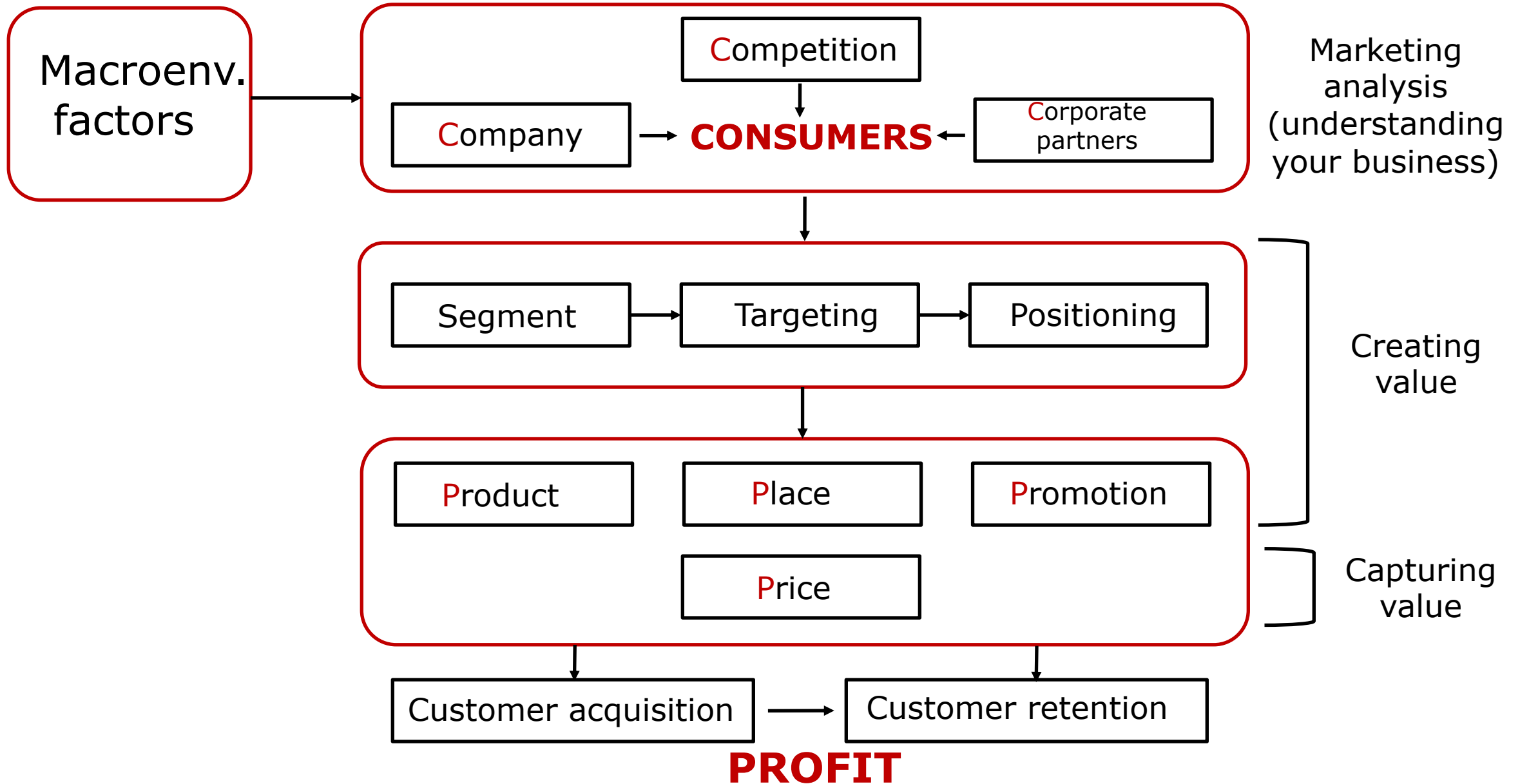


Chapter 9

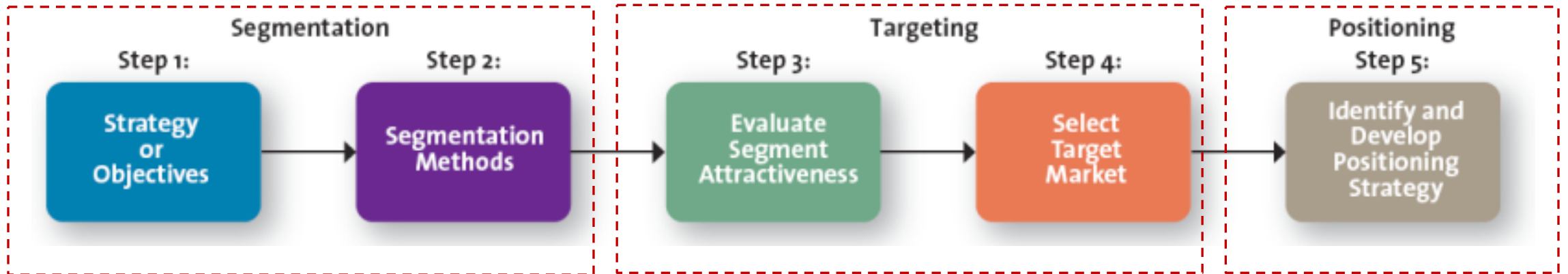
STP: Segmentation, Targeting, and Positioning

- 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

Segmentation strategy **MUST** be consistent with

- Firm's mission/objective
- Firm's current situation (SWOT)

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- Firm's mission/objective
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"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.



Segmentation is the process of dividing the market in segments

- 1. Identify** segments
- 2. Describe** segments → Helps the firms better understand different consumers profiles and similarities across segments

Step 2: Segmentation Methods

Segmentation Method	How consumers are divided?	Sample Segments
Geographic	Depending on their geographical location	Continent: North America, Asia, Europe, Africa. Within the United States: Pacific, mountain, central, south, mid-Atlantic, northeast
Demographic	Depending on their demographic information	Age, gender, income
Psychographic	Depending on how consumers describe/think about themselves	Lifestyle, self-values, self-image
Benefits	Depending on the benefits they derive from the product or service	Convenience, economy, prestige
Behavioral	Depending on how they use the product or service	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 recognized 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=6Pkg_eBHXJ4

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

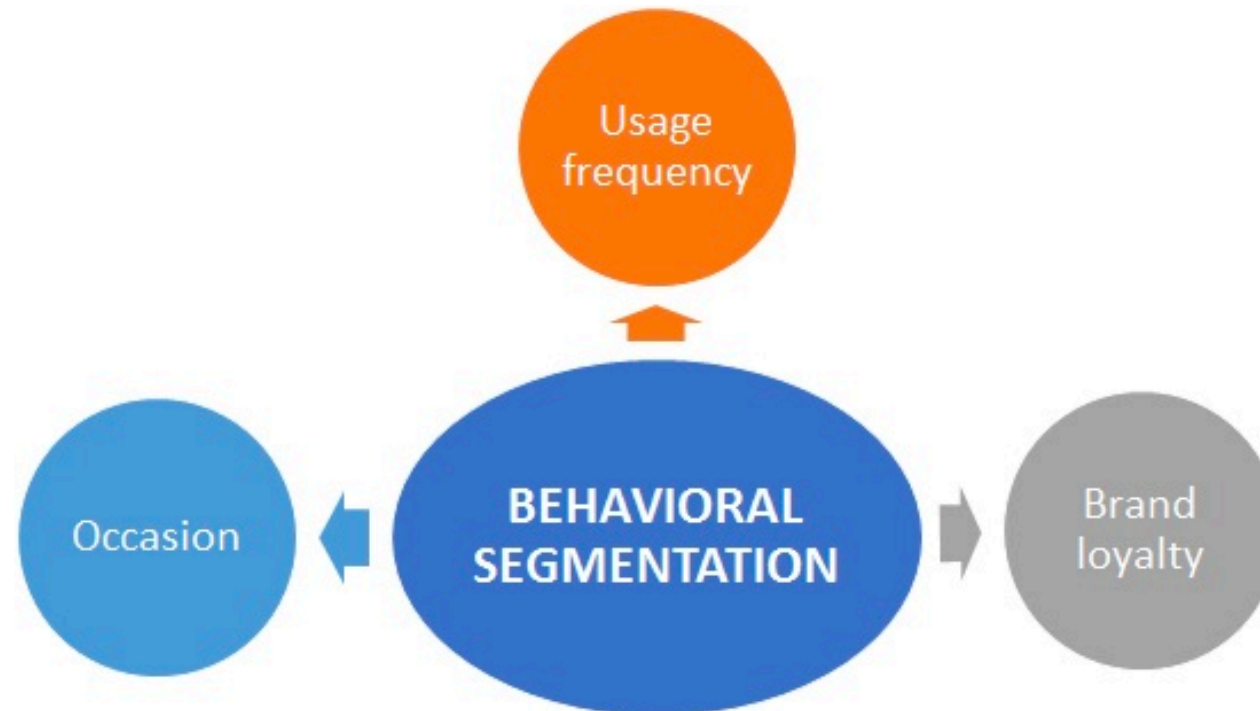
- Consumers organized on the basis of lifestyle and values

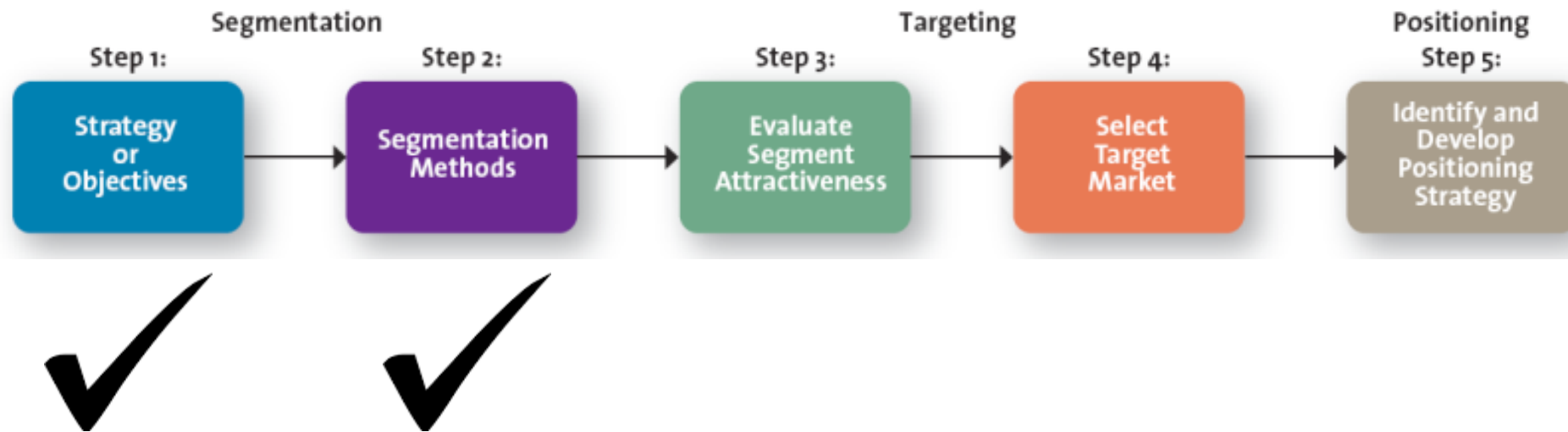
TWO VIEWS OF THE SAME USER



Behavioral Segmentation

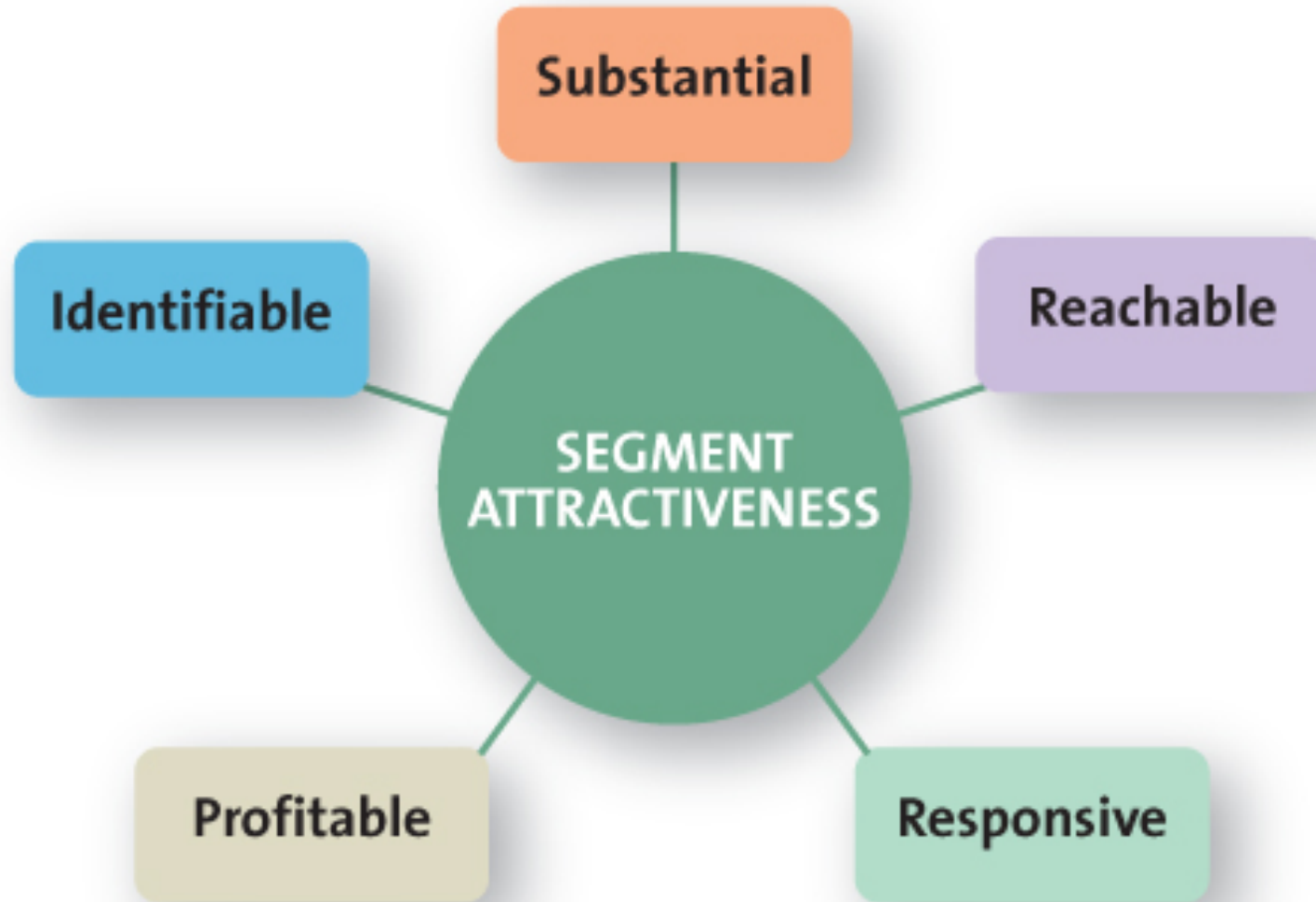
- Consumers organized on the basis of how they use the product/service





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



Identifiable

- Which consumers are in the segment?
- Are the segments distinct from one another?
- Does each segment require a unique marketing mix?



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



Reachable

Know the product
exists



Understand what
it can do



Recognize how to
buy

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)

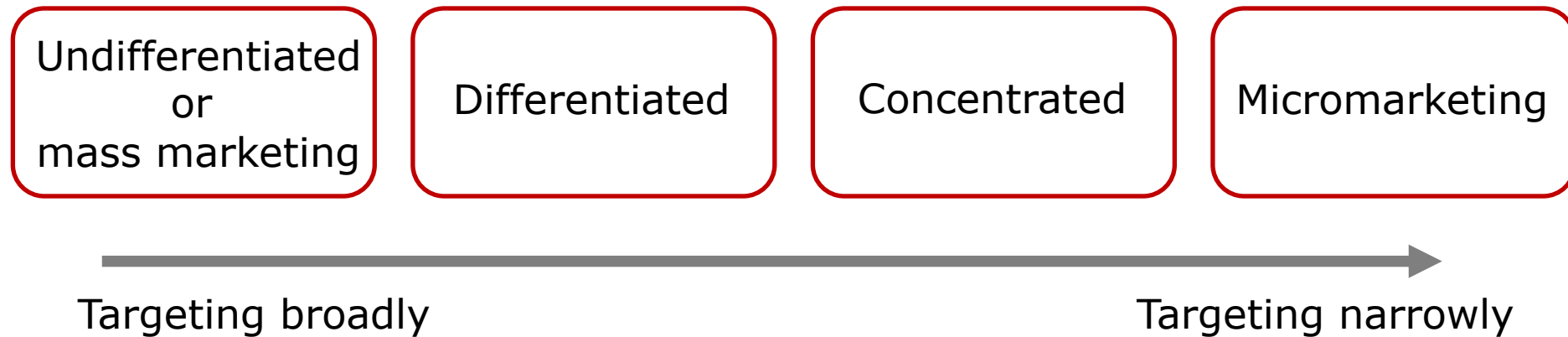
Step 3: Evaluate Segment Attractiveness

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	??

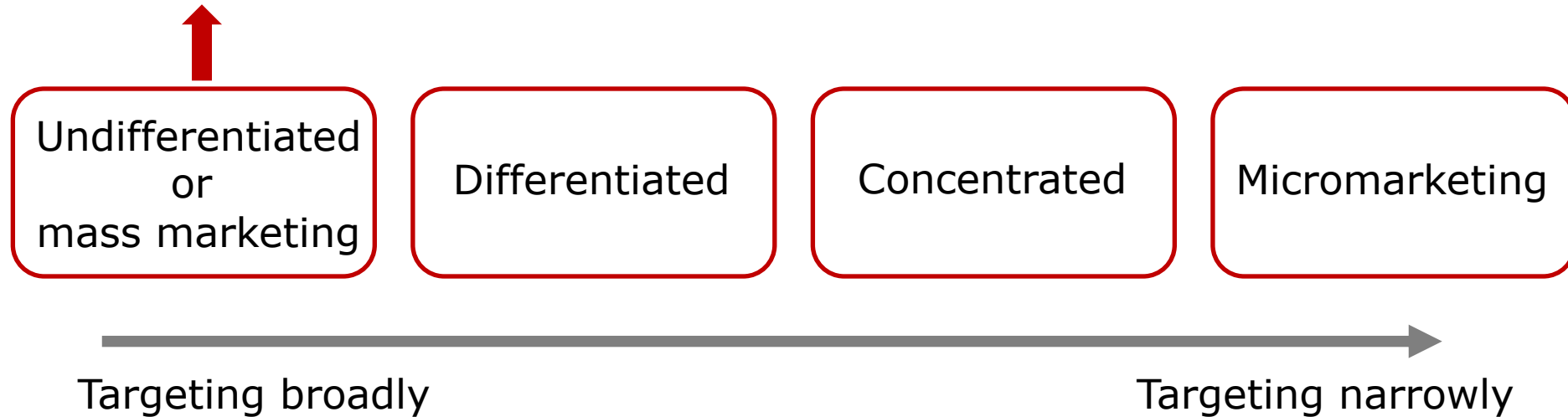
Important for group project!

There are several targeting strategies



There are several targeting strategies

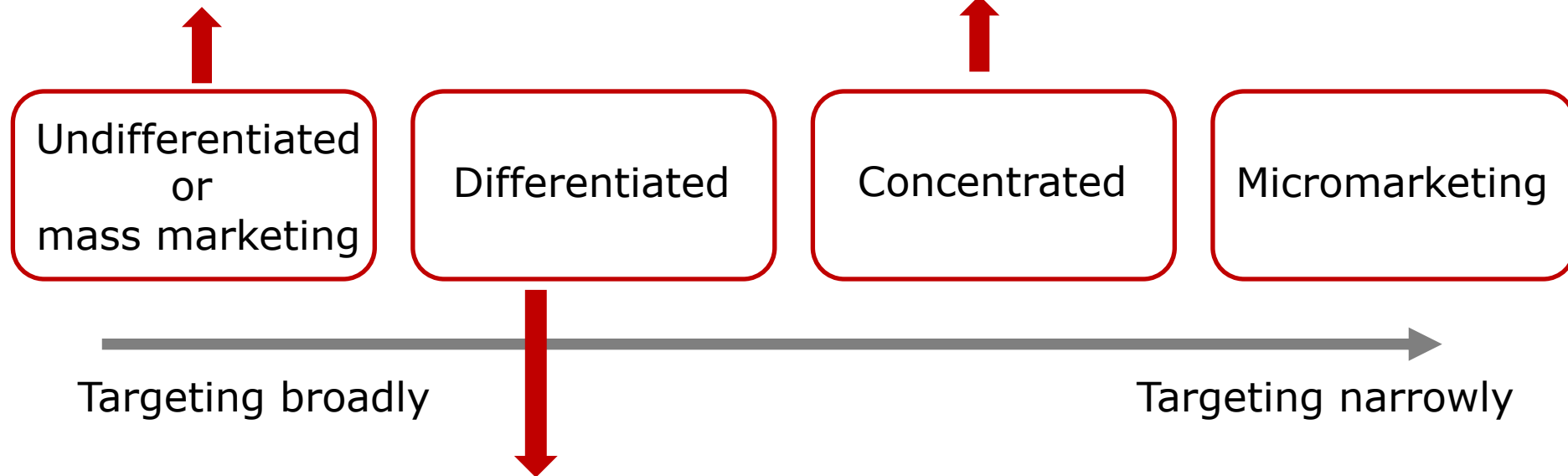
Everyone is considered a potential customer



There are several targeting strategies

Everyone is considered a potential customer

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

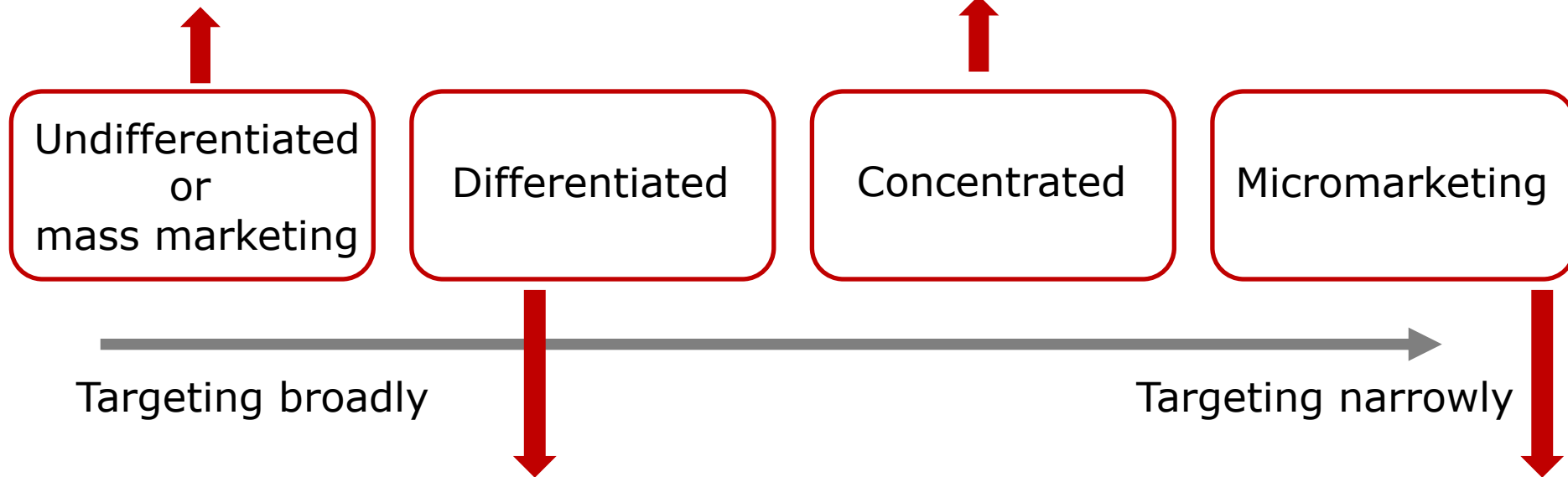


Firm targets **several market segments** with different offering

There are several targeting strategies

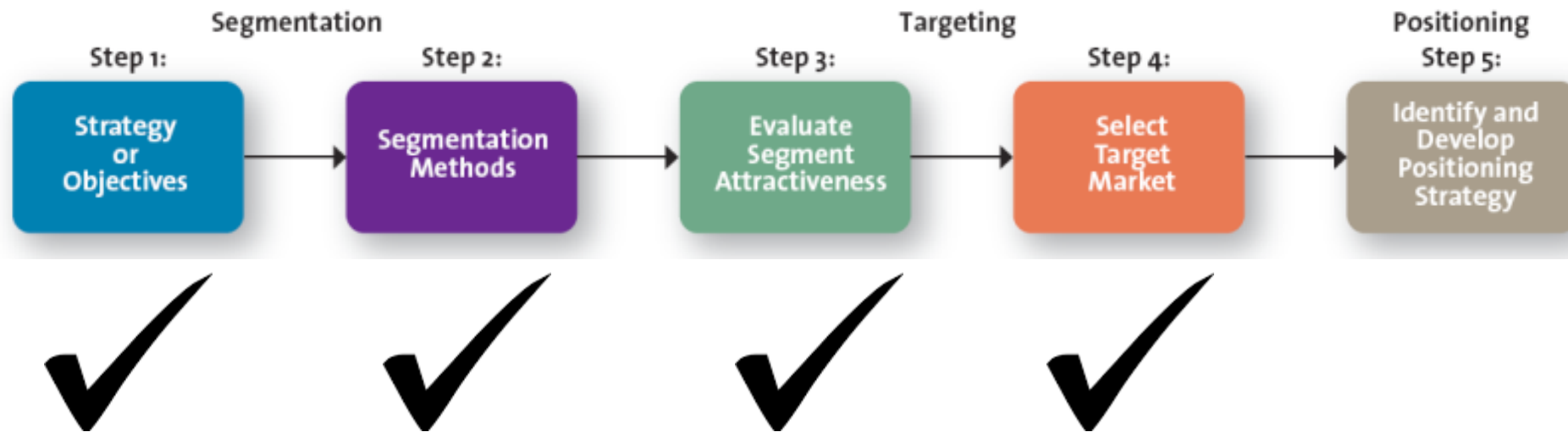
Everyone is considered a potential customer

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

Offering tailored to **each customer** individually



Step 5: Develop a Positioning Strategy

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

