

UNIT 4: MARKETING PRINCIPLES

1

WEEK THREE
LECTURER: N. QUARRIE

Learning Outcome One (1)

2

- LO2 Be able to use the concepts of segmentation, targeting and positioning

Objective

3

- By the end of this lesson you should be able to:
- 2.2 propose segmentation criteria to be used for products in different markets



Overview

4

- There are a number of factors that must be considered during the planning of marketing activities. One such being market segmentation.
- We will use this lesson to discuss the following concerning market segmentation:

Segmentation: process of market selection; macro and micro segmentation; bases for segmenting markets, (geographic, demographic, psychographic and behavioural); multi-variable segmentation and typologies; benefits of segmentation; evaluation of segments and targeting strategies; positioning; segmenting industrial markets; size; value; standards; industrial classification

Positioning: definition and meaning; influence over marketing mix factors

Market segmentation: Definition

5

- “**Market segmentation** is the process of dividing an entire market up into different customer segments. Targeting or target marketing then entails deciding which potential customer segments the company will focus on (Smallbusiness.chron.com, n.d.)”

Macro and micro segmentation: Diagram

6

- (Slideshare.net, 2015):

Global Market Segmentation

- Separate consumers into groups using **macro** and **micro** variables.

Macro

Country Factors
Geographical Factors
Macro-economics F.
Macro-cultural F.

Micro

Behavior
Lifestyle
Psychographics
Demographics
Attitude and Usage
Micro-Cultures
Brand Loyalty

Macro and micro segmentation: Diagram

7

- (Sanyal, 2011):

Segmentation Variables for Consumer Markets

Demographic variables

- ▶ Age
- ▶ Gender
- ▶ Race
- ▶ Ethnicity
- ▶ Income
- ▶ Education
- ▶ Occupation
- ▶ Family size
- ▶ Family life cycle
- ▶ Religion
- ▶ Social class

Geographic variables

- ▶ Region
- ▶ Urban, suburban, rural
- ▶ City size
- ▶ County size
- ▶ State size
- ▶ Market density
- ▶ Climate
- ▶ Terrain

Psychographic variables

- ▶ Personality attributes
- ▶ Motives
- ▶ Lifestyles

Behavioristic variables

- ▶ Volume usage
- ▶ End use
- ▶ Benefit expectations
- ▶ Brand loyalty
- ▶ Price sensitivity

FIGURE 7.3
8-12

Multivariable segmentation

8

- “**Multivariable segmentation:** using a number of different variables to develop a rich profile of a target group of customers (Wps.pearsoned.co.uk, n.d.)”
- For example, using demographic and behavioral variables to develop a profile for customers.

Benefits of Segmentation

9

- **“Adjustments in marketing appeals:** Sellers can make best possible adjustments of their product and marketing appeals. Instead of one marketing programme aimed to draw in all potential buyers, sellers can create separate marketing programmes designed to satisfy the needs of different customers. Proper advertising and sales promotional appeals can be made depending on the target audience (YourArticleLibrary.com: The Next Generation Library, 2014)”
- **“Developing marketing programmes:** Companies can develop marketing programmes and budgets based on a clearer idea of the response characteristics of specific market segments. They can budget funds to different segments depending on their buying response (YourArticleLibrary.com: The Next Generation Library, 2014)”

Benefits of Segmentation

10

- **“Efficient use of resources:** By tailoring marketing programme to individual market segments, management can do a better marketing job and make more efficient use of the marketing resources. For example, a small firm can effectively use its limited resources – money, sales force, etc. – in one or two segmented markets rather than unsuccessfully aiming at a wider market (YourArticleLibrary.com: The Next Generation Library, 2014)”
- **“Better service to customers:** Market segmentation enables a company to concentrate its marketing efforts in a particular market area, thereby, providing a better service to the target customers. Proper marketing segmentation can facilitate customer satisfaction (YourArticleLibrary.com: The Next Generation Library, 2014)”

Evaluation of segments and targeting strategies

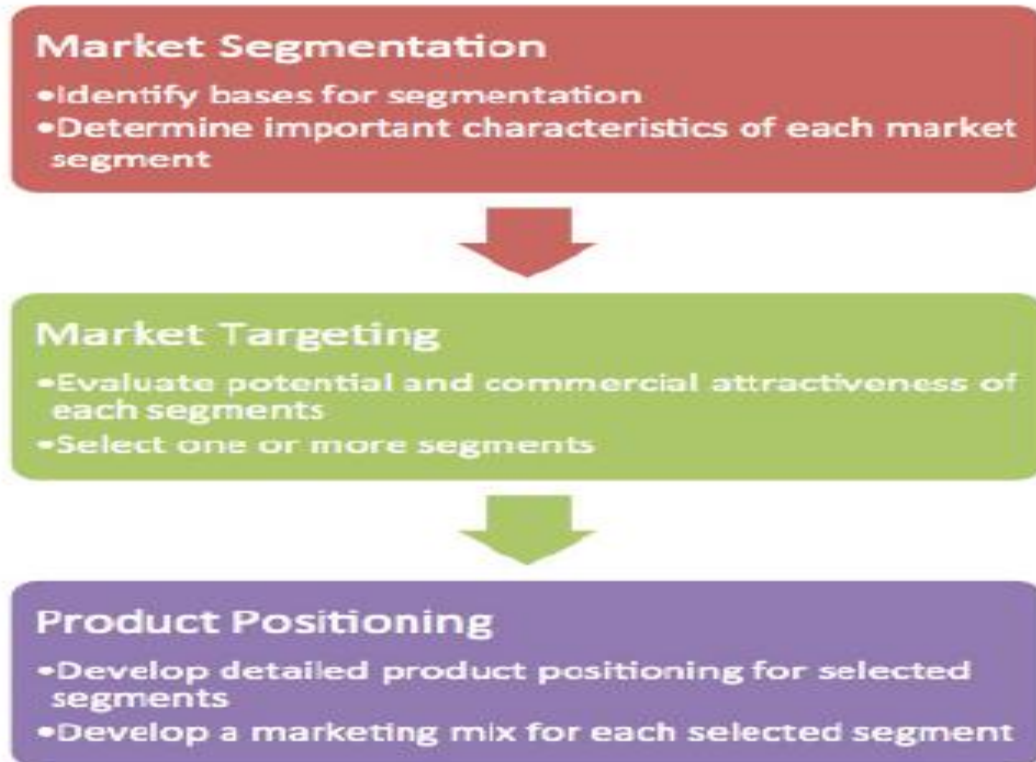
11

- **Segmentation, Targeting and Positioning (STP) model** is useful when creating marketing communications plans since it helps marketers to prioritise propositions and then develop and deliver personalised and relevant messages to engage with different audiences.

Evaluation of segments and targeting strategies

12

- “Segmentation, Targeting and Positioning (STP) model, (Smart Insights, 2013)”:



Evaluation of market targeting strategies

13

- We previously discussed segmentation lets look at market targeting and position
- “The list below refers to what’s needed to evaluate the potential and commercial attractiveness of each segment (Smart Insights, 2013)”
- **“Criteria Size:** The market must be large enough to justify segmenting. If the market is small, it may make it smaller.
- **Difference:** Measurable differences must exist between segments.
- **Money:** Anticipated profits must exceed the costs of additional marketing plans and other changes.
- **Accessible:** Each segment must be accessible to your team and the segment must be able to receive your marketing messages
- **Focus on different benefits:** Different segments must need different benefits (Smart Insights, 2013)”

Evaluation of positioning

14

- “**Product positioning**” is a marketing technique intended to present products in the best possible light to different target audiences (Inc.com, n.d.)”

Segmenting industrial markets

15

- Industrial markets can be segmented based on the following characteristics:
- Location
- Company type
- Behavioral characteristics

Videos

16

- Principles of Marketing - Segmentation, Targeting and Positioning. (2014). [video] Available at: <https://www.youtube.com/watch?v=jBa108ybzmg> [Accessed 22 Sep. 2016].
- Jurgensen, S. (2013). *How to Segment your Market*. [video] Available at: <https://www.youtube.com/watch?v=g3UarOHx7YI> [Accessed 22 Sep. 2016].
- Segmentation, Targeting, and Positioning - McDonald's. (2013). [image] Available at: <https://www.youtube.com/watch?v=RcRFBVIvJHw> [Accessed 22 Sep. 2016].

References/Additional Reading List

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5. Slideshare.net. (2015). *Planning, market intelligence and segmentation and positioning*. [online] Available at: <http://www.slideshare.net/luispachon/share-planning-market-intelligence-and-segmentation-and-positioning> [Accessed 22 Sep. 2016].
6. Principles of Marketing - Segmentation, Targeting and Positioning. (2014). [video] Available at: <https://www.youtube.com/watch?v=jBa108ybzmg> [Accessed 22 Sep. 2016].

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18

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- Sanyal, S. (2011). *Unit2 market segmentation*. [online] Slideshare.net. Available at: <http://www.slideshare.net/subhajitsanyal/unit2-market-segmentation> [Accessed 22 Sep. 2016].
- Smart Insights. (2013). *The Segmentation, Targeting and Positioning model*. [online] Available at: <http://www.smartinsights.com/digital-marketing-strategy/customer-segmentation-targeting/segmentation-targeting-and-positioning/> [Accessed 22 Sep. 2016].
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