Chapter 9

STP: Segmentation, Targeting, and Positioning
• Outline the different methods of segmenting a market
• Describe how firms determine whether a segment is attractive and therefore worth pursuing
• Articulate the differences among targeting strategies: undifferentiated, differentiated, concentrated, or micromarketing
• Define positioning and describe how firms do it
The big picture

- Competition
- Corporate partners
- CONSUMERS
- Company
- Segment
- Targeting
- Positioning
- Product
- Place
- Promotion
- Price
- Customer acquisition
- Customer retention

- Marketing analysis (understanding your business)
- Creating value
- Capturing value

PROFIT
STP Process

Important for group projects
Segmentation strategy MUST be consistent with
  – Firm’s mission/objective
  – Firm’s current situation (SWOT)
Segmentation strategy MUST be consistent with

– Firm’s mission/objective
– Firm’s current situation (SWOT)

“Coca-Cola’s objective is to increase sales in a mature industry.” If this is our objective:

1. What research should we be doing about our consumer?
2. Who is our consumer?
3. What benefits is he/she seeking?

The above questions lead you through the STP process.
### Step 2: Segmentation Methods

<table>
<thead>
<tr>
<th>Segmentation Method</th>
<th>Sample Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Geographic</strong></td>
<td>Continent: North America, Asia, Europe, Africa. Within the United States: Pacific, mountain, central, south, mid-Atlantic, northeast</td>
</tr>
<tr>
<td><strong>Demographic</strong></td>
<td>Age, gender, income</td>
</tr>
<tr>
<td><strong>Psychographic</strong></td>
<td>Lifestyle, self-concept, self-values</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>Convenience, economy, prestige</td>
</tr>
<tr>
<td><strong>Behavioral</strong></td>
<td>Occasion, loyalty</td>
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</table>
Step 2: Segmentation Methods

Geographic Segmentation

• Consumers organized on the basis of where they live

McDonalds has a strategy of standardization, in fact, in order to be recognize as a global brand the company produces a range of standard products. The best example is the Big Mac known all around the world. Indeed in 1986, the magazine The Economist created the Big Mac Index to compare the purchasing power between countries this shows that this burger is the legendary product of the firm.

However, McDonalds has to face cultural differences within each country. This is why they adapted the concept of “Think global, act local”. They had to adapt their foods in each country due to legal, religious and cultural food habits. For example,
- In the Arabic World they launched the MacArabia which is a Grilled Chicken/Grilled Kofta sandwich with a pita bread.
- In Japan they created Teriyaki Burger, it is a Big Mac with a sweet and dark Teriyaki sauce and mayo.
- In Norway, they launched the McLaks which is a Grilled Salmon sandwich.
- In France, they serve a McBaguette. A sandwich made of typical French bread and others French ingredients.
- In Canada and New England you can order a McLobster. Its primary ingredients are lobster and bread.
- For the Asian World they decide to serve the McRice Burger. It’s a burger with rice formed into buns with beef or chicken meat between.

https://www.youtube.com/watch?v=6Pkq_eBHXJ4
Step 2: Segmentation Methods

Demographic Segmentation

- Children: Happy Meals, Toys, Playgrounds
  #/McWorld
- Young Adults: Free Wi-Fi
- Women: Lower Calorie Items

McDonald’s Healthy Food Push
- Fruit
- Salads
- Vegetables

Get wrapped up in our Student Zone
Psychographic Segmentation

- Consumers organized on the basis of lifestyle and values

**TWO VIEWS OF THE SAME USER**

**DEMOGRAPHIC VIEW**
- Gender: Female
- Status: Single
- Age: 34 yrs old
- Location: New York, NY

**PSYCHOGRAPHIC VIEW**
- Interests & Likes: Music, Books, TV Shows, Movies, Stores, Hobbies, ...
Behavioral Segmentation

- Consumers organized on the basis of how they use the product/service
Behavioral Segmentation

- Consumers organized on the basis of how they use the product/service

https://www.adventuretravelnews.com/using-the-us-adventure-travel-personas-to-strengthen-your-marketing
STP

Step 1: Strategy or Objectives
Step 2: Segmentation Methods
Step 3: Evaluate Segment Attractiveness
Step 4: Select Target Market
Step 5: Identify and Develop Positioning Strategy

Segmentation
Targeting
Positioning

✓
✓
Step 3: Evaluate Segment Attractiveness
Step 3: Evaluate Segment Attractiveness

**Identifiable**
- Who is in their market?
- Are the segments unique?
- Does each segment require a unique marketing mix?
Step 3: Evaluate Segment Attractiveness

Substantial

- **Too small** and it is insignificant – can you create an effective message to reach the segment in question?
- **Too big** and it may be impossible to craft a message that resonates equally with all the members of your chosen “segment”!
- **Effective segmentation is critical**, even if your product has a general market appeal.
Step 3: Evaluate Segment Attractiveness

**Reachable**

1. Know the product exists
2. Understand what it can do
3. Recognize how to buy
Step 3: Evaluate Segment Attractiveness

Responsive

Customers in each segment must:

- React positively to firm’s offering
- Accept the firm’s value proposition
- Trust your firm! (Reputation, ethics)

Benefits to be received from a product or service
Step 3: Evaluate Segment Attractiveness

## Profitable

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<tr>
<th></th>
<th>Homeowners</th>
<th>Businesses</th>
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<tr>
<td>Segment size</td>
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<td>1,000</td>
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<tr>
<td>Segment adoption percentage</td>
<td>1%</td>
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<tr>
<td>Purchase behavior</td>
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<td></td>
</tr>
<tr>
<td>• Purchase price</td>
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<td>$500</td>
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<tr>
<td>• Frequency of purchase</td>
<td>12 times</td>
<td>20 times</td>
</tr>
<tr>
<td>Profit margin percentage</td>
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<td>80%</td>
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<td>Fixed costs</td>
<td>$400,000</td>
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<tr>
<td>Segment profit</td>
<td>$140,000</td>
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Important for group project!
## Step 3: Evaluate Segment Attractiveness

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Important for group project!
Step 4: Selecting a Target Market

There are several targeting strategies

- Mass marketing
  - Undifferentiated
  - Differentiated
  - Concentrated
  - Micromarketing

Targeting broadly to targeting narrowly
Assume a restaurant is trying to market its new business.

- Using a **differentiated marketing strategy**, the restaurant can appeal to the college crowd by marketing cheap specials on food and drinks, the family crowd by marketing kid-friendly meal options and table entertainment and to the elderly by marketing senior discounts and early-bird specials.

- Using a **concentrated marketing strategy**, the restaurant can market its convenient location to a group of residents within 10 miles of the business.

- Using an **undifferentiated marketing strategy**, the restaurant can highlight its grand opening celebration.
Step 4: Selecting a Target Market
Step 4: Selecting a Target Market

**Whole food target market**

- Working parents, aged approximately 30 to 50
- Diverse, multi-cultural, embrace opportunities to “try new foods”
- Environmentally-conscious
- Sustainability, animal welfare, organically-grown foods are among these consumers shopping priorities
- City and suburban
- Educated professionals (B.A., M.A., MBA, Ph.D., etc.)
- Seeking premium service
- Willing to pay premium prices for a specific grocery-shopping experience
STP

Step 1: Strategy or Objectives
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Step 5: Identify and Develop Positioning Strategy
Positioning methods

– Value (relationship price to quality)
– Salient attributes
– Symbol
– Competition

What sets your product or service apart from the others (unique value proposition)? You already offer what they offer, but your company takes it to the next level!
Perceptual map

- Display, in 2+ dimensions, the position of the product in the consumer mind
- E.g., Car brands
Tesla example

https://www.youtube.com/watch?v=BCPaO1Sv-hE