



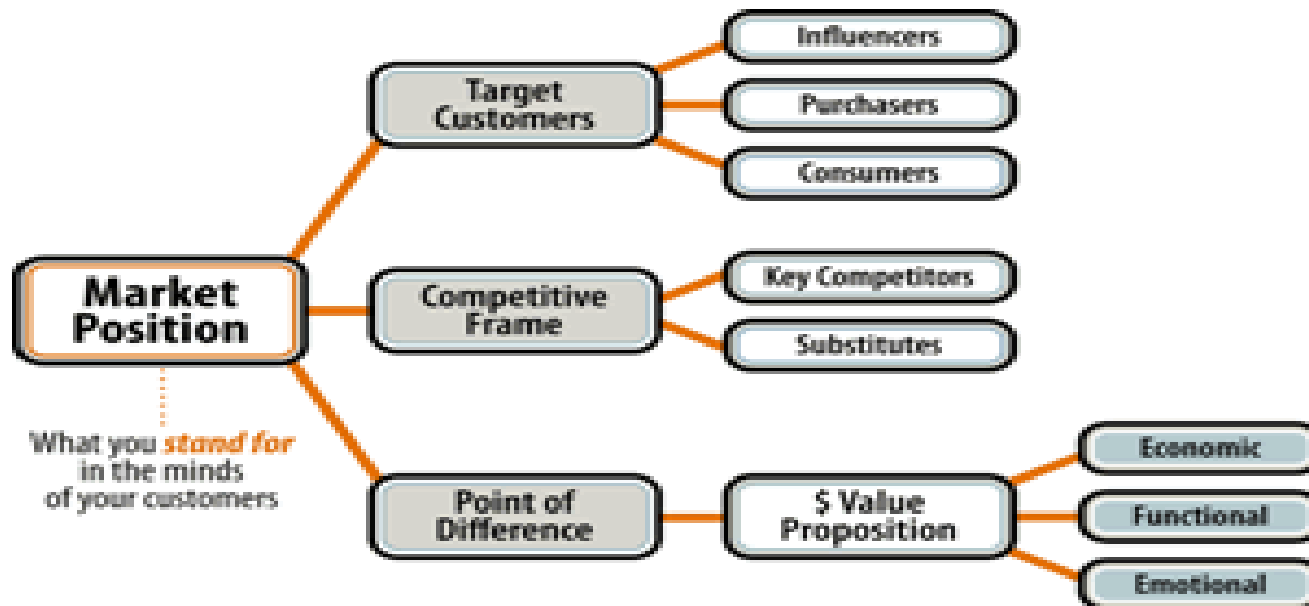
Segmentation, Targeting, and Positioning

Chapter 7

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Segmentation, Targeting, and Positioning

Market Segmentation



Introduction



- How to identify like groups of potential customers?
- How to choose the groups to target?
- How to segment those groups?
- How to position the brand in the mind of the customer?

There are 4.2 million horseback and cart riders in Great Britain.

Market Segmentation

- Represents an effort to identify and categorize groups of customers and countries according to common characteristics



77.5 million dogs are owned in the U.S.

Who owns whom?

Targeting

- The process of evaluating segments and focusing marketing efforts on a country, region, or group of people that has significant potential to respond
- Focus on the segments that can be reached most effectively, efficiently, and profitably

Global Market Segmentation

- Defined as the process of identifying specific segments—whether they be country groups or individual consumer groups—of potential customers with homogeneous attributes who are likely to exhibit similar responses to a company's marketing mix.

Contrasting Views of Global Segmentation

- Conventional Wisdom
 - Assumes heterogeneity between countries
 - Assumes homogeneity within a country
 - Focuses on macro level of cultural differences
 - Relies on clustering of national markets
 - Less emphasis on within-country segments
- Unconventional Wisdom
 - Assumes emergence of segments that transcend national boundaries
 - Recognizes existence of within-country differences
 - Emphasizes micro-level differences
 - Segments micro markets within and between countries

Global Market Segmentation

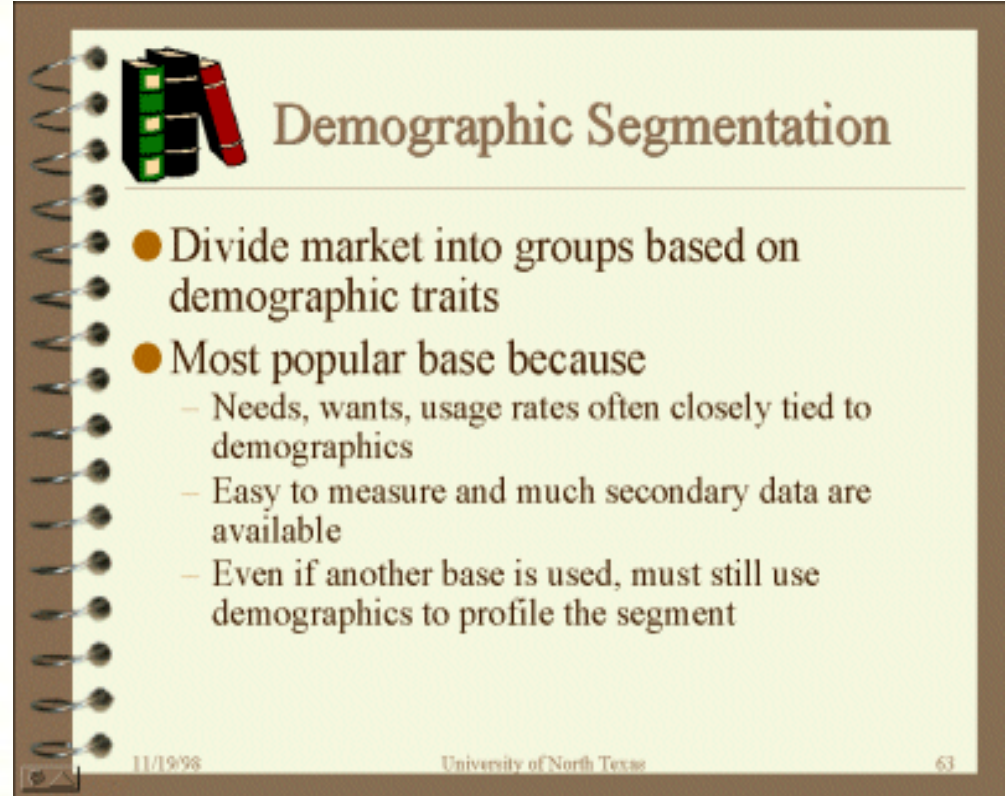



- Demographics
- Psychographics
- Behavioral characteristics
- Benefits sought

Skiing became a sport in Norway where it was invented 4,000 years ago.

Demographic Segmentation

- Income
- Population
- Age distribution
- Gender
- Education
- Occupation



 Demographic Segmentation

- Divide market into groups based on demographic traits
- Most popular base because
 - Needs, wants, usage rates often closely tied to demographics
 - Easy to measure and much secondary data are available
 - Even if another base is used, must still use demographics to profile the segment

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Demographic Facts and Trends

- A widening age gap exists between the older populations in the West and the large working-age populations in developing countries
- In the European Union, the number of consumers aged 16 and under is rapidly approaching the number of consumers aged 60-plus
- Asia is home to 500 million consumers aged 16 and under
- Half of Japan's population will be age 50 or older by 2025

Demographic Facts and Trends

- America's three main ethnic groups—African/Black Americans, Hispanic Americans, and Asian Americans—represent a combined annual buying power of \$1 trillion
- The United States is home to 28.4 million foreign-born residents with a combined income of \$233 billion
- By 2030, 20 percent of the U.S. population—70 million Americans—will be 65 or older versus 13 percent (36 million) today
- India has the youngest demographic profile among the world's large nations: More than half of its population is under the age of 25

Segmenting by Income and Population

- Income is a valuable segmentation variable
 - 2/3s of world's GNP is generated in the Triad but only 12% of the world's population is in the Triad
- Do not read into the numbers
 - Some services are free in developing nations so there is more purchasing power
- For products with low enough price, population is a more important variable

Per Capita Income

TABLE 7-2 Per Capita Income, 2007

	2007 GNI Per Capita	2007 Income Adjusted for Purchasing Power
1. Norway	\$77,370	\$53,650
2. Luxembourg*	\$72,430	\$61,860
3. Switzerland	\$60,820	\$44,410
4. Iceland	\$57,750	\$34,070
5. Denmark	\$55,440	\$36,800
6. Sweden	\$47,870	\$37,490
7. Ireland	\$47,610	\$37,700
8. United States	\$46,040	\$45,840
9. Netherlands	\$45,650	\$39,470
10. United Kingdom*	\$40,660	\$34,050

*2006 data



10 Most Populous Countries

TABLE 7-4 The 10 Most Populous Countries, 2007

Global Income and Population	2007 Population (millions)	Percent of World Population	2007 GNI (billions)
WORLD TOTAL	6,610.26	100.00%	\$52,850.42
1. China	1,318.31	19.93%	3,126.01
2. India	1,124.79	17.00%	1,071.03
3. United States	301.62	4.55%	13,386.42
4. Indonesia	225.63	3.40%	372.63
5. Brazil	191.60	2.89%	1,122.09
6. Pakistan	162.48	2.45%	140.24
7. Russian Federation	142.10	2.14%	1,069.82
8. Bangladesh	158.57	2.39%	74.93
9. Nigeria	147.98	2.25%	135.33
10. Japan	127.77	1.94%	4,828.91

Age Segmentation

- Global Teens—young people between the ages of 12 and 19
 - A group of teenagers randomly chosen from different parts of the world will share many of the same tastes
- Global Elite—affluent consumers who are well traveled and have the money to spend on prestigious products with an image of exclusivity

Gender Segmentation

- In focusing on the needs and wants of one gender, do not miss opportunities to serve the other
- Companies may offer product lines for both genders
 - Nike, Levi Strauss



Psychographic Segmentation

- Grouping people according to attitudes, values, and lifestyles
 - SRI International and VALS 2
- Porsche example
 - Top Guns (27%): Ambition, power, control
 - Elitists (24%): Old money, car is just a car
 - Proud Patrons (23%): Car is reward for hard work
 - Bon Vivants (17%): Car is for excitement, adventure
 - Fantasists (9%): Car is form of escape

Psychographic Segmentation

- The Euroconsumer:
 - Successful Idealist—Comprises from 5% to 20% of the population; consists of persons who have achieved professional and material success while maintaining commitment to abstract or socially responsible ideals
 - Affluent Materialist—Status-conscious ‘up-and-comers’
 - many of whom are business professionals – use conspicuous consumption to communicate their success to others

Psychographic Segmentation

- The Euroconsumer:
 - Comfortable Belongers
 - 25% to 50% of a country's population
 - conservative
 - most comfortable with the familiar
 - content with the comfort of home, family, friends, and community
 - Disaffected Survivors
 - Lack power and affluence
 - harbor little hope for upward mobility
 - tend to be either resentful or resigned
 - concentrated in high-crime urban inner city
 - attitudes tend to affect the rest of society

Psychographic Segmentation: Sony's U.S. Consumer Segments

Segment	Description
Affluent	High-income consumers
CE Alphas	Early adopters of high-tech consumer electronics products, irrespective of age
Zoomers	55 years old or older
SoHo	Small office/home office
Families	35 to 54 years old
Young professionals/D.I.N.K.S.	Dual income no kids, 25 to 34 years old
Gen Y	Younger than 25 years old (includes tweens, teens, college students)

Behavior Segmentation

- Focus on whether people purchase a product or not, how much, and how often they use it
- User status
- Law of disproportionality/Pareto's Law—80% of a company's revenues are accounted for by 20% of the customers

Benefit Segmentation

- Benefit segmentation focuses on the value equation
 - $\text{Value} = \text{Benefits} / \text{Price}$
- Based on understanding the problem a product solves, the benefit it offers, or the issue it addresses

Ethnic Segmentation

- The population of many countries includes ethnic groups of significant size
- Three main groups in the U.S. include African-Americans, Asian-Americans, and Hispanic Americans
- Hispanic Americans
 - 40+ million Hispanic Americans (14% of total pop.) with \$560 billion annual buying power
 - CA Mexicans have after-tax income of \$100 billion
 - The number of Hispanic teens will rise from 12 percent of the U.S. teen population to 18 percent in the next decade

Assessing Market Potential

- Be mindful of the pitfalls
 - Tendency to overstate the size and short-term attractiveness of individual country markets
 - The company doesn't want to 'miss out' on a strategic opportunity
 - Management's network of contacts will emerge as a primary criterion for targeting

Assessing Market Potential

- Three basic criteria:
 - Current size of the segment and anticipated growth potential
 - Potential competition
 - Compatibility with company's overall objectives and the feasibility of successfully reaching the target audience

Current Segment Size and Growth

- Is the market segment currently large enough to present a company with the opportunity to make a profit?
- If the answer is 'no,' does it have significant growth potential to make it attractive in terms of a company's long-term strategy?

Potential Competition

- Is there currently strong competition in the market segment?
- Is the competition vulnerable in terms of price or quality?



Feasibility and Compatibility

- Will adaptation be required? If so, is this economically justifiable in terms of expected sales?
- Will import restrictions, high tariffs, or a strong home country currency drive up the price of the product in the target market currency and effectively dampen demand?

Feasibility and Compatibility

- Is it advisable to source locally? Would it make sense to source products in the country for export elsewhere in the region?
- Is targeting a particular segment compatible with the company's goals, brand image, or established sources of competitive advantage?

Framework for Selecting Target Markets

- Demographic information is a starting point but not the decision factor
- Product-Market must be considered
 - Market defined by product category
- Marketing model drivers must be considered
 - Factors required for a business to take root and grow
- Are there any enabling conditions present?
 - Conditions whose presence or absence will determine success of the marketing model

9 Questions for Creating a Product-Market Profile

- Who buys our product?
- Who does not buy it?
- What need or function does it serve?
- Is there a market need that is not being met by current product/brand offerings?
- What problem does our product solve?
- What are customers buying to satisfy the need for which our product is targeted?
- What price are they paying?
- When is the product purchased?
- Where is it purchased?

Target Market Strategy Options

- Standardized global marketing
 - Mass marketing on a global scale
 - Undifferentiated target marketing
 - Standardized marketing mix
 - Minimal product adaptation
 - Intensive distribution
 - Lower production costs
 - Lower communication costs

Target Market Strategy Options

- Concentrated global marketing
 - Niche marketing
 - Single segment of global market
 - Look for global depth rather than national breadth
 - Ex.: Chanel, Body Shop
- Differentiated global marketing
 - Multi-segment targeting
 - Two or more distinct markets
 - Wider market coverage
 - Ex.: P&G markets Old Spice and Hugo Boss for Men

Positioning

- Locating a brand in consumers' minds over and against competitors in terms of attributes and benefits that the brand does and does not offer
 - Attribute or Benefit
 - Quality and Price
 - Use or User
 - Competition



Positioning Strategies



- Global consumer culture positioning
 - Identifies the brand as a symbol of a particular global culture or segment
 - High-touch and high-tech products
- Foreign consumer culture positioning
 - Associates the brand's users, use occasions, or product origins with a foreign country or culture

Beer is associated with this German's culture; the symbol on his shirt is not German!

Positioning Strategies



- Local consumer culture positioning
 - Identifies with local cultural meanings
 - Consumed by local people
 - Locally produced for local people
 - Used frequently for food, personal, and household nondurables
 - Ex.: Budweiser is identified with small-town America

**Clydesdale =
Which Beer?**