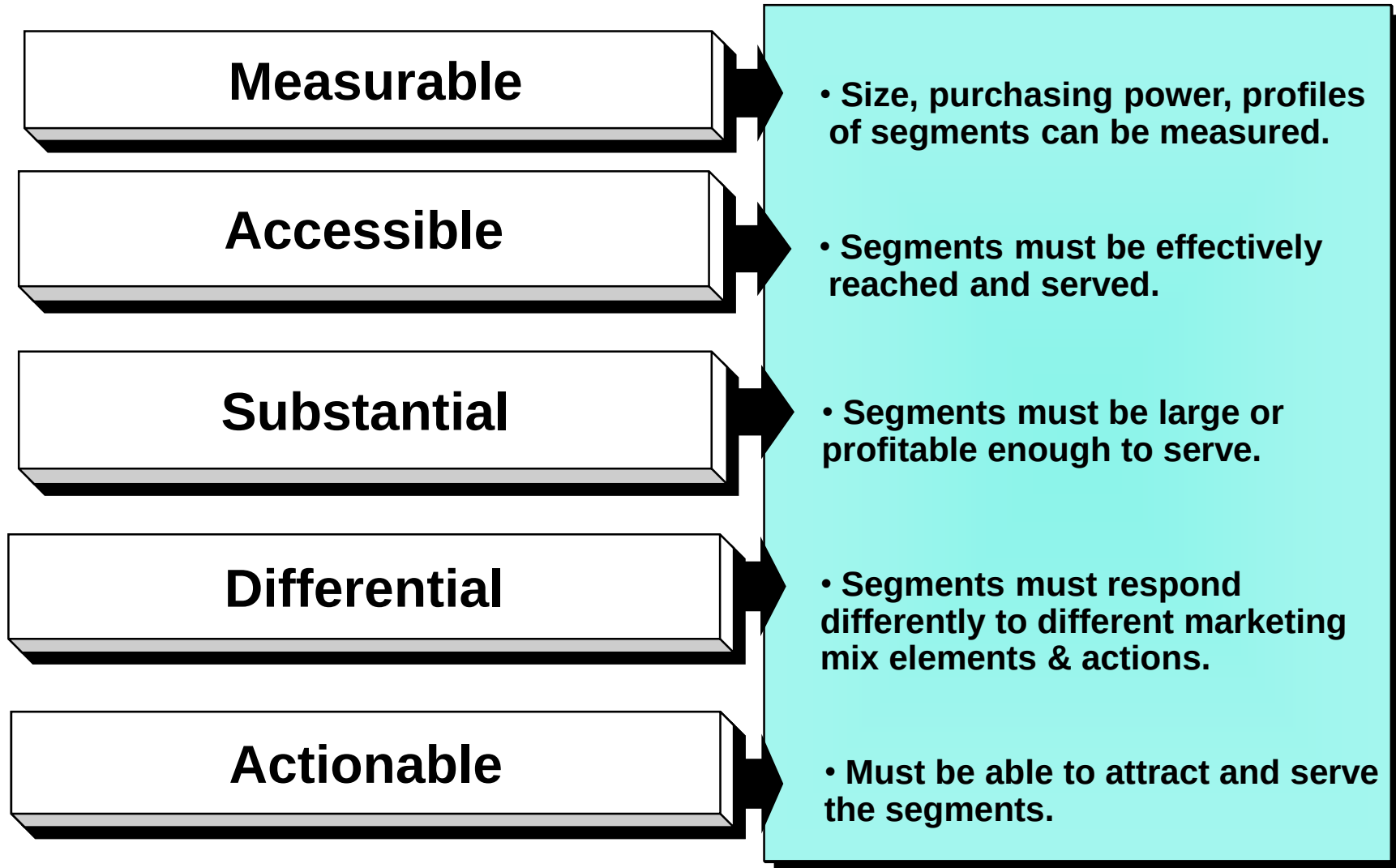
Step 1. Market Segmentation

Bases for Segmenting International Markets



Step 1. Market Segmentation

Requirements for Effective Segmentation

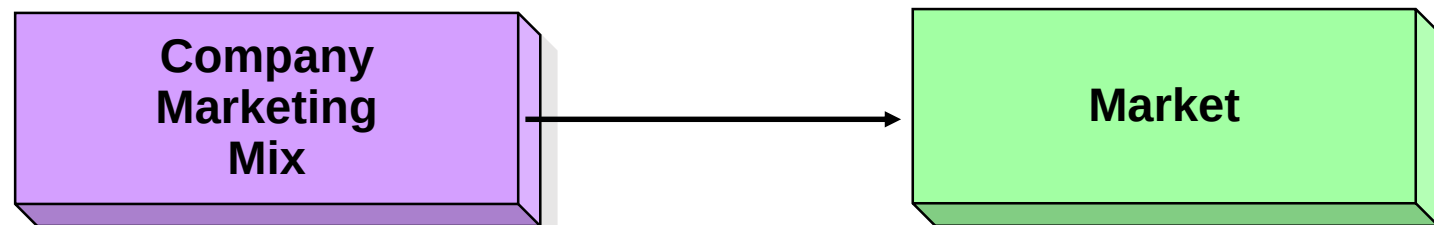


Step 2. Market Targeting Evaluating Market Segments

- **Segment Size and Growth**
 - Analyze sales, growth rates and expected profitability.
- **Segment Structural Attractiveness**
 - Consider effects of: Competitors, Availability of Substitute Products and, the Power of Buyers & Suppliers.
- **Company Objectives and Resources**
 - Company skills & resources relative to the segment(s).
 - Look for Competitive Advantages.

Step 2. Market Targeting

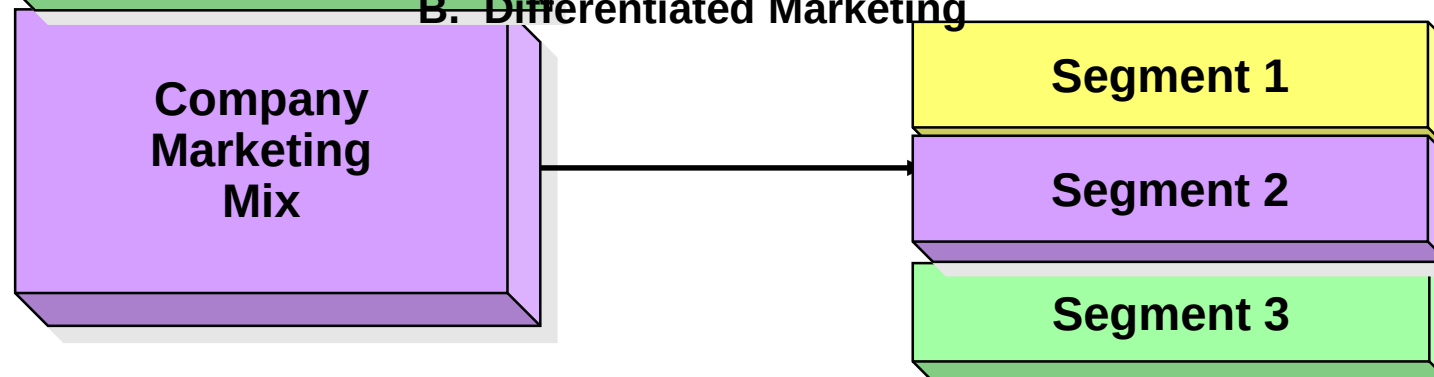
Market Coverage Strategies



A. Undifferentiated Marketing

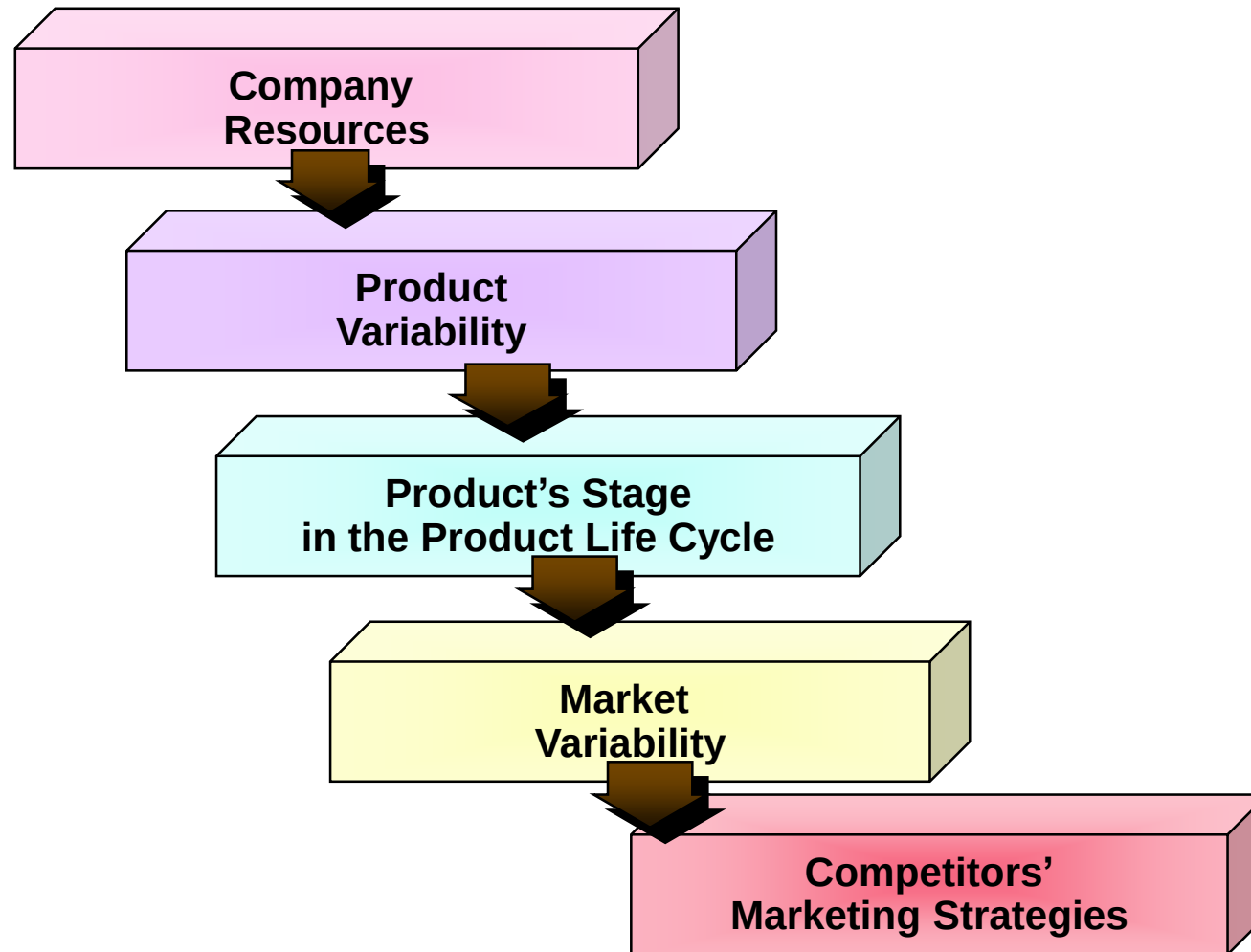


B. Differentiated Marketing



C. Concentrated Marketing

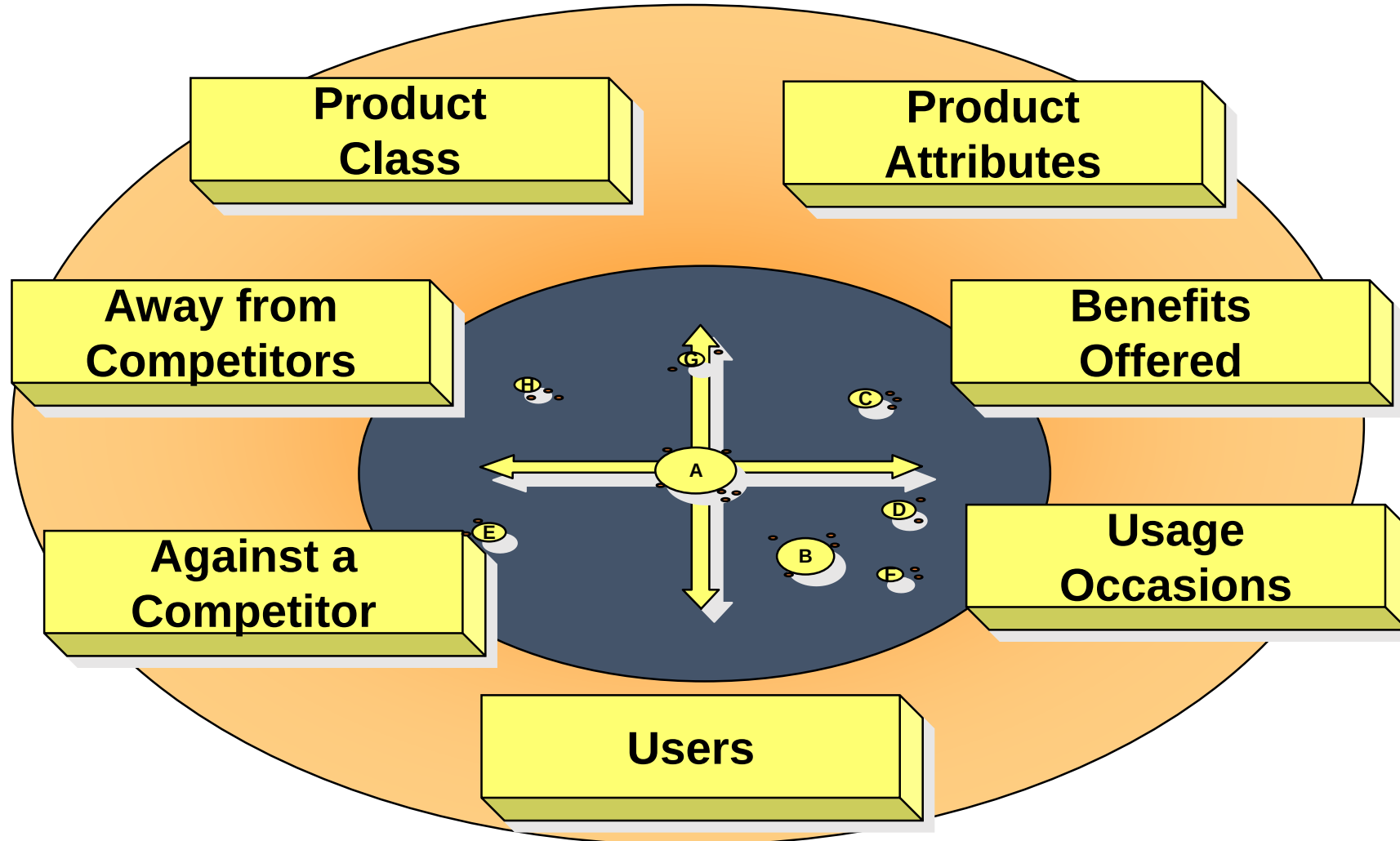
Step 2. Market Targeting Choosing a Market-Coverage Strategy



Step 3. Positioning for Competitive Advantage

- **Product's Position** - the place the product occupies in consumers' minds relative to competing products; i.e. Volvo positions on "safety".
- **Marketers must:**
 - Plan positions to give products the greatest advantage
 - Develop marketing mixes to create planned positions

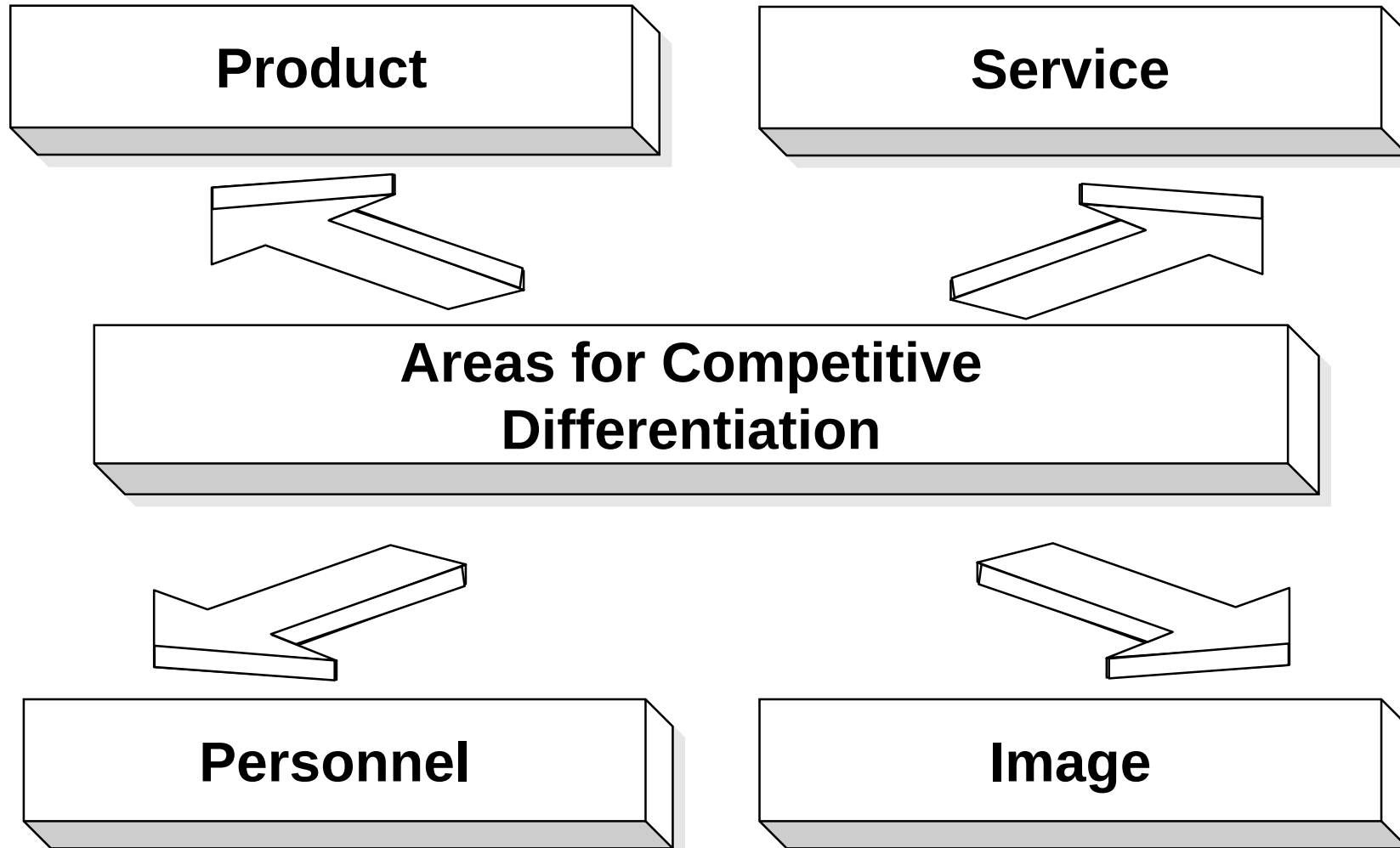
Step 3. Positioning for Competitive Advantage: Strategies



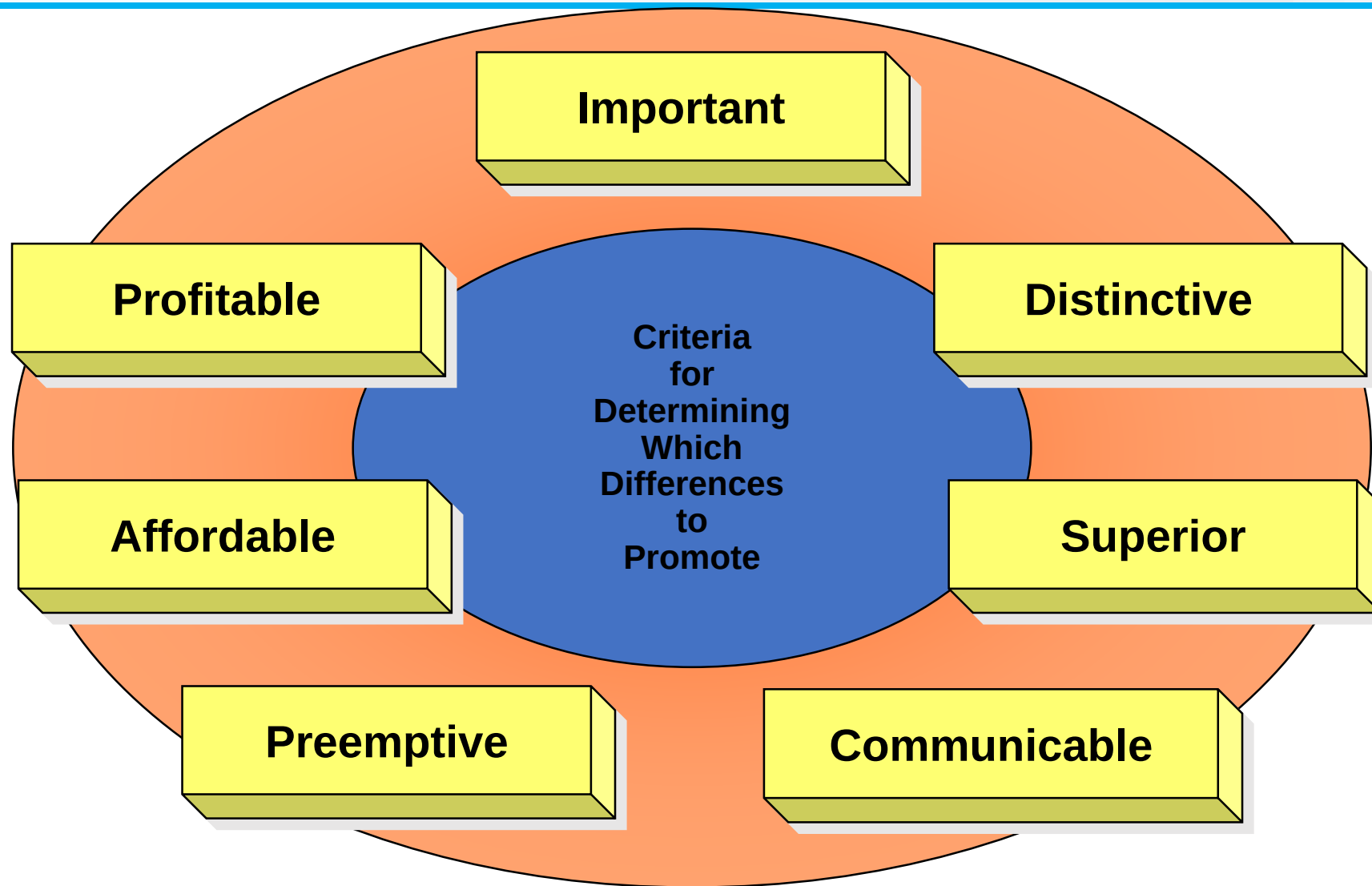
Steps to Choosing and Implementing a Positioning Strategy

- **Step 1. Identifying a set of possible competitive advantages: Competitive Differentiation.**
- **Step 2. Selecting the right competitive advantage.**
- **Step 3. Effectively communicating and delivering the chosen position to the market.**

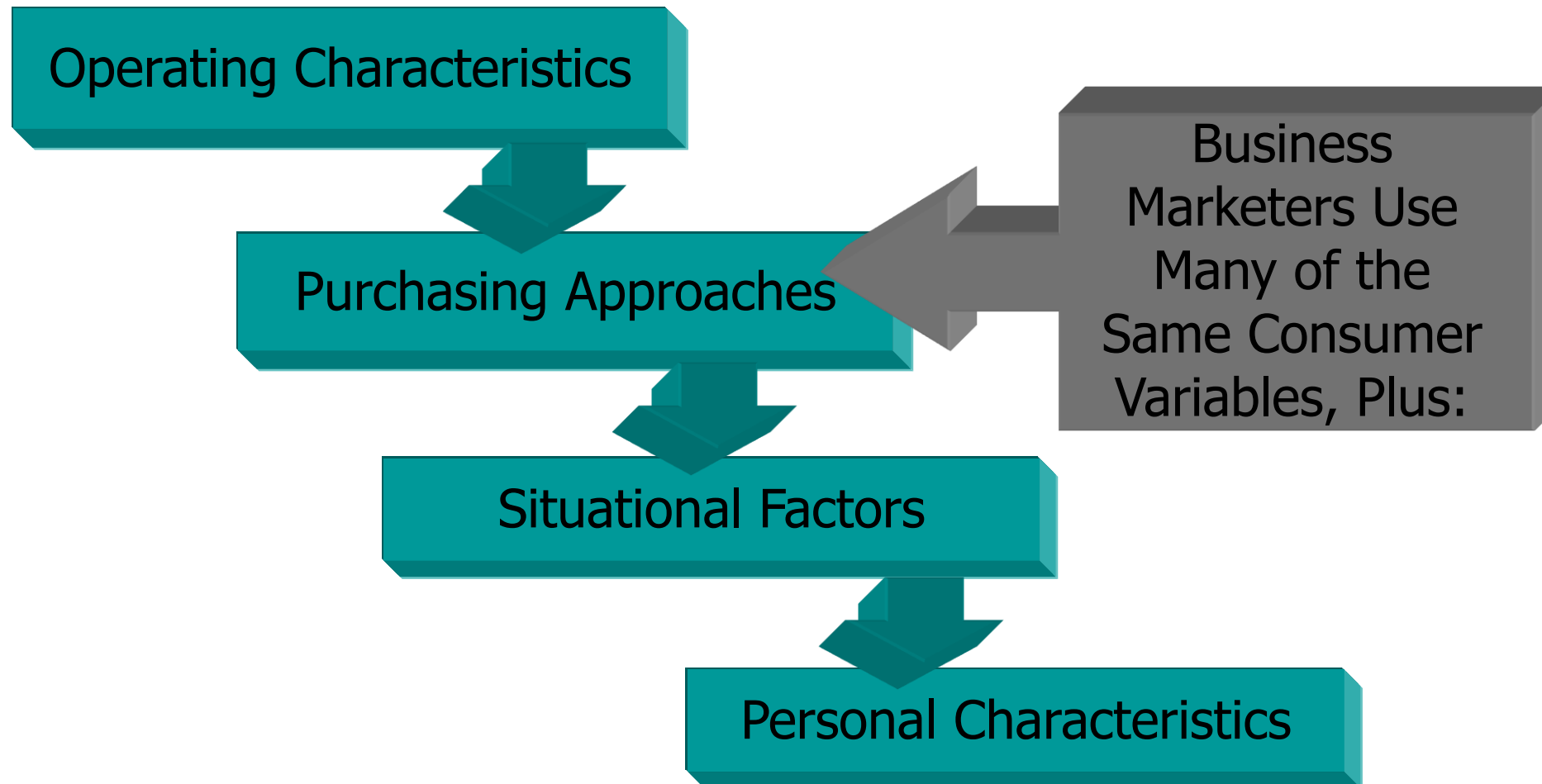
Developing Competitive Differentiation



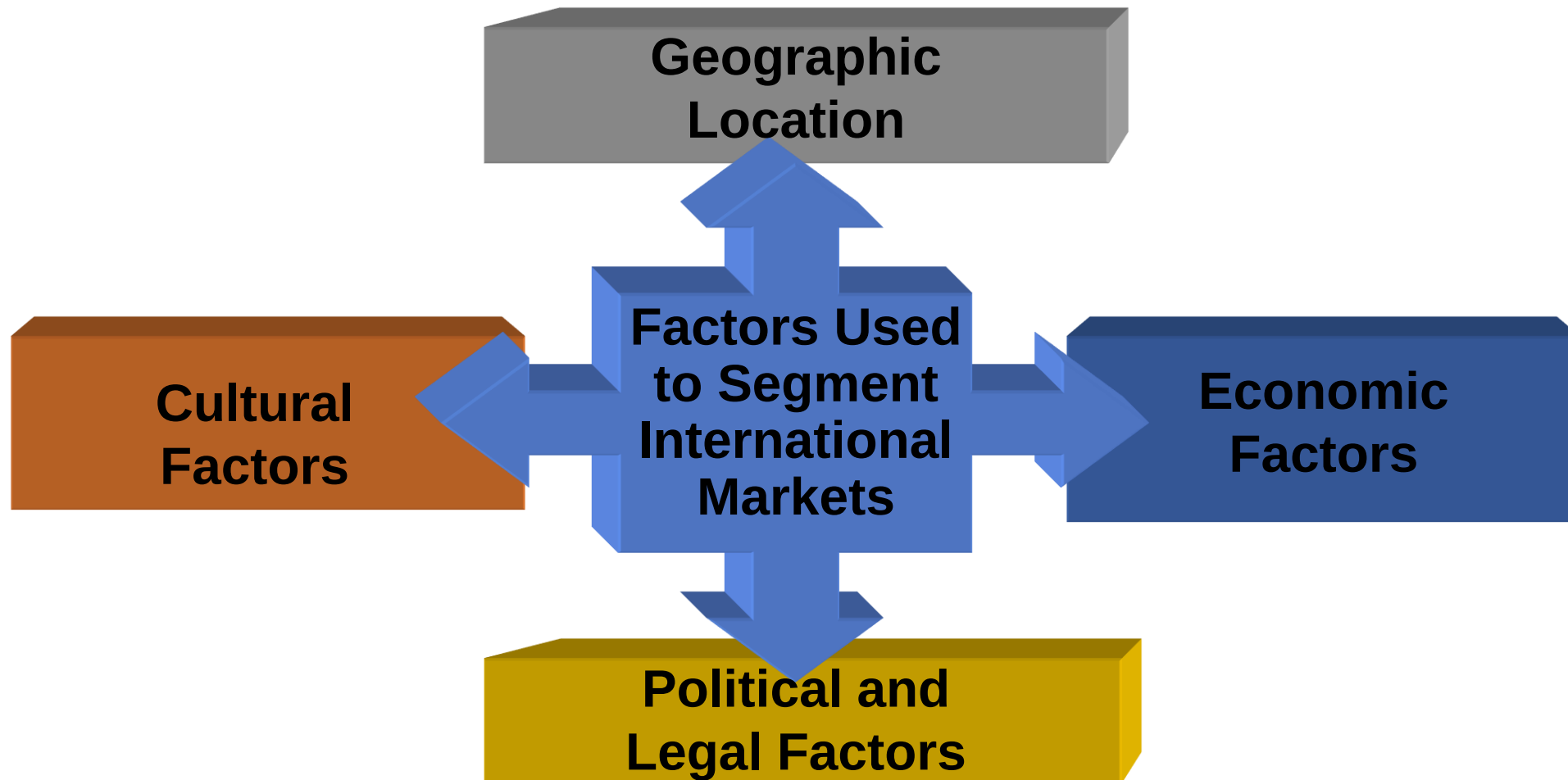
Selecting the Right Competitive Advantages



Segmenting Business Markets



Segmenting International Markets



May Also Use Intermarket Segmentation



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Thank You

