The process STP on B2C: segmenting, targeting, positioning

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Content

1 Segmentation

2 Targeting

3 Positioning

4 Personas

Why this lecture?

- Marketing is focused on CUSTOMERS! But who are they?

- Is it me? You? Is it that lady over there? Or the lady over there?

| Market Segmentation | Targeting - Select the Target Market | Product Positioning | Decide on the Optimal Marketing Mix |

STP process

Segmentation

Market Segmentation
- Identify bases for segmentation
- Determine important characteristics of each market segment

Audience options

Targeting

Market Targeting
- Evaluate potential and commercial attractiveness of each segments
- Select one or more segments

Audience selection

Positioning

Product Positioning
- Develop detailed product positioning for selected segments
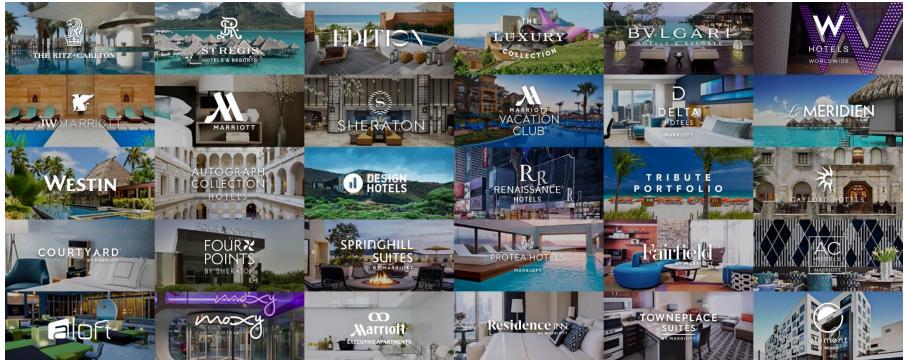- Develop a marketing mix for each selected segment

Production positioning

Marriott International (Other examples)

1 Segmentation

- **SEGMENT** – part of market.

- Groups that have similar characteristics and behavior are called MARKET SEGMENTS.

- The main idea – mass marketing does NOT work, we should focus on smaller groups.

- Development of technologies enables better adjusting of services offer according to the different segments requirements.

The segment should be

- Similar (homogeneous) within the group and dissimilar (heterogeneous) across the different group.

- Enough large.

- Measurable.

- Stable.

Why segmentation?

- Meet consumer needs more precisely.

- Increase profits.

- Segment leadership.

- Retain customers.

- Focus marketing communications.

Segmentation Criteria

- **Demographic** – organization provides products and services only to segments chosen on the bases of age, gender, marital status, education, disposable income, occupation, religion etc.

- **Geographic** – organization decides to provide the products only in limited area (cities x villages, seaside area x inland etc.).

- **Psychographic** – social class, lifestyle, personality.

- **Behavioural** – buying opportunity (regular purchases, special occasion), expected utility (quality, service, savings), user status (non-users, ex-users, potential users, inexperienced users, regular users), frequency of use (rare, medium often, frequently), loyalty (none, medium, strong, absolute), readiness to buy (ignorant of the product, realizing the existence of product, informed, concerned with option to purchase, wishing to buy, decided to buy), attitude to the product (enthusiastic, positive, indifferent, negative, hostile).

Consumer segmentation variables 1 - Jobber (2010, p. 264)

- **Age** - Under 12, 12-18, 19-25, 26-35, 36-49, 50+.

- **Gender** - Female, male.

- **Life cycle** - Young single, young couples, young parents, middle-aged empty nesters, retired.

- **Social class** - Upper middle, middle, skilled working, unwaged.

- **Terminal education age** - 16, 18, 21 years.

- **Income** - Income breakdown according to study objectives and income levels per country.

- **Geographic** - North vs south, urban vs rural, country.

- **Benefits sought** - Convenience, status, performance, price.

Consumer segmentation variables 2 - Jobber (2010, p. 264)

- **Purchase behaviour** - Solus buying, brand switching, innovators.

- **Purchase occasion** - Self-buy, gift, special occasions, eating occasions.

- **Usage** - Heavy, light.

- **Perceptions, beliefs and values** - Favourable, unfavourable.

- **Lifestyle** - Trendsetter, conservatives, sophisticates.

- **Personality** - Extroverts, introverts, aggressive, submissive.

- **Geodemographic** - Upwardly mobile young families living in larger owner-occupied houses, older people living in small houses, European regions based on language, income, age profile and location.
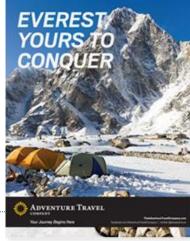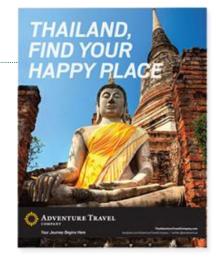
Adventure Travel Company

Segmentation criteria B2B

	Variables	Examples
MACRO	Size of organization	Large, medium or small
	Geographic location	Local, national, European union, worldwide
	Industrial sector	Retail, engineering, financial services
	End market served	Defined by product or service
MICRO	Choice criteria	Quality, delivery, value in use, supplier reputation, price
	Structure of DMU	Complexity, hierarchical, effectiveness
	Decision-making process	Long, short, low- or high conflict
	Buy class	New task, straight or modified re-buy
	Importance of purchasing	High or low
	Type of purchasing organization	Matrix, centralized, decentralized
	Innovation level of organization	Innovative, follower, laggard
	Purchasing strategy	Optimizer, satisfier
	Personal attributes	Age, educational background, risk taker/averse, confidence level

Questions

- What is segmentation?

- Why is segmentation important?

- What should the segments be?

- What kind of segmentation criteria do we know (on B2C market)?

- How customer data can be retrieved?

2 Targeting

- **TARGET SEGMENT** – part of market which is selected by the company.

- **Market attractiveness** and the **company´s capability to compete in the segment**.

Market attractiveness (Drummond and Ensor, 2005, p. 212-214)

- **Competitive factors** (nature of competition, new entrants, competitive differentiation).
- **Political, social and environmental factors** (trends)**.**
- **Market factors:**
  - Segment size
  - Segment´s rate of growth
  - Segment´s profitability
  - Customers´ price sensitivity
  - Stage of industry life cycle
  - Predictability
  - Pattern of demand
  - Potential of substitution

Targeting strategies

- **Undifferentiated targeting**, through which the firm directs the same marketing mix at all potential customers.

- **Differentiated targeting**, through which the firm offers a unique marketing mix to each distinct segment.

- **Concentrated** (Niche) targeting, through which the firm picks out a single segment or very limited number of similar segments on which to concentrate its efforts.

- **Customized targeting**, a more recent strategy through which the firm crafts specific offers for each individual consumer.

Questions

- What is targeting?

- What factors can be considered in market attractiveness?

- What kind of targeting strategies do we know?

3 Positioning

- It is the placing of a product (brand) in the mind of a customer, in relation to other products (brands) in the market.

- Marketing positioning is arranging for a brand or product to occupy a clear, distinctive and desirable place in the minds of targeted customers relative to competing products or brands.

Positioning

- Easy definition – what are the things that pop in your mind when you hear the name of some brand?

- It is the reputation and character of a brand.

- Aim – planning the position carefully.

- Competitive advantage.

- Value proposition.

Successful positioning

- Answering the strategic questions:

  - What's your customer really buying from you?

  - How's your product or service different from those of your competitors?

  - What makes your product or service unique?

Successful positioning (**Examples**)

- Create a positioning statement for your company.

- Test your positioning statement.

- Use the positioning statement in every written communication to customers.

- Create image-marketing materials that communicate your positioning.

- Include your team in the image-marketing plan.

Positioning examples 1 (Drummond and Ensor, 2005, p. 222)

- **Product attributes:** Heinz positions its products on the attributes of no artificial colouring, flavouring or preservatives.

- **Product benefits:** Volvo positions itself using the product benefits of safety and durability.

- **Usage occasions:** The convenience store SPAR eight-till-late shops are positioned on the usage occasion. Customers use the shops when they need to shop out of normal hours or near to their home.

- **Users:** Ecover cleaning products are positioned as environmentally friendly products for the green customer.

- **Activities:** Lucozade is positioned as an isotonic drink for sporting activities.

- **Personality:** Harley Davidson motorbikes are positioned as a macho product with a free spirit.

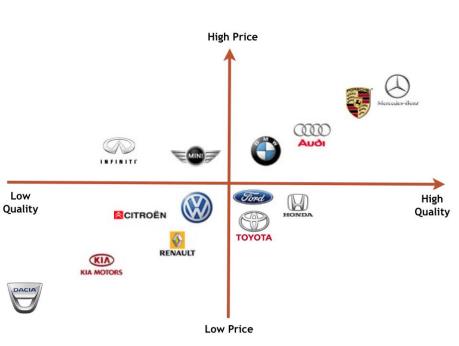# Positioning examples 2 (Drummond and Ensor, 2005, p. 222)

- **Origin:** Audi clearly illustrates its German origins in the UK market by the use of the "Vorsprung durch technik" slogan. The hope is the product will be linked to the German reputation for quality engineering.

- **Competitors:** Pepsi-Cola positions itself as the choice of the next generation, reflecting the fact that in blind tasting tests younger people preferred Pepsi over competitors´ offerings.

- **Product class:** Kellogg´s Nutrigrain bars are positioned as "morning bars", a substitute for the traditional breakfast.

- **Symbol:** Esso petrol has used the symbol of the tiger to position itself in the market.

Factors for successful positioning (Jobber, 2010, p. 285-286)

- **Credence**: The attributes used to position the product have to be perceived to be credible by the target customers.

- **Competiveness**: The product should offer the consumer benefits which competitors are not supplying.

- **Consistency**: A consistent message over time is invaluable in helping to establish a position against all the other products and services fighting for a share of the consumer´s mind.

- **Clarity**: The positioning statement an organization chooses has to create a clearly differentiated position for the product in the minds of the target market.

Perceptual versus positioning maps

- **Perceptual map** shows the consumers' perception (understanding,) of the positioning of competing brands in a market.

- By **positioning map** are mapping either actual (technical) positioning and/or positioning goals.

Positioning mistakes (Drummond and Ensor, 2005, p. 227-228)

- **Under positioning** – there is no sufficient difference among competitive products (Kia, Hyundai – very similar!)

- **Over positioning** – excessive pointing out to only one benefit of certain product (IKEA, Lidl – cheap, price!)

- **Confused** – result of the inadequate marketing communication or the choice of bad distribution channels (branded goods – supermarket, discount outlets!)

Under positioning

- Brand is seen as inferior to that of the competition.

- The consumers do not have a clear understanding of the key benefits of brand.

"...and there's absolutely nothing out there like it!"

"And ours is cheaper."

Over positioning

- The brand manager imagines that the value or price of their brand is higher than it really is.

"We're not changing anything, we just wanted to charge more."

Confused positioning

- The brand does not have a clear positioning.

- Students → Engineers → Businesspeople ([NEXT](#))

- The solutions to these problems are usually very concrete:
  - Talking clearly about the uses of our brand.
  - Providing information about the value proposition of our brand.
  - Informing about the category to which our brand belongs.
  - Creating test campaigns to find out if consumers are really getting the message.
  - Updating the brand frequently.
  - Offering a customer service to answer questions.

Repositioning (Examples)

- It responds to the change of market demand or it´s aimed to reach more profitable segments.

- It uses the same tools as positioning, i.e. marketing communication in order to establish new image or product.

- Challenge, especially for brands that are well known to the public.
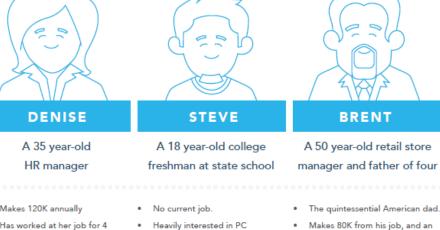
Questions

- What is positioning?

- What kind of questions should the company answer before making position?

- What are the factors of successful positioning?

- What kinds of positioning mistakes do we know?

- What is repositioning?

Personas ([Template](#))

- Buyer persona is a semi-fictional representation of your ideal customer.

- Characters created to represent the different user types within your targeted demographic, attitude and/or behaviour set that might use your solution.

DENISE
A 35 year-old HR manager

- Makes 120K annually
- Has worked at her job for 4 years, is married with one kid.
- Both parents work.
- Her hobbies are biking, hiking, and fishing.
- Generally outdoorsy, with a solidly Type-A personality.
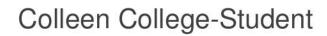- Buys work products online.

STEVE
A 18 year-old college freshman at state school

- No current job.
- Heavily interested in PC gaming, with additional interests in college football, and guitar/music in general.
- Undecided major, but smart with good overall grades.
- Does not keep up with fashion trends.

BRENT
A 50 year-old retail store manager and father of four

- The quintessential American dad.
- Makes 80K from his job, and an additional 30K from a military pension.
- Two children are in college, and the other two are in high school.
- Hobbies are golfing and reading.
- Frequently buys discounted consumable goods online.

The basic marketing persona template

- Name of the persona

- Job title
  - Key information about their company (size, type,...)
  - Details about their role

- Demographics
  - Age
  - Gender
  - Salary / household income
  - Location: urban / suburban / rural
  - Education
  - Family

- Values / fears
  - Primary values
  - Common objections during sales process

- Goals and challenges
  - Primary goal
  - Secondary goal
  - How you help achieve these goals
  - Primary challenge
  - Secondary challenge
  - How you help solve these problems

The basic marketing persona template

- Additional persona information specific to your customers

  – Hobbies

  – Real quotes from interviews with customers

  – Computer literacy

  – Where they get their news

  – Blogs they read

Colleen College-Student

Goals:
- To graduate college on time
- Be as financially dependent from her parents as she can
- To stay healthy and active while in college

Challenges:
- Balancing her challenging school load with her extracurricular
- Finding enough time in the day for everything

How we help:
- Offer affordable food that is quick and healthy

Thank you for your attention ☺