

Segmentation, Targeting and Positioning

Kartiki Khandelwal¹, Tushar Jakhar², Tanisha Khandelwal³

¹Student, Computer Science Engineering, NMIMS College, Maharashtra, India

²Student, EXTC Engineering, NMIMS College, Maharashtra, India

³Student, Mechanical Engineering, IIT Bombay, Maharashtra, India

Abstract - These days businesses do not have enough resources to fulfill the requirements of all their customers and that too every time. It is also very difficult to cater the requirements and needs of each and every individual. There are so many people in this world with such a huge diversity in their choice and preferences too, so it becomes very difficult to design a product that meets up their expectations and satisfy them fully. Therefore, companies are leaving up their old strategy of undifferentiated marketing and coming up with target marketing. It involves segmenting and dividing up the markets and its customers based on their similarities in choices and designing products which caters them specifically. It is oriented towards customers wants and needs. The managers select and serve those segments which will be most profitable and feasible for them to produce. Accordingly, they change their marketing mix elements comprising of products, their prices, distribution channels and marketing and promotional strategies which will fill up the requirements of individual set of customers. This chapter elaborates and explains the three phases of marketing namely segmentation, targeting and positioning. Applications of STP in the companies have also been illustrated.

Segmentation, positioning and targeting are those tools and vital elements of marketing that are useful for increasing and achieving a competitive advantage by a firm over its competitors in the market. They are main disciplines in marketing strategy. In not taken care of properly then any faults and mistakes in this area can lead to failure which can be costly and if done properly then it leads to success.

Key Words: Target marketing, segmentation, positioning, marketing mix

1. INTRODUCTION

Target marketing is a strategy that involves identifying and selecting most economic and profitable segments and sectors of a company to cater. It is very different from mass marketing and product marketing where companies decides to produce and distribute a single products to its all customers and offers many variety of products to a big market respectively. The aspect of strategy is very critical for a company. There are three ingredients of strategy that is segmentation, targeting and positioning. STP is very important for a company in order to get the fetch the right customers. It enables the company to understand where it stands with respect to its competitors. It can also serve as a tremendous source of brand differentiation, targeted advertising and new product development for the purpose of development of a competitive edge. It also helps in the identification of and location of the various opportunities by properly analyzing and identifying new customers within the market.

Segmentation is understanding that the whole actual market is equivalent and same, but is the company's perceptive on the market which could serve as a differentiating factor between its various competitors. With segmentation, the company becomes more specific in developing a product and fulfilling the needs of its targeted market. The company decides the segments which it wants to enter after it has finished classifying, segmenting and grouping the market into set of its potential customers. Finally, comes into play positioning. After penetrating the market and adapting the resources of the company according to the segment the company must be able to create a credible position.

Its main target is to create a competitive advantage that is sustainable so that the brands positions high in the minds of the people. In order to achieve this, its products should be valued as important and unique by its customers. The company should use these strategies in influencing and affecting the purchasing decisions of its customers.

The marketers of STP make efforts to highlight the segments and direct marketing activities in which they are confident that their business that do better than their competitors. Unlike the traditional marketing strategies which are more focused on the product, the STP strategies concentrate more about its consumers. The model is very useful and critical when we have to form and develop communication strategies of marketing as it helps the marketers in prioritizing the propositions and forming and sending personalized and customized messages to involve with different audiences.

2. SEGMENTATION

It is a process which involves grouping a market which is heterogeneous in nature into segments and groups that have certain relationship in their wants, behaviors or responses to marketing businesses. It can also be defined as a group of **customers** who share similar set of interests. It is a customer oriented procedure. After the segments have been decided the marketers must consider which segments to consider further. The more diverse the customers the more different will be their expectations. For example, there will be some customers for whom high quality will be most important and on the other hand there will be some for whom price will be most important. Its main aim is to identify the segments that would be of high yield.

2.1 Benefits

1. Gain a better understanding of the customer, their needs and wants and enhance their relationships.
2. Helps business in improving and achieving the requirements of customers as per the expectations.
3. Helps in evaluating and identifying the strengths and weakness of their competitors.
4. Helps in identifying and discovering new business opportunities and also which are not properly taken care of.
5. Helps in discovering the resources in a better way that could lead to the development of a properly organized marketing programme.

2.2 Segmentation Variables

It can be divided into 5 categories which are:

1. Demographic :

It uses physical and factual data in order to group the market into various segments. Its variables include:

- Age and Life-cycle stage: Consumers wants and abilities change with age.
- Life stage: It defines and relates to the person's major concern such as whether the person is going through a divorce or a second marriage.
- Gender: Men and women have different attitudes and behave differently; reasons may include genetic makeup and socialization.
- Income: It comprises of dividing people on the basis of their levels of income earned.
- Generation

2. Geographic:

It comprises of identifying the relevant markets which have the potential according to their physical location. Its variables include climate, natural resources, population density and climate. Markets can be identified and divided into various sectors because of the existence of these variables which have the power to differentiate customers from one region to next. For example, people residing in cold and wet climate are likely to favor sunny and warm places for spending their vacations. This factor would heat up the competition between various airlines especially in the period of peak holiday seasons for certain destinations.

3. Psychographic:

It is used to divide the market based on motives, interests, personality traits, values and lifestyles of the people. These variables come into play when the behaviors exhibited by the customers while purchasing match with the personality of the customers. The most popular classification used here is Strategic Business Insight's (SBI) VAL's framework. Its main dimensions include consumer motivation and consumer resources.

4. Behavioral Segmentation:

This type of segmentation is related to the purchase behaviour exhibited by the individuals. It considers into account the frequency and volume of products being shopped. Its variables include:

- Needs and benefits
- Decision Roles: Initiator, Influencer, Decider, Buyer and User.
- User and usage-related variables : Occasions , User Status , Usage rate , Buyer-readiness stage

- Buyer-Readiness Stage
- Loyalty status : Hard-core loyals , Split Loyals , Shifting Loyals , Switchers
- Attitude

5. Product-related Segmentation:

Its variables take into account the product or the service which has to be marketed.

2.3 Steps in Segmentation Process

1. Needs-Based Segmentation :
2. Segment Identification
3. Segment Attractiveness
4. Segment Profitability
5. Segment Positioning
6. Segment Acid-Test: It involves creation of segment storyboard to test the attractiveness of each segment's positioning strategy.
7. Marketing-Mix Strategy

2.4 Requirements for Effective Segmentation

Measurability: The purchasing power and the size of the segment should be measurable. It must be feasible to collect important information on different characteristics of the market.

Substantiality: It is defined as the level to which the various segments are profitable enough in order to be valuable to be pursuing with the so called 'tailored' programmes of marketing.

Accessibility: It is defined as the extent to which the various segments could be reached and served. For example, it is a wastage of money to conduct a lump sum television advertising campaign during the off peak daytime for business class people.

Action ability: It is associated to the level or extent to which the programs that are effective can be redesigned again to attract and maintain relationships with the concerned segments.

Differentiable: The segments should be distinguishable and should respond differently to different marketing-mix elements and programs.

2.5 Uses of Effective Segmentation

Basically there are four types of opportunities and products offered by market. These include:

1. **Market Penetration:** It involves entering the market and increasing the share of sales in the current market. This can be achieved by capturing the sales and customers from our competitors.
2. **Product Development:** It involves presenting newer, better and improves versions of products to present markets through product expansion
3. **Market Development:** Finding new applications of our products and selling them to new markets.
4. **Diversification:** It involves offering and presenting new products to customers and thus penetrating new markets.

3. TARGETING

It is defined as a process that involves evaluating the attractiveness related to each segment and then accordingly selecting which characteristics to serve and work on. It involves various problems such as deciding, electing and reaching the market. Targeting should be measurable, distinct, accessible and profitable.

We can use three alternatives namely undifferentiated marketing, differentiated marketing and concentrated marketing for the purpose of market coverage.

3.1 Undifferentiated marketing strategy:

It is such a strategy that does not take into concentration any kind of differences in the market. It is an indication of lack of effective market segmentation. Therefore, in this type of market strategy the customers are approached with only one market offer. Since at this point of time with such a huge number of customers with different needs and wants it would not be possible for a business to make a product which caters to all. It involves the implementation of a single marketing strategy for all the products. It is an expensive approach that could be implemented in the sectors have less segmented differentiation. Main advantage of using this type of strategy is that it keeps the total cost down which comprises marketing research, production, advertising and production. It can be used if the new product developed is in the "Introduction" stage of life-cycle.

3.2 Differentiated marketing:

In this type of marketing strategy large number of segments are targeted. It deals with creating an individual product along with a marketing plan particularly designed separately for each and every segment. The objective of this type of marketing strategy is higher sales volume and stronger position in the market. Thus, it involves conducting a detailed market research for each of its selected segments. Thus, it involves more cost. So, it is very important to list out the services that are critical for its segments. If the company's competitors use differentiated marketing strategy then it should also follow the same strategy.

3.3 Concentrated Marketing:

The companies which have limited resources and small budget will usually identify and target one or few sub-segments and markets/ for a segment successfully chosen there is huge possibility for the firm earning high rate of return on investment. There is also high risk factor involved in this marketing strategy.

4. POSITIONING

It is defined as a process that involves crafting the image and perception of a company and putting it to be in a space that is different in the mind of the targeted market. In involves putting a product in a way such that it creates a clear and differentiate place compared to its competitive products in the minds of its customers. It is considered to be a modest tool in the terms of marketing when it comes to building an image. Appropriate analysis of the consumers is the core of positioning. It is a tool which enables differentiation between various products and services and attracts and affects the customers and their buying decisions. There are two aspects of positioning comprising of functionality of brand and the way the companies communicate their principles to its customers.

For positioning to become effective, a propositioning statement or a value proposition becomes essential. It is defined as a promise or a guarantee that is provided by business to its prominent customers of offering and delivering them with a huge range of value-creating benefits. It also plays a critical role in shaping the decision making activity of the consumers. It can also be seen in the statements reflecting the mission and vision from a corporate perspective. From the eyes of a customer, it can be defined as a measure of measuring the pros and cons of using a product or a service. It helps in understanding the behaviors exhibited by the customers while purchasing, their buying timing and also the feelings and emotions shown by them while making a purchase.

In order to create an amazing value proposition, creation of a positioning map can be done. It is a visual tool that enables the understanding of the complexity of different processes at a ease. It helps in building up a geometrical comparison between the various rivalry products competing in the same market or industry. According to this, if the various competing brands are clustered together it indicates an excellent competition among them. The farther they are clustered indicating less competition so offering good opportunity to new players.

There are four important characteristics for effective product positions.

First, they are constructed around the interest of expected customers.

Second, they serve as a differentiation factor between a specific company's product and its key competitors.

Third, the firms need to have the required resources, skills and credibility in order to deliver on the implied statements and promises that are stated.

Fourth, an impressive position is permissible, which means that a destructive competitor cannot act immediately to offset or acquire another positioning strategy.

4.1 Steps involved for Determining a Positioning Plan:

Step 1: Identifying the segments in a specific market.

Step 2: Considering which segment to point and target.

Step 3: Understanding and recognizing the expectations of the customers and considering the factors that are most important according to them while making decisions regarding purchase.

Step 4: Developing and presenting a product that fulfils these needs and expectations of the customers specifically.

Step 5: Calculating the position as recognized by the customers of the competitors products.

Step 6: After analyzing the requirements and expectations of the customers of our products and of those competitors' products an image is selected that differentiates the brand from competitors. The image selected should be such that it matches the expectations and aspirations its concerned customers. The image and position selected should be credible.

Step 7: The marketer must say its customers regarding the product and its promotion. The product should be easily accessible to its customers and at the right price leading to full marketing mix.

5. APPLICATIONS

We have studied the STP strategies adopted by various companies:

1. Barclays: It is a UK-based bank which has incorporated hybrid based segmentation model and has adopted four types of segmentation as discussed below:

- i. Type of business (Private , personal , premier and small business)
- ii. Operational Segmentation (On the basis of wealth and age)
- iii. Executional segmentation
- iv. Attitudinal segmentation

Figure 1: Hybrid Segmentation Model at Barclays

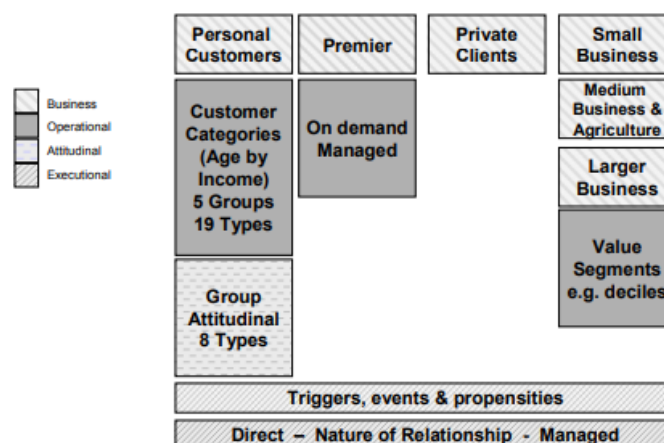


Figure 1: Hybrid Segmentation Model at Barclays

Applying Segmentation:

The operational segmentation is mainly used for planning, formulating strategies related to marketing and finally evaluating them. Executional segmentation is used for improving the customer base management of the existing customers. On the other

hand, attitudinal segmentation is useful for planning media related events and activities, development of the proposition and handling and solving communication related issues.

2. British Telecommunication plc

Generating Segmentation:

It defines customer segments on the basis of value which considers potential value; industry sector; and on the basis of business needs.

This segmentation has defined four types of buyers:

1. Low involvement
2. relationship seekers
3. demanding
4. price-sensitive

6. CONCLUSIONS

We can arrive at a conclusion that STP serves as a valuable tool in order to visualize the competitive nature in the market. It becomes impossible to satisfy all customers so it becomes very essential for a company to divide and select the specific parts of the market which they are capable of serving the best. Hence, target marketing becomes very critical. Marketing mix should be designed by aiming and keeping these sectors in mind.

Segmentation can be defined as identification and classification of customers into groups on the basis of their similarities in their characteristics. This process offers a range of advantages as it gives the power to the manager to design a separate plan and strategy for each segment. Various behaviors of marketing namely demographic, geographic, psychographic, behavioral and product-related have also been discussed here.

Irrespective of the method chosen and applied the main outcome and issue to be achieved is the utility of the final solution. The segments developed should be such that they offer an edge over the competitors since they become attractive.

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