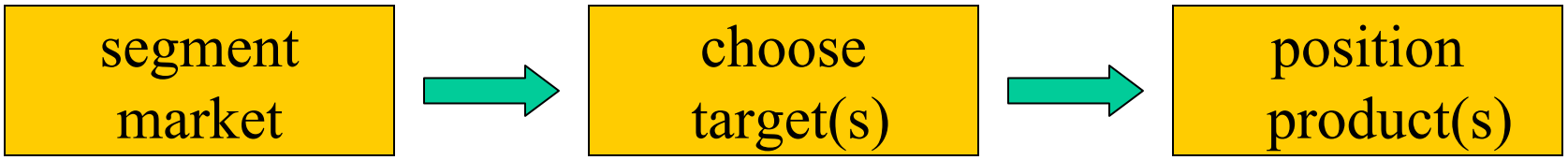
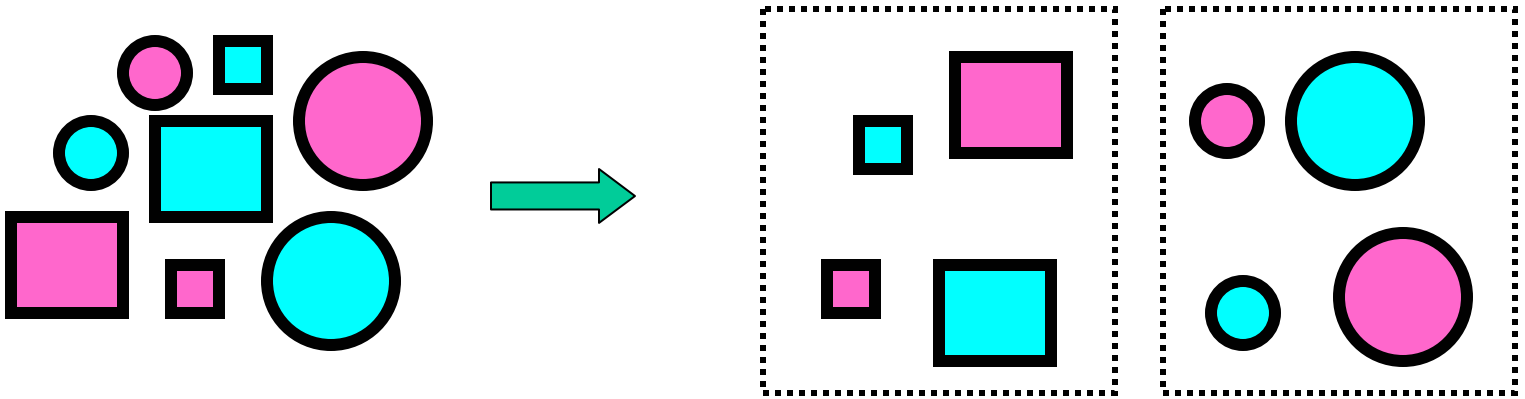
Segmentation, Targeting, Positioning

- ***Segmentation***: grouping consumers by some criteria
- ***Targeting***: choosing which group(s) to sell to
- ***Positioning***: select the marketing mix most appropriate for the target segment(s)



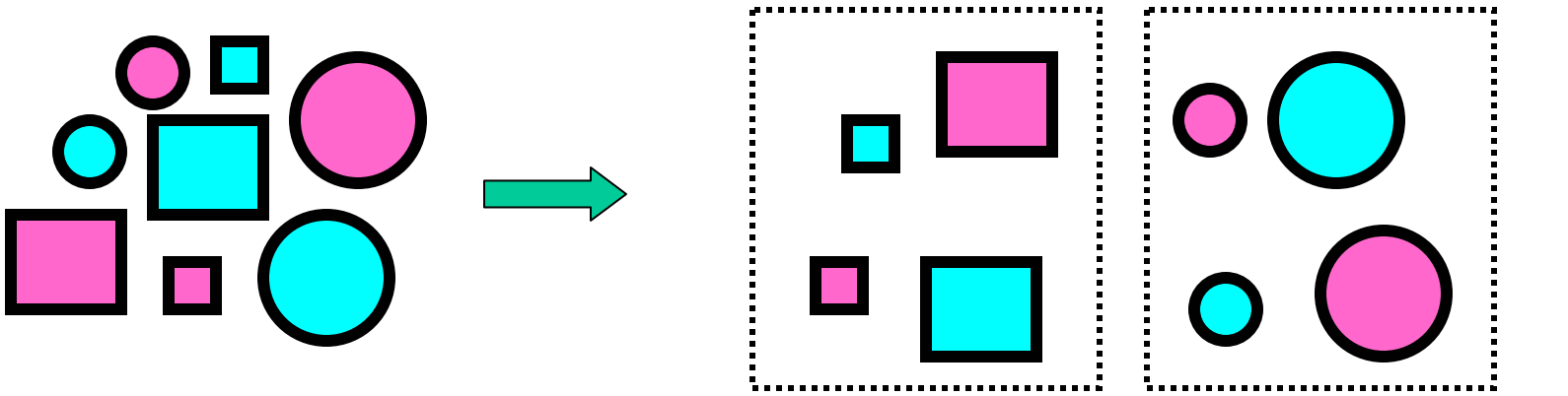
Segmentation

- ***Segmentation*** = grouping consumers by some criteria, such that those within a group will respond similarly to a marketing action and those in a different group will respond differently.



Entire Market **“Segment 1"** **“Segment 2"**

Segmentation



all dog owners

dogs are servants

dogs are family members

potential segmentation variables:

sex

age

race

income

educational level

marital status

# of children

introvert / extrovert

zipcode

usage history

Elvis Fan?

Together, a bat and a ball cost $1.10.

The bat costs $1 more than the ball.

How much does the ball cost? _____

Together, a bat and a ball cost $1.10.

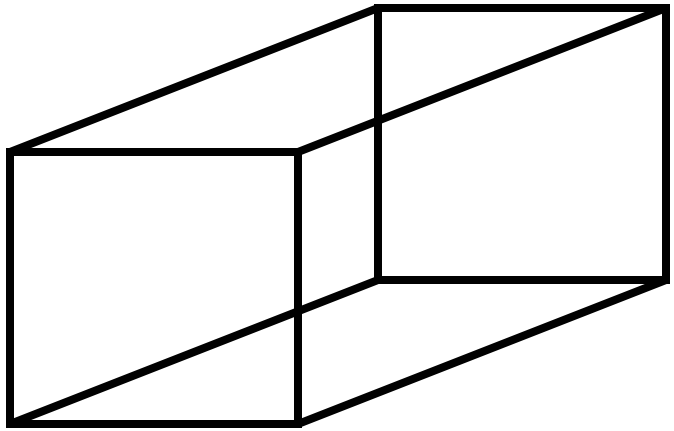
The bat costs $1 more than the ball.

How much does the ball cost? _____

"5 cents"	"10 cents"
114 subjects	75 subjects

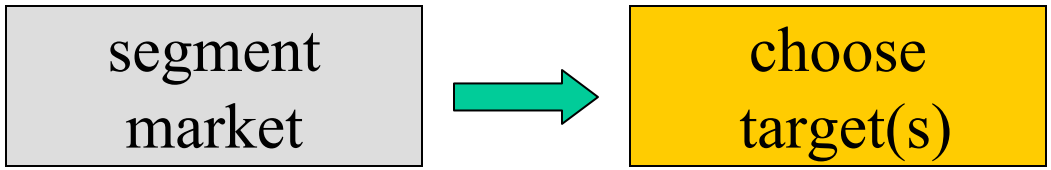
Along what dimensions could the following markets be segmented?

Soft Drinks:



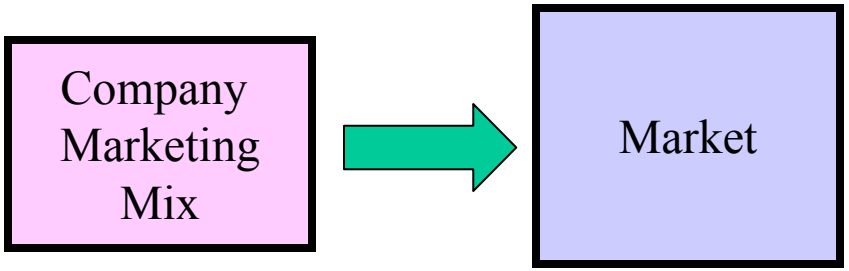
Cell Phones:

Segmentation, Targeting, Positioning

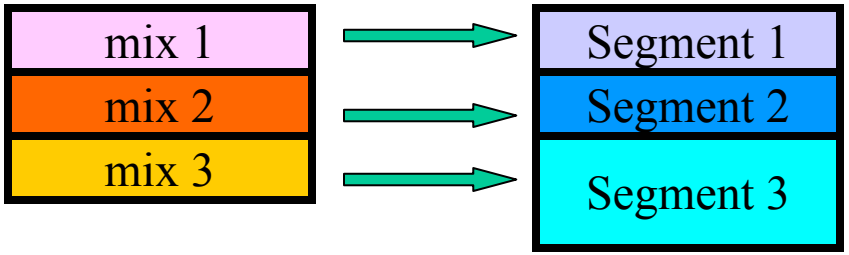


Which segment(s) do I target?…..

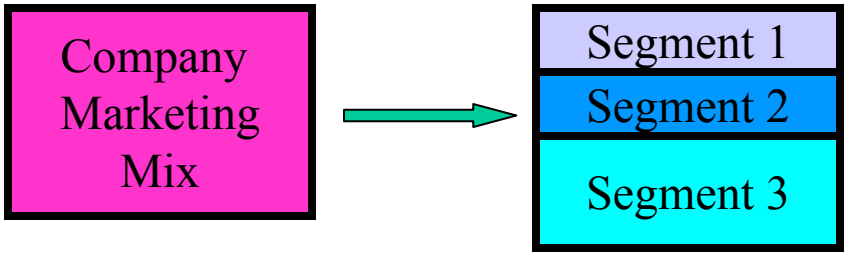
mass marketing



differentiated marketing



niche marketing



What segments are being targeted?

- Cap’n Crunch
- Crystal Pepsi
- The Body Shop
- Dollar store
- Harley Davidson
- Nokia cell phones
- Mountain Dew

Should I target a segment?

- **sufficient heterogeneity in preferences**
- **The segments must identifiable**
- **large enough too be worthwhile**
- **How competitive is the segment?**

Prerequisites for segmentation

- **customer needs are heterogeneous**
- **segments are identifiable**
- “This is a Burger King town”
- “Herb the nerd doesn’t eat here”

Positioning

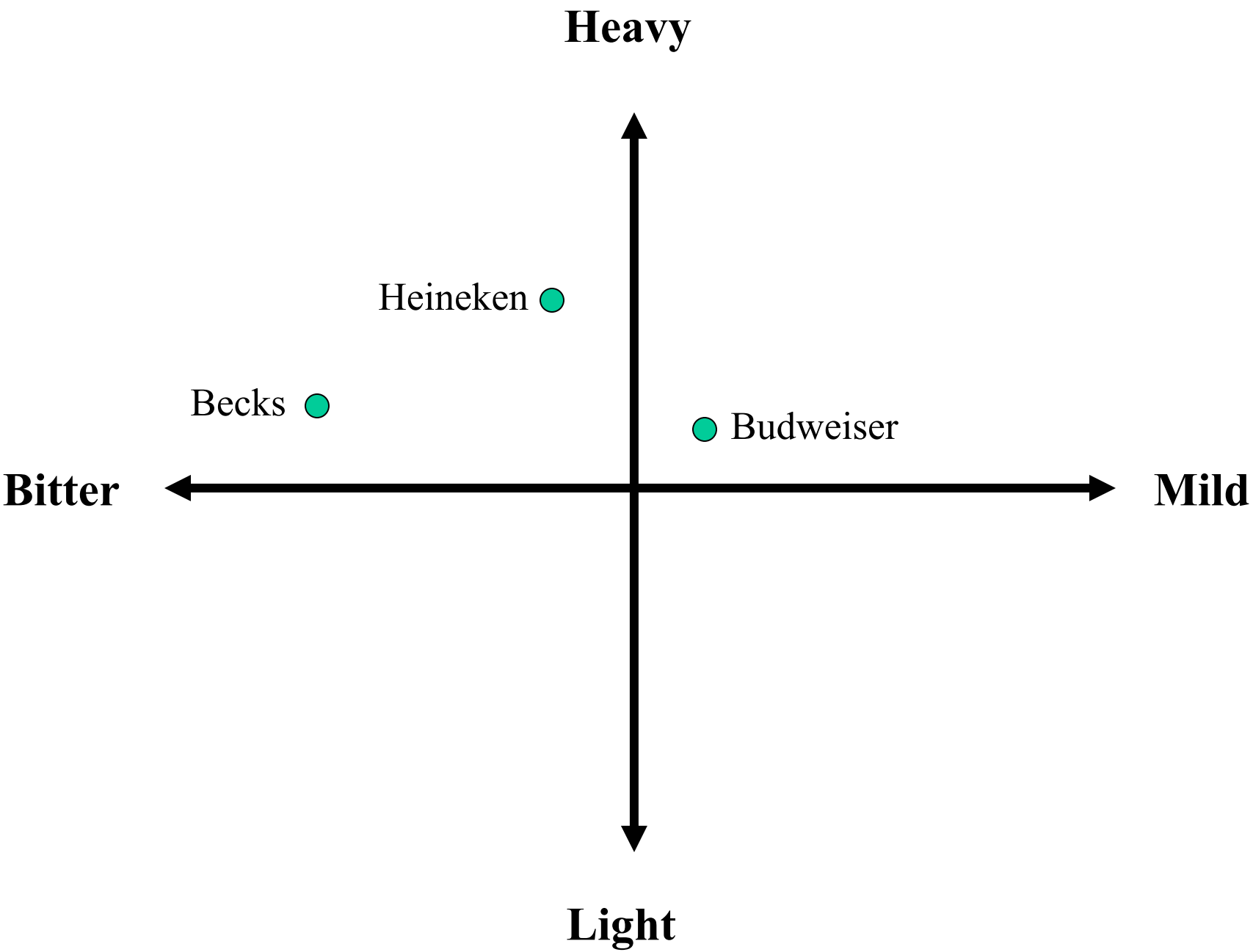
1. Determine what consumers currently think about your product (wrt competing products)
2. Decide what you *want* consumers to think about your product.
3. Figure out how to reposition.

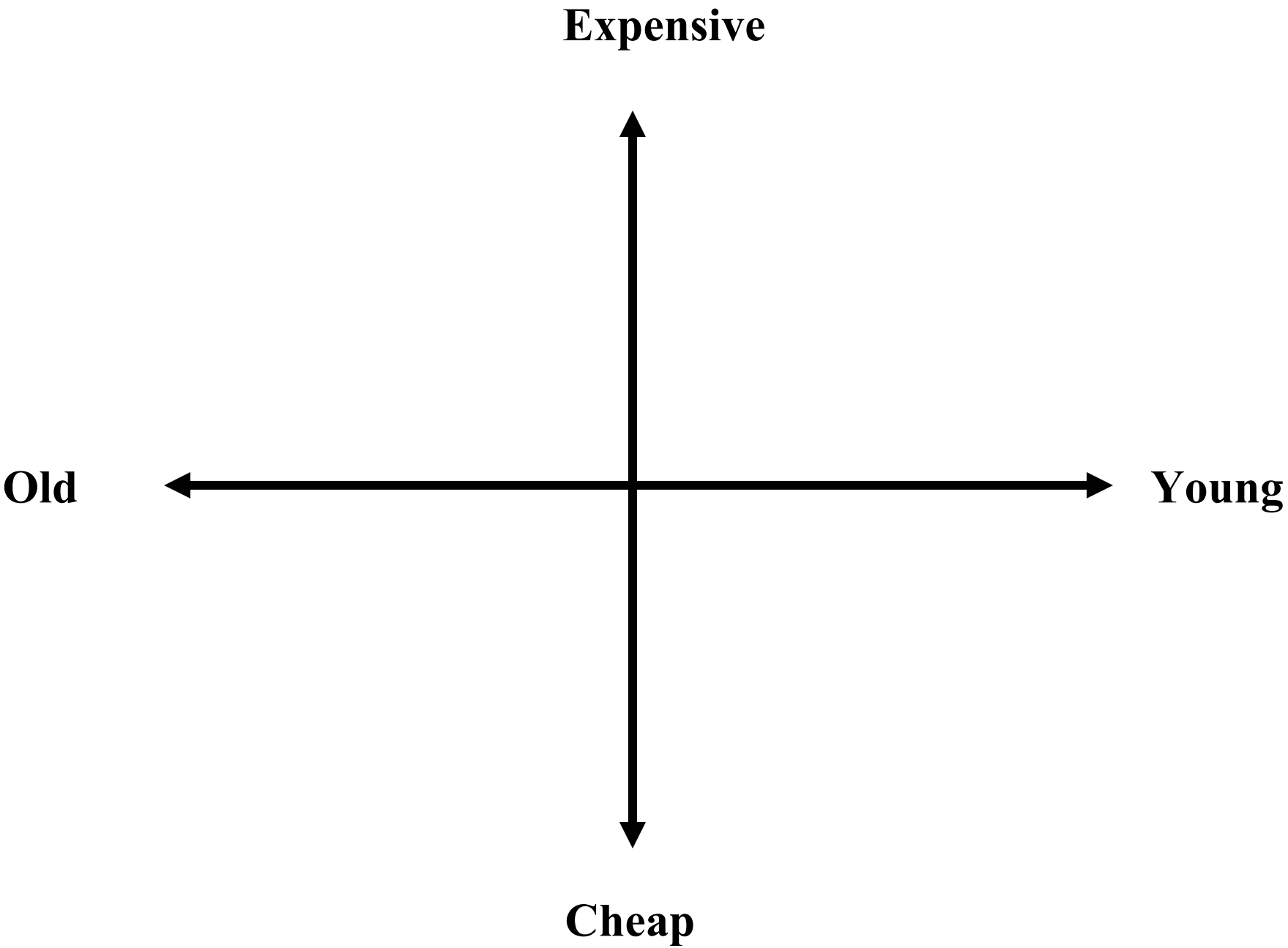
Position along many dimensions

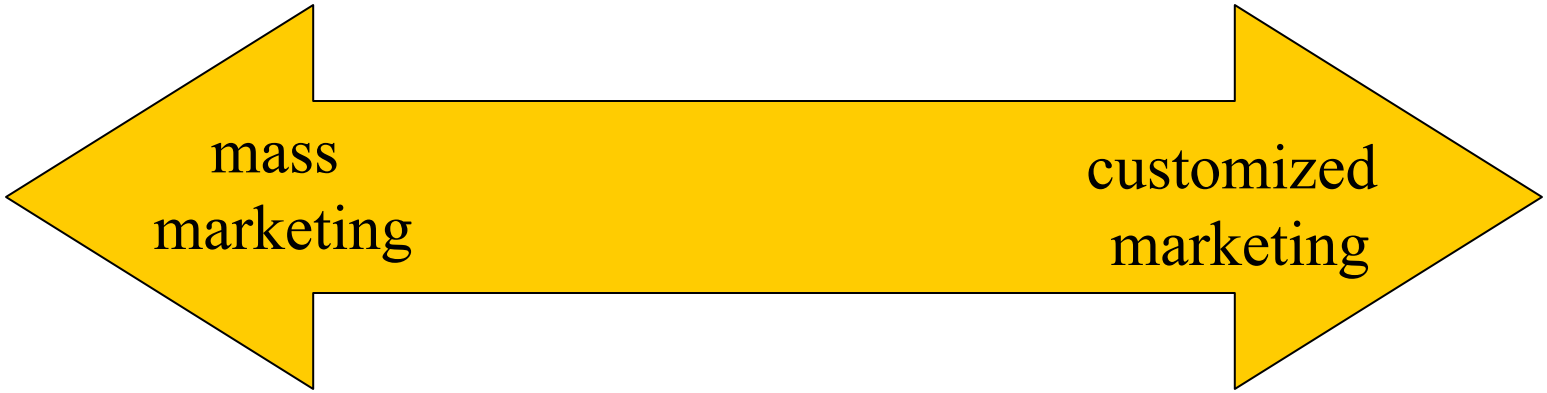
1. Product Attributes (Certs, *with Retsin*)
2. Product effects (Rembrandt gets teeth 5X whiter)
3. Price ("*Budget* Gourmet frozen dinners)
4. User (*baby* shampoo vs. *gentle* shampoo)
5. Usage (Coke *in the morning*)
6. Relation to other products (7 Up is the *un*cola)
7. Arbitrary ("Weekends are for Michelob")

What *is* Burger King's position?

- "The right food for the right times"
- "Sometimes you've got to break the rules"
- "This is a Burger King town"
- "Herb the nerd doesn't eat here"


Heavy
Heineken
Becks
Budweiser
Bitter
Mild
Light


Expensive
Old
Young
Cheap



“model T”

“one size fits all”

“shotgun”

“model T”

“Burnt Sienna Honda Civic with bucket seats, dual climate control, heated handle bars, white wall tires”

“one of a kind”

“rifle”

What are the advantages of customer segmentation?

- **Focuses efforts on who to find out more about**
- **Are the segments identifiable?**
- **Is it large enough?**
- **What is the geographical concentration?**
- **How price sensitive are the individuals?**
- **What how competitive is the segment now?**
- **How vulnerable is the segment to additional entrants?**