




Chapter 4

Identification of Target Markets

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STP process

Define and describe the total market

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Analyse the characteristics and the needs of potential customers the total market

Identify bases for segmentation

Segment the total market

Profile the segments

↓

Evaluate the potential of each segment

Choose target market approach

Select the most attractive target market

↓

Identification of positioning strategy

Positioning the product in the target market

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Finalize marketing strategies for each segment according to chosen position

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Monitor you marketing mix and position

} SEGMENTATION

} TARGET MARKETING

} POSITIONING

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Segmentation



Defining segmentation

Market segmentation can be defined as the segmentation of markets into homogenous groups of customers, each of them reacting differently to promotion, communication, pricing and other variables of the marketing mix. Market segments should be formed in that way that differences between buyers within each segment are as small as possible. Thus, every segment can be addressed with an individual targeted marketing mix

Merits of segmentation:



- Better serving customers' needs and wants
- Higher profits
- Opportunities for growth
- Sustainable customer relationships in all phases of the customer life cycle
- Targeted communication
- Stimulating innovation
- Higher market shares

Limitations of segmentation:

- Costly
- Limited market coverage
- Too much differentiation could lead to cannibalization

Criteria for segmentation:

- Identifiable
- Accessible
- Substantial
- Unique needs
- Durable

Bases for segmentation:

- Geographic
 - World region / country
 - Province
 - Size of city / town
 - Density
 - Climate
- Demographic
 - Age
 - Gender
 - Family size
 - Family life cycle
 - Income
 - Occupation
 - Religion
 - Race
 - Education

- Psychographic
 - Personality
 - Attitudes
 - Opinions
 - Life styles
- Behavioural
 - Purchase occasion
 - Benefits sought
 - User status
 - Usage rate
 - Loyalty status
 - Readiness stage
 - Attitude to product

Segment the total market

- After carefully considering the appropriate bases for segmentation the market can now be segmented

Profile the segments

- After identification of customer segments a profile should be created for each segment describing the most distinguishing characteristics, needs, values and behaviours of each segment

Segmentation of business markets

- Business markets are fewer in number
- Purchase larger quantities
- Evaluate offerings in more detail
- Decision process involves more than one person

What demographics are to people
Firmographics are to organisations

Firmographics describe the characteristics of an organisation:

- Employee size
- Industry
- Number of locations
- Location of headquarters

Bases for segmentation in business markets

- Location
- Company type
 - Company size
 - Industry
 - Decision making unit
 - Purchase criteria
- Behavioral characteristics
 - Usage rate
 - Buying status
 - Purchase procedure

Target marketing



Defining a target market

- Targeting: Selecting an attractive segment(s) or choosing which segment(s) to address.
- Target market: A market segment (group of customers) that share common needs or characteristics that an organisation will target with its market offering/marketing mix, also called a target audience.
- Target marketing: Identifying customer groups that are most likely to purchase goods and services. Therefore, breaking a market into segments and then concentrating your marketing efforts on one or more key segments.

Approaches to target marketing:



- Undifferentiated / Mass marketing/ Full market coverage - approach
- Single segment / Concentrated / Niche / Focus Approach
- Multi – segments approach
- Individual marketing/ Mass Customisation approach

Criteria for the selection of attractive segments to target

- Segment size
- Segment growth
- Expected profit
- Barriers to entry
- Competition in segment
- Segment fit with the organisation objectives, resources and capabilities.

Positioning

A positioning statement is a corporate statement that defines the benefit of your product or services to your target market/customer and state how the organisation, brand, product or service is different from that of competitors.

Template:

----- (Product/Service/Brand/Organisation) is the one ----- (your product category-competition) that provides ----- (Customer/Target market) with --- ----- (Key benefit) because ----- (Superiority).

A good positioning phrase has to be:

- relevant
- available
- attainable

Organisations must be aware of common mistakes when crafting a positioning statement:

- Not precisely defining the target customer.
- Listing multiple benefits instead of focusing on one or two key benefits.
- Developing benefits that are not unique or sustainable.
- Not including the reason customer should believe the benefit promised.

Positioning maps are visual tools to enable marketers to locate their brand together with competing brands by using two important positioning variables such as product and quality variables.

Positioning maps are useful tools to:


- Assist in identify your closest competitors.
- Identify the segments of the market that an organisation can still penetrate.
- Differentiate products or services.
- Understand consumer preferences.
- Reduce risks.

Positioning approaches:




- Attribute: Mercedes Benz stresses durability and safety of their products.
- Benefit: Colgate Advanced Whitening that offers benefits of 'preventing cavities and whitening teeth'.
- Use/Application: Yogurt can be position as a health food, a snack or breakfast meal.
- Quality/price: BMW cars are positioned as high priced and high quality or 'You pay less at Clicks'.
- User application: Camel cigarettes for the 'real man'.
- Product or service category: Maropeng, Cradle-of-Humankind, that is traditionally regarded as a museum and thus an education institution may choose to position itself as a tourist attraction (entertainment).

A positioning strategy should be guided by the following principles:



- desired or valued by consumers
- distinctive
- superior to other products or services
- communicable and visible
- pre-emptive and difficult to copy by competitors
- affordable to buyers
- profitable for organisations to create and deliver the position



Re-positioning involves changing the identity of a product, relative to the identity of competing products, in the collective minds of the target market.

De-positioning involves attempting to change the identity of competing products, relative to the identity of your own products in the collective minds of the target market.

Errors in positioning:



- Under positioning
- Over positioning
- Confused positioning
- Doubtful positioning

B2B positioning

There are three approaches to positioning B2B:

- Product leadership approach
- Customer intimacy
- Operation excellence

Positioning of services

Although intangible, services can also be positioned by stressing the needs that they satisfy, when it can be used, how it can be used, who uses it, and special features. The service quality dimensions are very useful bases on which to position a service.

- Reliability.
- Responsiveness
- Assurance
- Empathy
- Tangibles