



Segmentation, Targeting and Positioning

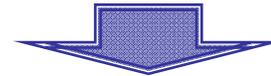
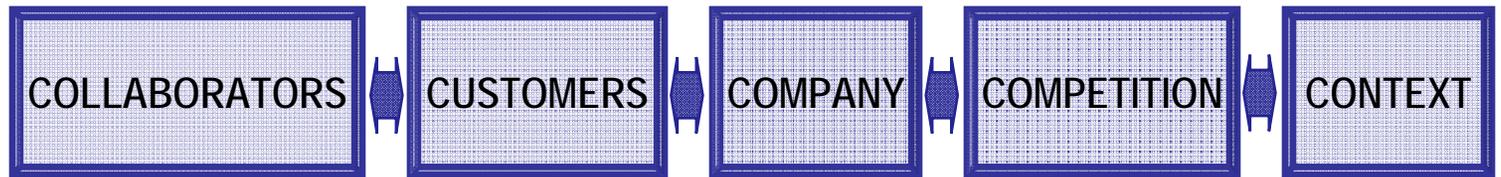
Session 6

Marketing Management

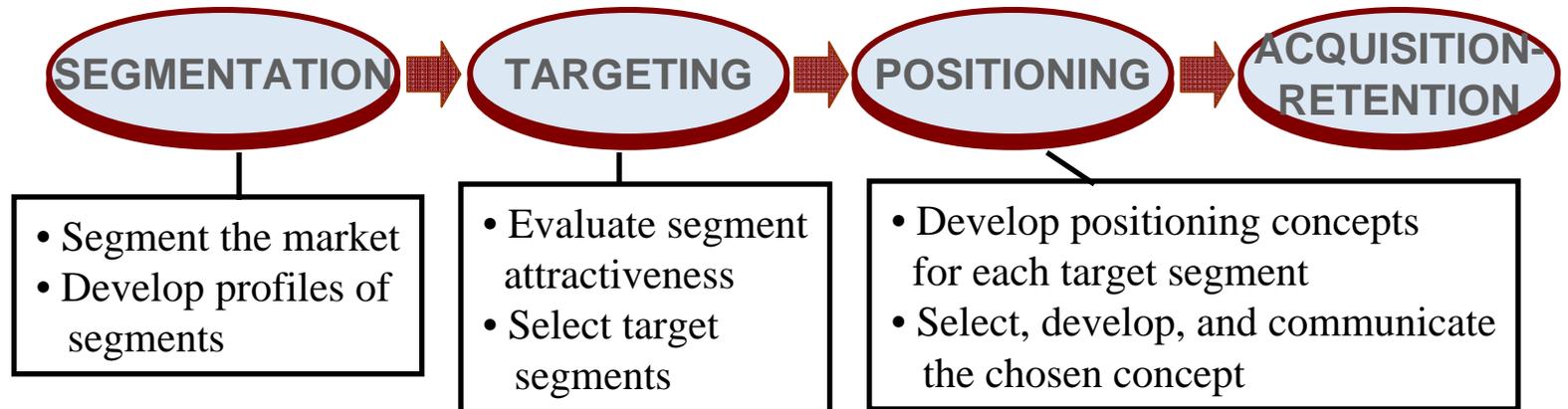
Prof. Natalie Mizik

Developing Marketing Strategy

Identify
Market
Opportunities



Set Strategy



Segmentation

- What is segmentation
- Why segment the market
- Characteristics of a good segmentation
- Bases for segmentation
- Techniques for segmentation
- Examples

Why Segment

	Hospital A	Hospital B	Total
Died	63	16	79
Survived	2037	784	2821
Total	2100	800	2900
Death Rate	0.03	0.02	0.027

	Hospital A	Hospital B	Total	Hospital A	Hospital B	Total
Died	6	8	14	57	8	65
Survived	594	592	1186	1443	192	1635
Total	600	600	1200	1500	200	1700
Death Rate	0.010	0.013	0.012	0.038	0.040	0.038

Benefits of Segmentation

To the Firm:

- Identification of valuable customers
- More targeted promotions & marketing comms
- Higher CLV



Sustainable Profit Growth

To the Customer:

- Customized products & services
- Personalized experience
- Increased customer satisfaction



Customer Loyalty & Retention

Characteristics of Good Segmentation

- Large
- Identifiable
- Distinctive
- Stable
- Actionable / Respond differently

Bases for Segmentation

Descriptors
“Who”

Bases
“Why”

Behaviors
“What”

Age

Income/

Education

Profession

Media Habits

Industry

Size

Location

Needs

Preferences

Decision
processes

Lifestyles

Strategic
importance

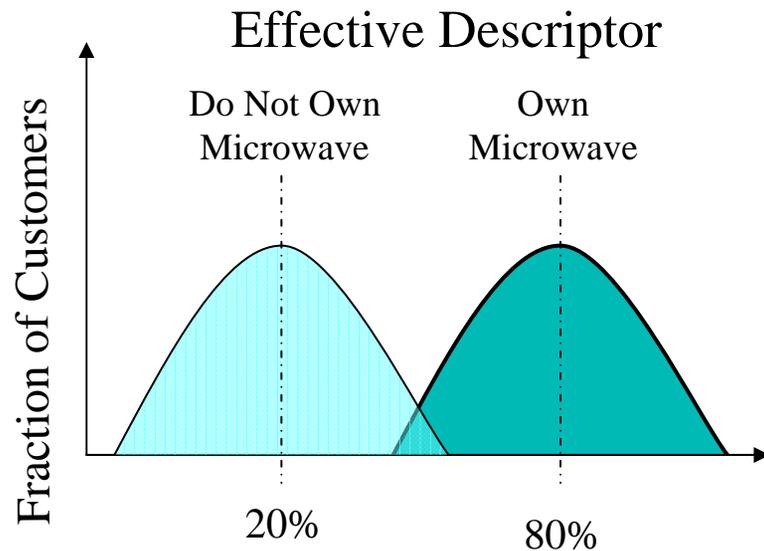
Usage

Loyalty

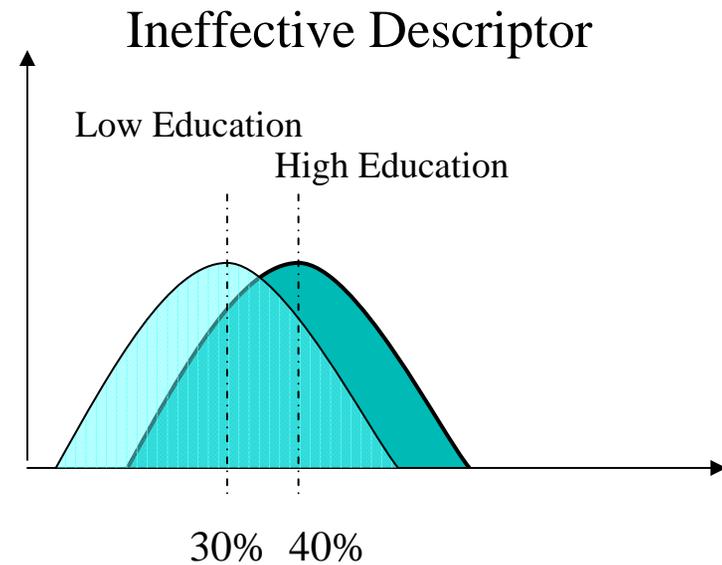
Deal proneness

Responsiveness
to marketing mix

Statistically Speaking



Likelihood of buying Frozen Dinner

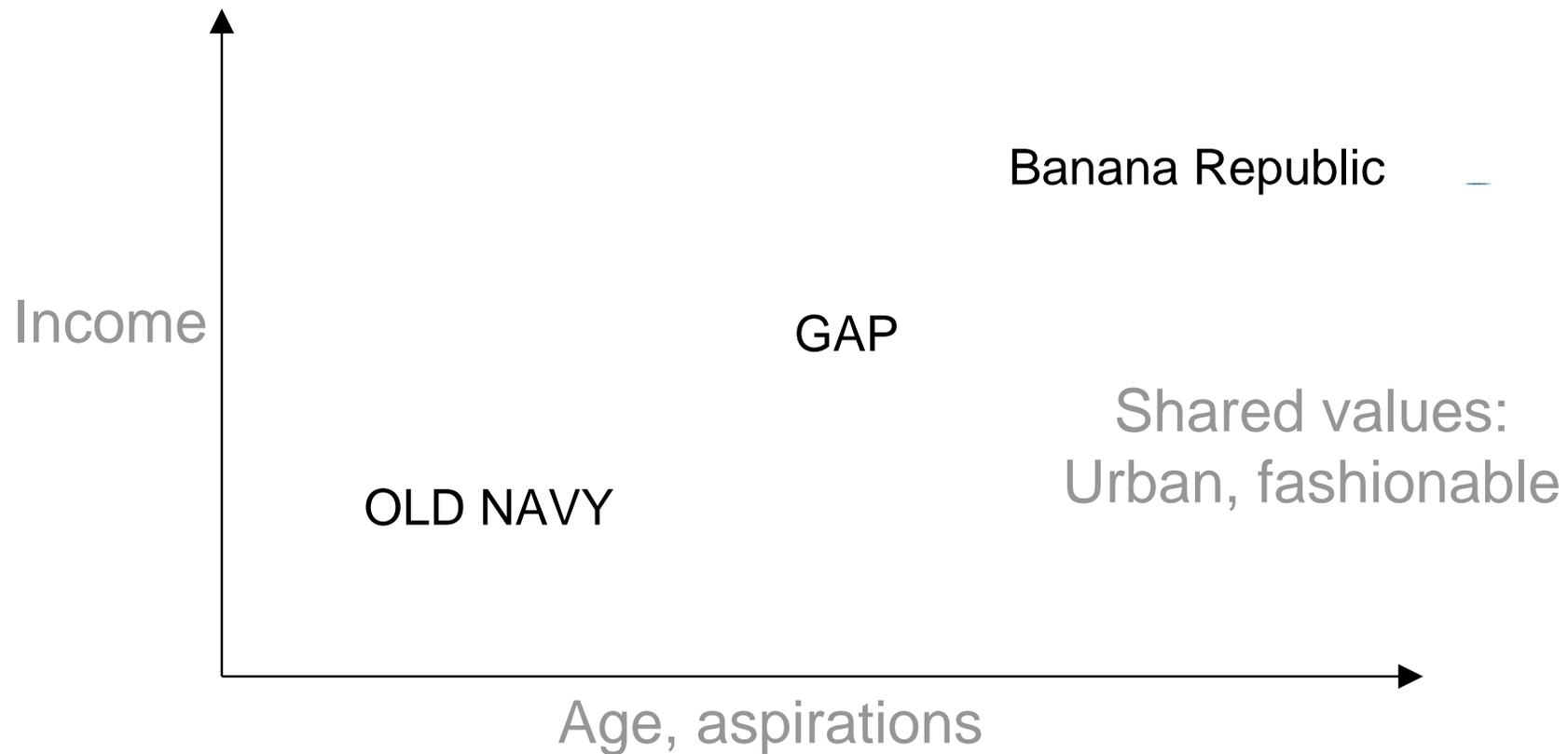


Likelihood of buying Frozen Dinner

Dog Food Market

Attribute	SEGMENTS			
	Functionalist	Family Mutt	Baby Substitute	Nutritionist
Demo	Central/South Low income Children	East Low income Children	West High income No children	East/Central High income Urban
Dogs	Several	One, average size	One, small	Several, large
Attitudes	No bother, dog outdoor	Little interest	Attached, dog fragile	High attachment
Feeding behavior	Basic feeders low priced	Heavy usage, biscuits, lots of cans	Soft moist, high priced	Many feedings

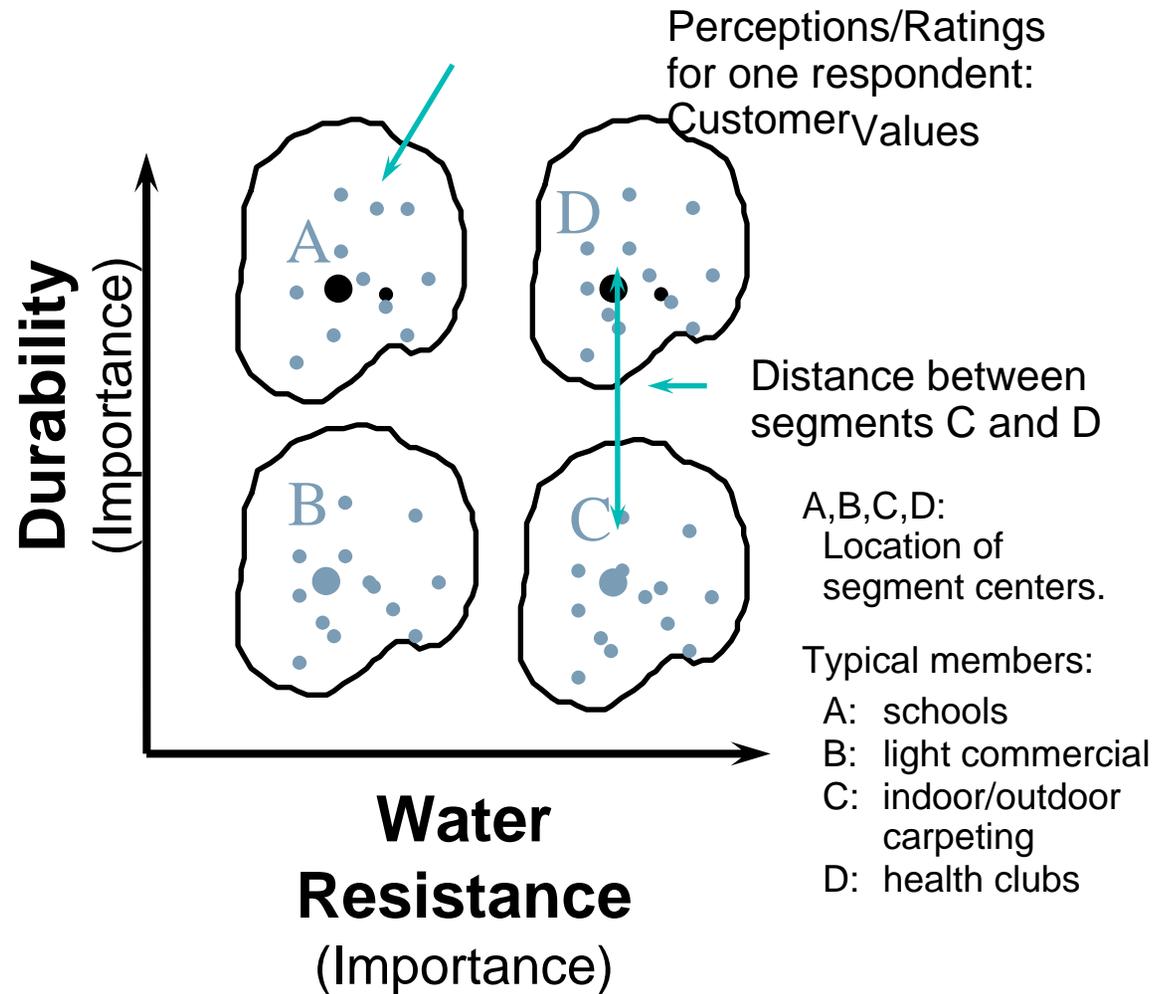
Product Line Segmentation



Techniques for Segmentation

Segmentation Methods:

- ☐ Judgment
- ☐ Data-based:
 - Cluster Analysis
 - Regression



Choosing your Target Market(s)

Market Opportunities (Customer):

- Segment Size
- Growth rate/potential

Target
Market
Selection

Company “Fit”

- With Objectives
- With Competencies
- With Customer Base
- With Resources

Competition:

- Competitors’ Strengths
- Competitive Intensity

Taxonomy at the Pump: Mobil's Five Types of Gasoline Buyers



Road Warriors:

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

16% of buyers



True Blues: Usually 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

16% of buyers



Generation F3: (for fuel, food and fast): Upwardly mobile men and women - half under 25 years of age- who are constantly on the go...drive a lot and snack heavily from the convenience store

27% of buyers



Homebodies:

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.

21% of buyers



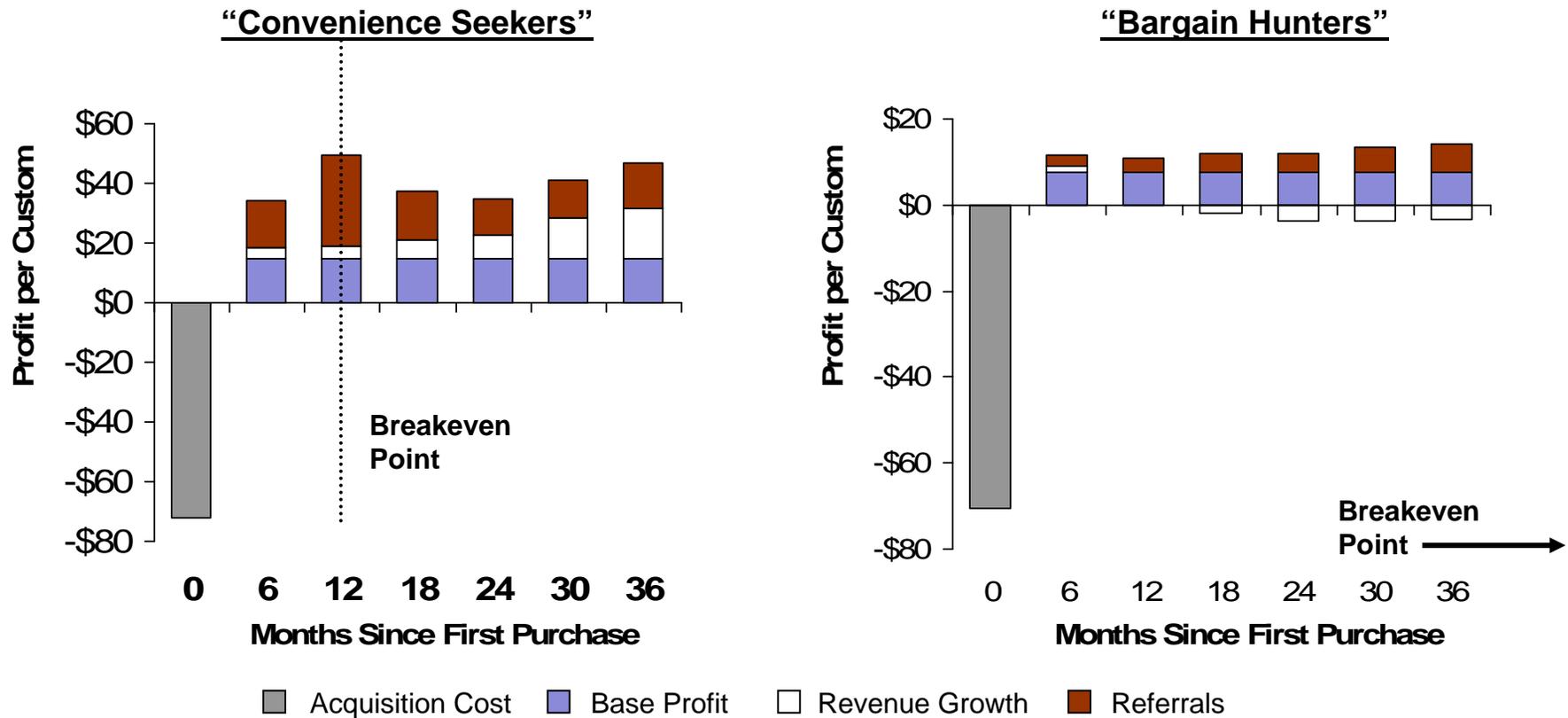
Price Shoppers:

Generally aren't loyal to either a brand or a particular station, and rarely buy the premium line...frequently on tight budgets...efforts to woo them have been the base of marketing strategies for years.

20% of buyers

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Selecting segments based on segment profitability



Source: Bain/Mainspring Online Retailing Survey (Groceries, n=297), Oct 99.

MARKETING

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Early Pregnancy Tests

Q: Are there differences in consumer needs in this market? What are they?

Q: What are the descriptors of these segments?

Q: What is the best positioning in these segments?

**How is the packaging and positioning different?
What customer values are the products
appealing to?**

Product Differentiation & Positioning

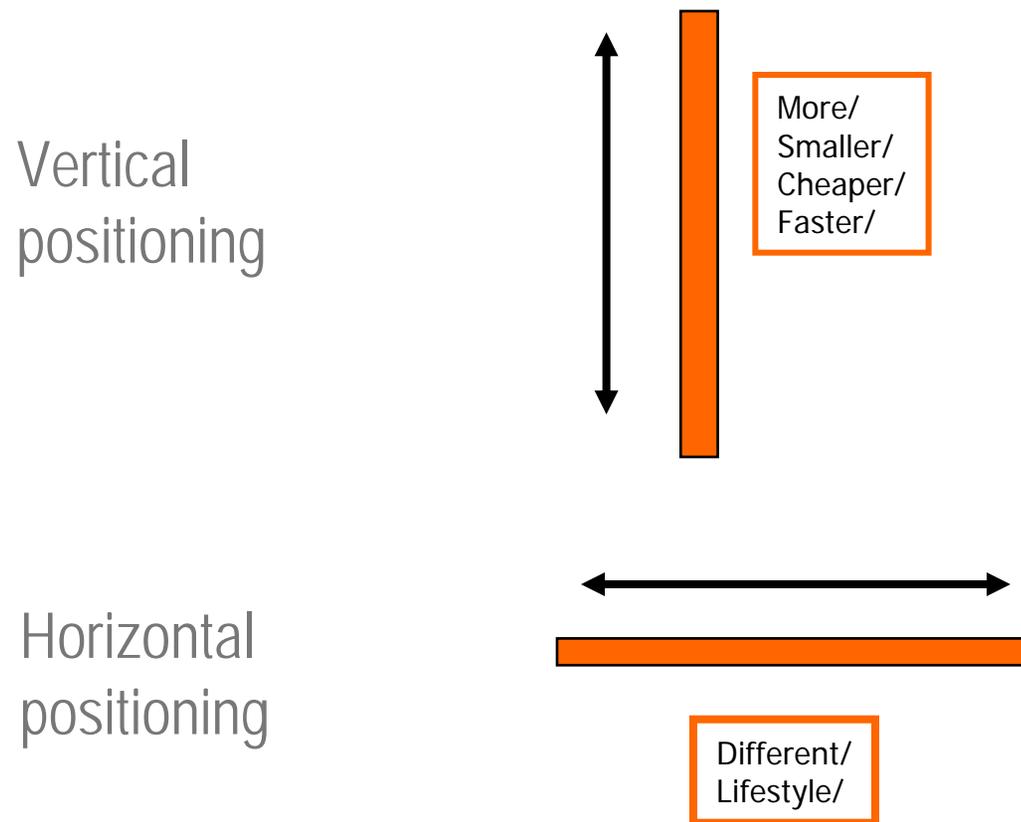
- “There is no such thing as a commodity”
- Differentiation can be achieved on
 - product attributes
 - service factors
 - Image
- Positioning: the image created in the minds of target consumers

Positioning statement

- To customers who are (target summary)
- Our product offers (state what the product does from the consumers' point of view)
- Relative to (competitive alternatives)

“For World Wide Web users who enjoy books, Amazon.com is a retail bookseller that provides instant access to over 1.1 million books. Unlike traditional book retailers, Amazon.com provides a combination of extraordinary convenience, low prices, and comprehensive selection.”

Positioning strategies



Vertical positioning

The Razor Battle

Schick Quattro



Image courtesy of Rene Schwietzke on [Flickr](#).

Gillette Mach 3 Turbo

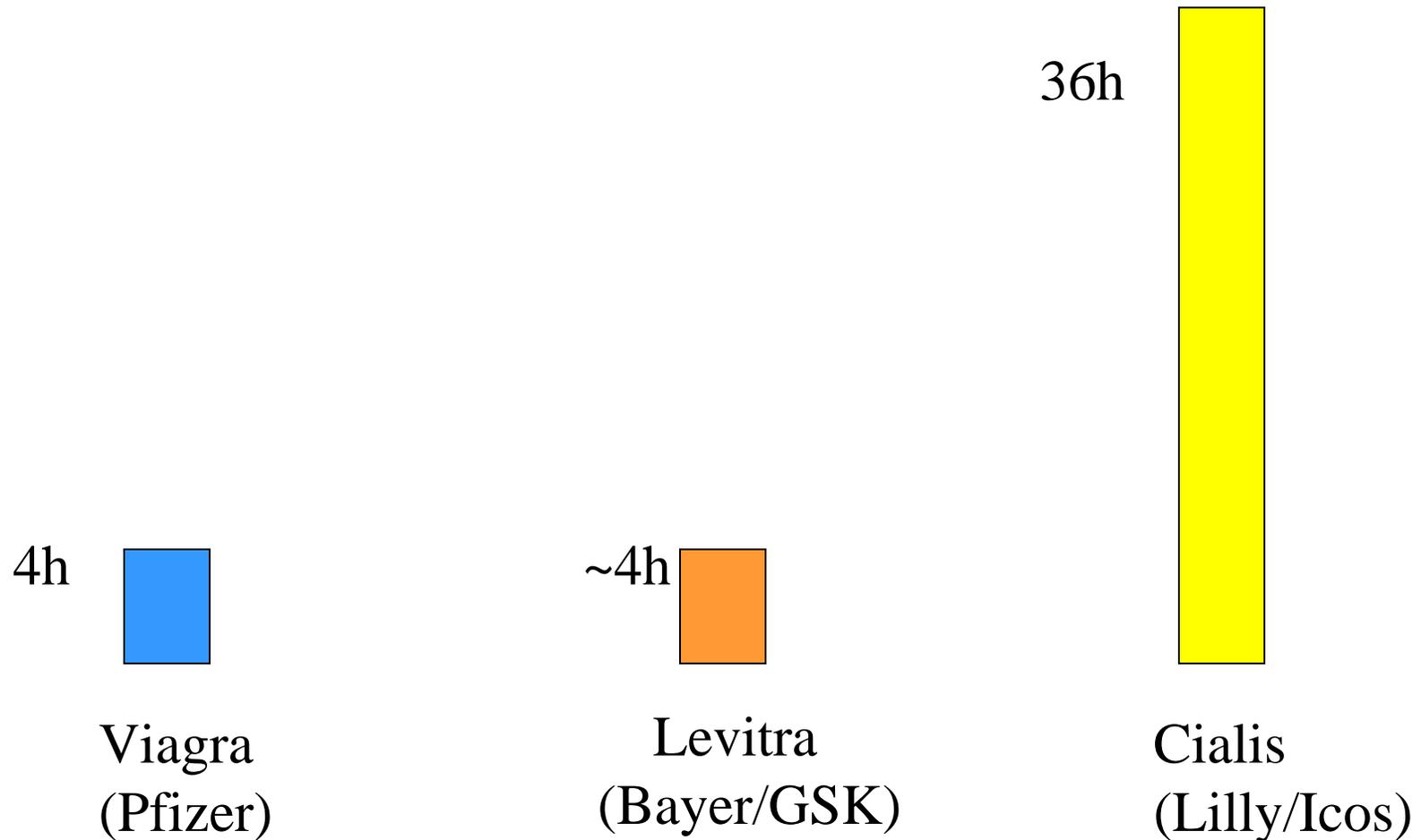
Gillette Trac II



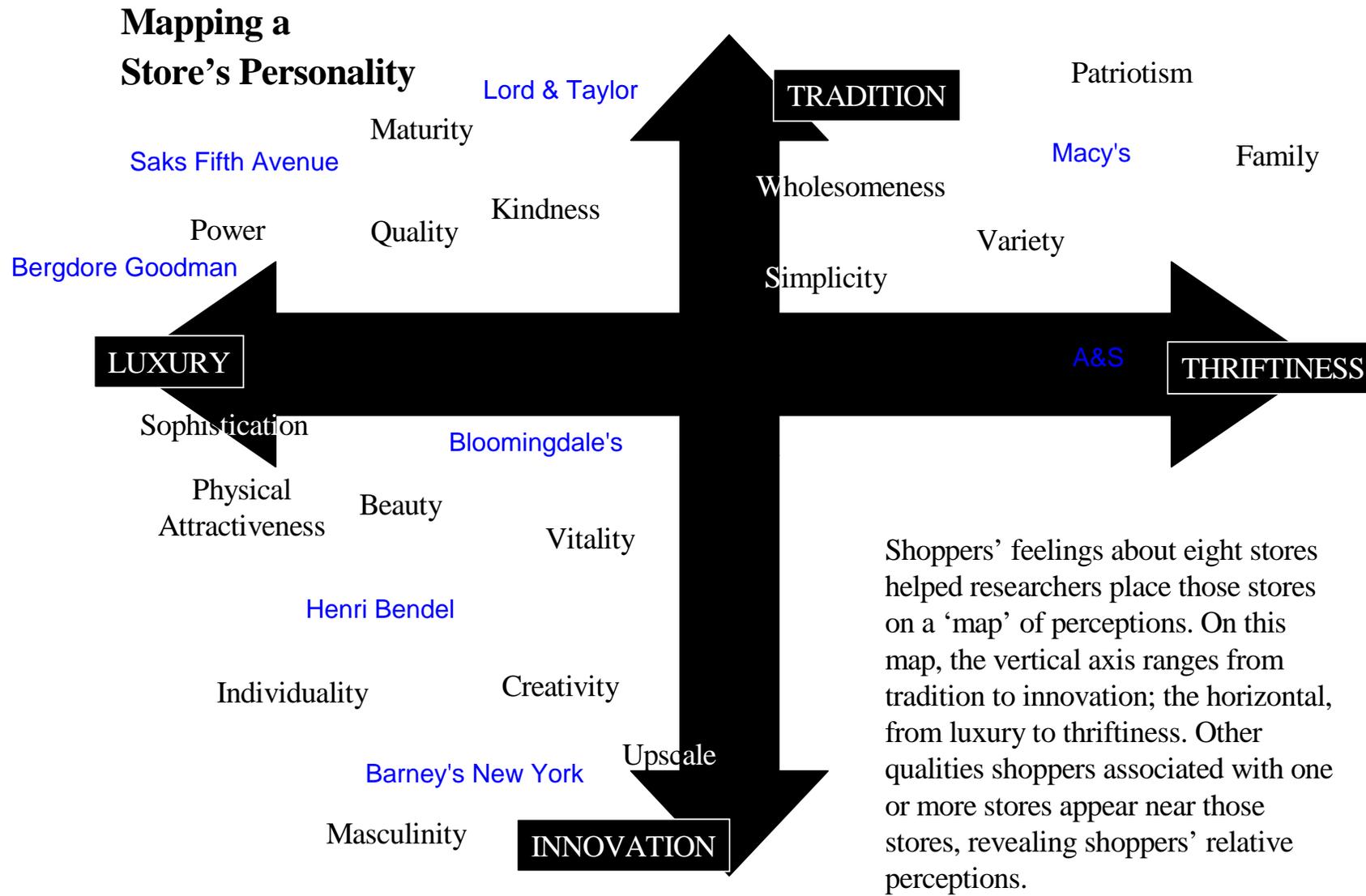
Image courtesy of Maskington San Francisco on [Flickr](#).

Gillette ups the ante, unveils 5-blade razor

Positioning the ED drugs



Example of a Perceptual Map:



Source: BBDO



Developing a Positioning Strategy: Guiding Questions

- Which positions are of greatest value to our target customers, given their needs?
- Which of these positions are “taken,” and which positions are relatively free of competition?
- Which of the available positions fits best with our objectives and our distinctive capabilities, *i.e., can we back up the chosen positioning by demonstrable product attributes or benefits?*
- Can we “change the rules” of the game by discovering new critical points of differentiation?
- Are all our positioning messages consistent?

Conclusion:

STP as Marketing Strategy

- Segmentation
 - Identify segmentation bases and segment the market
 - Develop profile of resulting segments
- Targeting
 - Evaluate attractiveness of each segment based on 3Cs
 - Select target segments
- Positioning
 - Use perceptual map to identify current positions
 - Identify positioning concepts for each target segment
 - Select, develop, and communicate the chosen concept

An Afterward:

- What about personalization? And mass customization?
 - Information technology lowers the cost of
 - Gathering information about consumers
 - Changing the product
 - But there is still the trade-off:
 - Finer, smaller segments are expensive
 - Must produce increase in loyalty, satisfaction, and ultimately profits

Listening to the Customer

15.821 H1

- Understand strengths and weakness of the most important qualitative research methods
- Learn how to get quick customer input, skipping the market research middleman
- Do a Voice of the Customer project
- For everyone (marketing, product development, consulting..)

Strategic Market Measurement

15.822 H2

- Learn how to create, interpret and analyze a market research survey
- Emphasis on market structure and segmentation
- Hands-on conjoint and cluster analysis
- For consulting, market research careers
- 15.821 NOT a prerequisite

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