Chapter 9

STP: Segmentation, Targeting, and Positioning
Today

• 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

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

Marketing analysis (understanding your business)

Creating value

Capturing value

Macroenv. factors

PROFIT

CONSUMERS
STP Process

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

“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** is the process of dividing the market into segments.

1. **Identify** segments
2. **Describe** segments → Helps the firms better understand different consumers’ profiles and similarities across segments
## Step 2: Segmentation Methods

<table>
<thead>
<tr>
<th>Segmentation Method</th>
<th>How consumers are divided?</th>
<th>Sample Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic</td>
<td>Depending on their geographical location</td>
<td>Continent: North America, Asia, Europe, Africa. Within the United States: Pacific, mountain, central, south, mid-Atlantic, northeast</td>
</tr>
<tr>
<td>Demographic</td>
<td>Depending on their demographic information</td>
<td>Age, gender, income</td>
</tr>
<tr>
<td>Psychographic</td>
<td>Depending on how consumers describe/think about themselves</td>
<td>Lifestyle, self-values, self-image</td>
</tr>
<tr>
<td>Benefits</td>
<td>Depending on the benefits they derive from the product or service</td>
<td>Convenience, economy, prestige</td>
</tr>
<tr>
<td>Behavioral</td>
<td>Depending on how they use the product or service</td>
<td>Occasion, loyalty</td>
</tr>
</tbody>
</table>
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
- 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
Behavioral Segmentation

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

Usage frequency

Occasion

BEHAVIORAL SEGMENTATION

Brand loyalty
Targeting is the process of selecting the market segment(s) to which the firm would like to sell their products or services
Step 3: Evaluate Segment Attractiveness
Step 3: Evaluate Segment Attractiveness

Identifiable

• Which consumers are in the segment?
• Are the segments distinct from one another?
• Does each segment require a unique marketing mix?
Step 3: Evaluate Segment Attractiveness

Substantial

- **Too small** → Not enough profit
- **Too big** → it may be impossible to craft a message that resonates equally with all the members of your chosen segment
- **Effective segmentation is critical** for the success of a product
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

Trust your firm! (Reputation, ethics)

Benefits to be received from a product or service
### Profitable

<table>
<thead>
<tr>
<th></th>
<th>Homeowners</th>
<th>Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment size</td>
<td>75,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Segment adoption percentage</td>
<td>1%</td>
<td>20%</td>
</tr>
<tr>
<td>Purchase behavior</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Purchase price</td>
<td>$100</td>
<td>$500</td>
</tr>
<tr>
<td>- Frequency of purchase</td>
<td>12 times</td>
<td>20 times</td>
</tr>
<tr>
<td>Profit margin percentage</td>
<td>60%</td>
<td>80%</td>
</tr>
<tr>
<td>Fixed costs</td>
<td>$400,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Segment profit</td>
<td>$140,000</td>
<td>??</td>
</tr>
</tbody>
</table>

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

There are several targeting strategies

- Undifferentiated or mass marketing
- Differentiated
- Concentrated
- Micromarketing

Targeting broadly to targeting narrowly
Step 4: Selecting a Target Market

There are several targeting strategies

Everyone is considered a potential customer

- Undifferentiated or mass marketing
- Differentiated
- Concentrated
- Micromarketing

Targeting broadly

Targeting narrowly
There are several targeting strategies

**Everyone** is considered a potential customer

- Undifferentiated or mass marketing
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Firm targets several market segments with different offering
Step 4: Selecting a Target Market

There are several targeting strategies

Everyone is considered a potential customer

Firm targets several market segments with different offering

Firm select ONE segment and focuses all its effort on this segment

Targeting broadly

Undifferentiated or mass marketing

Differentiated

Concentrated

Micromarketing

Targeting narrowly
Step 4: Selecting a Target Market

There are several targeting strategies

**Everyone** is considered a potential customer

Firm targets **several market segments** with different offering

Firm select **ONE** segment and focuses all its effort on this segment

Offering tailored to **each customer** individually
Positioning is the process of defining the 4Ps such that the target customer have a clear understanding of what the product or service does and represents with respect to the competition.
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 maps

– Display, in 2+ dimensions, the position of the firm or product in the consumer mind
– E.g., Car brands
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