Session 5
Targeting Strategic Markets:
Segmentation, target markets and positioning
Chapter 4
Two Types of Markets

Consumer (B2C) markets

- Purchasers and household members who intend to consume or benefit from purchased products and do not buy products to make profits

Industrial (B2B markets)

- Individuals or groups that purchase a specific kind of product for resale, direct use in producing other products or use in general daily operations
Types of Markets

Consumer market | Business market

Consumer market and business market ads

Tiffany & Co aims its diamond rings and jewellery at consumer markets. However, pink diamonds from Argyle Diamond mine are aimed at business markets.
• A university purchases new computers to be installed in the new computer labs for students’ use.
• Is this an example of a consumer market or a business market?
Summary Process for Targeting Strategic Markets

QUESTION: How do I get the most “bang” for my “buck”? 

1. Scan the environment

2. Analyze the data

3. Segment your market by selecting your target market(s) (customers with similar needs is ideal) – use the 5-step target Market Selection Process

4. Position your product(s) relative to the competition – Perceptual Mapping

5. Re-position product when needed
ENVIRONMENTAL SCANNING

• The process of collecting information about forces in the marketing environment

• Conducted through observation of secondary resources such as:
  • Business, trade, government data
  • Internet resources
  • Marketing research
ENVIRONMENTAL ANALYSIS

• The process of assessing and interpreting the information gathered through environmental scanning about competitive forces and forces in the marketing environment.

• It involves
  • Evaluation for accuracy
  • Resolving inconsistencies
  • Assigning significance to the findings
What do we mean by MARKET SEGMENTATION

- Market segmentation –

The process of dividing a total market into groups - with relatively similar product needs - to design a marketing mix that matches those needs.
TARGET MARKET EXERCISE

• Step One: Brainstorm in your group a list of 2 products that specifically target university students.

• Step Two: Evaluate each product and discuss whether university students will continue to use this product/service after they graduate.
5 Steps in the Target-Market Selection Process

1. Identify the appropriate targeting strategy
2. Determine which segmentation variables to use
3. Develop market segment profiles
4. Evaluate relevant market segments
5. Select specific target markets
Step 1: Identify the Appropriate Targeting Strategy

- **Undifferentiated targeting strategy** – Organisation designs a single marketing mix and directs it at entire market for a particular product (mass market – e.g. TV, Billboards, Radio no research needed)

- **Homogeneous market** – A large proportion of customers have similar needs for a product (e.g. stoves, fridges, etc.)
STEP 1 – CONTINUED

- **Concentrated targeting strategy** – Organisation targets a single market segment using one marketing mix (e.g. teenage girls)
- **Heterogeneous market** – Markets made up of individuals or organisations with diverse needs for a product (e.g. computer – but you cannot substitute a PC for a MAC – different platforms)
**STEP 1 – CONTINUED**

- **Differentiated targeting strategy** – Organisation targets two or more segments by developing a marketing mix for each (example: a product that appeals to women in 2 different age groups)
5 Steps in the Target-Market Selection Process

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STEP 2: Determine Which Segmentation Variables to Use

Demographic variables
- Age
- Gender
- Race
- Ethnicity
- Income
- Education
- Occupation
- Family size
- Family life cycle
- Religion
- Social class

Geographic variables
- Region
- Urban, suburban, rural
- City size
- County size
- State size
- Market density
- Climate
- Terrain

Psychographic variables
- Personality attributes
- Motives
- Lifestyles

Behaviouristic variables
- Volume usage
- End use
- Benefit expectations
- Brand loyalty
- Price sensitivity
DEMOGRAPHIC SEGMENTATION

• Market segmentation based on demographic variables such as:
  • Age
  • Gender
  • Race
  • Income
  • Education
  • Occupation
  • Family size
  • Family life cycle

• Article: Millennials show aversion to credit cards
Age-based segmentation
Supre target teenage girls by advertising in magazines such as *Girlfriend* and by setting up an interactive Facebook page, all of which direct girls to the online shopping website.
Gender-based segmentation
Cracker Barrel Vintage Cheddar is a cheese targeted at affluent men with distinguished taste
Example of Gender Segmentation

In celebration of Women's History Month, Johnny Walker is introducing Jane Walker, "a female iteration of the Johnny Walker brand's iconic Striding Man logo."

The Johnnie Walker Black Label Jane Walker Edition will be sold starting in March.

Castle Lite's apology to women on International Women's Day
Questions about Strategic Marketing Segmentation to the Female Economy

Research conducted with female consumers about their work and life reveals that, in contrast to their male counterparts, they feel under-served, under-valued, and under-estimated in the market economy.

The 6 industries below are ones female consumers indicate they are most under-served, under-valued and under-estimated.

**Food; Fitness; Beauty; Apparel; Health Care; Financial Services**

**Exercise:**

1. Break-up into male and female groups
2. From your vantage in the 2 groups, think of examples from at least 3 of the 6 industries that illustrate how females are - or could be under-served, under-valued and under-estimated - in the South African market economy.
ABS figures for families and households

(a) In addition to couples, parents, children and other family members, family households may also include unrelated individuals. Therefore, the number of persons in family households will not equal the number of persons in families.

(b) These families may include ‘other related individuals’, but excludes ‘unrelated individuals’, as defined in the Glossary.

(c) Refers to families where there are no partners or children (e.g. adult siblings living together without a parent), but excludes unrelated individuals.

(d) Includes non-dependent children in families with dependent children as well as other related individuals.
GEOGRAPHIC SEGMENTATION

• Market segmentation based on geographic variables such as:
  • Climate
  • Terrain
  • City size
  • Population density
  • Urban/rural areas

• This segmentation considers national boundaries, regional districts or even suburban postcode
Geographic segmentation – CONTINUED

**Market density**
- Number of potential customers within a unit of land area – Cape Town vs Johannesburg

**Geodemographic segmentation**
- Market segmentation that clusters people in postcode areas and smaller neighbourhood units based on lifestyle and demographic information – Sea Point vs Stellenbosch

**Micromarketing**
- An approach to market segmentation in which organisations focus precise marketing efforts on very small geo-demographic markets – Princes Grant Golf Estate
PSYCHOGRAPHIC SEGMENTATION

• Market segmentation based on psychographic variables such as personality, motives and lifestyle

• Psychographic variables can be used independently to segment a market but are more commonly combined with other types of segmentation variables
NICHE – demographics vs psychographics
Importance of behaviouristic and psychographic variables
Identify the probable psychographic profile target markets for the following products (i.e. personality, life-style, motivations)

• Amarula Cream

• Ushaka Water-World

• The rope swing at Moses Mahiba Stadium

• UKZN Classical Symphony Orchestra
Lifestyle segmentation
This advertisement is designed to encourage UK residents to ‘go walkabout down under’
DISCUSSION QUESTION

• Discuss two ways the market for each of the following products might be segmented
  • Chocolate bars
  • Travel services
  • Bicycles
  • Smartphones
5 Steps in the Target-Market Selection Process

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STEP 3: Develop Market Segment Profiles

• A market segment profile describes the similarities of potential customers within a segment and explains the differences among people and organisations in different segments.

• A profile segment can benefits Strategic Marketers in 2 ways:
  • Helps determine the most attractive segment(s)
  • Can be potentially useful information for subsequent marketing decisions
PGA Tour’s Plans to Get More and Younger Fans
5 Steps in the Target-Market Selection Process

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STEP 4: Evaluate Relevant Market Segments

After analysing the segment profiles, a Strategic Marketer may have identified several relevant market segments to further analyze in terms of:

- Estimates of Sales
- Assess the Competition
- Assess Costs
ESTIMATE OF SALES

• What is the potential of Sales:

  • This is calculated by:

  The total amount of product that customers will purchase - in a specified period - at a specific level of industry-wide marketing activity - and at an competitive price
ASSESS THE COMPETITION

• Without assessing the competition, sales estimates can be misleading

• The following questions need to be answered for a competitive assessment
  • How many competitors exist?
  • What are their strengths and weaknesses?
  • Do several competitors have a major market share?
  • Can we create a competitive marketing mix?
  • Will new competitors enter this segment?
  • If so, can we still compete successfully?
ESTIMATE OF COSTS

To developing and maintain a marketing mix that fulfills the needs of a target segment, can be expensive.

Factors affecting costs include:

- Distinctive product features
- Attractive package design
- Generous product warranties
- Extensive advertising
- Attractive promotional offers
- Competitive prices
- High quality personal service
5 Steps in the Target-Market Selection Process

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STEP 5: Select Specific Target Markets

Do the customers’ needs differ enough to warrant use of market segmentation?

- Are the customers’ needs homogeneous? – then do an undifferentiated targeting strategy (TV, etc.)
- Are the customers’ needs heterogeneous – then one or more target markets must be selected (computer - but different platforms)
- Assuming one or more segments offer significant opportunities, marketers must decide in which segments to participate
WHAT IS PRODUCT POSITIONING?

If a firm needs to create and maintain a certain concept of a product in customers’ minds they can position their product by:

• Giving the features of the Product, and
• Giving the benefits of the Product in terms of Price, Quality, or Brand Reputation relative to their competitors!
Positioning using product feature

Empire Furniture is positioned as a specialist in business furniture that provides extra support to its business customers.
PERCEPTUAL MAPPING

- Palazzo Versace
- Hyatt, Hilton, Sofitel, Peppers
- Mantra, Radisson, Outrigger
- Some other bed and breakfast hotels
- Many bed and breakfast hotels
- Backpackers
A Useful Tool for Positioning Decision Making: Perceptual Maps

Where would you plot your favorite cereals? Your kids’ favorites? Your grandma’s?

Not Sweet

Sweet

Nutritious  Not Nutritious
PRODUCT REPOSITIONING

Firms need to regularly evaluate the current position of their product(s) in order to:

• Strengthen market share and profitability

Repositioning can be done through:

• Changing the product physically
• Revising its pricing and/or distribution strategy
• Changing the product image
• Targeting a different market
Product repositioning
Virgin is repositioning from a price positioning to a premium service positioning as evidenced by the introduction of business class, airport lounges and other service augmentations
What has been done by McDonald’s to reposition its brand in the past few years?
AMWAY ARTICLE

Read the Amway article and refer to the “5 Steps in the Target-Market Selection Process”

In reading the article, try and identify as many factors in the Target Market Selection Process as you can to describe Amway’s “Maintaining the Competitiveness of a Global Brand”

For example, do you identify any of the following (give evidence):

1. What targeting strategy does Amway employ?
2. List the segmentation variables (demographic, geographic, psychographic, behavioural)
3. Explain the market segment profiles (similarities and differences)
4. Assess the relevant market segments (competitors)
5. Evaluate relevant market segments (sales, competition, costs)
Questions for Shaping Spaarbeleg Case

• Read the Shaping Spaarbeleg Case
• Describe the job Johann had to perform in Spaarbeleg?
• What were the marketing, sales and management challenges Johann had to dealt with? List these.
• How did he overcome the challenges you listed?
• How should Johann manage the relationship with Aegon?
Variables for Segmenting Business Markets

- Geographic Location
- Product Use
- Type of Organisation
- Customer Base Size