

## *Lesson 6:*

### **Market Segmentation:**

Market segmentation is defined as “the process by which a market is divided into distinct customer subsets of people with similar needs and characteristics that lead them to respond in similar ways to a particular product offering and strategic marketing programme”.

Mass marketing is one marketing approach for all customers

One-to-one marketing is customised approach for each customer

Most organisations fit somewhere inbetween these approaches

Effective segments:

- Adequate size – is segment profitable enough (larger enough)
- Measurability – can info about buyers be obtained
- Accessibility – can the firm make contact with the market
- Responsiveness – are the segments different from each other
- Compatibility – do the firms strengths match the state of the market

### Broad Steps (STP)

1. Defining the market – all actual and potential buyers of a product

Organisations need to define the market they're in, not too narrow

2. Segmenting – dividing the market

Segmentation variables:

-Demographic/social

Age, sex, location, family size, family life cycle, income, occupation, education, religion, nationality

Geodemographics: combine elements of geography and demography

-Psychographic

Lifestyle (activities, interests, opinions) or personality characteristic or values

Consumer's predisposition to behave in a certain way

-Behavioural

Knowledge of attitude towards uses for and responses to a product

Usage patterns and value sought from use (purchase occasion, user status, usage rate, user loyalty status, attitude towards product and product category)

-Benefits sought

Delivery, product features, price/service

Identify market segments by causal factors rather than descriptive factors

Benefits sought by consumers determine their behaviour much more accurately than do demographic characteristics

Segments will often be unique to each product category, however some benefits may be common (e.g. low price buyers)

Segment profiling: Define market → select basis for segmentation → conduct research (use an agency if discovery orientated) → profile segments

Bases for segmenting business markets: Industry (mining manufacturing, reselling), organisational characteristics (size, location), product application (raw materials, resale), situational factors (urgency, application, order size), and individual variables (personal characteristics of the buyer(s))

3. Targeting – choosing one or more of those segments to focus marketing on

Developing marketing programs (including products) that are tailored for each segment

Factors to consider in deciding which segment to target:

-Segment size and growth (sales, growth rates, profits)

-Segment structural attractiveness (competitors, substitutes, power of buyers, power of suppliers)

-Company objectives and resources (objectives, resources, strengths, skills, superior value)

Market coverage strategies:

A. Undifferentiated marketing (mass marketing)

B. Differentiated marketing (segmented)

C. Concentrated marketing (just choosing one segment, used by smaller organisations)

Choosing the best strategy will depend on company resources, product variability, stage in product life cycle, market variability and competitors' strategies

4. Positioning – directing your marketing activities towards the people in that segment

Process of creating in the mind of consumers an image, reputation or perception of the organisation or its products relative to competitors

Process:

- Determine the position that the brand and its competitors currently occupy in the minds of the consumers
- Determine the ideal point – the position that perfectly matches the target segment's ideal attributes
- Decide whether to continue or modify the current positioning strategy (repositioning: change existing perceptions, attitudes and beliefs; this happens if customers needs and fashions are changing, competitor repositioning or too similar, technology advance, changes in government regulations)
- Develop a positioning strategy (positioning statement: a clear and precise expression of how the brand is to be communicated to the market); (can use positioning (perceptual) map)

Identifying competitive advantages – “an advantage over competitors gained by offering consumers great value”; product differentiation (performance, style, design, durability), services differentiation (delivery, installation, repair, training), personnel differentiation (employees' competence, skills, knowledge), image differentiation (company image, brand image)

The marketing mix – the controllable variables the company puts together to satisfy target markets and achieve the firm's objectives (product, price, place, promotion)

Extended marketing mix – 4 P's and physical evidence (the environment in which the service is assembled and where the firm and customer interact), participants/people (all human actors who play a part – employees and other customers) and process (procedure, mechanisms and flow of activities)