USC Marshall
School of Business

Chapter 9

STP: Segmentation, Targeting, and Positioning

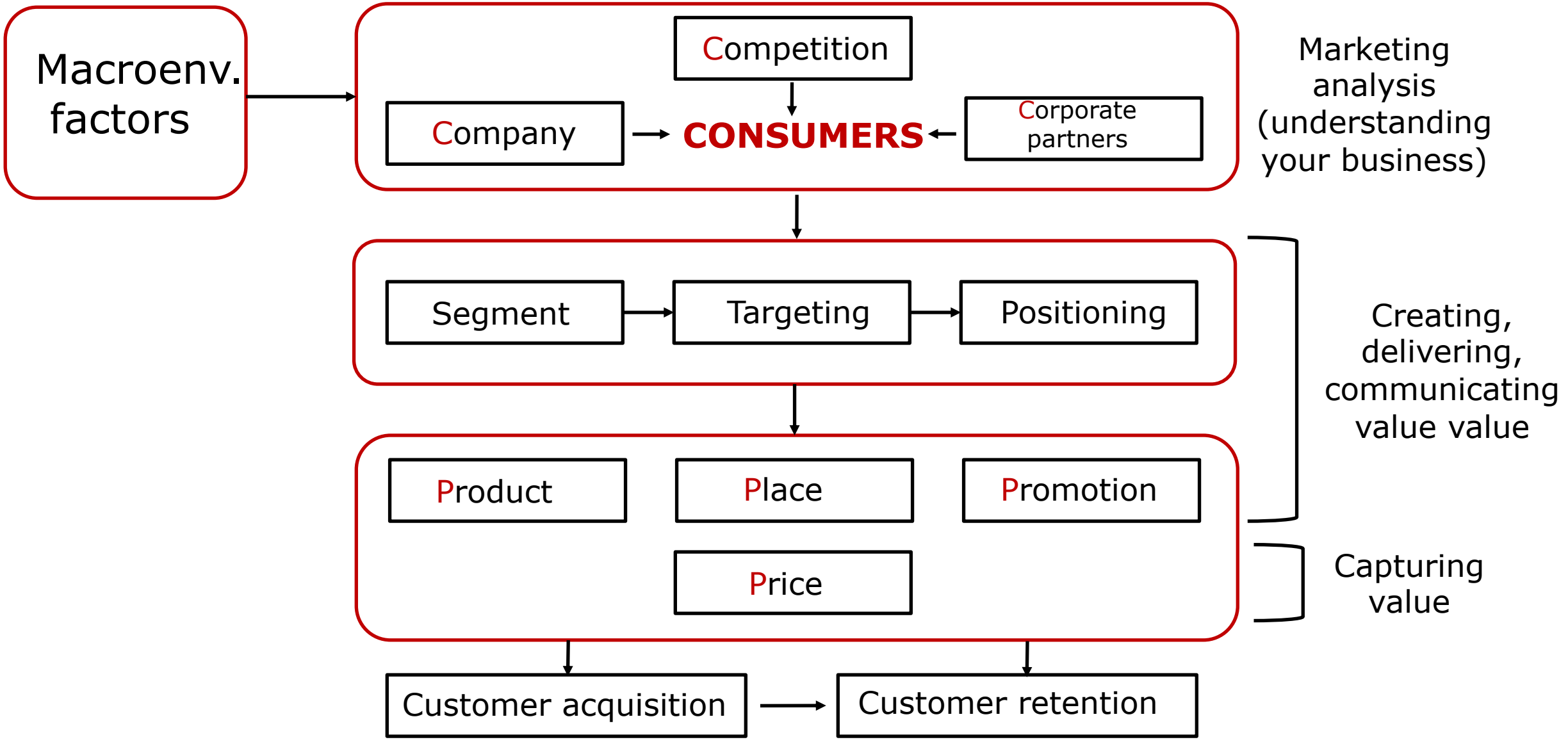
USC Marshall School of Business

Today

- Outline the different methods of segmenting a market
- Describe how firms determine whether a segment is attractive and therefore worth pursuing
- Articulate the differences among targeting strategies: undifferentiated, differentiated, concentrated, or micromarketing
- Define positioning and describe how firms do it

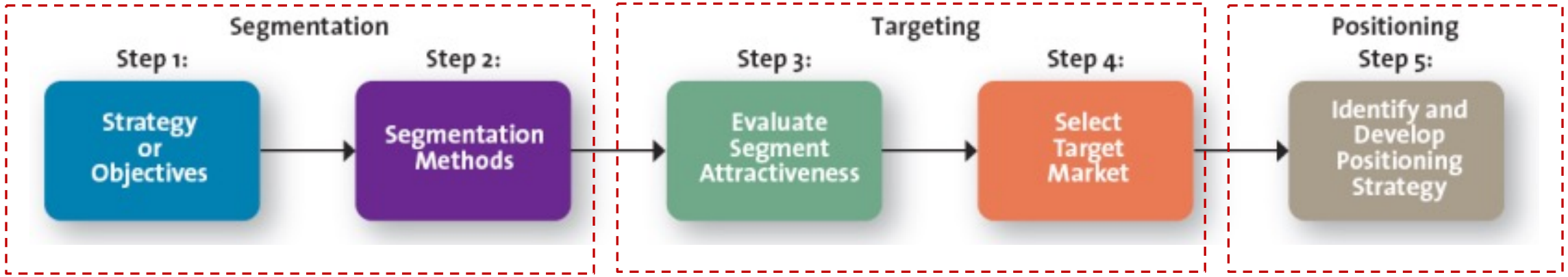
USC Marshall School of Business

The big picture



USC Marshall School of Business

STP Process



Important for group projects

Step 1: Establish overall vision or objectives for your marketing strategy

Segmentation strategy MUST be consistent with

- Firm's mission/objective
- Firm's current situation (SWOT)

Step 1: Establish Overall Vision or Objectives for your Marketing Strategy

Segmentation strategy MUST be consistent with

- Firm's mission/objective
- Firm's current situation (SWOT)

"Coca-Cola's objective is to increase sales in a mature industry." If this is our objective:

1. What **research** should we be doing about our consumer?
2. **Who** is our consumer?
3. What **benefits** is he/she seeking?

The above questions lead you through the STP process.

Step 1: Establish Overall Vision or Objectives for your Marketing Strategy

Segmentation strategy MUST be consistent with

- Firm's mission/objective
- Firm's current situation (SWOT)

"Coca-Cola's objective is to increase sales in a mature industry." If this is our objective:

1. What **research** should we be doing about our consumer?
2. **Who** is our consumer?
3. What **benefits** is he/she seeking?

The above questions lead you through the STP process.

industry that has passed both the emerging and growth phases of industry growth.

Step 1: Establish Overall Vision or Objectives for your Marketing Strategy

Segmentation strategy MUST be consistent with

- Firm's mission/objective
- Firm's current situation (SWOT)

https://www.coca-colacompany.com/news/coke-with-coffee-united-states-launch

Step 1: Establish Overall Vision or Objectives for your Marketing Strategy

Segmentation strategy MUST be consistent with

- Firm's mission/objective
- Firm's current situation (SWOT)

> "We're focusing our innovation efforts on doing what Coca-Cola has always stood for and does best – which is to deliver emotional and functional uplift – in bigger, bolder, more differentiated ways," said Brandan Strickland, brand director, Coca-Cola Trademark.

> "Coca-Cola with Coffee is a true hybrid innovation that provides the perfect solution for that mid-afternoon pick-me-up we all want, especially in today's work-from-home environment. We're fulfilling this need state and occasion in a uniquely Coca-Cola way."

https://www.coca-colacompany.com/news/coke-with-coffee-united-states-launch

Step 2: Segmentation Methods

Segmentation is the process of dividing the market in segments

1. **Identify** segments
2. **Describe** segments → Helps the firms better understand different consumers profiles and similarities across segments

USC Marshall School of Business

Step 2: Segmentation Methods

Segmentation Method	How are consumers divided?	Sample Segments
Geographic	Depending on their geographical location	Continent: North America, Asia, Europe, Africa. Within the United States: Pacific, mountain, central, south, mid-Atlantic, northeast
Demographic	Depending on their demographic information	Age, gender, income
Psychographic	Depending on how consumers describe/think about themselves	Lifestyle, self-values, self-image
Benefits	Depending on the benefits they derive from the product or service	Convenience, economy, prestige
Behavioral	Depending on how they use the product or service	Occasion, loyalty

Step 2: Segmentation Methods

Geographic Segmentation

- Consumers organized on the basis of where they live

McDonalds has a strategy of standardization, in fact, in order to be recognize as a global brand the company produces a range of standard products. The best example is the Big Mac known all around the world. Indeed in 1986, the magazine The Economist created the Big Mac Index to compare the purchasing power between countries this shows that this burger is the legendary product of the firm.

However, McDonalds has to face cultural differencies within each contry. This is why they adapted the concept of « Think global, act local ». They had to adapt their foods in each country due to legal, religious and cultural food habits. For example,

- in the Arabic World they launched the MacArabia which is a Grilled Chicken/Grilled Kofta sandwich with a pita bread.
- In Japon they created Teriyaki Burger, it is a Big Mac with a sweet and dark Teriyaki sauce and mayo.
- In Norway, they launched the McLaks which is a Grilled Salmon sandwich
- In France, they serve a McBaguette. A sandwich made of typical French bread and others French ingredients.
- In Canada and New England you can order a McLobster. Its primary ingredients are lobster and bread.
- For the Asian World they decide to serve the McRice Burger. It's a burger with rice formed into buns with beef or chicken meat between.

https://www.youtube.com/watch?v=6Pkq_eBHXJ4

Step 2: Segmentation Methods

Demographic Segmentation

- Children: Happy Meals, Toys, Playgrounds
  www.happymeal.com/en_US/index.html#/McWorld

- Young Adults: Free Wi-Fi
- Women: Lower Calorie Items

Step 2: Segmentation Methods

Psychographic Segmentation

- Consumers organized on the basis of lifestyle and values

Step 2: Segmentation Methods

Psychographic Segmentation

- Consumers organized on the basis of lifestyle and values

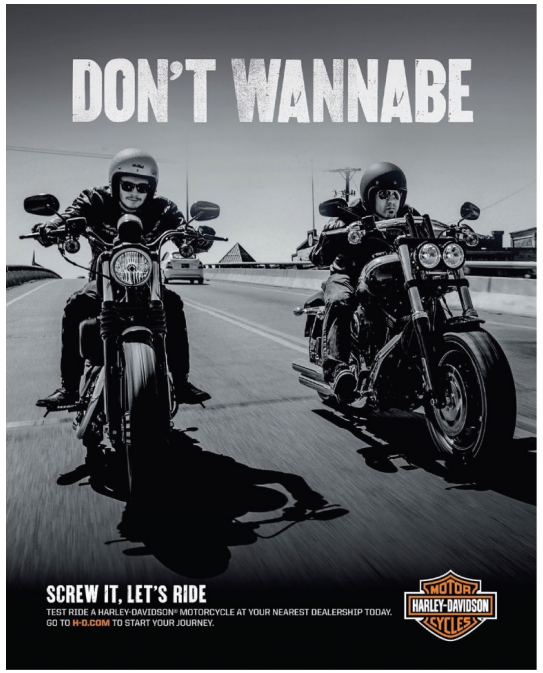
Using psychographic segmentation, Dove's "Real Beauty Pledge" campaign features photos of "real" rather than "aspirationally" beautiful women.

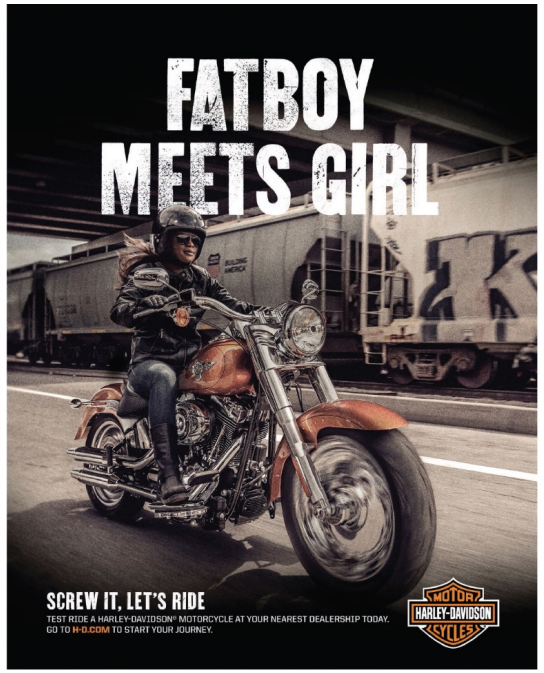
Source: Unilever

Step 2: Segmentation Methods

Psychographic Segmentation

- Consumers organized on the basis of lifestyle and values





Using lifestyle segmentation, Harley-Davidson has four main target markets: On the left is its core segment consisting of men older than 35 years. The ad on the right targets women older than 35 years.

Source: H-D U.S.A, LLC

Step 2: Segmentation Methods

Benefitis Segmentation

- Consumers organized on the basis of the benefits they derive from products or services

Step 2: Segmentation Methods

Benefitis Segmentation

- Consumers organized on the basis of the benefits they derive from products or services

Step 2: Segmentation Methods

Benefitis Segmentation

- Consumers organized on the basis of the benefits they derive from products or services

Step 2: Segmentation Methods

Behavioral Segmentation

- Consumers organized on the basis of how they use the product/service

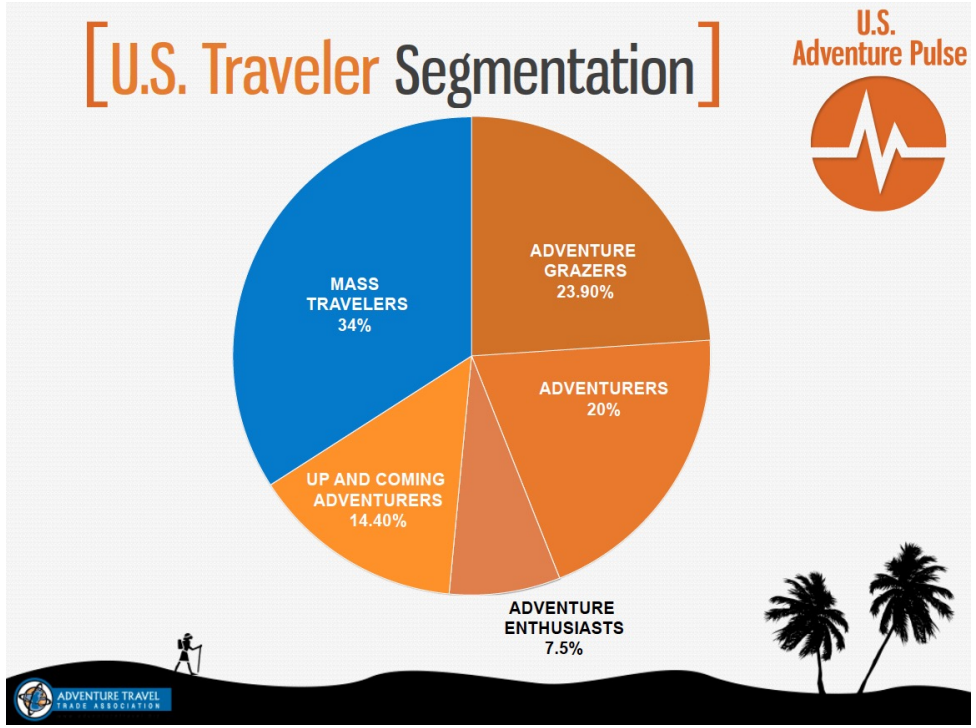
When the product or service is consumed

Invest in retaining most loyal customers

Step 2: Segmentation Methods

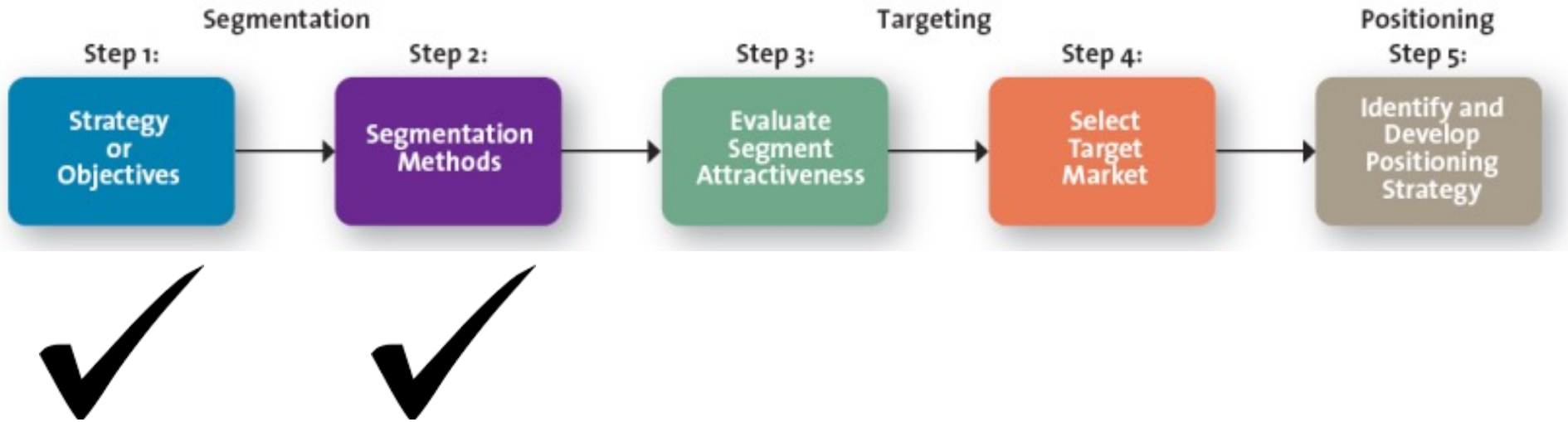
Behavioral Segmentation

- Consumers organized on the basis of how they use the product/service



https://www.adventuretravelnews.com/using-the-us-adventure-travel-personas-to-strengthen-your-marketing

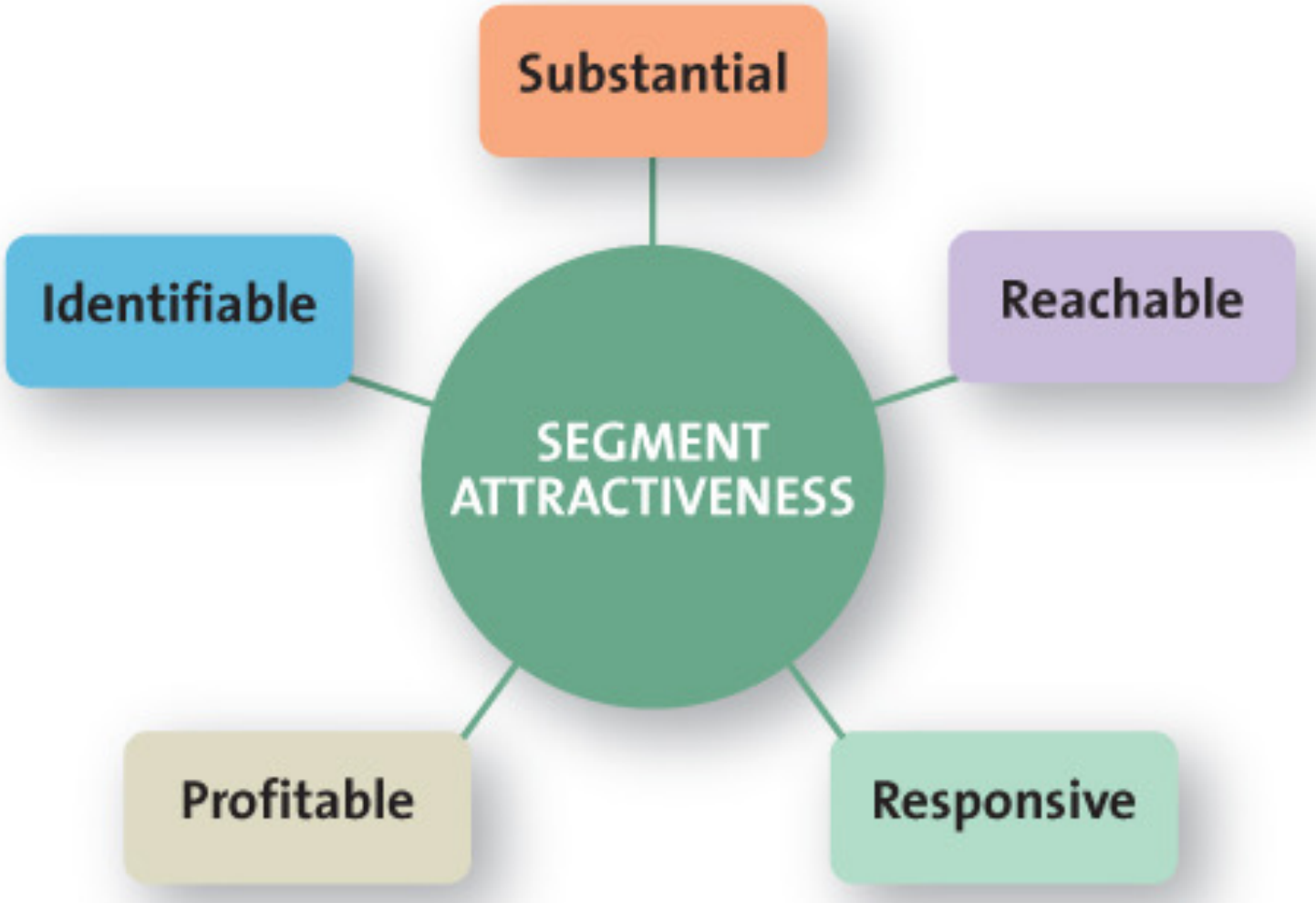
STP


Segmentation
Targeting
Positioning
Step 1:
Strategy or Objectives
Step 2:
Segmentation Methods
Step 3:
Evaluate Segment Attractiveness
Step 4:
Select Target Market
Step 5:
Identify and Develop Positioning Strategy

Targeting

Targeting is the process of **selecting** the market segment(s) to which the firm would like to sell their products or services

Step 3: Evaluate Segment Attractiveness



Step 3: Evaluate Segment Attractiveness

Identifiable

- Which consumers are in the segment?
- Are the segments distinct from one another?
- Does each segment require a unique marketing mix?

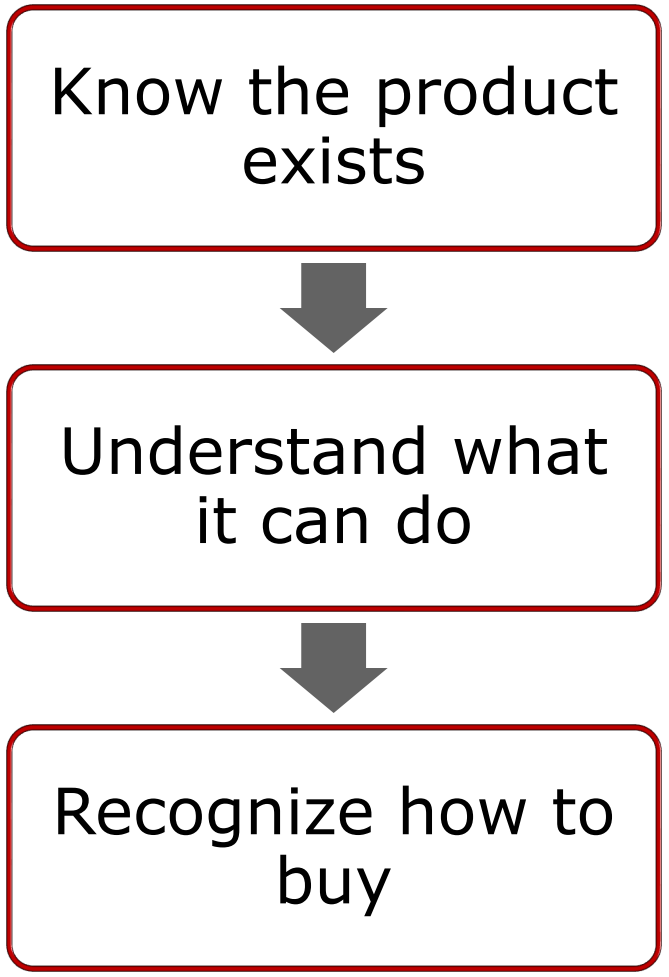
Step 3: Evaluate Segment Attractiveness

Substantial

- **Too small** → Not enough profit
- **Too big** → it may be impossible to craft a message that resonates equally with all the members of your chosen segment
- **Effective segmentation is critical** for the success of a product

Step 3: Evaluate Segment Attractiveness

Reachable



Step 3: Evaluate Segment Attractiveness

Responsive

Customers in each segment must:

React positively to firm's offering

Accept the firm's value proposition → Benefits to be received from a product or service

Trust your firm! (Reputation, ethics)

Step 3: Evaluate Segment Attractiveness

Profitable

	Homeowners	Businesses
Segment size	75,000	1,000
Segment adoption percentage	1%	20%
Purchase behavior • Purchase price • Frequency of purchase	 $100 12 times	 $500 20 times
Profit margin percentage	60%	80%
Fixed costs	$400,000	$1,000,000
Segment profit	$140,000	??

Important for group project!

Step 3: Evaluate Segment Attractiveness

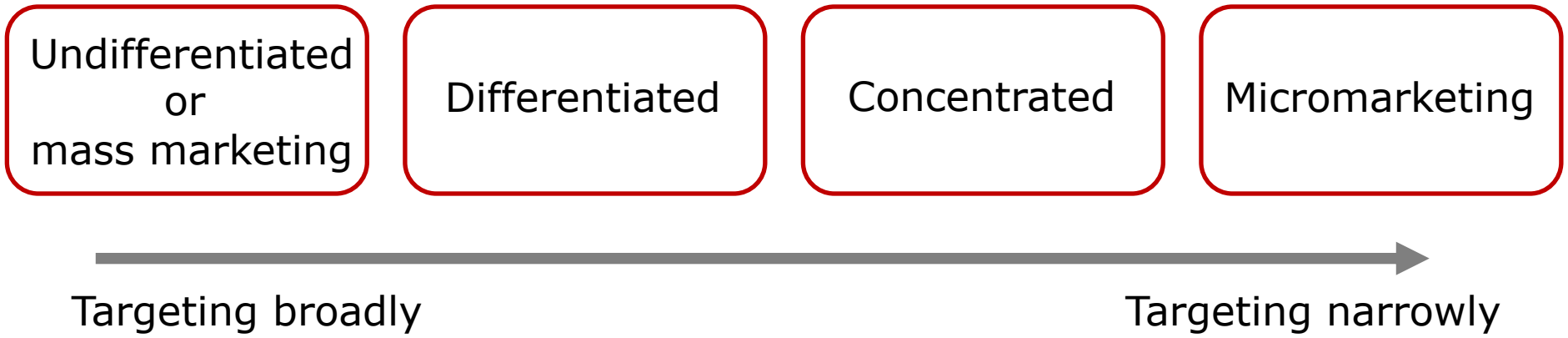
Profitable

	Homeowners	Businesses
Segment size	75,000	1,000
Segment adoption percentage	1%	20%
Purchase behavior • Purchase price • Frequency of purchase	 $100 12 times	 $500 20 times
Profit margin percentage	60%	80%
Fixed costs	$400,000	$1,000,000
Segment profit	$140,000	$600,000

Important for group project!

Step 4: Selecting a Target Market

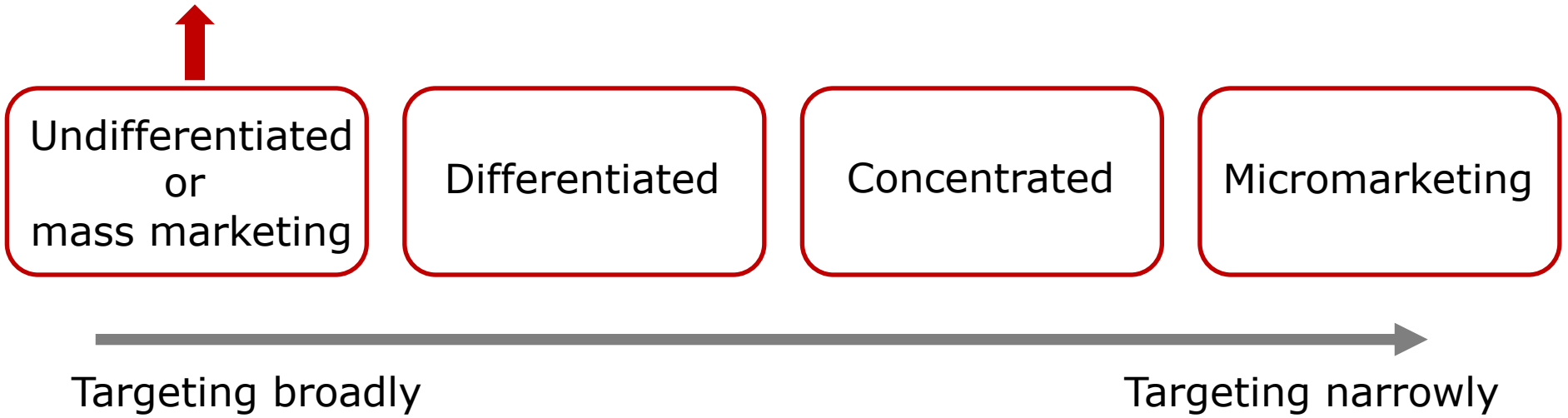
There are several targeting strategies



Step 4: Selecting a Target Market

There are several targeting strategies

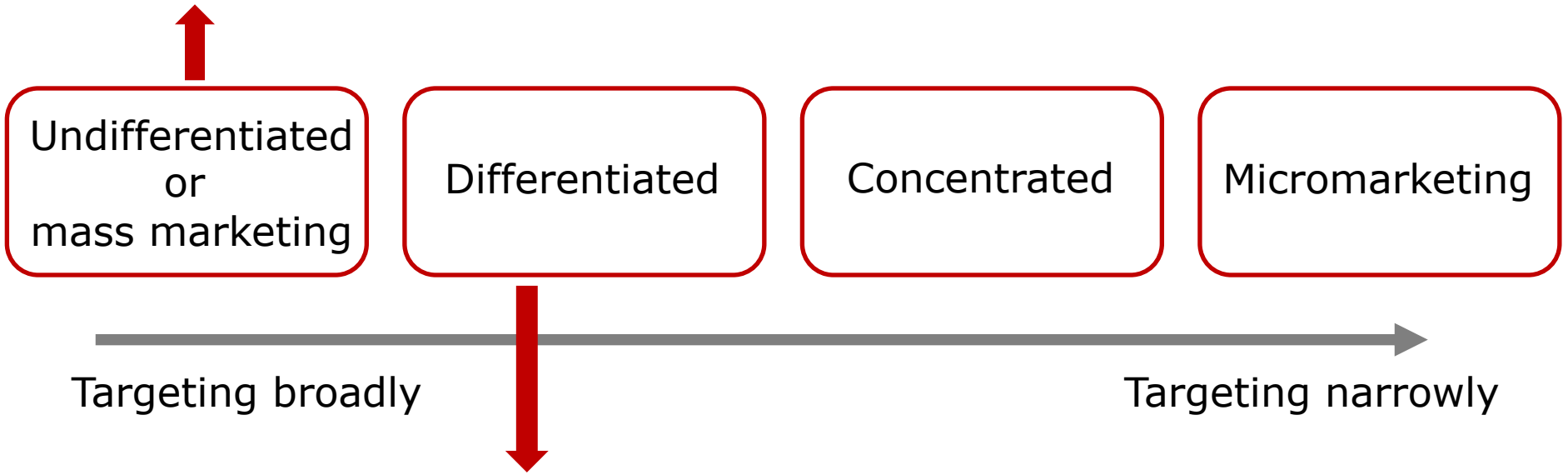
Everyone is considered a potential customer



Step 4: Selecting a Target Market

There are several targeting strategies

Everyone is considered a potential customer



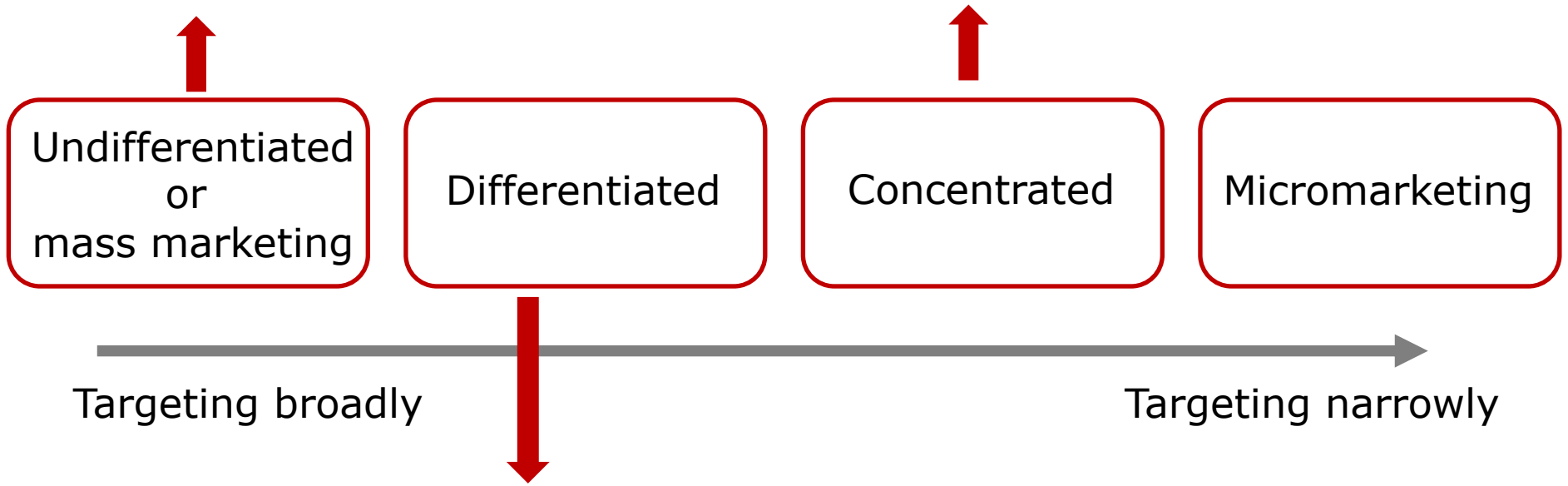
Firm targets **several market segments** with different offering

Step 4: Selecting a Target Market

There are several targeting strategies

Everyone is considered a potential customer

Firm select **ONE** segment and focuses all its effort on this segment



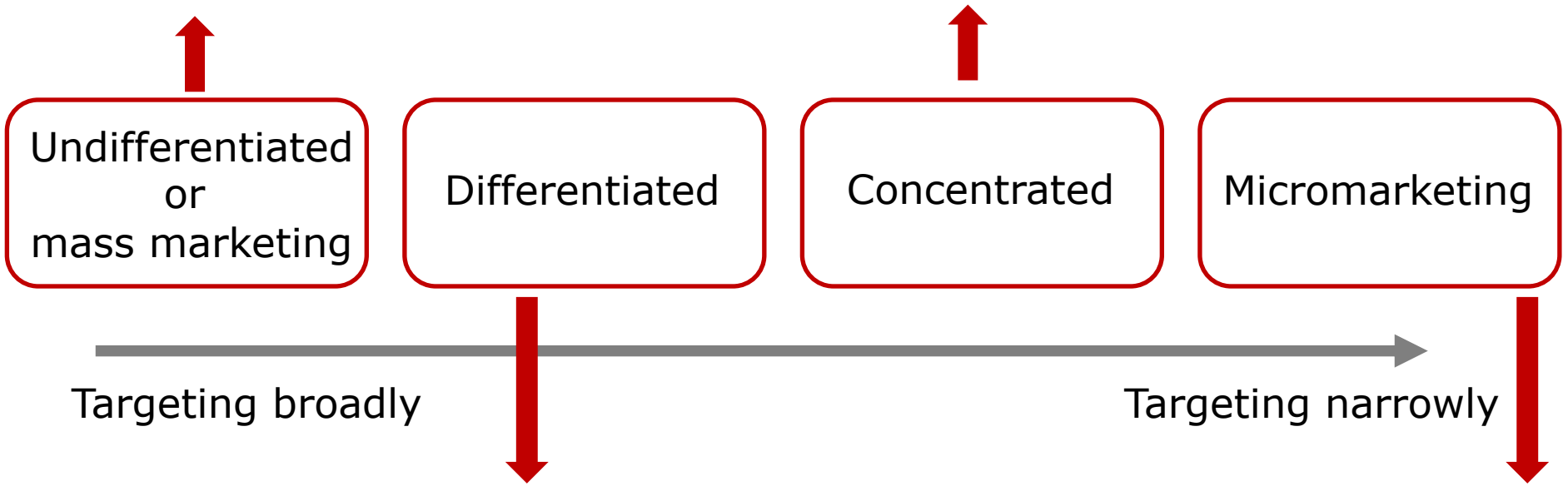
Firm targets **several market segments** with different offering

Step 4: Selecting a Target Market

There are several targeting strategies

Everyone is considered a potential customer

Firm select **ONE** segment and focuses all its effort on this segment



Firm targets **several market segments** with different offering

Offering tailored to **each customer** individually

Restaurant example

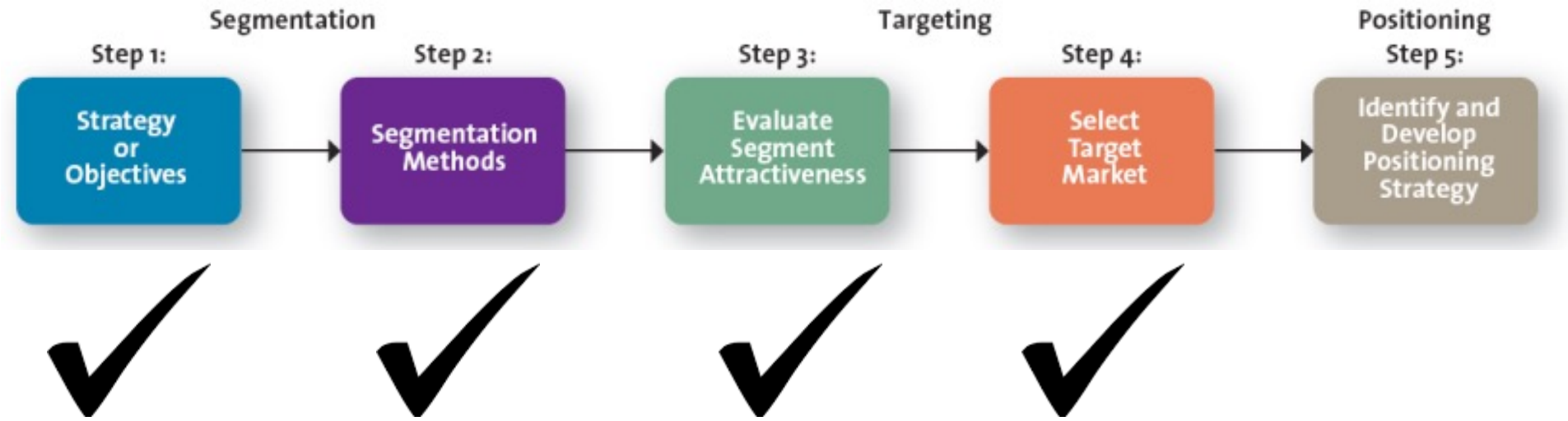
Assume a restaurant is trying to market its new business.

- Using a **differentiated marketing strategy**, the restaurant can appeal to the college crowd by marketing cheap specials on food and drinks, the family crowd by marketing kid-friendly meal options and table entertainment and to the elderly by marketing senior discounts and early-bird specials.

- Using a **concentrated marketing strategy**, the restaurant can market its convenient location to a group of residents within 10 miles of the business.

- Using an **undifferentiated marketing strategy**, the restaurant can highlight its grand opening celebration.

STP


Segmentation
Targeting
Positioning
Step 1:
Strategy or Objectives
Step 2:
Segmentation Methods
Step 3:
Evaluate Segment Attractiveness
Step 4:
Select Target Market
Step 5:
Identify and Develop Positioning Strategy

USC Marshall School of Business

Step 5: Develop a Positioning Strategy

Positioning is the process of defining the 4Ps such that the target customer have a clear understanding of what the product or service **does and represents** with respect to the competition

USC Marshall School of Business

Step 5: Develop a Positioning Strategy

Positioning is the process of defining the 4Ps such that the target customer have a clear understanding of what the product or service **does and represents** with respect to the competition

It helps communicate the value proposition

USC Marshall School of Business

Step 5: Develop a Positioning Strategy

Positioning methods

- Value (relationship price to quality)
- Salient attributes (those more important to the target market)
- Symbol (what it comes to mind when you think of Colonel Sanders?)
- Competition

What sets your product or service apart from competition? You offer a similar product, but your company takes it to the next level! (Think about your unique value proposition).

USC Marshall School of Business

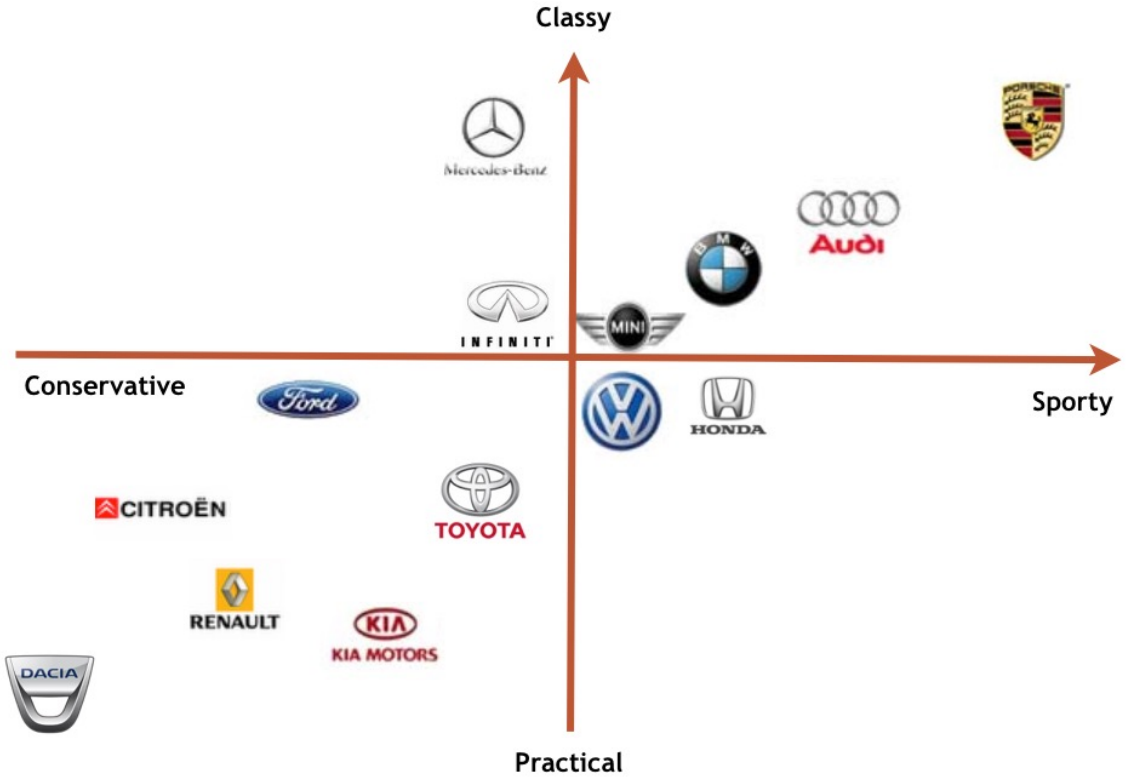
Step 5: Develop a Positioning Strategy

Generally speaking, think about the following questions:

1. What does your brand stand for?
2. What are your target consumers?
3. What are your mission and vision?
4. What makes you stand out from the rest of the market?
5. What customers' need your brand can address?

Perceptual maps

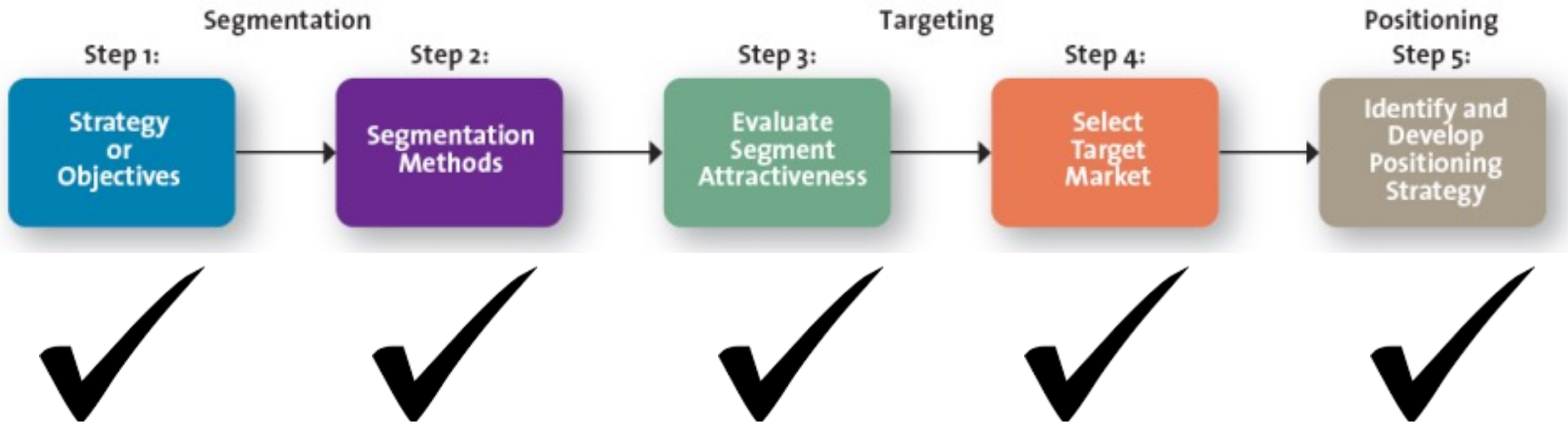
- Display, in 2+ dimensions, the position of the firm or product in the consumer mind
- E.g., car brands



Perceptual maps

- Display, in 2+ dimensions, the position of the firm or product in the consumer mind
- E.g., footwear

STP


Segmentation
Targeting
Positioning
Step 1:
Strategy or Objectives
Step 2:
Segmentation Methods
Step 3:
Evaluate Segment Attractiveness
Step 4:
Select Target Market
Step 5:
Identify and Develop Positioning Strategy