

Segment Target and Position

This week we study the key process of marketing which is to segment...target...and position. In the following pages look for;

Segmentation Schemes

Here we see details and the pro's and con's of certain segmentation schemes that can be helpful when considering segments. The more segments the better at this stage.

Why Target?

Once segments have been identified, then it is time to consider which one's to go after...targeting. In the gasoline example, Exxon Mobil found two key segments to target, the car buffs and the loyalists, who account for 38% of the market but also an astounding 77% of the industry's profitability. See here how important it is to chose segments wisely!!!!

Criteria for Positioning

When targets are chosen, it is time to go to market and gain a share of mind, share of heart, and share of market. The graph shows the need to have a strong competitive message that also motivates the consumer to action!

Table 7-3 Pros and Cons of Different Modes of Segmentation

Common Approaches	Pros	Cons
<p>Need/Benefit Segmentation Example: Five types of PC buyers: the performance oriented, the brand conscious, the price shoppers, the word processors, the Internet surfers</p>	<ul style="list-style-type: none"> • A so-called “natural” segmentation because buyer needs seem so simple, so basic • Intellectually interesting • People love to name the groups • Good for new product ideas 	<ul style="list-style-type: none"> • Needs should not be mistaken for problems • Different techniques for measuring needs yield different outcomes • Common approaches understate the true importance of intangible attributes and benefits • Generally, the groups have similar brand preferences, consumption patterns, demographics, and media exposure patterns
<p>Behavioral Segmentation Example: 32% of decision-makers in small to medium-size businesses account for 74% of all the purchases in this segment of the market</p>	<ul style="list-style-type: none"> • Ability to pinpoint a small group who account for much of category volume • Simple and capable of being understood by everyone in the organization • Because it’s based on only 1 or 2 questions, the segmentation can be easily found in other databases 	<ul style="list-style-type: none"> • Heavy buyers are often price conscious or psychologically locked into competitive brands • Product usage is often generally only modestly related to other variables of interest • Generally, the groups have similar brand preferences, consumption patterns, demographics, and media exposure patterns • Little understanding of the differential needs of the target compared to other targets – they are more heterogeneous than homogeneous
<p>Demographic Segmentation Example: 25- to 54-year-old women</p>	<ul style="list-style-type: none"> • Simple and easily understood by everyone in the organization • People you’re familiar with: your wife, daughter, next-door neighbor • Media services and agencies find it easy to work with • Groups are differentially reachable in media 	<ul style="list-style-type: none"> • Groups not very different in any other way, including brand preferences • Not being different, they are an inefficient media buy because of the problem of heterogeneity • Little understanding of different needs
<p>Competitive Attack Segmentation Example: We’re going after Budweiser drinkers</p>	<ul style="list-style-type: none"> • Ability to pinpoint a small group who account for much of category volume • Simple and capable of being understood by everyone in the organization • Because it’s based on only 1 or 2 questions, the segmentation can be easily found in other databases • Appeals to the testosterone rush 	<ul style="list-style-type: none"> • Going after “enemy brand users” is like targeting the enemies’ strongest defensive positions • Generally, the groups have similar brand preferences, consumption patterns, demographics, and media exposure patterns • Little understanding of different needs

The study found five distinct consumer groups, all roughly the same size numerically. We've changed the labels and the numbers for the sake of confidentiality.

Car Buffs are generally higher-income, middle-aged men who drive 25,000 to 50,000 miles a year . . . buy premium gasoline with a credit card . . . purchase sandwiches and drinks from the convenience store . . . will sometimes wash their cars at the car wash.

Loyalists are men and women with moderate to high incomes who are loyal to a brand and sometimes to a particular station . . . frequently buy premium gasoline and pay in cash.

Speedsters are upwardly mobile generation Xers . . . constantly on the go . . . live in their cars and snack heavily from the convenience store.

Soccer Moms are usually housewives who shuttle their children around during the day and use whatever gasoline station is based in town or along their route of travel.

Price Shoppers generally are not loyal either to a brand or to a particular station and rarely buy the premium line . . . frequently on tight budgets . . . and efforts to woo them have been the basis of marketing strategies for years.

**Figure 7-1 Car Buffs Represent 20% of the Population—
and Account for 45% of Potential Profitability**

	Share of U.S. Households	Share of Station Spending	Share of Potential Profitability	ROI Index
Car Buffs	20%	34%	45%	275
Loyalists	18%	29%	32%	177
Speedsters	21%	16%	9%	43
Soccer Moms	21%	12%	8%	38
Price Shoppers	20%	9%	6%	30

Table 7-5 How to Identify the Optimal Target

1. Start by rejecting knee-jerk approaches outright; they don't work.
2. Carefully consider hundreds, thousands, hundreds of thousands of alternative targets based on variables hypothesized to drive profitability in a particular product category.
3. Evaluate each target in terms of criteria related to profitability:
 - Decision-making power** – The more responsibility a target has for making sales decisions, the more valuable it is.
 - Sales potential** – The more a target buys or uses the product category, the more valuable it is.
 - Growth potential** – The more a target group is growing, the more valuable it is.
 - Lifetime value** – The more a target is expected to buy over its lifetime, the more valuable it is.
 - Retention potential** – The more likely it is that a target can be economically sustained and therefore retained over time, the more valuable it is.
 - Common motivations** – The more homogeneous and preemptible a target's needs are, the more valuable it is.
 - Problem potential** – The bigger the problem the target has that the marketer can solve, the more valuable it is.
 - Responsiveness** – The more a target group responds to a company's marketing efforts, the more valuable it is.
 - Media exposure patterns and media costs** – The easier and less expensive it is to reach a target in media, the more valuable it is.
 - Findability** – The more easily a target can be identified in databases, the more valuable it is.

Positioning: ... And That Would Mean What?

Figure 8-1 Positioning Strategy Evaluation

