

## Contents

Concept, process, requirements and levels of market segmentation.

Bases for segmenting consumer and organizational markets.

Segment evaluation, Analysis and selection.

Concept and types of positioning.

Product positing process.

## Unit-5

# Segmentation, Targeting and Positioning Strategies

# Market

The number of people who have some need and want, have resources and are also willing to participate in a mutually satisfying.

## Characteristics:

1. Customers
2. Needs and wants
3. Purchasing power
4. Willingness to spend
5. Exchange relationships
6. Product



# Market concepts

## The Place Concept:

It is the traditional concept where it views a market as a meeting place for buyers and sellers.

**Features:** Physical place, Buyers and sellers, Communication, Product.

## The Customer/Demand Concept:

It views a market as a category of the need or demand from a specific customer group.

**Features:** Customers, Needs and wants, Purchasing power, Willingness, Exchange, Products.

## The Space Concept:

It is emerging concept of market. It has emerged as a result of the internet and e-commerce.

**Features:** Digital Technology, Buyer and sellers, Products.

# Types of market

## Area Classification

Domestic Market, International Market

## Volume of Business Classification

Wholesale Market, Retail Market

## Competition Classification

Monopoly Market, Monopsony Market, Oligopoly Market, Competitive or Monopolistic Market, Buyers' Market, Seller's Market

## Product Classification

Vegetable Market, Hardware Market, Book Market, Capital Market, Labor Market etc.

## Customer Classification

Manufacturers' Market, Institutional Market, Reseller's Market, Government Market, Consumer Market etc.

# Market segmentation

A market consists of buyers who are different in terms of their needs, buying power, buying motives, buying attitude and locations.

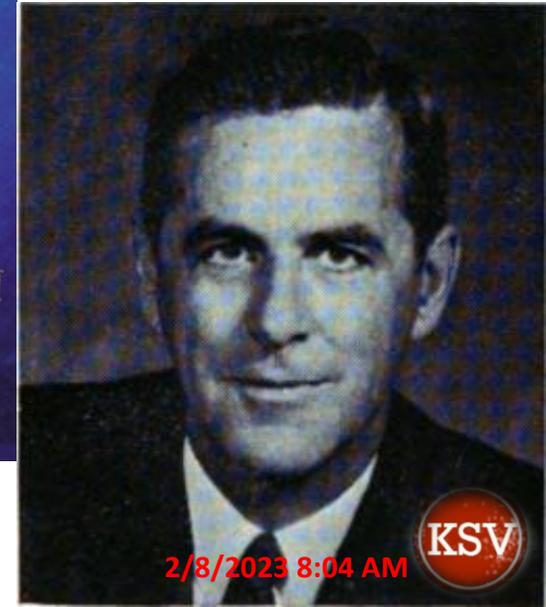
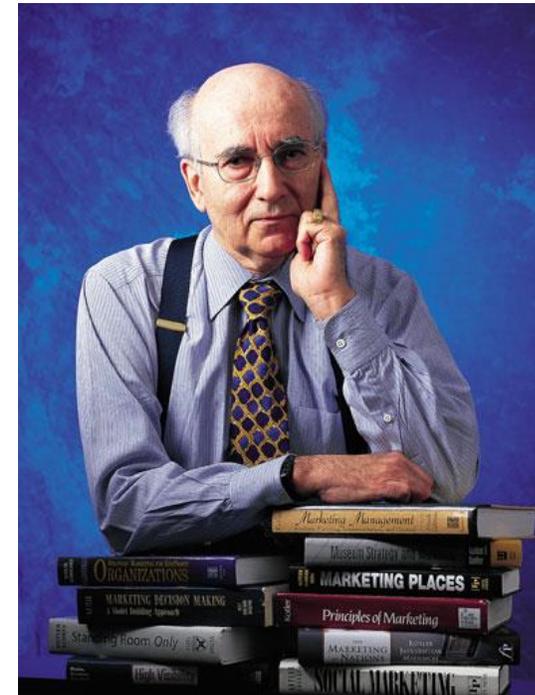
Market segmentation recognizes this reality and divides the total market into distinct groups of buyers having similar needs and characteristics.

## Philip Kotler

“Dividing a market into distinct groups of buyers with different needs, characteristic on behavior who might require separate products or marketing mixes.”

## William J. Stanton

“A process of dividing the total market for a good or service into several smaller groups, such that members of each group are similar with respect to the factors that influence demand.”



# Market segmentation

## Requirements for effective segmentation:

- Heterogeneous needs and characteristics
- Divisible
- Measurability
- Accessibility
- Profitability



## Benefits of market segmentation:

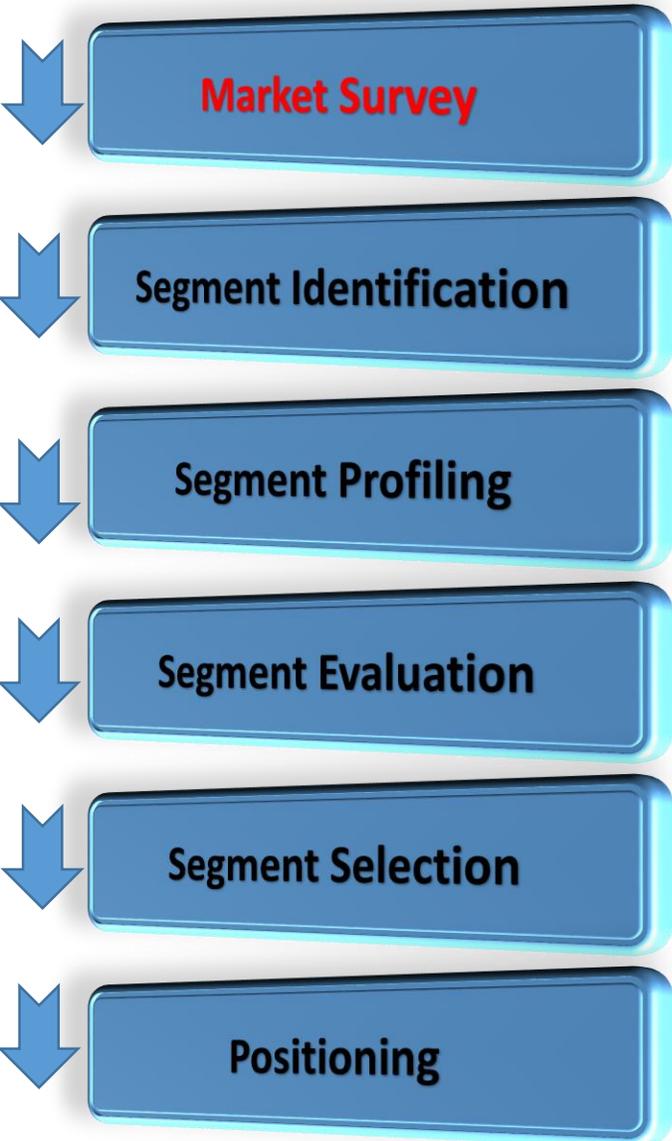
- Identification of profitable markets/opportunities
- Effective use of marketing resources
  - Specialize on a market segment
  - Effective focus on competitors
    - Environmental adaptation
    - Objective achievement

# Market segmentation process



**Market segmentation is the process of dividing a broad consumer or business market, normally consisting of existing and potential customers, into sub-groups of consumers (known as segments) based on some type of shared characteristics.**

# Market segmentation process

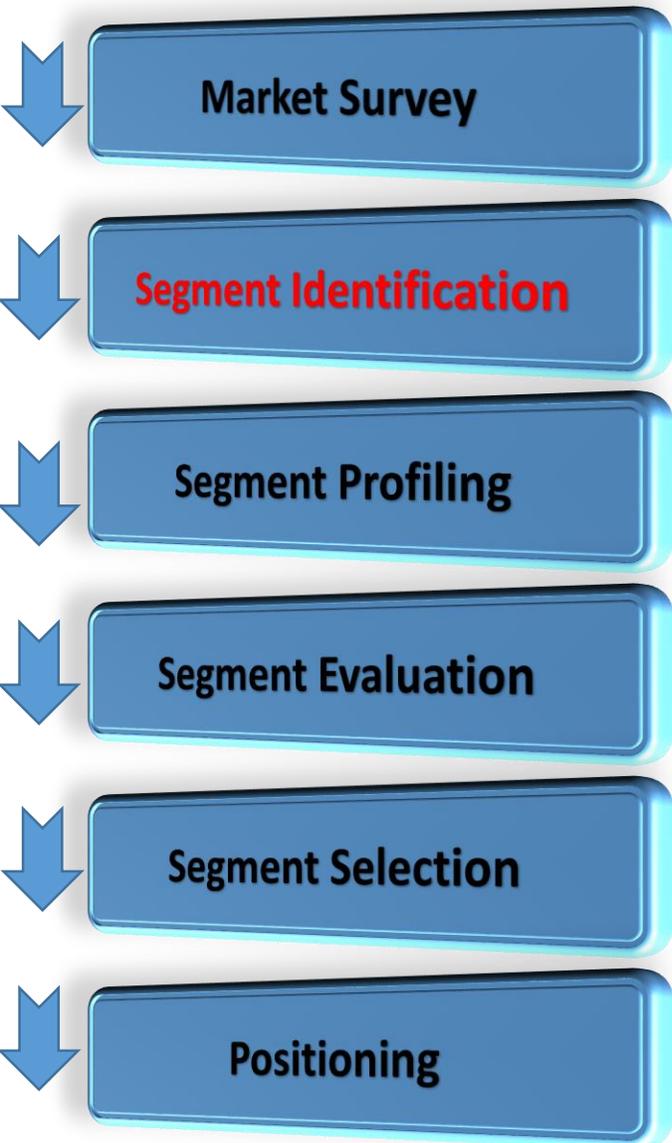


**Segmentation requires investigation of the characteristics of total market.**

- Customer needs.
- Product attributes desired by buyers.
- The importance rating of the product attributes by the buyers.
- Brand awareness among the buyers.
- Product use pattern including uses and usage rate.
- Buyer's attitude toward the product category.
- Buyer's various characteristic.



# Market segmentation process

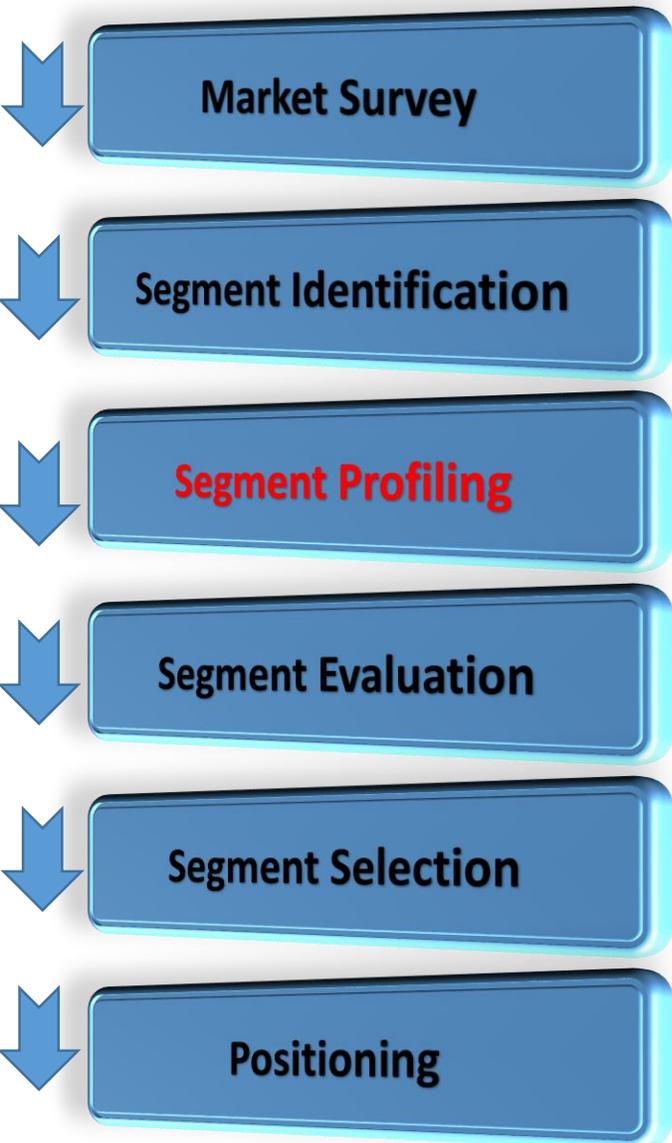


Detailed analysis of the information collected from the market survey is done using appropriate statistical tools.

The various factors affecting the products demand in the market are categorized into minor and major factors. The major factors are then analyzed in relation to their location in terms of buyer's characteristics.

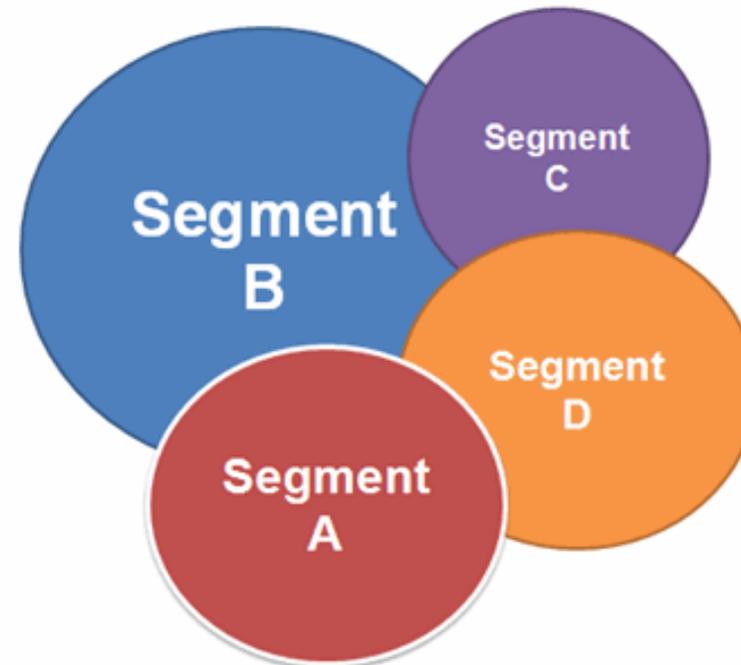


# Market segmentation process

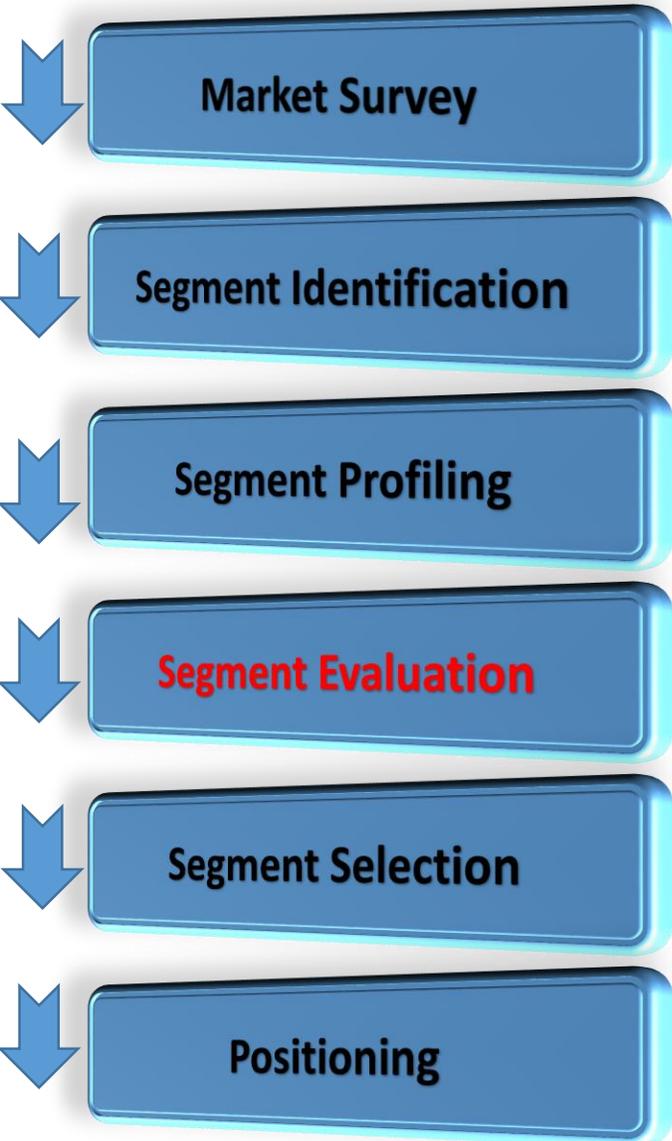


Profiling involves identifying similarities and dissimilarities among the clusters of demand for the product.

With this process is completed the organization can have different micro markets with a variation in demand size, buyer behavior and buyer's demographic and psychographic characteristics.



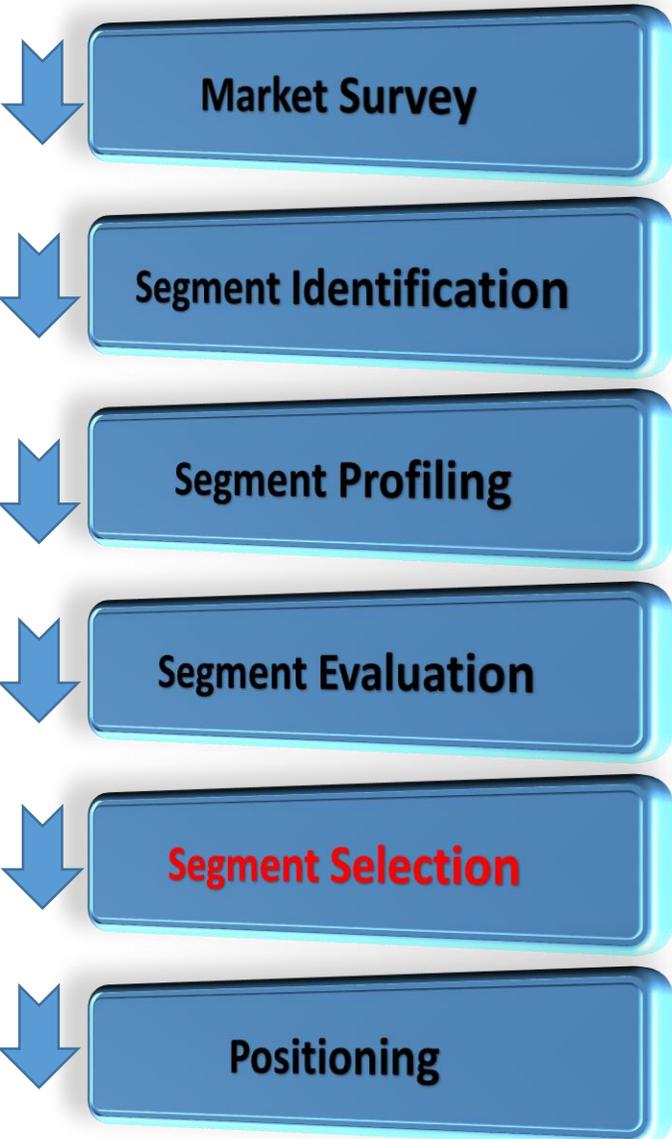
# Market segmentation process



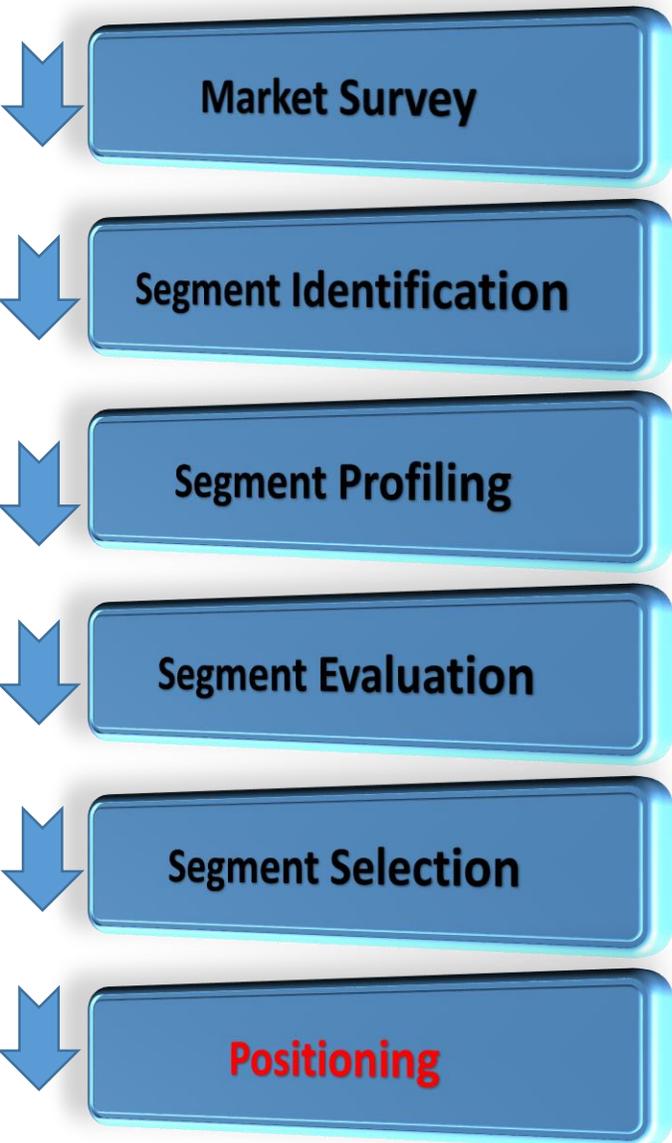
- Segment attractiveness in terms of size, growth, profit, competition, technology, customer loyalty, risks.
- Organizational objectives and resources.
- Segment relations and cooperation.
- Ethical considerations in terms of environment and social well-being.
- Government policies and laws.
- Market coverage desired.

**Markets keep on changing and hence the market segmentation should be done periodically.**

# Market segmentation process



# Market segmentation process



- It describes how an organization's brand differs in relation to its competitors brand in the mind of target customers.
- It creates a brand image which customers view as different from the image of competing brands.
- It makes the product differentiation meaningful.
- Positioning begins with the product brand name and it reinforces the original message about the product.

**“Positioning is the act of designing the company's offering and image so that they occupy a meaningful and distinct competitive position in the target customer's mind.”**



# Levels/types of segmentation

**Mass Marketing**

**Segment Marketing**

**Niche Marketing**

**Local Marketing**

**Individual Direct  
Marketing**

# Levels/types of segmentation

Mass Marketing

The marketer targets the mass market or the entire customer base.

Seller engages in mass production and uses the mass distribution system to reach all the customer.

The promotional and advertisements are very much generic in nature attract the entire consumer base.

Price is kept low to attract customer from all income level.

High completion in the market and high advertising and promotional cost to reach to all the potential customers.

Segment Marketing

Niche Marketing

Local Marketing

Individual Direct Marketing



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# Levels/types of segmentation

Mass Marketing

The marketer divides the market into different segments depending on the consumer's buying behavior, requirements, purchasing power, location and age level.

Segment Marketing

It helps the marketer to connect to each type of customers in the best possible way.

Niche Marketing

The promotional and advertising activities for a particular focus only to the target market for that product only.

Local Marketing

Individual Direct Marketing



# Levels/types of segmentation

Mass Marketing

Segment Marketing

Niche Marketing

Local Marketing

Individual Direct  
Marketing

A niche is more narrowly defined group of customers. It is identified by dividing a segment into subsegments.

The seller caters to a very specific market segment which requires more attention and very high quality of services.

The main requirements or characteristics of Niche marketing are:

- Customers have distinct set of needs or requires distinct set of services.
- Seller or service provider needs more skill or niche skill to provide niche services.
- Niches services come up with some more specialized services.
- Come up with premium prices for higher quality and niche services.

E.g. Harley Davidson- Manufactures very high end Niche bikes.  
Mckinsey- Provides specialized consulting services.

# Levels/types of segmentation

Mass Marketing

Segment Marketing

Niche Marketing

Local Marketing

Individual Direct  
Marketing

The marketer only concentrates in the local market.

The products also have the local appeal or the local usage and the promotional activities are planned based on the location only with local flavors.

The marketing mix is tailored to the needs and wants of local customer groups.

The cost remains high due to lower production and competition is also less.

E.g. Regional TV channels, Regional chain of hotels or restaurants, locally produced food products etc.



# Levels/types of segmentation

**Mass Marketing**

It is almost same as direct marketing where the marketers target the individual customers separately either through direct communication channels or salesmen.

This is mostly used for Business-to-Business marketing where more attention is required to market a product or services.

Sales persons are used to meet each individual prospective customer and provide demo of the product or services.

E.g. Aquaguard water purifier, Eureka Forbes uses direct salesmen to visit different houses and sell their famous water purifier products after providing the proper demo and information about the product.

**Segment Marketing**

**Niche Marketing**

**Local Marketing**

**Individual Direct  
Marketing**

# Bases for segmentation in consumer markets

**Geographic**

**Demographic**

**Psychographic**

**Behavioralistic**

# Bases for segmentation in consumer markets

## Geographic

Geographic segmentation tries to divide markets into different geographical units:

- **Regions:** By continent, country, state or even neighborhood.
- **Size of the area:** Segmented according to size of area. E.g. Nepal can be segmented into 7 Provinces, 77 districts.
- **Population density:** Often classified as urban, suburban or rural.
- **Climate:** According to weather patterns common to certain geographic regions.

## Demographic

## Psychographic

## Behavioristic

# Bases for segmentation in consumer markets

Geographic

Demographic

Psychographic

Behavioristic

Demographic segmentation consists of dividing the market into groups based on variables, such as:

- **Age:** Child, young, teenage, middle age, old age.
- **Gender:** Male or Female.
- **Family Size:** Joint, Single, Small or average Family.
- **Education:** Illiterate, primary, secondary, graduate, post graduate.
- **Occupation:** Unemployed, students, service holders, professionals, self-employed, farmers, home makers, retired etc.
- **Income:** High, middle or low income.
- **Social Class:** Upper class, middle class or lower class.
- **Ethnicity:** Caste, nationalities or ethnic groups.
- **Religion:** Buddhist, Muslim, Hindu, Christian etc.

# Bases for segmentation in consumer markets

Geographic

Demographic

Psychographic

Behavioristic

Psychographic variables describe consumers in terms of psychological and behavioral dimensions.

- **Buying Motives**

- Rational Motives: Economy, durability, efficiency, convenience.
- Emotional Motives: Love, affection, friendship, belongingness.
- Ego motives: Status, respect, prestige, recognition.

- **Life style**

- Activities: Work, hobbies, vacation, entertainment, shopping, sports.
- Interests: Family, home, job, fashion, food, recreation, hobbies.
- Opinions: Self, politics, business, products, culture etc.

- **Personality**

It is the sum of total ways in which an individual reacts and interacts with others.

# Bases for segmentation in consumer markets

Geographic

Demographic

Psychographic

Behavioristic

Behavioristic segmentation is based on actual customer behavior towards products.

- **Occasions:** Regular, special.
- **Benefits:** Satisfaction and outcomes of buying products.
- **User status:** Regular user, first time, ex user, potential, non.
- **Usage rate:** Heavy, medium, light user.
- **Loyalty status:** Hard core, split loyal, shifting loyal, switchers.
- **Attitude toward product:** Enthusiastic, positive, negative, indifferent, hostile.

# Bases for segmentation in business markets

**Geographic**

**Operating**

**Purchase Related**

**Demographic**



# Bases for segmentation in business markets

Geographic

Operating

Purchase Related

Demographic

- **Technology:** Manual, mechanized, automated, computerized digital, robotics technology.
- **Usage Rate:** Heavy, medium, light, non.
- **Service Needs:** Before sales services, after sales, warranties, guarantee, installation, repairs, credit etc.



# Bases for segmentation in business markets

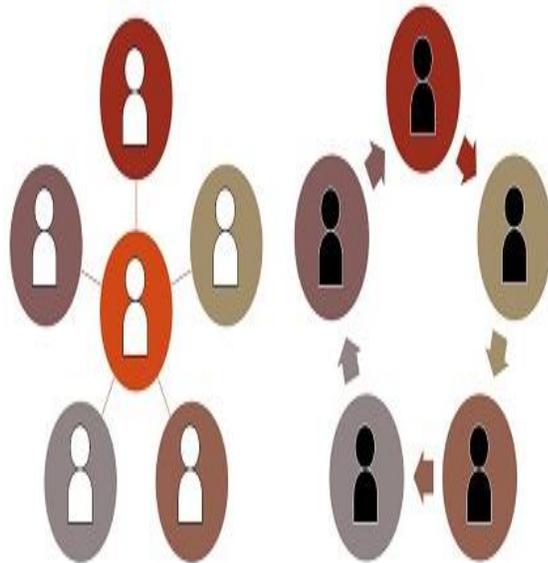
Geographic

Operating

Purchase Related

Demographic

- **Purchase Organization:** Centralized or decentralized.
- **Purchase documentation:** Direct purchase, quotations, tenders and contracts.
- **Negotiation period:** Time for negotiation and completion of sales.



# Bases for segmentation in business markets

Geographic

Operating

Purchase Related

Demographic

- **Type of industry:** Agriculture, forestry, fishing, mining, construction, transport, communication, finance, insurance, real estate, services etc.
- **Size of customers:** Cottage and small units, medium size units, large size units, global units.



# Segment selection strategies

An organization selects one segment and offers one marketing mix.

**Single Segment Coverage**

An organization selects two or more market segments and offers separate marketing mixes for each segment.

**Multi Segment Coverage**

An organization concentrates on making a single product which is sold to multiple segments.

**Product Specialization Strategy**

An organization concentrates on one segment but serves many products to that segment.

**Market Specialization Strategy**

An organization serves all market segments with all the products they need.

**Full Market Coverage**

# Product positioning

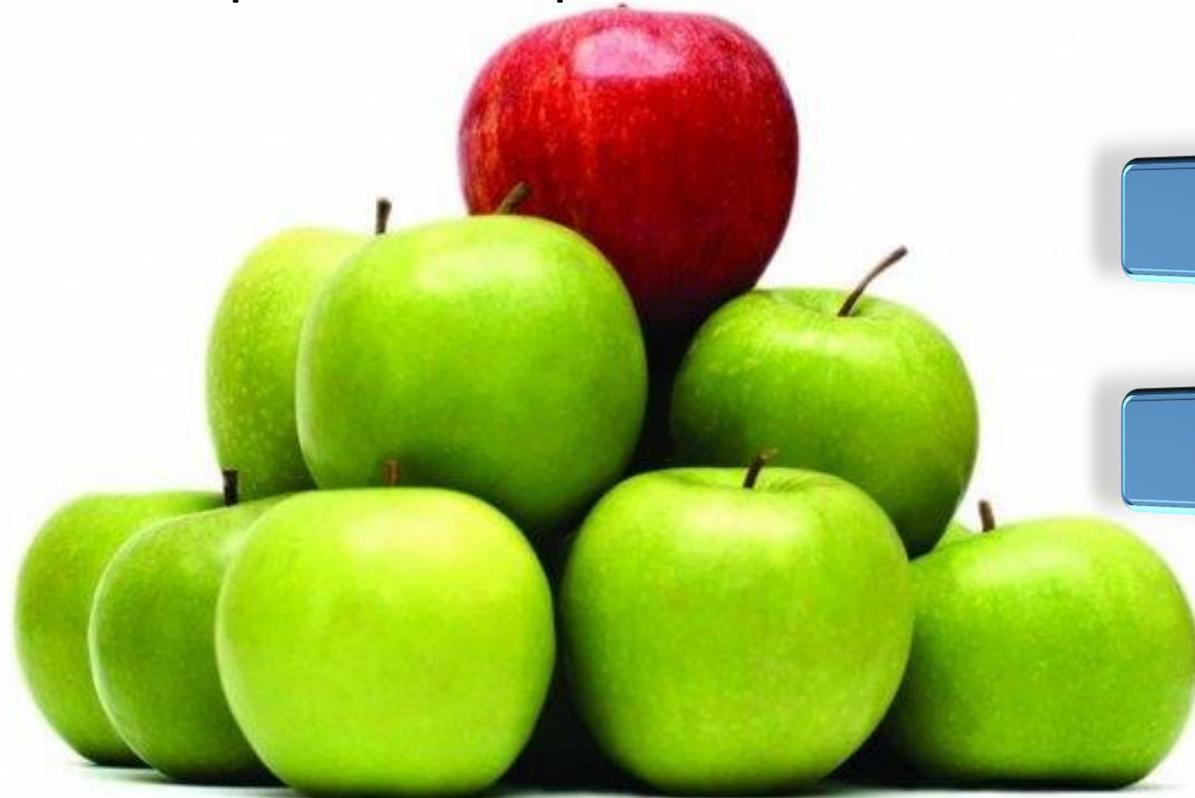
**Product positioning** is the process marketers use to determine how to best communicate their **products'** attributes to their target customers based on customer needs, competitive pressures, available communication channels and carefully crafted key messages.

- A product position is the way a product is defined by consumers on important attributes—the place, the product that occupies in consumers' minds relative to competing products.
- Products are made in factories, but brands happen in the minds of consumers.



# Product/market positioning steps

Market positioning refers to create distinct position in the consumer's mind through proper promotional activities. After dividing the market into different segments and finalizing the target segments to be in, companies prepares strategy or promotional activities to position its product into the consumer's mind.



**Product/Service Differentiation**

**Communicate the Positioning Strategy**

# Product/market positioning steps

## Product/Service Differentiation

Features

Performance Quality

Durability

Reliability

Warranty & Support

Design, Look & Feel

Brand & Image



Features

Performance Quality

Durability

Reliability

Warranty & Support

# Product/market positioning steps

## Communicate the Positioning Strategy

After differentiating a product from the other products based on different product differentiators, companies have to communicate the proper differentiators to the consumers to create a distinct position for its products in the consumer's mind.

The successful selection of a product differentiators depends on the following seven criteria:

**Important benefit**

**Distinct from the other competitive products**

**Superior quality or benefits**

**Can be communicated easily to the consumer base**

**Contains new idea**

**Affordable by the consumers**

**Profitable in the long run for the company**



# Product/market positioning steps

**Know your target audience well**

**Identify the product features**

# Market segmentation practices in Nepal

Not based on systematic market research, past experiences have influenced segmentation.

**Non-systematic**

Geographic, Demographic, Psychographic, Behavioral.

**Variables for segmentation**

Lack in comprehensive information about consumer characteristics. View as wasteful cost. Risks are not properly assessed.

**Lack of information**

Not supportive, do not regard business as partners for development.

**Government policies**

Environmental and welfare considerations are disregarded for market segment.

**Lack of ethical consideration**

# Board questions

What are the processes of marketing segmentation?- 1

State any three benefits of market segmentation.- 1

Point out any three requirements of marketing segmentation.- 1

Provide any two reasons for market segmentation. -1

Define product positioning. -1

State the process of market segmentation. -1

What do you mean by product positioning? -1

Sketch the process of market segmentation. -1

Name four requirements of market segmentation. -1

What is product positioning? -1

Give the meaning of product positioning with examples. -1

Market segmentation process is the very important but crucial process for every marketers. Explain. -6

What is organizational buying? How does it differs from consumer buying? Explain.

Why market segmentation necessary in modern marketing? -5

Describe the segmentation variables for consumer markets. -5

Explain the market segmentation process. -5

What is market segmentation? How do you segment the market for a fashion industry?-5

What is market segmentation? Explain market segmentation as a customer oriented philosophy? -5

# Case study

Bhai Lal Maharjan received his training in carpentry at a recognized technical school. He spent five years making furniture at Padma Furniture Company, a premier furniture company of Kathmandu. He also attended one month of small business promotion course.

Bhai Lal started his own furniture business called “Maharjan Furnitures” two years ago. He himself works very hard and has hired five carpenters to assist him. The shop is located in his own house in Baneshwor. He has barely enough working capital to keep a small inventory on hand. He has slowly built up a small customer base which is growing. He has also hired an interior decorator, Miss Sarita Lama, on a part time basis.

Bhai Lal recently attended a one week intensive marketing course which opened his eyes to many things of which he had previously been unaware. The marketing teacher suggested him to restructure his business and move his shop to Dillibazar area which specializes in furniture marketing. This area is near to the main market center. He could cover the entire surrounding region with a total population of 200,000. The population has grown 10% over the past five years. Bhai Lal has identified the following markets for furniture:

- Home builders
- Homeowners of new and old homes
- Marriage season customer
- Commercial and industrial outlets
- Boarding schools and colleges
- Hospitals and nursing homes

## **Answer the following questions:**

1. What are the characteristics of the various potential markets?
2. Which variables should be used for market segmentation?
3. How should the segments be evaluated and selected?
4. Which market coverage strategy should be adopted?