CHAPTER THREE
Focusing Marketing Strategy with Segmentation and Positioning

When we finish this lecture you should
1. Know about defining generic markets and product-markets.
2. Know what market segmentation is and how to segment product-markets into submarkets.
3. Know three approaches to market-oriented strategy planning.
4. Know dimensions that may be useful for segmenting markets.
5. Know a seven-step approach to market segmentation that you can do yourself.
6. Know what positioning is and why it is useful.

Focusing Marketing Strategy with Segmentation and Positioning (Exhibit 3-1)

Segmentation
- Defining markets
- Identifying segments
- Identifying segments to target
- Segmentation approaches

Positioning
- Understanding customer’s view
- Positioning techniques
- Evaluating segment preferences
- Differentiating the marketing mix
- Relationship between positioning & targeting

Taking Advantage of Opportunities

Naming Product Markets and Generic Markets

No Product Type in Generic Market Definition

Product-

Market

Definition

Product Type

Customer Needs

Geographic Area

Customer Type
Interactive Exercise: Product-Market Definition

What is the product-market definition for each product advertised here?

What Is the Product-Market?

Segmentation is a Two-Step Process

1. Naming broad product-markets
   and
   2. Segmenting markets and selecting targets

Search for Opportunities Can Begin by Understanding Markets (Exhibit 3-3)

Market Segmentation Defines Possible Target Markets (Exhibit 3-4)

How Far Should the Aggregating Go? (Exhibit 3-5A and 3-5B)
In a product-market area

<table>
<thead>
<tr>
<th>A segmenter</th>
<th>A combiner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using single target market approach – can aim at one submarket with one marketing mix</td>
<td>Using combined target market approach – can aim at two or more submarkets with the same marketing mix</td>
</tr>
<tr>
<td></td>
<td>Using multiple target market approach – can aim at two or more submarkets with different marketing mixes</td>
</tr>
</tbody>
</table>

Target Marketers Aim at Specific Targets (Exhibit 3-6)

**Checking your knowledge**

A neighborhood restaurant in a diverse market area sought to appeal to a wide range of consumers by offering a menu with a few choices from each of several different styles of cuisine—American, Italian, Chinese, German, Thai, and Indian. Recently, the restaurant has lost sales to newer restaurants that offer many choices from a single style of cuisine. This example illustrates the danger of adopting a 

A. single target market  
B. multiple target market  
C. combined target market  
D. structured target market  
E. mixed-mode market

**Benefits sought**

- Information required
- Type of problem-solving
- Kind of shopping
- Rate of use
- Purchase relationship

**Needs**

- Brand familiarity

**Behavioral Segmentation Dimensions**

**Segmenting vs. Combining**

Key Issues

- Combiners Try to Satisfy “Pretty Well”  
- Too Much Combining Is Risky

Segment or Combine?

- Segmenting May Produce Bigger Sales

Profit Is the Balancing Point

- Segmenters Try to Satisfy “Very Well”

**Geographic Segmentation Dimensions**

- Region of world or country
- Region in a country
- Size of city

**Demographic Segmentation Dimensions**

- Income
- Sex or age
- Family size or family life cycle stage
- Occupation or education
- Ethnicity or social class

**Demographic dimensions for segmenting consumer markets**

**Geographic dimensions for segmenting consumer markets**

**Behavioral dimensions for segmenting consumer markets**
Basic Marketing – Chapter 3
Handout 3-4

Segmenting business markets

- Kind of relationship
- Type of customer
- Demographics
- How customers will use the product
- Type of buying situation
- Purchasing methods

Business-to-Business Segmentation

Checking your knowledge

The pastor of a new church decides to start prospecting for new members. He focuses first on people who live within a mile radius of the church, and contacts them via mail and by visiting them door-to-door. He then moves on to people who live from one to two miles away from the church, then two to three miles away, and so on, up to a limit of ten miles away. The pastor appears to be focusing on a _______________ segmenting dimension.

A. behavioral
B. demographic
C. benefit
D. geographic
E. relationship

What Dimensions Are Used to Segment Markets?

- Qualifying Dimensions
  - Relevant to including a customer type in a product-market
  - Help identify “core benefits”

- Determining Dimensions
  - Affect the customer’s purchase of a product or brand
  - Can be further segmented

Determining vs. Qualifying Dimensions

- Determining Dimensions May Be Very Specific
- Determining Dimensions May Change
- Key Issues
- Different Dimensions For Different Submarkets
- Qualifying Dimensions Are Important Too

Broader Issues in Selecting Segmenting Dimensions

- Ethical Issues
  - Exploitation
  - Creates Unnecessary Wants
  - Does Harm
What Are the Relevant Segmenting Dimensions?

A father taking his family of four on vacation was trying to make hotel reservations for a trip to Disney World. He first eliminated all hotels that were in excess of two miles from the main gate to Disney World. Then he focused exclusively on hotels offering suites so that his family would have more space. He eventually selected the Excelsior Hotel because he knew the hotel offered suites and a complementary breakfast. For him, the availability of the complementary breakfast was a __________ segmenting dimension.

A. qualifying  
B. determining  
C. differentiated  
D. geographic  
E. demographic

Checking your knowledge

Checking your knowledge

Segmentation and Advertising

Segmenting Product Markets (Exhibit 3-11)

More Sophisticated Techniques May Help in Segmenting

Cluster Analysis

Customer Database

Customer Relationship Management (CRM)

Cluster Analysis

Sampling Waste Illustrated

Zip Codes

Rezoning

Impact Media
Positioning and Advertising

An Example of Positioning (Exhibit 3-13)

Positioning

Checking your knowledge

The "product space" graph (perceptual map) resulting from a positioning study for shampoo shows a substantial target market that is currently served by only one product—Exotic Balsam. Which of the following is a reasonable course of action for a competing manufacturer?

A. Develop a new product to compete with Exotic Balsam.
B. Look for an area on the map where there is a smaller target market that is not served by any current products.
C. Attempt to reposition a current product as an alternative to Exotic Balsam.
D. Do a broader analysis that includes an examination of customer needs and attitudes.
E. Any of the above might be reasonable, depending on the circumstances.

You now

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Key Terms

- Market
- Generic market
- Product market
- Market segmentation
- Segmenting
- Market segment
- Single target market approach
- Multiple target market approach
- Combined target market approach
- Combiners
- Segmenters
- Qualifying dimensions
- Determining dimensions
- Clustering techniques
- Customer relationship management (CRM)
- Positioning