

Segmentation, Targeting and Positioning (STP)

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A company cannot serve all customers in a broad market such as computers, soft drinks, and many other products. I have listed many examples.

- Don't buy market share with more and more advertising or discounting against the competition. Figure out how to earn market share. Better research, planning---win market share.
- The company needs to identify the market segments that it can serve more effectively.
- Many companies are embracing target marketing.
- Distinguish major segments, target one or more and develop products and marketing mixes tailored to them.
- Rifle shots versus "shotgun" approach.
- The proliferation of advertising media and distribution channels is making it more difficult to practice "one size fits all."
- The stronger your brand image is the better off you are.

Segmentation: Breaking a market of varied potential customers into subgroups of customers with similar needs, desired product benefits and purchase behaviors.

Targeting: The market segment or segments toward all marketing activities will be directed. A target market consists of a set of buyers who share common needs or characteristics that the company decides to serve.

Positioning: The art of designing the company's offering and image so that they occupy a meaningful and distinct competitive position in the target customers' minds. A product's position is the way the product is defined by consumers on important attributes---the place the product occupies in consumers' minds relative to competing products.

Why?

1. More efficient use of resources
2. Better understanding of customer needs
3. Better understanding of competitors
4. Developing new products

Strategic Marketing/Marketing Homework:

Marketing Process consists of:

1. Analyzing opportunities
2. Developing marketing strategies
3. Planning marketing programs
4. Managing the marketing effort

Key marketing strategy decision making: How to divide up markets into meaningful customer groups (market segmentation), choose which customer groups to serve (target marketing), and created marketing offers that best serve targeted customers (positioning).

Segmentation is an important Marketing concept:

1. Geographic Segmentation
 2. Demographic Segmentation
 3. Psychological Segmentation
 4. Behavioral Segmentation
 5. Technographics or Technographical Segmentation
- Older shoppers buy too.
 - As we get older there is less advertising to us and we stop getting attention. "But we still spend a lot of money." But AARP and RoperASW found for most products the majority of people over 45 years of age aren't loyal to a single brand.
 - 73 million American who are 50 or older controlled 67% of the U.S. wealth.
 - The online presence of Americans aged 65 and older jumped 25 percent this year, to a total of almost 10 million surfers, while 55- to 64-year-olds increased their numbers by 15 percent, to almost 16 million, according to a new study by Nielsen//NetRatings.

- Despite the increases, this age group still has a long way to go. Only 22 percent of Americans over 65 go online, the study shows, compared with 75 percent of those ages 30 to 49.
- The world's best companies are setting their sights on older consumers. These consumers are not poor, frugal or stuck in a rut buying the same brand.
- Boomers are fighting the reality and perception that they are getting older.
- Walt Disney has a program aimed at 50+ called "Magical Gatherings." It allows customers to use the web and plan trips with golfing buddies, old schoolmates or their grandchildren.
- Microsoft has software tools with easier to read text, audio alerts, and mouse alternatives for older workers with sight, hearing or wrist problems.
- Target stores are carving out sections for older shoppers.
- Virgin stores are redesigning stores for "oldies" shopper.
- P&G says it is perfectly clear that due to sheer numbers of people fall into the 50 plus segment. There are 50 products, which they feel, can be pinpointed to an older consumer: Puffs tissues, Downy fabric softener are two.
- P&G is working on a new partnership with AARP, including joint marketing and research.
- Sony finds that ads designed for older shoppers can appeal to younger shoppers. Sony found that its commercials showing a grandmother taking underwater photos of sharks scored well with young viewers.

Median net worth for U.S. households:

- 75 and older: \$100,100
- 70-74: \$120,000
- 65-69: \$114,050
- 55-64: \$112,048 (15x the figure for under 34)
- 45-54: \$ 83,150
- 35-44: \$ 44,275
- 34 and younger: \$ 7,240

- Target's target? Wal-Mart shoppers: Target CEO Gregg Steinhafel is looking to lure Wal-Mart customers with discount pricing and superior quality, including more fresh-food offerings. We will "maintain our focus on fashion, design and a superior store experience," he said, while addressing "the gap between the perception and the reality of our pricing." WSJ 2/23/10
- "Alpha Moms": This new marketing target (replacing "Soccer Moms" and "Yoga Moms") is an educated, tech savvy multitasker who views motherhood as a "job that can be mastered with diligent research." She's online 87 minutes a day, and spends 7% more than the typical Internet user. Currently targeting her: Nintendo (Wii), GM (Escalade), Kimberly-Clark (Huggies), and P&G (Swiffer). *USA Today*.4/11/2007
- 600 is the number of wash loads, per year, done by the average household. Laundry remains a time-consuming chore and one-time largely by women. Today the primary responsibility: 76% of women and 24% of men. *NYT* 01/27/2010
- Grocery chain, Meijer, testing online-ordering system: Enables shoppers to order groceries online and pick them up at a store. The service at first will be available at some stores in Illinois and Ohio. "This is a wonderful service for **busy moms with young children, senior citizens, disabled or injured people, or just anyone who dislikes grocery shopping.**" *InternetRetailer.com* (08/09)
- Bloomie's has a taste for "yummy mommies" and believes it can capture a segment of the market that has tripped up Gymboree, Gap and American Eagle Outfitters: 35-to-45-year-old moms. The upscale department store has launched a special in-store boutique dubbed Quotation to cater to so-called "yummy mommies," women who are upper-middle class and suburban and want to be casual but stylish. *BusinessWeek* (4/07)
- Smokers: 42% of non high school graduates; 12% of college graduates and 7% of graduate degrees. How do these numbers affect targeting and promotion?
- Safeway offers secure POS (point of sale or point of service) for visually impaired. Technology that provides tactile keys for visually impaired customers and helps protect their privacy. The devices are in all of the retailer's

California stores and will be installed across its entire portfolio in the next 12 months. Progressive Grocer 11/1/06

- \$161 billion at self-checkouts in 2005: A new study reveals 94% of respondents have tried self-checkout systems and men are 60% more likely than women to use such systems on a regular basis. Transactions at self-checkout lanes could reach \$450 billion annually in the next three years. Progressive Grocer 8/8/05

Target marketing requires marketers to take three major steps:

1. Identify and profile distinct groups of buyers who might require separate products or marketing mixes (market segmentation).
2. Select one or more market segments to enter (Market targeting).
3. Establish and communicate the products' key distinctive benefits in the market (positioning).

Ways to Segment:

- A. **Geographic Segmentation** (region, city, metro size, density, climate; plus countries)
- B. **Demographic Segmentation** (age, sex, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality, social class—is also sometimes put under psychographics)
 - Ever since the infamous Dodge La Femme of the 1950s, auto engineers have been trying to create car models that specifically appeal to women drivers. According to an informal survey by the Detroit Free Press, women want what men want in a car: quality, safety, convenience and comfort. Oh, and they also want it to be "nail-friendly." (11/17/05)
 - Magellan RoadMate: In 2005, the target was 65% men/35% women, with a household income of +\$100K. Emphasis was placed on potential purchasers or drivers with 30K miles per year. The high number or ratio of women in the target was for gift giving purchases.
 - Income: Millionaire Next Door
 - General Mills can offer Cheerios, Wheaties, Total, Kix, Lucky Charms, Trix, and many other brands, not just one general product for all consumers.
 - Good demographic example: "Trix are for kids". Targeting kids.
 - At Nordstrom's: "Not Your Daughter's Jeans® Tummy Tuck® Slim Leg"
 - Children are influencing adults' choices of items like hotels and travel destinations. People 10/4/2004
 - Greyhound targets lower-income consumers.
 - Men and Women: 99% of Ferrari owners are male; 69% of all VW Cabriolets are purchased by women; and 94% of all Dodge Vipers and Porsches.
 - Ferrari drivers are: 99% male; aged 45-50 years of age—down from late 50's; 65% are repeat buyers; 20% own more than one; 60% own a private jet and 20% own a power boat; Buyers spend \$25K to customized car. (AdAge 2/06)
 - Nike tailors shoe line to fit American Indians: a new shoe line made exclusively for American Indians to help promote fitness among a group beset by high obesity rates. The Air Native N7 features "heritage callouts" in its design and is larger in width and height to suit the unique foot size of the group. Seattle Post-Intelligencer/Associated Press 09/25/2007
 - According to Kotler, women influence up to 80% of all household purchases. From Business Women's Network in 2004, 88% of all retail customers in the US were women.
 - Age and Life-Cycle Stage: Gap has branched out to target people at different life stages: Baby Gap, Gap Kids, and Gap Maternity
- According to a study by the Pew Internet and American Life Project, the ranks of Americans over 65 who use the Internet have jumped by 47 percent since 2000, making them the fastest-growing group to embrace the online world.
- MBNA pitches new credit card for lesbians: A unit of Bank of America is marketing what's being billed as the first credit card for lesbians. The Olivia card, which is being promoted in partnership with the San Francisco-based vacation and cruise company Olivia Cos., offers points for travel and other rewards. Journal and Constitution (Atlanta) (3/24/06)

- Movie example: According to the tracking summer '05, the publicity surrounding "Mr. and Mrs. Smith" with Brad Pitt and Angelina Jolie spurred interest evenly in all four quadrants, men and women, over and under age 25. "It's shocking," said Fox distrib prey Bruce Snyder. "I don't know when I've seen four quadrants line up like that. Everything feels right." (June 9, 2005, Variety)
- Today's Women is the chief purchasing agent: Working women aged 24 to 54 are increasingly seen by marketers as the ideal target. Women do more product research and are less likely to be influenced by advertising. Women earning \$100K has increased 300% in past ten years.

C. Psychological Segmentation:

- Social class (Lower lowers to Upper uppers). Social class is also put under demographics.
- Lifestyle-- achievers, strivers, and strugglers)
- Personality Compulsive, gregarious, authoritarian, and ambitious)
- Lifestyles/Attitudes/Interests and Opinions

D. Behavioral Segmentation:

- Occasions (regular occasions, special occasions, holidays, vacations). Orange juice for breakfast, Mother's Day, Father's Day, Benefits (quality, service, economy, convenience, speed---Quality, Time, Money),
- User status (nonuser, ex-user, potential user, first-time user, regular user),
- Usage rate (light, medium, heavy user),
- Loyalty status (None, medium, strong, absolute),
- Readiness attitude toward product (aware, interest, desire, intending to buy),
- Attitude toward product (enthusiastic, positive, indifferent, negative, hostile).

E. Technographical Segmentation

- In 2009, another way to segment has been added to marketing's segmentation, targeting and positioning called Technographics
- "Technographics." In the emerging study of what technologies different segments or groups of people use and how they use them. Are they using email, Facebook, or Twitter? Do they like to create content, read or review another person's content, or are they sitting on the technology sidelines.

PRIZM (Potential Rating Index by Zip Markets), National Decision Systems, a division of Claritas

- Customer targeting and strategic market planning; Fortune 1000 clients including Banking/Financial, Newspaper/Media, Real Estate, Insurance, Retail and Telecommunications industries
- People living in the same neighborhoods tend to have similar lifestyles, proving the old adage that "birds of a feather flock together" may still holds true. To a large extent, you are where you live. PRIZM will guide marketing decision-making, campaigns and media strategies for specific market segments by answering:
 - What are they like?
 - Where can I find them?
 - How can I reach them?
- Think of a "photo album" of consumer markets. Each of the Claritas market segments has its own pages that display "snapshots" of the segment's demographic traits, lifestyle preferences and consumer behaviors.
- Customer segmentation profiling information encompasses a variety of categories about consumer markets, including travel, eating out, shopping, auto purchases and others. Demographic characteristics such as education, income, housing and race/ethnicity are also available.
- **Geodemographic** segmentation or multivariable segmentation
 - Geoclustering factors of consumer buying characteristics in 50 broad categories.
 - Education and affluence
 - Family life cycle
 - Urbanization
 - Race and ethnicity
 - Mobility

Positioning refers to the act of locating a brand in customers' minds over and against competitive products. Usually look at attributes, benefits, quality/price, include high tech and high touch for global products.

In marketing, a position is where a brand stands in relation to its competitors: it's cheaper, faster, sexier, smarter, younger, greener, hipper. It's more luxurious, more educated, more moral, more colorful, more convenient, more conservative, etc. (Note that the brand can be a company, product or person.)

The key factoid: that position is strictly in the eyes of the consumer. A brand can claim to be anything it wants, but it's the consumer who decides what the brand's ultimate position is.

Company and brand positioning should be summed up in a positioning statement. The statement should follow this form: To (target market and need) our (brand) is (concept) that (point of difference.) For example: To busy professionals who need to stay organized, Palm Pilot is an electronic organizer that allows you to back up files on your PC more easily and reliably than competitive products."

What is repositioning? The classic example is Wal-Mart, which has owned the position of low-price leader for decades. But in 2006, Wal-Mart decided to reposition itself as low-priced AND fashionable. It spent millions of dollars on ads to claim this new fashion position, only to have consumers roll their eyes and continue to buy their tube socks at Wal-Mart, their party clothes elsewhere. Wal-Mart eventually deep-sixed the fashion campaign and pursued an entirely different position (more on that in a bit).

Every one of us holds a position. Whether you're pursuing a mate or a job promotion, you should determine where you stand relative to your competition. Your hope is that the consumer — in this case, the object of your desire or your boss — finds your position ideally appealing

Additional Examples:

- Volvo for economy, reliability and safety.
- P&G: Seven brands of detergent (57% of all detergent sales; Tide captures 38% of all detergent sales!): Tide, Cheer, Bold, Gain, Era, Dreft, Febreze, and Ivory Snow. Plus 16 different laundry product brands in Latin America. And 19 brands in Europe, the Middle East and Africa. Six brands of hand soap: Ivory, Safeguard, Camay, Olay, Zest, and Old Spice. Go to www.pg.com.
- In US, more than 300 brands and the typical household uses a dozen to two dozen different P&G brands.
 - Why so many different P&G products in the same category?
 - The answer lies in the fact that different people want different mixes of benefits. People use laundry detergent to get clothes clean. They also want other benefits such as economy, bleaching, power, fabric softening, fresh smell, strength or mildness and lots of suds or only a few.
- Even narrower niches: Tide in powder and in liquid. With Bleach, High Efficiency, Bleach Alternative, Mountain Spring, Clean breeze, Tide Free, Rapid Action Tablets.
- Visa for global worldwide acceptance.
- Vodkas can play up national origins, demonstrating quality. Premium vodkas can cost twice what "ordinary" vodkas cost.
- Personal computers video and stereo equipment and automobiles are frequently purchased on physical features and image.
- Fuji bikes, Adidas, Nike sports equipment, Canon cameras are successful global special interest products.
- Products may have global appeal by virtue of their country of origin. Marlboro, Harley-Davidson, McDonalds, Sony, Mercedes.
- Think globally. Why close Marlboro cigarettes over other brands. Smoking Marlboro is a way of getting in touch with a powerful urge to be free and independent. From Al Ries and Jack Trout Battle of the Mind

Legal issues:

Sex: Sex is the classification of people as male or female. At birth, infants are assigned a sex based on a combination of bodily characteristics including: chromosomes, hormones, internal reproductive organs and genitals.

Gender: Gender, though sometimes used interchangeably with sex, is best defined as an individual's internal, personal sense of being a man, a woman, a transgender person or a different gender entirely. California Labor Code

sections 12926 and 12949 protect transgender people via the prohibition against discrimination based on gender-related identity, appearance or behavior.

Race: Race is a person's ancestry and encompasses ethnic characteristics.

Color: Color refers to the complexion of one's skin.

National Origin/Ancestry: National origin refers to a person's birthplace; ancestry refers to cultural practices or language common to a specific ethnic group.

Religion: Religion is broadly defined as an individual's moral or ethical system of belief.

Age: The Age Discrimination in Employment Act and California state law protect individuals 40 years of age and older from age related discrimination.

Sexual Orientation: Sexual orientation describes an individual's enduring physical, romantic, emotional and/or spiritual attraction. Terms including lesbian, gay, bisexual and straight tend to be favored in California and in informal settings, though homosexual and heterosexual are preferred by some, and some prefer other terms.

Requirements for Effective Segmentation:

- For example, buyers of table salt could be divided into blond and brunette customers. But hair color does not affect the purchase of salt. Furthermore, if all salt buyers bought the same amount of salt each month, believed that all salt is the same, and wanted to pay the same price, the company would not benefit from segmenting this market.
- To be useful, segments need to be **measurable** (size, purchasing power and profiles), **accessible** (reached and served), **substantial** (large or profitable enough to serve), **differentiable** (distinguishable and respond to different marketing mix elements and programs) and **actionable** (effective programs designed for attracting and serving segments).

Niche marketing is a more narrowly defined group, typically a small market whose needs are not well served. Also called concentrated marketing, especially when a company's resources are limited.

The company will fine tune its products, prices and programs to the needs of carefully defined segments. It can also market more efficiently, targeting its products and services, channels of distribution and communication programs toward customers that it can serve best and most profitably.

USP: Unique Selling Proposition

Many marketers feel that companies should aggressively promote only one benefit for each brand and stick to it.

Segmentation Examples:

1. Sony (Instead of product managers, now managers are champions of demographic and psychographic segments)

- Affluent
- CE Alphas (early adopters of technology at any age)
- Zoomers (55+)
- SoHo (Small office/Home office)
- Families (35 to 54)
- Young Professionals /DINKs (Double Income, No Kids; 25 to 34)
- Gen Y (under 25)
- Sony is looking at Boomers and Zoomers
- In '06, Sony learned that women make the household purchasing decisions on electronics 53% of the time; they decided it was time for a marketing makeover. "On the traditional level in the consumer electronics space, we've marketed to the male," says Barbara Miller, Director Corporate Web Services for Sony Electronics. "Our decision was that we needed to do a better job of addressing a female audience as well."

2. **Carrot Top's "1-800-Collect."** He says he's not the target for those spots. My audience for those spots is prisoners and college kids.

3. **Jack in the Box**

- "Cravers", who eat burgers everyday
- "Dealers", who want a lot for their money/coupons/specials
- "Quality seekers", who are looking for a higher level of quality and the customer, is willing to pay for it.
- The fast food industry: "Heavy users vs. Light users" make up 20% of customers but eat up to 60% of the food served. A single, heavy user, typically a single male who doesn't know how to cook, might spend as much as \$40 a day at fast food restaurants, visit them 20 times a month. Heavy users "come more often, they spend more money and that's what makes the cash registers ring."

For Carl's Jr.: The TV spots aren't for everyone. Young men like irreverent humor." If our target was 75-year old women, we'd be a Hallmark card." Secret Weapon's Creative director, Dick Sittig

4. **Percentage who smoke, by annual household income:** Gallup-Healthways/Adweek 4/20/2009

- \$12K to \$35,999 38%
- \$36K to \$59,999 22%
- \$60K to \$89,999 13%
- \$90K+ 12%

5. **Who's in Control of the Video-Game screen or Today's Gamer (if you said teenage boys you are only 17% right according to NPD "Online Gaming" study, 2007**

- Virtual Shopper (40%, likely to download content on to next-generation consoles.)
- Casual Gamers (44% of this casual genre, card, puzzle and arcade games)
- Gamblers (More than 17% of gamers say casino and gambling games are their favorite)
- Penny Pinchers (1%, online gamers who play for free.)
- Little Kids (20%, or 6 to 12 year olds)
- Console owners (54%)
- Movers and Shakers (41% ,of 13 to 17 year olds)
- Women (42%, of the total online gaming audience)
- Middle Class (80%, with an average household income of \$35K to \$75K). Study said it makes sense since one you own a PC, the jump to online gaming involves minimal extra cost and tech know-how.)

6. **A More Customized Product Mix, Wal-Mart to customize selection in stores. About 3K items of 200K items in each store will be selected to targeted groups.** Segments include:

- Latinos Shoppers
- African Americans
- Empty-nesters/Boomers
- Affluent Shoppers
- Suburban Shoppers
- Rural Shoppers

7. **Wine Buyers**

In soft drinks, the top players control 70% of worldwide market share; in distilled spirits, top players own 50%; in beers, 26%. Top five wine makers have 6% of worldwide volume.

Constellation with brands: Alice White, Blackstone, Moulton Cadet, Twin Fin, Rex Goliath, Covey Run, Papio, Franciscan, Robert Mondavi, Coastal Vintners, La Terre, and Woodbridge by Robert Mondavi.

- Enthusiasts: 12%, Read wine magazines, know ratings, spend a lot on wine and bottles, and go to many wine tastings. (Alice White, Blackstone, Moulton Cadet)
- Image Seekers: 20%, Sophisticated and trendy; Buy labels. (Twin Fin, Rex Goliath)
- Savvy Shoppers: 15% want great wine at great prices. (Covey Run, Papio)

- Traditionalists: Like reliability and history. Stick with a few labels. Tried and true to brands. (Franciscan, Robert Mondavi)
- Satisfied Sippers: 14% don't care about geography, brand loyal. (Coastal Vintners, La Terre)
- Overwhelmed: 23% Intimidated by wine lists, Labels that say "good with chicken" are meant for them. (Woodbridge by Robert Mondavi)

8. Dell

- Markets: schools, consumers, SOHO (Small Offices and Home Offices) and businesses.
- Dell's first customers: Shell Oil, Mobil Oil, Exxon, Schools.
- Transactional and Relationship segments

9. Adidas sees different markets in Germany (headquarters) and in US

- Gear head (the hard-core, non teen runner who needs high-performance shoes)
- Core Letterman (the true blue, white suburban high-school athlete. 16-24)
- Contemporary Letterman (the high school athlete "who cares about the ladies and hooking up")
- Aficionado (the kid probably African-American, who likes brand-new, \$100+ basketball shoes)
- Pop Girl (teeny-bopper who scours the mall for Skeechers)
- Value Addict (the shopper at Kohl's and Target, probably middle age and fairly well off)
- A-Diva ("Sex and the City" goes to the gym)
- Fastidious Eclectus (an architect-type who craves hip, distinctive sneakers.

In 2003, they were selling well to Gear head, Core Letterman and Pop Girl segments.
From Business Week 6/7/2004, 50% of all sneakers are bought by 14-24 year olds.

10. Four distinct segments in today's news audience

A sizable minority of Americans find themselves at the intersection of these two long-standing trends in news consumption. Integrators, who get the news from both traditional sources (TV, radio, magazines and newspaper) and the internet, are a more engaged, sophisticated and demographically sought-after audience segment than those who mostly rely on traditional news sources.

- Integrators, who comprise 23% of the public, using traditional sources and online sources
- The less populous Net-Newsers (13%), utilizing the net.
- Traditionalists - the oldest (median age: 52) and largest news segment (46% of the public), using traditional sources
- Disengaged (14%) who stand out for their low levels of interest in the news and news consumption. (August, 2008: Pew Research)

11. Some of the ways you can target Match.com users

- Age
- Income
- Sexual Preference
- Gender
- Drinking Behavior
- Pet Ownership
- Geography
- Smoking Behavior
- Body Type
- Ethnicity
- Children

12. Hawaii Tourism

- Cultural and History Fans
- Cuisine/Food
- Entertainment and Shopping
- Relaxation

- Outdoor Sports/Adventure Types
- Life-Stage: Honeymooners and Family travelers

By understanding what it is about your audience that makes them tick, you can begin to recognize factors that motivate purchase behavior. When you know who your customer is, how they think, and how they want to be spoken to, you are in a better position to offer them what they want and/or need.

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