

Opportunity Analysis, Market Segmentation & Market Targeting

Where to Find Opportunities

Trends

Directions or sequences of events that have some momentum & durability.

Megatrends

Large, slowly forming social, economic, political, and technological changes that have long-lasting influence.

Monitor Environmental Forces

Political/Legal

Economic

Sociocultural

Technological

Demographic

Natural

Market Segmentation

Why We Segment

Segmentation offers 3 principal benefits:

- 1. Identify opportunities for new product development.**
- 2. Assists in development of effective marketing programs.**
- 3. Improves allocation of limited marketing resources.**

Market Segmentation

Helps buyers to:

- Identifies distinct groups of buyers who might require separate products and/or marketing mixes.

Helps Sellers to:

- Distinguish major market segments,
- Target 1 or more segments, and
- Develop products & Marketing programs tailored to each segment.

Levels of Market Segmentation

Levels of Market Segmentation

Mass Marketing

“Is when Seller engages in mass production, mass distribution, and mass promotion of one product for all buyers”

- **Leverages largest potential market**
- **Leads to Lowest Costs**
- **Leads to Lower Prices or Higher Margins**
- **Mass advertising media and intensive distribution channels are used to promote products**

Levels of Market Segmentation

Mass Marketing Example Products



Levels of Market Segmentation

Multi-Segment Marketing

“Is when Seller recognizes that buyers differ in their wants, purchasing power, geographic location, buying attitudes & buying habits”

- *Major segments are identified & different products and marketing mixes developed for each.*
- *Product offer & prices can be fine-tuned to fit the segment needs*
- *Choices of channels for Distr. & Promo are also fine-tuned and massive media is not used*

Levels of Market Segmentation

Multi Segment Mrktnng Example Products



Levels of Market Segmentation

Sequential Segmentation

“Businesses may lack sufficient resources to pursue several attractive market segments at once, so what they do is”

- Tackle most attractive segment **first**.
- Using profits earned from this segment, then target the **next** most attractive segment.
- Runs the risk of allowing potential competitors into a market.

Levels of Market Segmentation

Seq. Segmentation Example Products

A manufacturer of plastic containers may have different targets to aim



Levels of Market Segmentation

Niche Marketing

- Niche segment customers have a distinct and complete set of needs.
- They will pay a premium price to have their special needs met.
- The niche segment is not likely to attract very many competitors.
- The segment Should have sufficient size, profit, and growth potential to develop.

Niche Marketing Example Products



Levels of Market Segmentation

Local Marketing

“Marketing programs tailored to needs & wants of local customer groups”

- **Pronounced regional differences often exist in communities’ demographics and lifestyles.**
- **Local marketing can drive up manufacturing & marketing costs by reducing economies of scale.**

Useful Market Segments Are:

- **Measurable**

Size, purchasing power, & characteristics

- **Substantial**

Large & profitable enough to serve

- **Accessible**

Reachable by distribution & promotion channels

- **Differentiable**

Managerially-significant from other segments

- **Actionable**

Can effectively attract & serve segment

Bases for Segmentation

Common Bases for Segmentation

Consumer Markets

- **Geographic**
- **Demographic**
- **Psychographic**
- **Behavioral**

Business Markets

- **Demographic**
- **Operating variables**
- **Purchasing approaches**
- **Situational factors**
- **Personal characteristics**

Needs-Based Market Segmentation

- **First**, group customers with like needs, and
- **Then** discover which demographics, lifestyle forces, and usage behaviors make them distinct from customers with different needs.
- **Primary Benefit**
 - Segments are created around specific customer needs.
- **Primary Disadvantage**
 - Do not know (initially) who these customers are.

Forces That Shape Needs: Consumer Markets

Demographics

- Age
- Income
- Marital Status
- Household
- Education
- Occupation

Lifestyles

- Attitudes
- Values
- Activities
- Interests
- Opinions
- Political Orient.

Usage

- Quantity
- Time of Use
- Personal
- Social
- Gift
- Frequency

Forces That Shape Needs: Business Markets

Firmographics

- # of employees
- Sales Volume
- # of locations
- Years in business
- Industry
- Finances

Company Culture

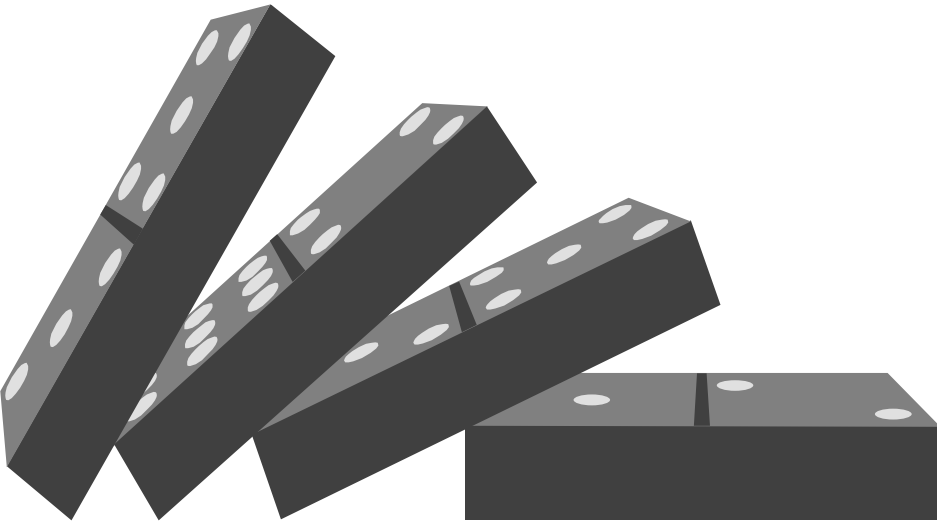
- Bus. Sophistication
- Growth Orientation
- Innovativeness
- Technology
- Centralized Decision Making

Positioning

Positioning & Differentiation

- The main focus of positioning is **differentiation**.
- Differentiation involves **designing a set of meaningful differences** to distinguish the company's offering from competitors' offerings.

The 5 Differentiation Dimensions



- **Product**
- **Services**
- **Personnel**
- **Channel**
- **Image**

Product Differentiation Variables

- **Features**

- Characteristics that supplement the product's basic function.

- **Performance Quality**

- The level at which the product's primary characteristics operate.

- **Conformance Quality**

- Degree to which all the produced units are identical and meet the promised target specifications

Product Differentiation Variables

- **Durability**
 - Measure of the product's expected operating life under natural and/or stressful conditions.
- **Reliability**
 - Measure of the probability that a product will not malfunction or fail within a specified time period.
- **Repairability**
 - Ease of fixing a product that malfunctions or fails
- **Style**
 - Product's looks and feel to the buyer

Services Differentiation Variables

- **Ordering Ease**

- how easy it is for the customer to place an order

- **Delivery**

- how well the product is delivered to the customer

- **Installation**

- work done to make the product operational in its planned location

Services Differentiation Variables

- **Customer Training**
 - training the customer to properly & efficiently use the product
- **Customer Consulting**
 - data, information, systems, & advising services offered to buyers (at a price or free)
- **Maintenance & Repair**
 - helping customers keep purchased products in good working order

Personnel Differentiation Variables

- **Competence**
 - Skill & knowledge
- **Courtesy**
 - Friendly, respectful
- **Credibility**
 - Trustworthy
- **Reliability**
 - Accuracy & consistency
- **Responsiveness**
 - Timeliness
- **Communication**



Channel Differentiation Variables



- **Coverage**
- **Expertise**
- **Performance**

Image Differentiation Variables

- **Symbols**
- **Written & Audiovisual Media**
- **Atmosphere**
- **Events**



A Difference is Worthwhile as a Differentiation Variable if it is:

Important

Distinctive

Superior

Communicable

Affordable

Profitable

Positioning Strategies

- **Position by attribute**
 - Associate product with a particular feature
“Visa/Master Card are accepted at more restaurants than any other card.”
- **Position by benefit**
 - Associate product with a special customer benefit
“You can stick Post-It Notes anywhere.”

Positioning Strategies

- **Position by use or application**
 - Associate product with a use/application.
“Use Crest for better cavity control”
- **Position by user**
 - Associate product with a class of users.
“More mechanics use Valvoline Motor Oil than any other brand”

Positioning Strategies

- **Position by competitor**
 - Use competitor as a reference point
“Chevy trucks have more towing capacity than Fords.”
- **Position by quality/price**
 - Use price as a cue to higher quality.
“Preference* by L’Oreal. It costs a little more, but I’m worth it.”

The End