

**MS.SHREYA SINGHVI**

## **PRINCIPLES OF MARKETING**

### **UNIT-II**

#### **TOPICS COVERED:**

1. Segmentation: Levels and Basis of Segmentation
2. Targeting and types of Targeting
3. Positioning and positioning strategy

#### **STP MODEL (SEGMENTATION, TARGETING, POSITIONING)**

A successful marketing plan needs proper segmentation, targeting, and positioning. The process of segmentation, targeting, and positioning is called STP Model ((segmentation, targeting, and positioning).

For a brand and its products to be successful, the marketer needs to identify the segments of the market and understand under which bases each segment falls. Once the segments are identified, targeting's job is to find suitable ones for the brand that has the potential for high sales numbers, growth, and low competition. Lastly, marketing positioning takes over. Its job is to develop a marketing mix that puts the product in a unique position to the targeted segments for attracting potential buyers.

#### **MARKET SEGEMENTATION (LEVELS AND BASIS)**

The first stage is market segmentation, dividing a market into smaller groups of buyers with distinct needs, characteristics, or behaviours who might require separate products or marketing mixes. The company identifies different ways to segment the market and develops profiles of the resulting market segments.

Segmentation has to perform two tasks:

1. Identify the bases for segmenting the market.
2. Develop profiles of resulting segments

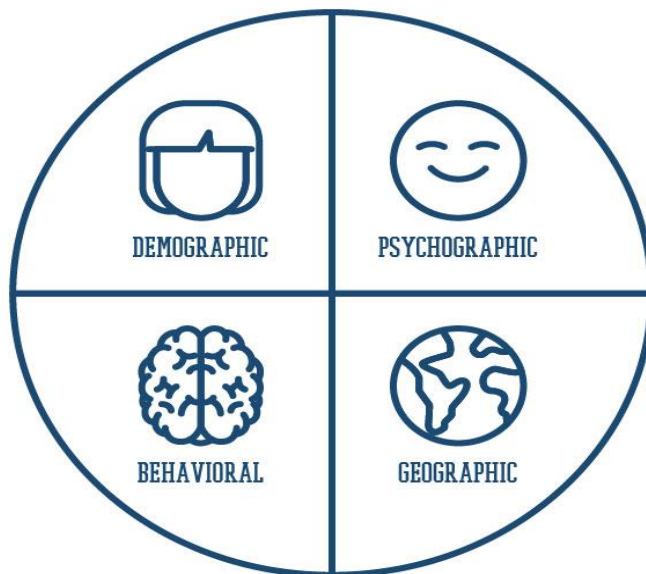
1. Identify the bases for segmenting the market.

A brand needs to select the bases properly for the market segmentation. Depending on the market type, the bases or types of market segmentation will vary.

There are four bases broadly used for segmentation of market for the consumer market, the bases of segmentation are;

- Geographic Market Segmentation
- Demographic Market Segmentation
- Psychographic Market Segmentation
- Behavioural Market Segmentation.

## *4 Types of* **MARKET SEGMENTATION**



For segmentation of the business market, the bases are

- Demographics
- Operating Variables
- Purchasing Approaches
- Situational Factors
- Personal Characteristics
  - **Demographic Segmentation**

Demographic segmentation is one of the most popular and commonly used types of market segmentation. It refers to statistical data about a group of people.

### **Demographic Market Segmentation Examples**

- Age
- Gender
- Income
- Location
- Family Situation
- Annual Income
- Education
- Ethnicity

Where the above examples are helpful for segmenting B2C audiences, a business might use the following to classify a B2B audience:

- Company size
- Industry
- Job function

As, demographic information is statistical and factual, it is usually relatively easy to uncover using various sites for market research.

A simple example of B2C demographic segmentation could be a vehicle manufacturer that sells a luxury car brand (ex. Maserati). This company would likely target an audience that has a higher income.

Another B2B example might be a brand that sells an enterprise marketing platform. This brand would likely target marketing managers at larger companies (ex. 500+ employees) who have the ability to make purchase decisions for their teams.

## **Psychographic Segmentation**

Psychographic segmentation categorizes audiences and customers by factors that relate to their personalities and characteristics.

### **Psychographic Market Segmentation Examples**

- Personality traits
- Values
- Attitudes
- Interests
- Lifestyles
- Psychological influences
- Subconscious and conscious beliefs
- Motivations
- Priorities

Psychographic segmentation factors are slightly more difficult to identify than demographics because they are subjective. They are not data-focused and require research to uncover and understand.

For example, the luxury car brand may choose to focus on customers who value quality and status. While the B2B enterprise marketing platform may target marketing managers who are motivated to increase productivity and show value to their executive team.

### **Behavioral Segmentation**

While demographic and psychographic segmentation focus on who a customer is, behavioral segmentation focuses on how the customer acts.

### **Behavioral Market Segmentation Examples**

- Purchasing habits
- Spending habits
- User status
- Brand interactions

Behavioral segmentation requires you to know about your customer's actions. These activities may relate to how a customer interacts with your brand or to other activities that happen away from your brand.

A B2C example in this segment may be the luxury car brand choosing to target customers who have purchased a high-end vehicle in the past three years. The B2B marketing platform may focus on leads who have signed up for one of their free webinars.

### **Geographic Segmentation**

Geographic segmentation is the simplest type of market segmentation. It categorizes customers based on geographic borders.

### **Geographic Market Segmentation Examples**

- ZIP code
- City
- Country
- Radius around a certain location
- Climate
- Urban or rural

Geographic segmentation can refer to a defined geographic boundary (such as a city or ZIP code) or type of area (such as the size of city or type of climate).

An example of geographic segmentation may be the luxury car company choosing to target customers who live in warm climates where vehicles don't need to be equipped for snowy weather. The marketing platform might focus their marketing efforts around urban, city centers where their target customer is likely to work.

## **2. Develop profiles of resulting segments**

From the bases, the market segmentation process develops a profile of a suitable group of customers or buyers that will provide the most sales. This segment(s) needs to be measurable, actionable and has growth potential.

### **Benefits of Market Segmentation**

The importance of market segmentation is that it makes it easier to focus marketing efforts and resources on reaching the most valuable audiences and achieving business goals.

Market segmentation allows you to get to know your customers, identify what is needed in your market segment, and determine how you can best meet those needs with your product or service. This helps you design and execute better marketing strategies from top to bottom.

#### **1. Create stronger marketing messages**

When you know whom you're talking to, you can develop stronger marketing messages. You can avoid generic, vague language that speaks to a broad audience. Instead, you can use direct messaging that speaks to the needs, wants, and unique characteristics of your target audience.

#### **2. Identify the most effective marketing tactics**

With dozens of marketing tactics available, it can be difficult to know what will attract your ideal audience. Using different types of market segmentation guides you toward the marketing strategies that will work best. When you know the audience you are targeting, you can determine the best solutions and methods for reaching them.

### 3. Design hyper-targeted ads

On digital ad services, you can target audiences by their age, location, purchasing habits, interests, and more. When you use market segmentation to define your audience, you know these detailed characteristics and can use them to create more effective, targeted digital ad campaigns.

### 4. Attract (and convert) quality leads

When your marketing messages are clear, direct, and targeted they attract the right people. You draw in ideal prospects and are more likely to convert potential customers into buyers.

### 5. Differentiate your brand from competitors

Being more specific about your value propositions and messaging also allows you to stand out from competitors. Instead of blending in with other brands, you can differentiate your brand by focusing on specific customer needs and characteristics.

### 6. Build deeper customer affinity

When you know what your customers want and need, you can deliver and communicate offerings that uniquely serve and resonate with them. This distinct value and messaging leads to stronger bonds between brands and customers and creates lasting brand affinity.

### 7. Identify niche market opportunities

Niche marketing is the process of identifying segments of industries and verticals that have a large audience that can be served in new ways. When you segment your target market, you can find underserved niche markets that you can develop new products and services for.

### 8. Stay focused

Targeting in marketing keeps your messaging and marketing objectives on track. It helps you identify new marketing opportunities and avoid distractions that will lead you away from your target market.

## TARGETING (TYPES)

The second step is market targeting—evaluating each market segment's attractiveness and selecting one or more of the market segments to enter. In evaluating different market segments, a firm must look at 3 factors:

- **Segment size and growth:** Analyze current segment sales, growth rates, and expected profitability.

- **Segment structural attractiveness:** Level of competition, Substitute products, Power of buyers, and Powerful suppliers.
- **Company objectives and resources:** Examine company skills & resources needed to succeed in that segment. Offer superior value & gain advantages over competitors.

After evaluating different segments, the company must now decide which and how many segments it will target. The target market consists of buyers sharing common needs or characteristics that the company decides to serve.

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There are 4 primary targeting strategies used by businesses, to target a specific market.

# Market Targeting Strategies



## 1. Undifferentiated Marketing

Often referred to as mass marketing, the undifferentiated strategy basically ignores the differences between market segments and treats the entire market as one, single target. Fundamentally, there is no targeting at all. Everyone is a potential customer.

Let's imagine the entire market as one big cake. The undifferentiated market targeting strategy doesn't take a single slice or a half or even three-quarters of the treat. It takes the whole thing.

The point of mass marketing is to reach as many people as possible, in the hope that they get on board with your brand. One advantage of this approach is that it's cost-effective. It's cheaper for brands to manufacture goods and produce content that is targeted to, well, everyone.

Mass marketing usually occurs when a brand has a product or service that has a high market appeal. This is most common when it comes to things that people



will always need or want. Like toothpaste, toilet roll, washing up liquid, furniture, and so on.

Take IKEA, the Swedish-founded multinational retailer: They mostly sell general home ware, kitchen appliances, and ready-to-assemble furniture. And I think we can all agree, it's just generally quite a fun place to walk about in, too. But that's not the main point. The main point is that IKEA wins at undifferentiated marketing because of its huge, mass appeal.

Undifferentiated market targeting can be quite appealing to some brands as it appears a lot less risky than more segmented, precise forms of targeting. It undoubtedly works for some of the big guys like IKEA, but it's argued that this targeting strategy is on its way out.

Because brands that mass-market run the risk of increased competition and over-exposure. But, in fact, it's primarily because consumers today want to be treated as unique individuals, with highly personalised products, content, and messages.

## **2. Differentiated Marketing**

Differentiated market targeting offers us a little more depth and clarity. It's otherwise known as 'segmented' marketing and entails isolating a number of (generally two or more) primary target segments that have the most potential value for the company.

Once a brand has defined those few targets, the plan is then to develop separate marketing strategies for each.

This type of market targeting is one of the most common. It makes sense for brands to identify several market segments and then design separate, concentrated strategies for each. In this way, companies don't just constantly

churn out products that are all the same, with no uniqueness, in the hope that consumers will just eat-up whatever is offered to them. Segmented market targeting understands that consumers fit into different groups that require, and respond well to, personalisation.

Take the iconic sportswear brand Nike, for example. In terms of footwear, they mostly sell trainers. But they wouldn't get very far simply advertising one, single brand 'trainers'. Like most other clothing brands, Nike offer different products for different segments.

They love selling trainers, and they love selling trainers to you. But who are you? Are you a runner, weightlifter, cyclist, gym-goer, golfer, outdoorsy-type, or someone who simply loves sports footwear fashion? Well if you answered yes, or even 'no', to any of those options, Nike will have the footwear you're after.

Unlike undifferentiated, segmented targeting gets the benefits of avoiding over-exposure to consumers and dodging walls of competitors. I mean, not completely dodging them but sort of evading some of them, like an intermediate matador.

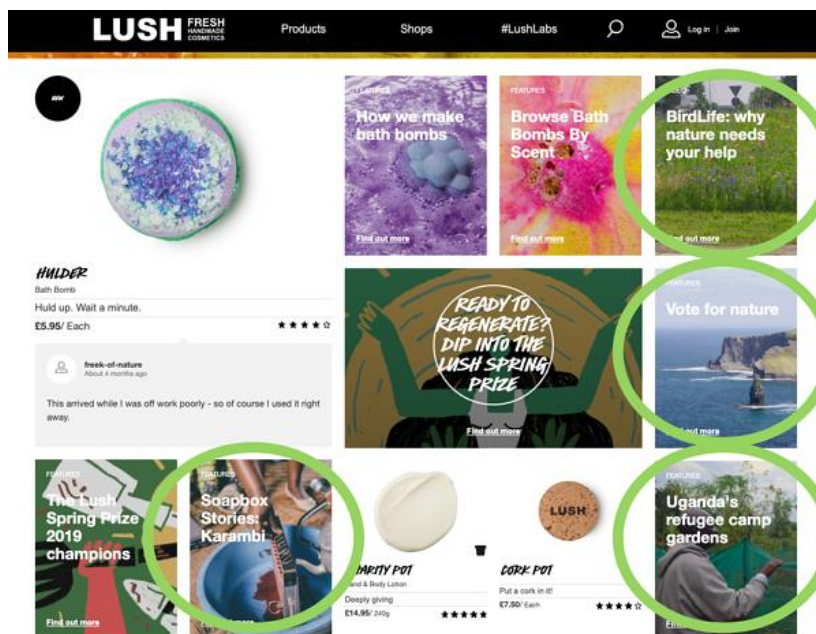
Brands that use differentiated targeting are likely to see success that is more consistent than undifferentiated, as their offerings will be more personalized and focused. Consumers will appreciate this. And will thus have more loyalty to the brand that offers them distinctively featured products, opposed to the brand that offers the same things as every other company, but at a cheaper price.

### **3. Concentrated Marketing**

Concentrated marketing is often called 'niche marketing'. In keeping with the cake metaphor, concentrated marketing doesn't take the whole cake, half or even quarter-slices. It takes just one, small, exact slice which has some kind of specific, desired attribute on top. Like a piece of chocolate or a nut.

Essentially, niche marketing puts all of its focus on one, or a few, narrow, specific consumer groups. Brands channel all of their marketing efforts towards their uniquely defined segment of the population, with the aim of owning this particular segment over their competitors. This way, the brand aims to reach its growth potential and create thriving brand loyalty and long-lasting relationships with its ideal consumer group.

Take Lush, for example. This eco-friendly cosmetics retailer sets itself apart from the competition by seeping its strong, undying ethical message from every physical and digital pore available. This is clear when looking at their website's homepage alone:



Source: [Lush](https://www.lushcosmetics.com/)

At least half of their website is dedicated to fighting animal testing; fighting over-use of plastic packaging and raising awareness of climate change. And this is exactly how they define and promote their niche.

Yes, that's right. Lush is a little bit different when it comes to traditional marketing, in the sense that, well, they don't really do it. Pretty much all of their

marketing relies on word-of-mouth and a little social media, where they predominantly share original and user-generated content (UGC). And it really works.

Being niche has more benefits than just personalisation for consumers, though. Whilst narrowing segments of the population concentrated marketing also reduces competition. That's what we like to hear. It also leaves room for innovation as well as optimising brand loyalty and cutting company costs.

So, whilst concentrated marketing enables brands to streamline their marketing efforts and create unique, personalisation for their narrow target audience, it doesn't allow brands to *totally* know and govern those who interact with them or their products.

#### **4. Micromarketing**

Micromarketing goes just that one step further than concentrated marketing. In fact, micromarketing targets a specific group (localised micro segments), or individual, *within* a niche market. This strategy is highly targeted as all marketing efforts are focused on the distinct characteristics of these small groups or individuals.

A great example of a brand that successfully uses micromarketing is Groupon. Groupon is a digital marketplace where users are able to access coupons online for, well, almost anything. From holidays and retail products to sports massages and date nights. Groupon allows users to get location-based deals from almost any digital device. It was launched in 2008 and since then, Groupon has grown to be the most popular website for discounts and promotions in the United States. Yes, the global e-commerce marketplace is a pro when it comes to targeting users incredibly specifically.

Groupon prioritises the customer. And whilst some disadvantages of micromarketing (like potential difficulty to expand or higher cost per

acquisition) are apparent for many brands, the versatility of Groupon's offerings and their highly personalised and customisable discounts lead them to be almost exempt from this digital sterilisation.

In 2018, Groupon had over 48 million active users. This is super impressive considering that one of their competitors is the e-commerce giant, Amazon.

## **POSITIONING**

Market Positioning refers to the ability to influence consumer perception regarding a brand or product relative to competitors. The objective of market positioning is to establish the image or identity of a brand or product so that consumers perceive it in a certain way.

For example:

- A handbag maker may position itself as a luxury status symbol
- A TV maker may position its TV as the most innovative and cutting-edge
- A fast-food restaurant chain may position itself as the provider of cheap meals

### **Types of Positioning Strategies**

There are several types of positioning strategies. A few examples are positioning by:

- Product attributes and benefits: Associating your brand/product with certain characteristics or with certain beneficial value
- Product price: Associating your brand/product with competitive pricing
- Product quality: Associating your brand/product with high quality
- Product use and application: Associating your brand/product with a specific use
- Competitors: Making consumers think that your brand/product is better than that of your competitors

## **How to Create an Effective Market Positioning Strategy?**

Create a positioning statement that will serve to identify your business and how you want the brand to be perceived by consumers.

For example, the positioning statement of Volvo: “For upscale American families, Volvo is the family automobile that offers maximum safety.”

### **1. Determine company uniqueness by comparing to competitors**

Compare and contrast differences between your company and competitors to identify opportunities. Focus on your strengths and how they can exploit these opportunities.

### **2. Identify current market position**

Identify your existing market position and how the new positioning will be beneficial in setting you apart from competitors.

### **3. Competitor positioning analysis**

Identify the conditions of the marketplace and the amount of influence each competitor can have on each other.

### **4. Develop a positioning strategy**

Through the preceding steps, you should achieve an understanding of what your company is, how your company is different from competitors, the conditions of the marketplace, opportunities in the marketplace, and how your company can position itself.

## **Example of Market Repositioning**

The example below describes Coca-Cola’s repositioning of Mother Energy Drinks:

The Coca-Cola Company launched Mother Energy Drinks in 2006 into the Australian market. The launch campaign was professionally executed, and Coca-Cola was able to leverage its distribution channels to get the product into major retailers. However, the taste of Mother Energy Drink was subpar and repeat purchases were very low. Coca-Cola was faced with a decision: to improve and reposition the product or withdraw it and introduce a new brand and product. The company ultimately decided to reposition the product due to already high brand awareness. The biggest challenge faced by Coca-Cola was to persuade consumers to try the product again. The company changed the packaging, increased the size of the can, and improved the taste of the product. The prelaunch of the product featured a new phrase – “New Mother, tastes nothing like the old one.” Ultimately, Coca-Cola was able to successfully reposition Mother Energy Drinks and the brand today competes with the two leading energy drinks in the market – V and Red Bull.