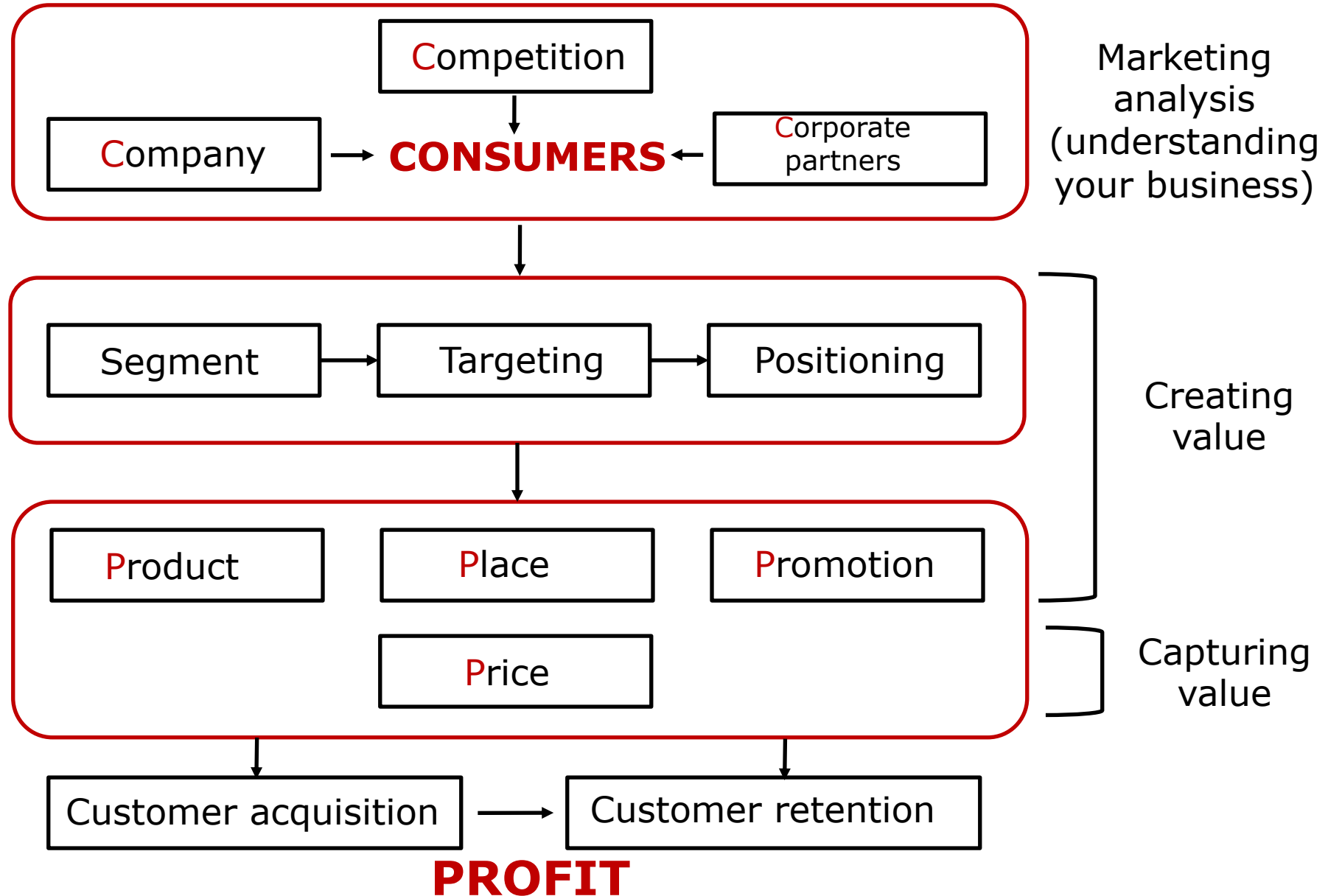


Chapter 9

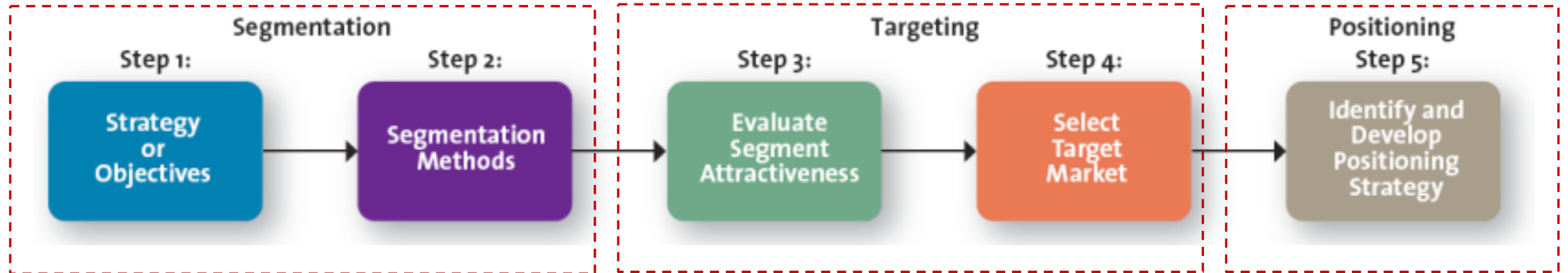
STP: Segmentation, Targeting, and Positioning

- 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



STP Process



Important for group projects

Step 1: Establish overall vision or objectives for your marketing strategy

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

Segmentation Method	Sample Segments
Geographic	Continent: North America, Asia, Europe, Africa. Within the United States: Pacific, mountain, central, south, mid-Atlantic, northeast
Demographic	Age, gender, income
Psychographic	Lifestyle, self-concept, self-values
Benefits	Convenience, economy, prestige
Behavioral	Occasion, loyalty

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 contry. 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 Japon 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=6Pkg_eBHXJ4

Step 2: Segmentation Methods

Demographic Segmentation



- Children: Happy Meals, Toys, Playgrounds

www.happymeal.com/en_US/index.htm
[I#/McWorld](#)



- Young Adults: Free Wi-Fi
- Women: Lower Calorie Items

McDonald's Healthy Food Push



Get wrapped up
in our
Student Zone



Psychographic Segmentation

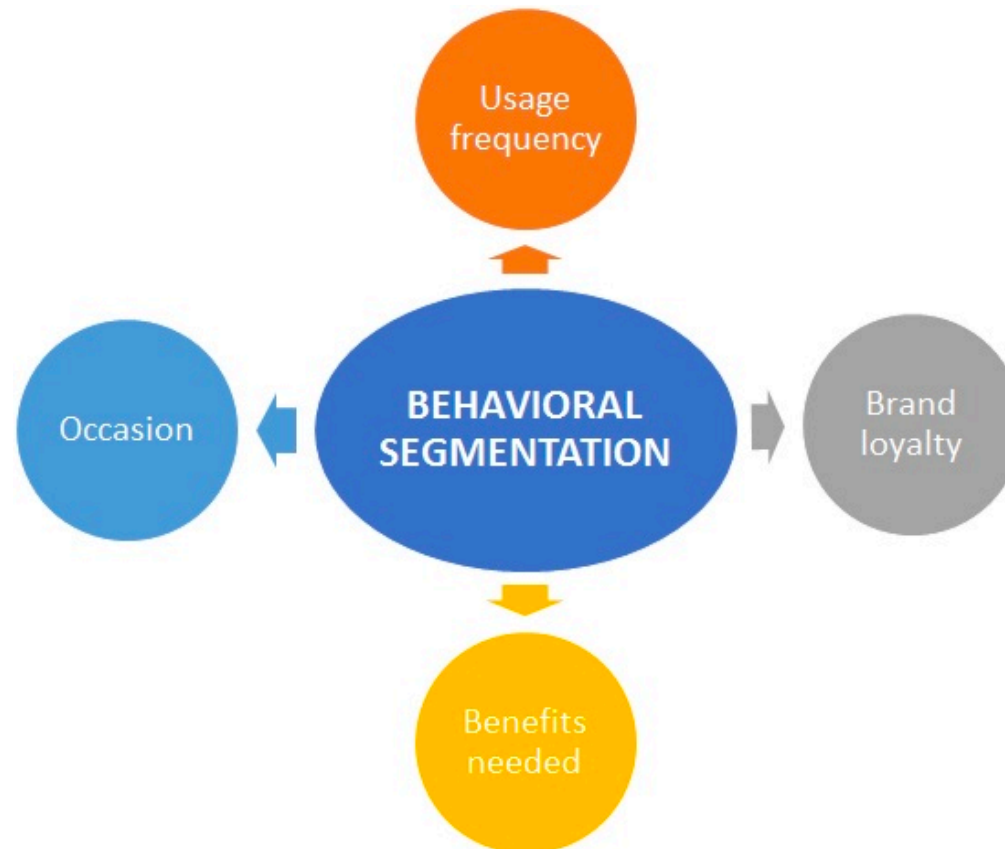
- Consumers organized on the basis of lifestyle and values

TWO VIEWS OF THE SAME USER



Behavioral Segmentation

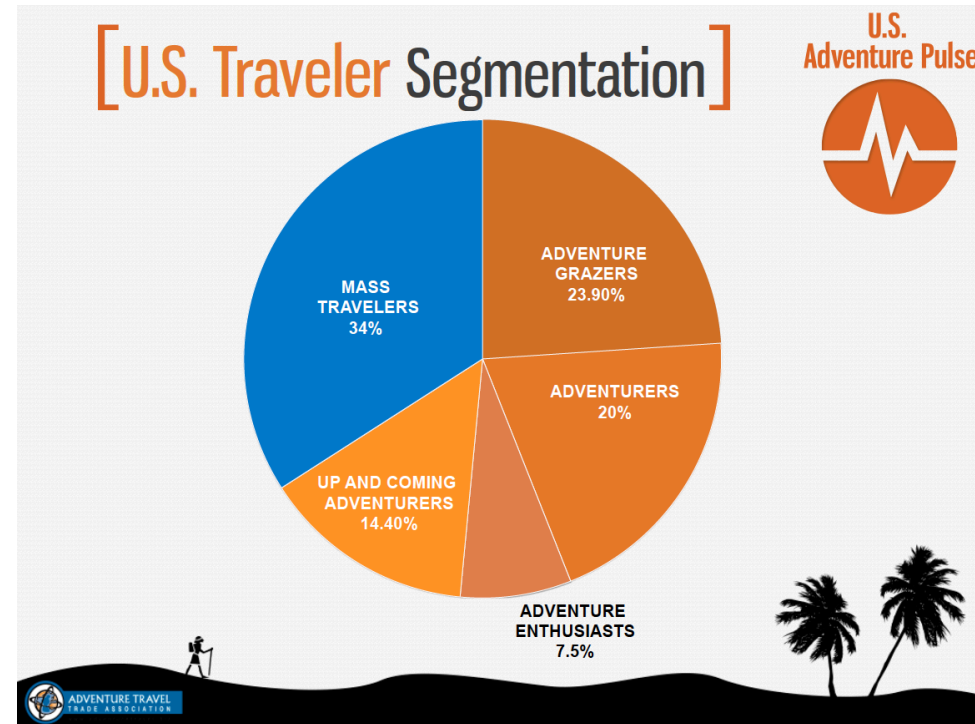
- Consumers organized on the basis of how they use the product/service

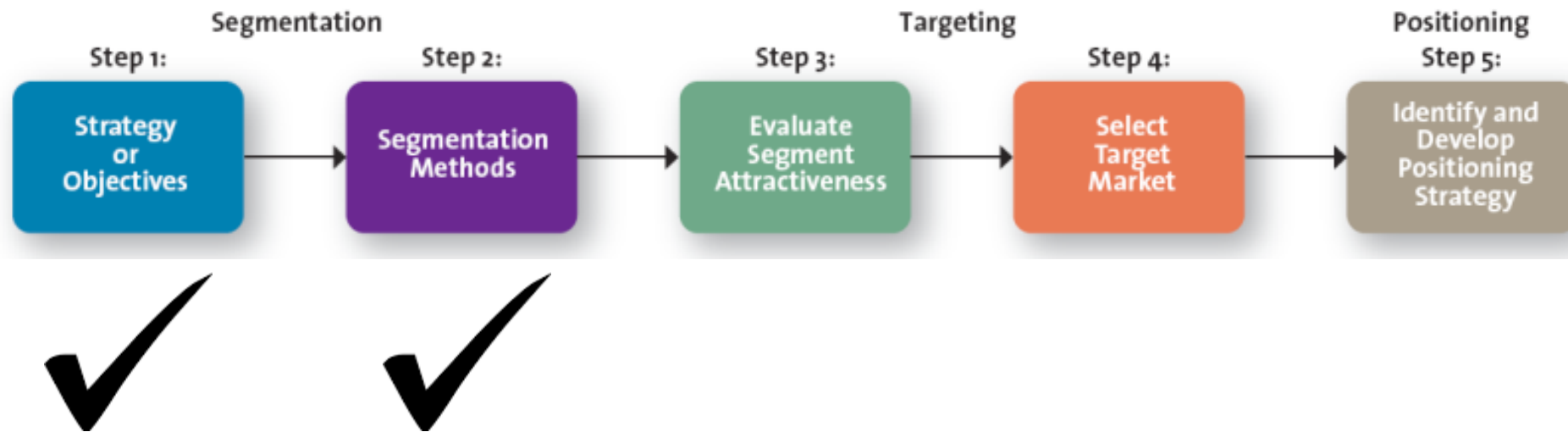


Step 2: Segmentation Methods

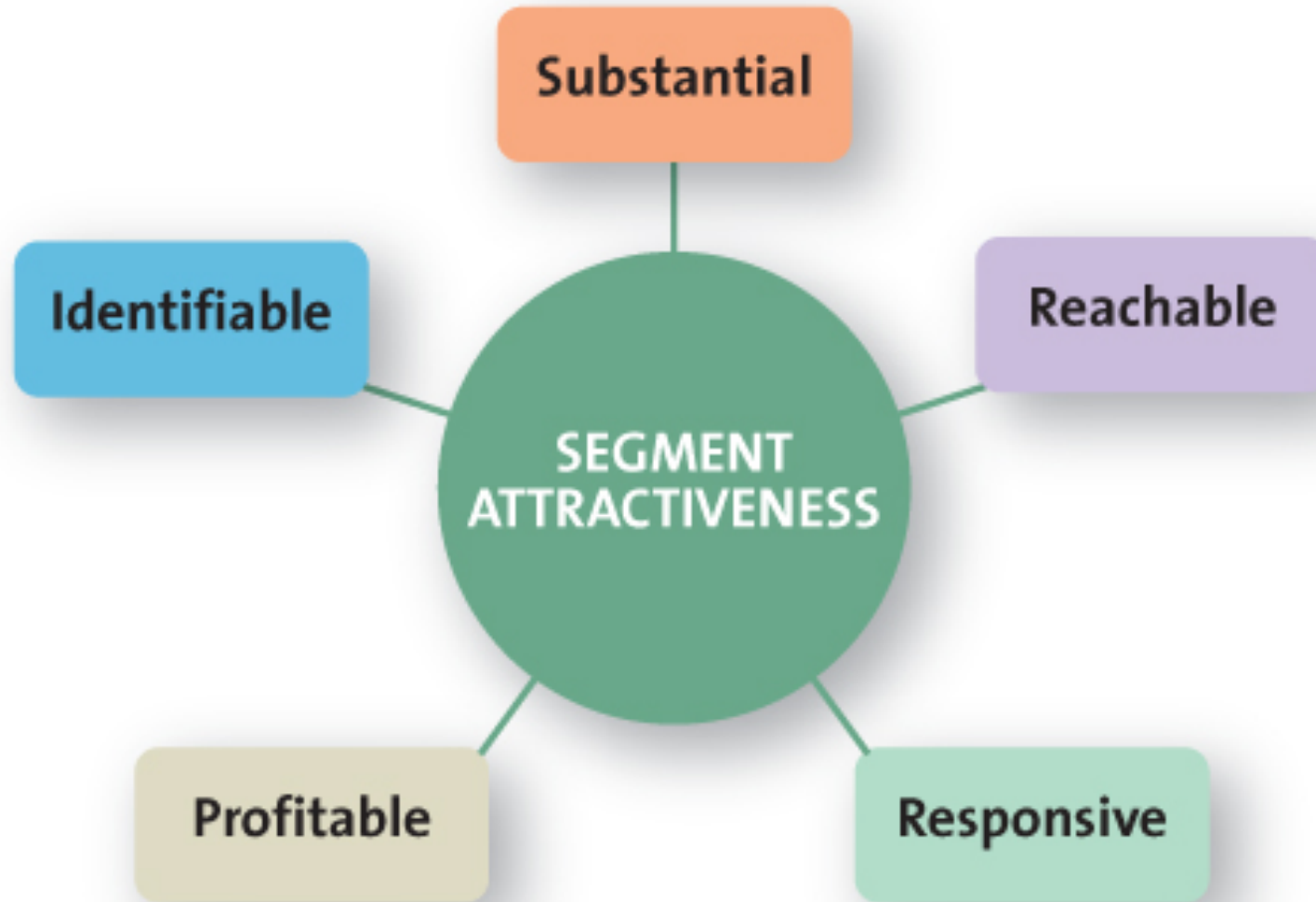
Behavioral Segmentation

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





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

Know the product
exists



Understand what
it can do



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

Benefits to be received
from a product or service



Trust your firm!
(Reputation,
ethics)

Step 3: Evaluate Segment Attractiveness

Profitable

	Homeowners	Businesses
Segment size	75,000	1,000
Segment adoption percentage	1%	20%
Purchase behavior <ul style="list-style-type: none"> • Purchase price • Frequency of purchase 	\$100 12 times	\$500 20 times
Profit margin percentage	60%	80%
Fixed costs	\$400,000	\$1,000,000
Segment profit	\$140,000	??

Important for group project!

Step 3: Evaluate Segment Attractiveness

Profitable

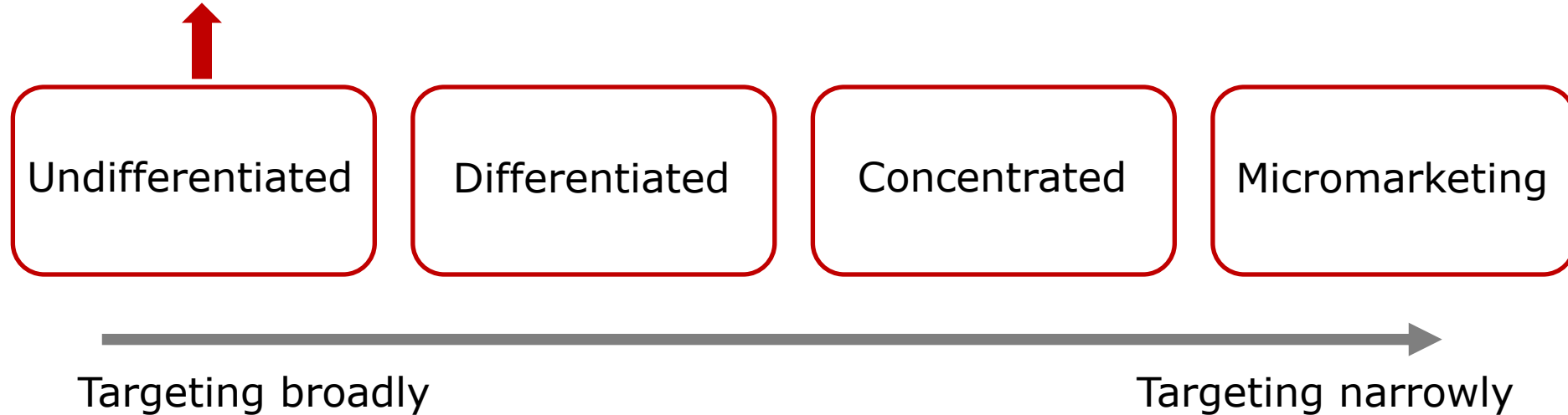
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Profit margin percentage	60%	80%
Fixed costs	\$400,000	\$1,000,000
Segment profit	\$140,000	\$600,000

Important for group project!

Step 4: Selecting a Target Market

There are several targeting strategies

Mass marketing



Restaurant example

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.

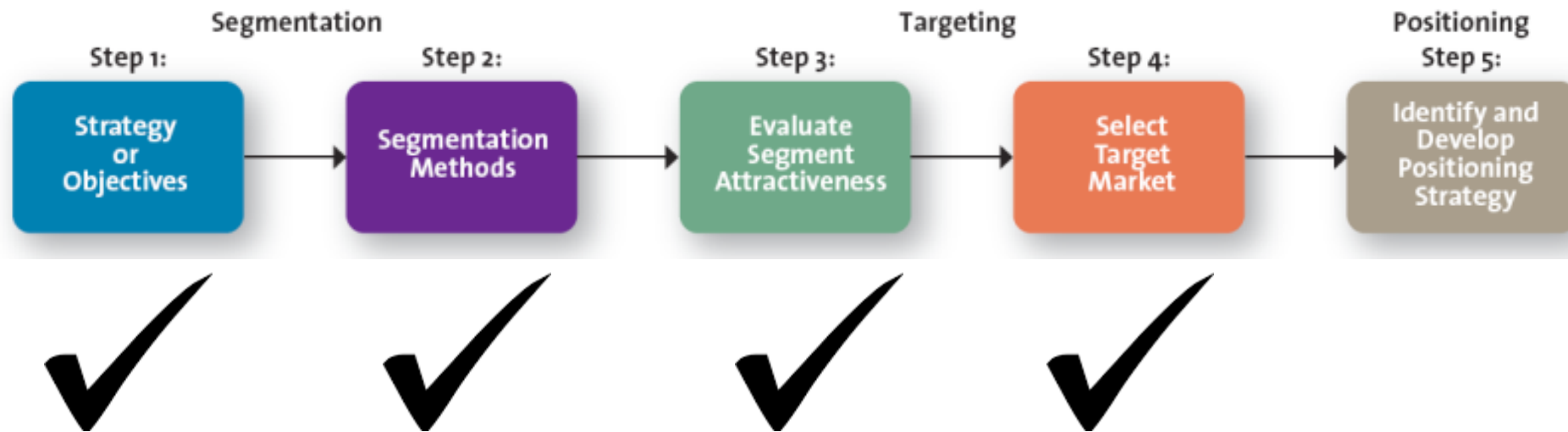
Step 4: Selecting a Target Market



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

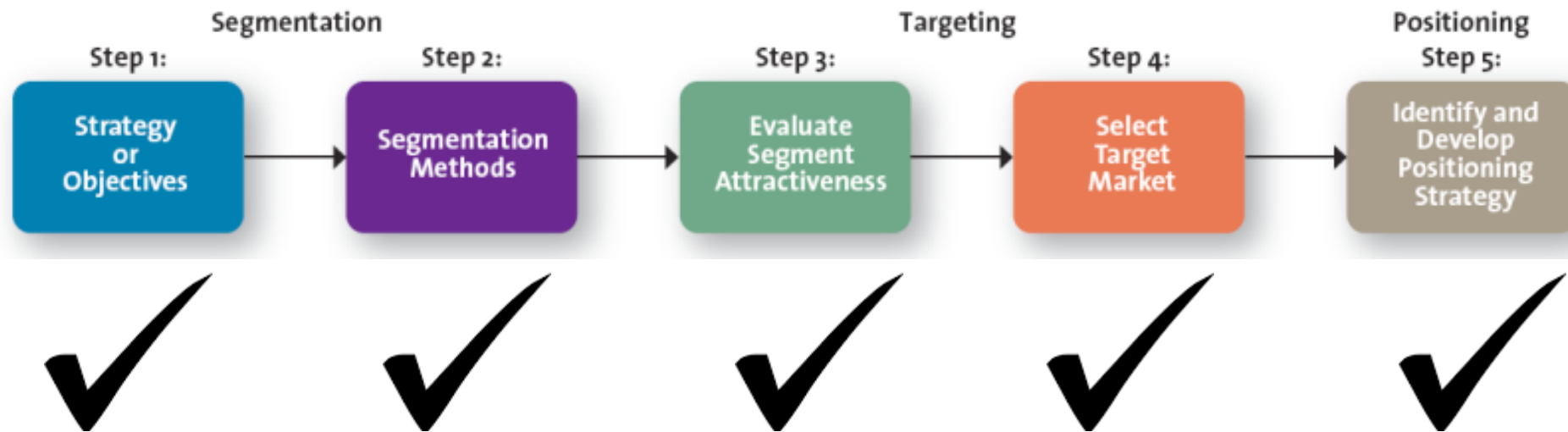


Step 5: Develop a Positioning Strategy

Positioning methods

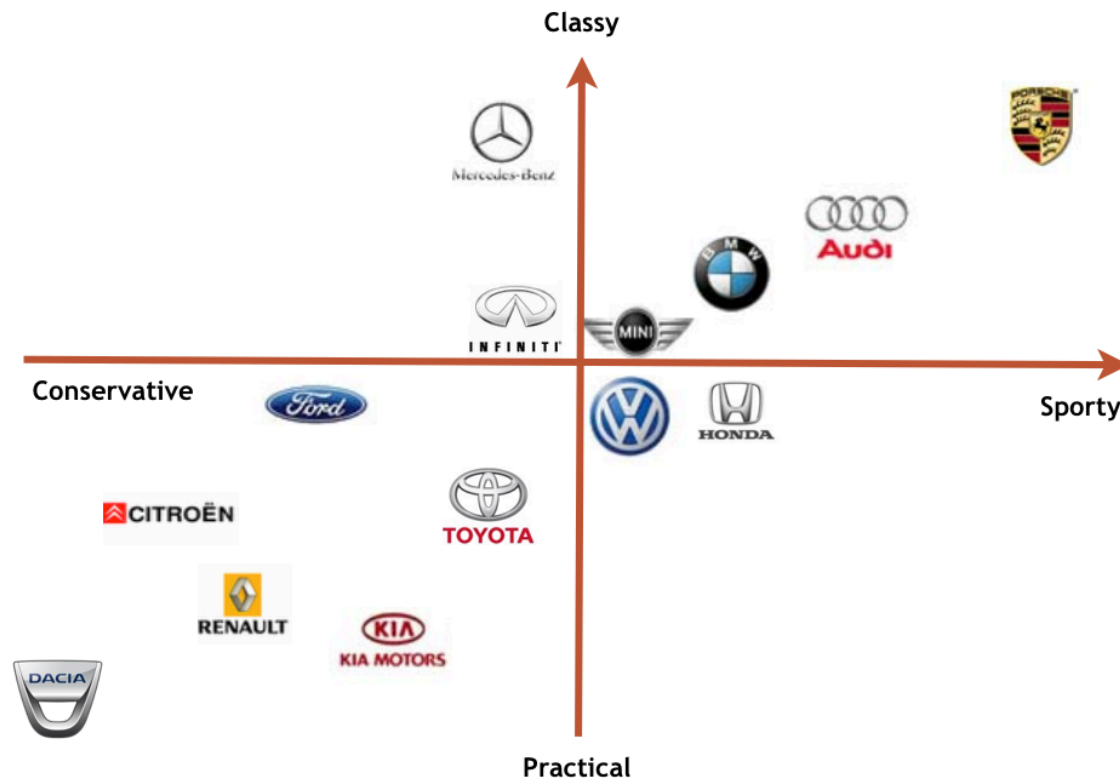
- Value (relationship price to quality)
- Salient attributes
- Symbol
- Competition

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>