




Market Segmentation, Targeting, and Positioning

Theory and Practice

Pattana Boonchoo
Department of Marketing
Thammasat Business School




It's a marketer's job to...

- Divide up markets into meaningful customer groups (segmentation)
- Choose which customer groups to serve (targeting)
- Position offerings in the mind of consumers through differentiation (positioning)


Customers to serve

Value proposition



Market Segment

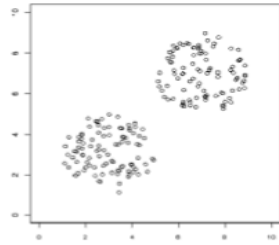
- A market segment consists of a group of customers who share a similar set of needs and wants.
- The marketer's task is to identify the appropriate number and nature of market segments and decide which one(s) to target.



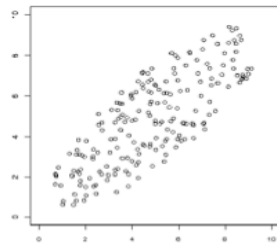
Assumptions Underlying Market Segmentation

- Consumption behavior is *not random*, it is thus possible to isolate groups of individuals within the total market who demand different kinds of product characteristics.
- Marketer is willing to *select "target segments"* whose needs he/she can best fulfill, and concentrate efforts on reaching and persuading primarily this portion of the total market.
- the application of market segmentation assumes that if more than one target segment is desirable, the marketer is willing to *design different marketing strategies for each segment*.

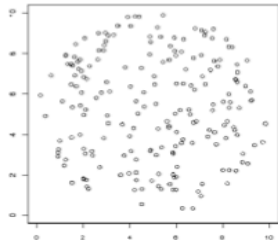
1a True segment structure



1b Pseudo structure



1c No structure



Segmentation Variables: Geography

- Geographic region: north, east, south, west, northeast
 - Ex: Bank officer visit, food consumed, etc.
- City/Town size
- Density: urban, suburban, rural
- Climate



Segmentation Variables: Demography

- Age
- Family size
- Family life cycle
 - young, single; young, married, no children; young, married, youngest child under 6; young, married, youngest child 6 or older; older, married, with children, married, no children under 18; older, single, other
- Gender
 - Ex: Nivea for men, Harley-Davidson
- Income



Segmentation Variables: Demography (Cont'd)

- Occupation
- Generation
- Race
- Religion
- Nationality
- Social class



Segmentation Variables: Psychograph

- Lifestyle
 - sports-oriented; outdoor-oriented; culture-oriented, etc.
- Personality
 - ambitious, authoritarian

Segmentation Variables: Behavior

- Behavioral occasions
 - Regular occasion, special occasion
 - Ex: M&M for X'Mas/ Superbowl
- Benefits
 - Quality, service, economy, speed
- User status
 - Non-user, ex-user, potential user, first-time user, regular user
- Usage rate
 - Light user, medium user, heavy user

Segmentation Variables: Behavior (Cont'd)

- Loyalty status
 - None, medium, strong, absolute
- Readiness stage
 - Unaware, aware, informed, interested, desirous, intending to buy
- Attitude toward product
 - Enthusiastic, positive, indifferent, negative, hostile

Multiple Segmentation Bases

020-020-020-0
 Chonburi 038-275-131-2
 Pattaya 038-412-134-5 / 038-710-561

We accept

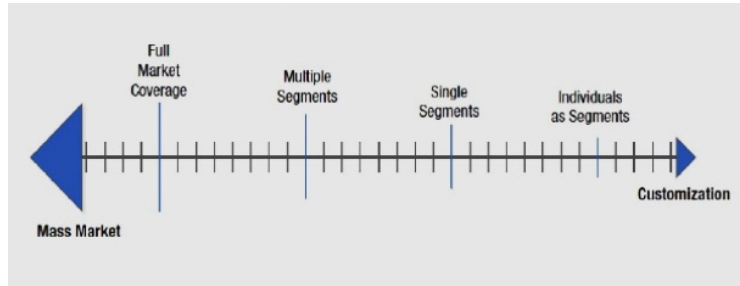
Our Brands

-
-
-
-
-
-

Product Name	Price	Engagement
Black Forest Cake (2 Lbs)	710.-	251 people like this. Be the first of your friends.
Vanilla Butter Cake (2 Lbs)	630.-	106 people like this. Be the first of your friends.
Coffee Butter Cake (2 Lbs)	670.-	80 people like this. Be the first of your friends.
Cartoon Cake		
Hello Minnie Vanilla Butter Cake (2Lbs)	730.-	77 people like this. Be the first of your friends.
Hello Mickey Vanilla Layer Cake (2Lbs)	670.-	113 people like this. Be the first of your friends.
Ladybug Vanilla Butter Cake (1Lb)	395.-	10 people like this. Be the first of your friends.

Note

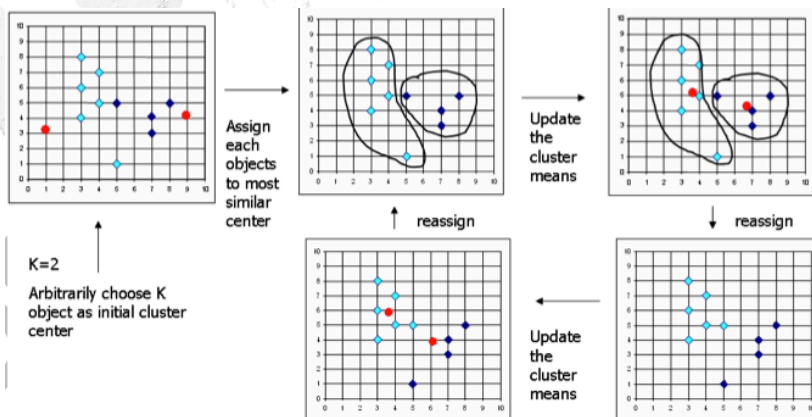
- Not all segmentation schemes are useful!
- Possible levels of segmentation



Important process questions

1. Identification of purpose	What is the background for segmenting the market, how and who will use the identified segments?
2. Identification of market to segment	Which market should the company segment?
3. Identification of variables and model	Which variables should the segmentation use? How can the company gather data? What methods should the process use to create the segments?
4. Segmenting and analysis	How should the data be analyzed and the segment created?
5. Verification, evaluation and selection of segments	Do the segments exist, how attractive are they? What do the segments demand and how well do they match the company?
6. Communication and implementation	To whom should the company communicate the segments, and how? How should they use the segments?
7. Monitoring and updating	When should the company re-segment the market? Consideration warranted both of degree and importance of external changes and internal flexibility and changes

Statistical Technique



Example: PGA

- Sport tourists attending a Professional Golfers' Association of America tournament were divided into three groups based on their total per day spending.



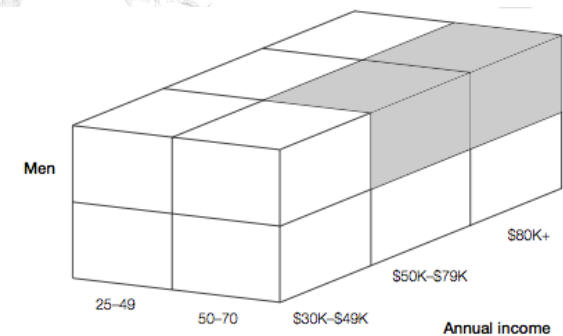


- S1:- Low-spender : total per day expenditures were \$219.25
- S2:- Medium-spender : \$219.25
- S3:- High-spender: \$759.03
- Each segment differs in terms of spending patterns, trip characteristics, and trip preferences

Source: Dixon et al. (2012) Journal of Sport and Tourism



Golfing



Exon-Mobil: 5 segments of gasoline buyers

- (1) Road warriors: higher-income, middle-aged men who drive 25,000 to 50,000 per year, buy premium gas with a credit card, and buy sandwiches and drinks from the convenience store (16 percent of buyers)
- (2) True blues: men and women with moderate to high incomes who are loyal to brand and sometimes to a particular station (16 percent)
- (3) Generation F3 (fuel, food, and fast): upwardly mobile men and women, half under 25 years old, who are constantly on the go; drive and snack a lot (27 percent)



Exon-Mobil: 5 segments of gasoline buyers

- (4) Homebodies: usually homemakers who shuttle their kids around during the day and buy gas from whatever station is along the way (21 percent)
- (5) Price shoppers: not loyal to a brand or station, rarely buy premium (20 percent)



Example: Telecommunications



- Quick Talkers
- SMS but will talk

Factor	Quick talkers	SMS but will talk
Average 3-months value per subscription	2nd highest € value. OK registration	Average 3-months value per subscription: fifth highest € value
Recharges	Many averaging < €15 per recharge	Fewer recharges averaging < €13 per recharge
Preference for scratch card recharges	Very strong	Yes: also electronic
Credit card penetration	Almost none	Average
Voice use	Highest overall; many calls, but they are short calls (average < 1 min each)	Voice accounts for a large proportion of the customer value (> 50 per cent of total value)
Inbound/Outbound	NA	Makes <i>many</i> more voice calls than they receive (almost twice as many)
Call targets	High preference for calling within the company network. Almost 6:1 ratio of in-network to out-of-network calls	NA
Duration	Less than 1 min calls	3 min calls
Calling circle	Large	Small
SMS usage	Relatively low	Very high



- Don't take away their favorite recharge method.
- Communicate with them through direct mail and the call centre – not through SMS.
- Keep marketing message short.
- Encourage them to make longer phone calls.
- Friends and Family programme may be attractive to this group.



- Move them to Credit Card top-ups, but push higher value top-ups at a time.
- Send them a text message.
- Encourage them to make more calls.
- They may be good MMS candidates.



UK Post Office



- A:** Maturing Affluence: Technology Embracing Careerists; Conservative Values
- B:** Starting Out: Prospering Graduates; Young Active Fun Males, Females Finding Their Feet
- C:** Optimistic Families: Aspiring Midmarket; Nestmaking Nuptials
- D:** Autumnal Comfort: Contented Retirement; Community Mainstays; Traditional Resisters
- E:** Blue Collar Survivors: Burdened Blokes; Hardship Balancing Females; Transient Dependants
- F:** Cash Strapped Youth: Welfare Young Mums; Struggling Singles
- G:** Traditional Elders: Industrial Backbone; Dignified Elders; Dependent Elders
- H:** Welfare Reliants

Example: Shaving Cream



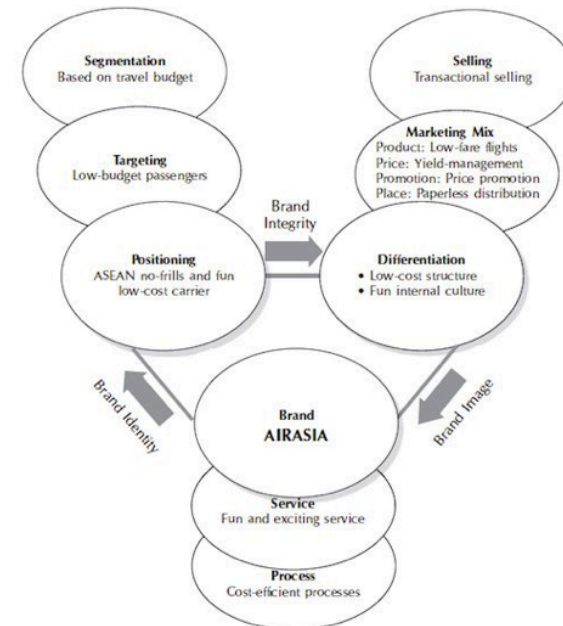
The U.S. Men's Shaving Gel Market 2008 and 2007: Major Groups by Level of Market Share

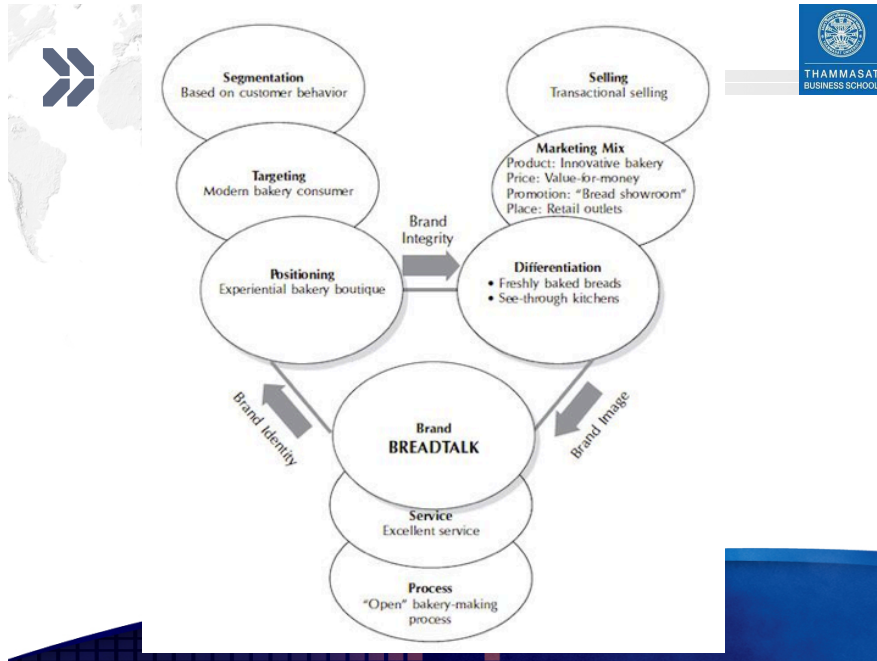
Corporate Identity	Competitive Strategy	Level of market share	Brand Name	PQ Segment	Av. Uprice	Av. Mkt Share %	Promotion Intensity
Johnson & Johnson	Focus on the <i>upper-price</i> segments	Low	Neutrogena Razor Defense	<i>Super-premium</i>	\$ 4.68	1.5	"Light"
			Aveeno	<i>Premium (upper)</i>	\$ 4.03	6.9	
Beiersdorf	<i>Mid-price</i>		Nivea	\$ 2.81	5.7	"Moderate"	
P&G			Gillette Mach3	\$ 2.83	4.3	"Heavy"	
Private-label group	Compete in the <i>economy</i> segment		Store brands	\$ 1.87	6.4	"Moderate"	
Perio			Barbasol	\$ 1.76	0.8		
P&G		Noxzema	\$ 1.90	2.5	"Heavy"		
		Old Spice	\$ 1.94	0.8			
P&G (Gillette)	To be a market share leader in the <i>premium</i> segment	Moderate	Gillette Fusion	<i>Premium (lower)</i>	\$ 3.34	11.3	
	To compete in the <i>mid-price</i> segment and hold a "leadership or significant market share position"	High	Gillette Series	<i>Mid-price</i>	\$ 2.41	22.0	"Heavy"
S. C. Johnson	Edge		\$ 2.59		36.9		

Example: Phone Company



	Fledglings	Thirties	Contenteds	Climbers	Techies	Executives
Mean age	37	51	44	43	38	40
Mean income	\$26k	\$27k	\$37k	\$31k	\$40k	\$48k
Occupation	Blue collar	Retired/blue collar	Administrative/professionals	Administrative/sales	White collar	White collar
Education	14	12	14	16	18	18
Married	60%	72%	76%	65%	33%	72%
Children	44%	38%	51%	54%	75%	33%
Mobility	High	Low	Medium	Medium	High	Low
Home value	\$70-85k	\$60-80k	\$70-85k	\$60-80k	\$80k+	\$90k+
Dual income	Low	Medium	Medium	High	Highest	Medium
Number of phones	Low	Low	Medium	Medium	High	High
Type of phones	Basic/standard	Basic/standard	Medium mix	Medium mix	All types	All types
Monthly bill	Low	Low	Medium	Very high	Very high	Very high
Technology adoption	Late adopters	Laggards	Late adopter	Early adopter	Innovator	Early adopter
Purchase criteria	Value/money	Security	Convenience	Status	Environmental control	Quality
Application	Social interaction	Safety and protection	Social interaction	Social interaction	Personalized systems	Time saving





Case Study

- Ontela PicDeck (A) and (B)

ontela

photobucket

THAMMASAT BUSINESS SCHOOL

Thank You !

THAMMASAT BUSINESS SCHOOL

www.tbs.tu.ac.th