Overview of market segmentation, targeting, and positioning

Broad markets consists of numerous customers with diverse requirements. It is difficult and insufficient for a company to serve broad and diverse markets. Given limited advertising budgets, it becomes important for a company to maximize efficiency. This is possible by dividing or segmenting the market into specific market segments defined by certain characteristics.

Target marketing requires the following three steps:

1. **Market Segmentation**: identifying and profiling distinct groups of buyers who might require separate products or marketing mixes
2. **Market Targeting**: selecting one or more market segment to enter
3. **Market Positioning**: establishing and communicating the product’s key distinctive benefit in the market

**Market Segment And Market Segmentation**
- A market segment is a group of consumers who respond similarly to market stimuli
- Market stimuli = market mix
- Who is my consumer?
- Market segmentation is the process of delineating consumers into distinct market segments each of which requires a different marketing mix

**Segmenting Consumer Markets**
- Marketers can apply specific variable in segmenting consumer markets
- Variables related to consumer characteristics
  - Demographic, geographic, psychographic
- Variables related to consumer responses
  - Behavioral
- Segments formed area analyzed to see different characteristics are associated with each segments

**Why segment the market?**
- Identify consumer needs and wants
- Identify competition
- Focus marketing efforts to reach customers
- Optimize allocation of marketing resources
  - Identify opportunities of new products
  - Align market needs and business strengths

**Market Segmentation**
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Demographic Market Segmentation Variables

- Geographic market segmentation variables
  - Demographic Segmentation
    - Gender
    - Age
    - Family life cycle
    - Race/Ethnic group
    - Education
    - Income
    - Occupation
    - Family size
    - Marital status
    - Home ownership

Psychographic Market Segmentation Variables

- Psychographic Segmentation
  - Lifestyles
    - Psychological variables
      - Personality
      - Self-image

Behavioral Market Segmentation Variables

- Behavioral Segmentation
  - Potential Markets
  - Benefit Segmentation
    - Expected benefits from product use

- Geographic Segmentation
  - Country
  - Region
  - Urban/Suburban/Rural
  - Population density
  - City size
  - Climate

- Demographic Segmentation
  - Gender
  - Age
  - Family life cycle
  - Race/Ethnic group
  - Education
  - Income
  - Occupation
  - Family size
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Exercise

- Psychographic segments of the diabetes market
  - Ideal patient 25%
  - Philosophers 20%
  - Victims 24%
  - Strugglers 31%

- Psychographic market segmentation variables

- To be useful a segment should be
  1. Homogenous
     - the people within the segment are all similar
  2. Heterogenous
     - the people between segments should be very different
  3. Substantial
     - the segment should have enough people to make to worthwhile
  4. Operational/actionable/accessible
     - the dimensions should be useful
• Ideal patient
  - Display a mature and responsible attitude toward their disease
  - Actively manage their disease
  - Open to new therapy and education

• Philosophers
  - Display a contradictory but positive attitude toward their disease
  - Relatively disinterested in managing their disease
  - Not necessarily open to new disease therapy and education, particularly if those therapies or education requires efforts on their part

• Strugglers
  - Display disbelieving attitude toward their disease
  - Attempts to manage their disease
  - Open to new therapies and education but often feels discouraged and helpless

• Victims
  - Display a defeated attitude toward their disease
  - Do not manage their disease
  - Not open to new therapies and education

• The Market Segmentation Decision Process
  - Group consumers in a way that minimize differences within the group and maximize the differences between the groups with respect to characteristics that effect their consuming behaviors
To make sure you have the best Market Matching Strategy, you have to take the following factors into consideration:

- **Single-Offer Strategy**
  - The attempt to satisfy a large or a small market with one product and a single marketing program.
  - Usually, this strategy is done by a company that does not have the money to support the production and sales of many different types of products.

- **Multi-Offer Strategy**
  - The attempt to satisfy several segments of the market very well with specialized products and unique marketing programs aimed at each segment.
  - Levis - in the beginning - a single-offer strategy. As jeans became more popular, different styles shapes and also different types of clothing, (shirts, jackets etc.)
  - Jeans - slim, bootcut, hiphugger, bells, flare, painter pants etc.

The core of the firm’s strategy is to make sure the products they want to sell (the product offerings) is what the people want to buy, in each market segment.

Market segmentation can take many forms:
- you can have one whole market
- you can have many small segments with a different marketing plan for each segment

To make sure you have the best Market Matching Strategy, you have to take the following factors into consideration:

1. Company Resources
2. Differentiability
3. Stage in Product Life Cycle
4. Competitors Strategies
5. Size of Segment

Single-Offer Strategy
- Danger -
  - It is very easy for a competitor company to copy your single product, and sell it at a lower price, and take away all your customers.
**Stage 1**
- Identify market segmentation process
- What are the market segments?

The process starts when a company looks at the potential customers and identifies those customers as having particular characteristics - these characteristics will allow the marketing company to classify them into market segments.

The segments should be selected so that you can group together customers who have similar needs.

**Stage 2**
- Develop a relevant profit for each segment
- What are the component for each market segment?

Once the segments have been identified, you should develop a profile of the relevant customer needs and behaviors in each segment.

What does your customer look like (profile) !!
What do they like !!
What do they do !!
- You need this description to be very precise in order to make your marketing “match” the needs of the customer.

**Stage 3**
- Forecast market potential
- What is the relative value for each market segment?

You create a “Forecast” of the market potential within each segment.

This is the “go, no-go” stage. When you are at this stage you gather the information on sales potential to determine whether you can go further ahead and justify further analysis.

*Forecast - “what if” - an expectation of future action.*

**Stage 4**
- Forecast own market share for each market segment
- What proportion of each market segment will we capture?
- Estimate cost benefit for each market segment
- What are our costs and benefits for each market segment?

Once the market potential has been estimated, you have to determine how much of that market you can obtain (what “market share” can you capture).

Then you develop specific marketing strategy for the segments you are trying to develop.

**Stage 5**
- Analyze competitive forces within each segment
- What is the internal and external competition in each market segment?
- Determine marketing mix (product, promotion, place, price) to serve each segment
- What is our marketing plan/ marketing strategy for each market segment?
I will not say I failed 1000 times, I will say that I discovered there are 1000 ways that can cause failure.

**Stage 5**
- Do benefit achieve company goals and justify development in each segment?
- Select specific market segment

Finally, you take all this information, and identify specific target markets.