5 Market Segmentation, Targeting and Positioning
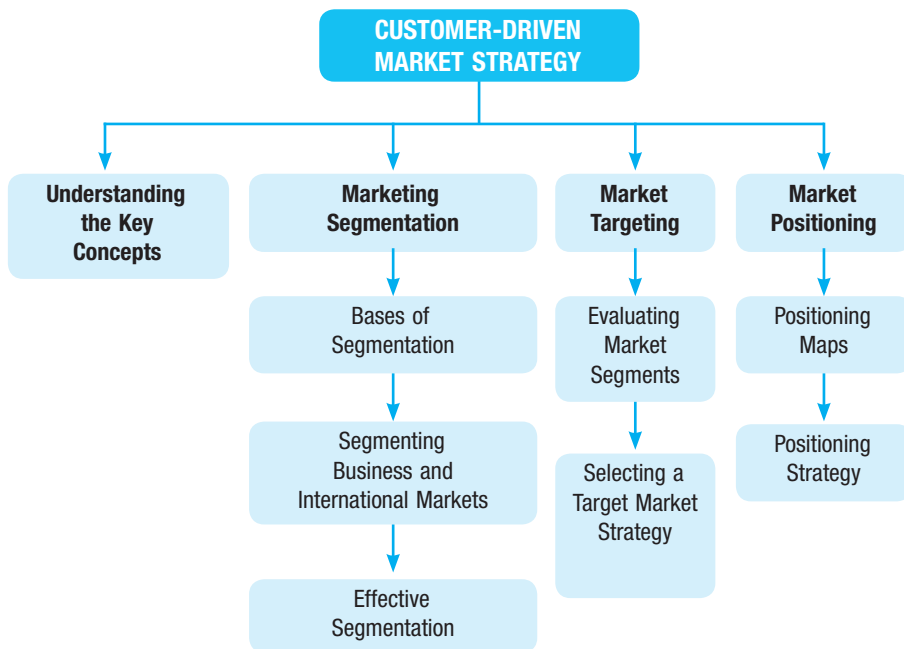
After studying this chapter, you should be able to:

- Define the four steps in designing a customer-driven market strategy: market segmentation, market targeting, differentiation and market positioning
- List and discuss the major bases for segmenting consumer, business and international markets
- Explain how companies identify attractive market segments and choose a target marketing strategy
- Discuss how companies position their products for maximum competitive advantage in the marketplace

CUSTOMER-DRIVEN MARKET STRATEGY

Understanding the Key Concepts	Marketing Segmentation	Market Targeting	Market Positioning
	Bases of Segmentation	Evaluating Market Segments	Positioning Maps
	Segmenting Business and International Markets	Selecting a Target Market Strategy	Positioning Strategy
	Effective Segmentation		

INTRODUCTION

The chapter presents the key steps in designing a customer-driven market strategy: market segmentation, market targeting, and market positioning. Market segmentation provides a method to divide or segment the market into narrow segments (using a variety of different meaningful variables—these variables or bases are discussed at length in the chapter) that can be better reached with the resources of the marketer. Market targeting examines each of the designated segment's attractiveness and selects one or more that match the marketing desires and objectives of the organization. The concept of market positioning arranges for a product to occupy a clear, distinctive, and desirable place relative to competition. The above three steps assist the marketer in effectively arranging the company's marketing mix so that the likelihood of consumer response and competitive advantage is maximized by the organization.

UNDERSTANDING THE KEY CONCEPTS

Here we discuss the definition of market, market segment, target market and market targeting and its relatedness.

Definition of Market

- Market is the set of all actual and potential buyers of a product or service (Kotler et al., 2009).
- A market is a group of people or organizations with wants and needs that can be satisfied by particular product categories.
- An undergraduate student may have wants, needs an expensive sports car, and yet not be considered a market by the manufacturer, because he/she lack the means to purchase the products.

Market Segment

- A market segment is a subgroup of people or organizations sharing one or more characteristics that cause them to have similar product needs.
- Market segmentation is the process of dividing a market into meaningful groups that are relatively similar and identifiable (Kotler et al., 2009). The purpose of segmentation is to enable the marketer to tailor the marketing mixes to meet the needs of one or more specific segments.
- Market segmentation helps the firm to identify the customers' needs more accurately and precisely, and it can upgrade the performance of the firms. Marketing objective is more definitely defined and resources are better allocated by doing segmentation.

Target Market

- A **target market** is a set of buyers sharing common needs or characteristics that the company decides to serve (Kotler et al., 2009).
- Target market is a group of people or organizations for which an organization designs, implements, and maintains a marketing mix to fit the needs of that group or groups, resulting in mutually satisfying exchange.

Market Targeting

- Market targeting is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter (Kotler et al., 2009).
- Market targeting is essential for each marketer to provide better products and services that fulfill the needs of those segmented groups. It suggests a focus or direction to all marketing activities.
- Therefore, a marketer needs to do the market segmentation before they begin their target marketing to know the precise needs of the people according to their segmentation.
- For example, instead of advertising University of Malaya's (UM) programs in the newspaper and TV, that goes out to everyone like the private universities do, UM targets its market through exhibitions and word of mouth from the students and alumni.

Major Steps in Target Marketing

- **Market segmentation**: The first step is dividing a market into smaller groups of buyers with distinct needs, characteristics, or behaviours who might require separate products or marketing mixes. The company identifies different ways to segment the market and develops profiles of the resulting marketing segments.
- **Target marketing**: The second step is evaluating each market segment's attractiveness and selecting one or more of the market segments to enter.
- **Market differentiation**: Differentiating the firm's market offering to create superior customer value is the third step.
- **Market positioning**: The final step is setting the competitive positioning for the product and creating a detailed marketing mix.

MARKET SEGMENTATION

- Market segmentation is the process of subdividing a market into distinct subsets of customers who behave in the same way or have similar needs as shown in Figure 5.1.
- Each subset may conceivably be chosen as a market target to be reached with a distinctive marketing strategy.

- The process begins with a basis of segmentation—a product-specific factor that reflects differences in customers' requirements or responsiveness to marketing variables (possibilities are purchase behaviour, usage, benefits sought, intentions, preference, or loyalty).
- Through market segmentation the firm can provide higher value to customers by developing a market mix that addresses the specific needs and concerns of the selected segment.
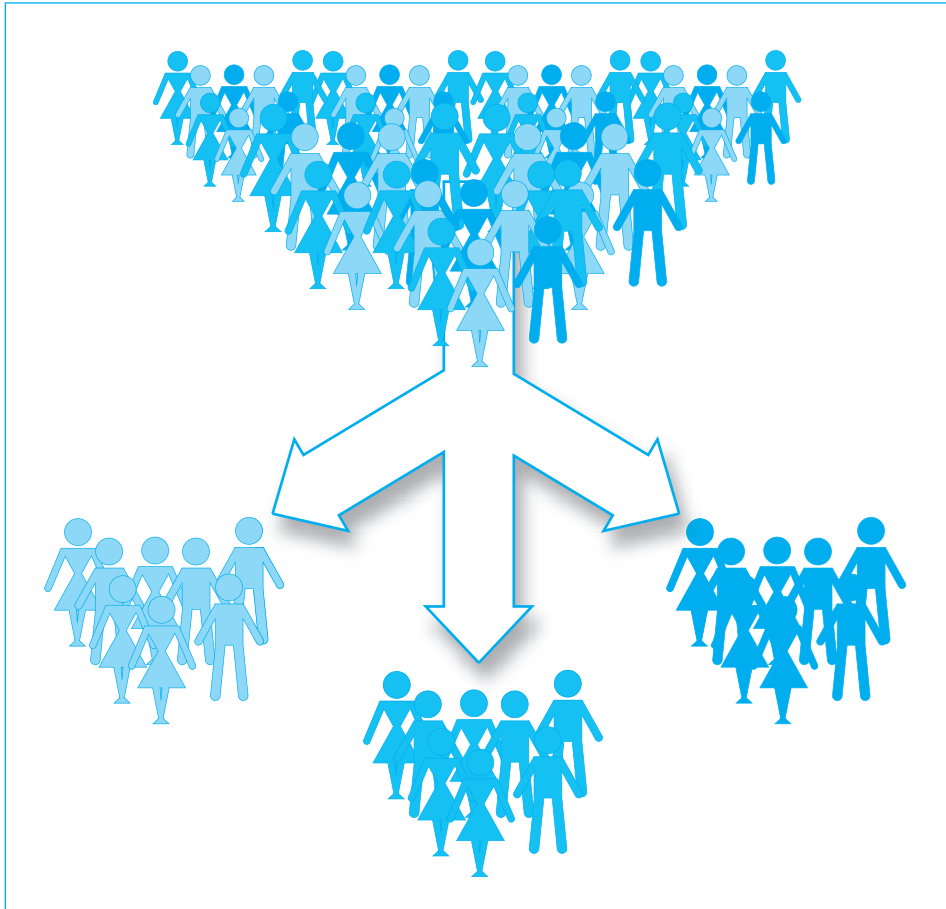

Figure 5.1 Segmenting entire populations to homogenous groups

Bases of Segmentation

Market can be divided into various segments. Table 5.1 describes the bases of segmentation with some examples.

Table 5.1 Bases of segmentation

Segmentation base	Descriptions	Examples
Geographic segmentation	• Geographic segmentation calls for dividing the market into different geographical units such as nations, regions, states, counties, cities or neighbourhoods or climates. • Climate is frequently used because of the dramatic impact it has on the purchasing behaviour. • Marketers are able to identify the needs and preferences of the local people based on their geographical location. • They can also understand the sensitivity of the locals through their cultures, norms, and practices. • A company may decide to operate in one or a few geographical areas, or to operate in all areas but pay attention to geographical needs and wants.	• Some products created based on geographic segmentation (climates) are snow blowers, air conditioners, humidifiers and convertibles.
Demographic segmentation	• Demographic segmentation is the method of dividing markets on the basis of demographic variables, such as age, gender, income, ethnic background and family life cycle. • Marketers use demographic information to segment markets because it is widely available and often related to consumers' purchasing and consuming behaviour. *Age* • Needs and wants are varies across age groups. Older age group may have different needs than younger group. • Specific age groups are tremendously attractive markets for a variety of product categories. • By segmenting the market using age, marketers are more certain on their target market and thus, lead to better productivity and efficiency. *Gender* • This type of segmentation is essential and has been long used especially in clothing, cosmetics, and magazines. *Religion* • It is essential for marketers to understand the cultures and norms of a particular country in their promotional campaign. • Local sensitivity must be taken into account.	• Gaps has segmented their market by age and gender. They have introduced separate stores for different age group such as Baby Gaps and ordinary Gaps boutiques which are further segmented by gender, men and ladies. • KidZania Kuala Lumpur offers kids an experience in the real grown up world; to play a part in a community and to choose their dream careers. • L'Oreal has expanded its market into mens' product range. Garnier Men is targeted to appeal to the active male. • There are product lines for the Haj purposes that have been offered to the market..

Segmentation base	Descriptions	Examples
	Ethnicity • Some companies are offering products based on the needs of ethnic group, such as Chinese market, Indian-Muslim market or Malay markets. • Even packaging choices differ between ethnic groups. *Income* • Income level influences consumers' wants and determines their buying power. • Certain products are designed and priced according to customer purchasing power. • Researchers have found differences in consumption patterns between the different levels of income groups.	• Little India is the place to shop for almost all products that are needed by the Indian community such as clothing, accessories, food and even spices. • Exclusive designers' boutiques such as Calvin Klien and DKNY in malls target the higher income groups while Reject Shop and Factory Outlet Store target the middle-income groups.
Psychographic segmentation	• Basically, it is the process of dividing the market based on the way people think. • These variables are difficult to measure, and lead into a discussion of why they are sometimes used with other segmentation variables to provide more detailed descriptions of market segments. • Psychographic segmentation includes the variables of personality, motives, lifestyles, and social class. *Personality* • Individual characteristics which reflect traits, attitudes and habits. • The attitudes towards certain products will affect the consumer behaviour and purchase decision. *Motives* • When buying certain product, there must be some reasons which motivate the purchaser. • The marketers are trying to appeal to these motives such as safety, status and rationality. *Lifestyles* • Lifestyle segmentation divides individuals into groups according to activities, interests and opinions. • Often certain socioeconomic characteristics, such as income and education are included. *Social Class* • This influences how people spend their money and how they value things. • Many companies design products and services to appeal to the social class groups.	• A detergent advertisement that shows two womens' choice of detergents and their interpretations of cleanliness in comparing their laundry. • An environmentally concerned consumer will be more likely to choose green packaging, green products and green energy. • TM Unifi's advertisement promotes the motive of being able to be connected with family members regardless of their locations. This may appeal to Malaysian families abroad. • The Mini Cooper series introduced by BMW is most likely to appeal to the young, simple and active as well as the trendsetters. • Mercedes SLK is basically designed for the outgoing, high-profile upper social class individuals.

Segmentation base	Descriptions	Examples
	• The usage of some products or services most likely represents one from certain social class group. • In western countries, social class is divided into upper class, middle-class and lower class. Even within the class it can be further categorized into such as the upper-middle and lower-middle class.	• Middle-class individuals will choose Hotel Seri Malaysia for their holiday stay while upper class ones would choose to stay at the Hilton or Sheraton Hotel instead.
Behavioural segmentation	• Behavioural segmentation is dividing the purchasers into groups according to their reaction, responses, knowledge and attitude towards a product based on several variables: occasions, benefits sought applications, usage rate, user status, and brand loyalty as shown in Figure 5.2. *Occasions* • It identifies the time of use or the event when a purchaser gets the idea of buying the product, and finally gets it. *Benefits sought* • Benefit segmentation is the method of dividing markets on the basis of benefits consumers seek from the product. • By matching demographic information to interest in particular types of benefits, typical customer profiles can be built. • Customer profiles can be matched to certain types or times of media usage to develop promotional strategies for reaching these target markets. • Different people seek different benefits from the products they buy. In order to achieve this, the marketers need to evaluate this segmentation along with demographic, psychographic and geographic segmentations as well. *Applications* • Different people use products for different purposes. • It means that a product may be applied or used by different people of different age and level for different purposes. *User status* • There are different types of user segmentation: non-users, ex-users, potential users, first-time users, and regular users. • Marketing appeals must differ from one type of user to another. • They might also focus on attracting current users from slipping away from their products and services.	• Valentine's Day, Mother's Day or any other special days are actually designed and pro-moted to increase the sale of flowers, cards and other gifts. • Certain consumers treat watches as an accessory while others seek watches as a status symbol or special gift. • Diet Coke offers the benefits to those who want reduced calo-ries; while whitening creams are aimed at ladies who wish to look fairer. • The applications of cotton wool is for mothers to use in baby-care, other females normally use it for cosmetics while medical doctors and nurses use it for treatments or health care. • A slimming centre may want to invite potential users by offering free trials and then slowly turning them into regular users after they have tried the service and see the results.

Segmentation base	Descriptions	Examples
	Usage rate • Usage rate segmentation is the method of dividing a market based on the amount of product purchased or consumed. • Segmenting the market on usage rate enables the marketers to identify different groups of users: light, medium, and heavy users. • Researchers found that although heavy users accommodate only a small percentage of the market, they contribute a high percentage in total buying. Usage rate segmentation is important so as to draw appropriate promotional campaigns. *Brand loyalty* • Some customers are absolutely loyal in the sense that they stick to one brand all the time. • 'Rotators' may stick to two or more brands. Some people may be easily influenced with the price and promotion—they are the 'deal sensitive' people. • Price sensitive customers will never even look at the brand but search for the cheapest product available.	• Airlines retain their heavy users through frequent-flyer programs as research shows that 7% of air travelers generate 80% of the ticket sales. • Bowling centres usually have regular attendees, irregular attendees who come from time to time and a large group of infrequent attendees who may only come once. • Customers who are loyal to Milo would not buy any other chocolate drinks' brand regardless of the price and promotional campaigns.

Example:

Dunkin' Donuts is riding the wave of a booming coffee market by moving its restaurants upscale and expanding the number of outlets. Dunkin' shows early signs of success based on a strategy that does not mimic Starbucks, but focuses on a different set of customers altogether. Moreover, what Dunkin' has found is that there are indeed two different kinds of coffee buying customers and never the two shall meet. Dunkin' recognizes that they cannot appeal to all buyers in the marketplace or at least not to all buyers in the same way. Buyers are too numerous, too widely scattered, and too varied in their needs and buying practices. Dunkin' must identify the parts of the market that it can serve best and most profitably. It needs to design strategies to build the right relationships with the right customers. Like most companies, Dunkin' has moved away from mass marketing toward market segmentation and targeting—identifying market segments, selecting one or more of them, and developing products and marketing programs tailored to each.

Segmenting Business and International Markets

Here we will discuss segmenting business and international markets.

Segmenting Business Markets

• Consumer and business marketers use many of the same variables to segment their markets. Figure 5.2 shows an example of segmentation bases produced segment profile.

MALAYSIANS IN 3D: SIX CLUSTERS OF CONSUMERS ACCORDING TO MINDSHARE RESEARCH

Bangsa Baru (8%)

- Young and single
- Confident, happy, positive
- Likely to come from well-to-do families
- Family is important Wannabes (16%)

Wannabes (16%)

- Likely to be single
- Mainly white-collar and skilled workers and students
- Conservative on family matters
- Place social obligations as above and important than personal enjoyment

Urban Traditionalists (14%)

- Educated, middle to high income
- Feel that children are better off if mothers stay at home
- Less likely to be concerned about appearance
- Least likely to use mobile phones, if they do, it won't be the latest model

Kampung Traditionalists (35%)

- Likely to live in middle income households
- Majority work for the Government or in other white-collar occupations
- Happy, fairly confident and quite conscious about appearance
- Family is important to them and are community oriented

Tidak Apas/Bochaps (22%)

- Likely to be single, students and semi-skilled workers from middle-income homes
- The least opinionated and somewhat negative
- Conservative
- Appearance is less important to them

Loners (5%)

- Professionals or hold senior government positions
- Positive about Malaysia
- Like to travel to different countries
- Place low priority on family, i.e., marriage, having children or a nice home

Figure 5.2 An example of combination segmentation bases produced segment profiles

Source: New Straits Times, 29 April 2003.

- Business buyers can be segmented geographically, demographically (industry, company size), or by benefits sought, user status, usage rate and loyalty status.
- Yet business marketers also use some additional variables, such as customer operating characteristics, purchasing approaches, situational factors, and personal characteristics.
- As in consumer segmentation, many marketers believe that buying behaviour and benefits provide the best basis for segmenting business markets.

Segmenting International Markets

- Few companies have either the resources or the will to operate in all, or even most, of the countries that dot the globe.
- Different countries, even those that are close together, can vary greatly in their economic, cultural, and political make-up.
- Companies can segment international markets using one or a **combination of several variables**.
- They can segment by **geographic location**, grouping countries by regions.
- Geographic segmentation assumes that nations close to one another will have many common traits and behaviours. Although this is often the case, there are many exceptions:
  - World markets can also be segmented on the basis of **economic factors**.
  - Countries might be grouped by **population income** levels or by their overall level of **economic development**.
  - Countries can be segmented by **political and legal factors** such as the type and stability of government, receptivity to foreign firms, monetary regulations, and the amount of bureaucracy.
  - **Cultural factors** can also be used, grouping markets according to common languages, religions, values and attitudes, customs, and behavioural patterns.

Effective Segmentation

- There are criteria for assessing the effectiveness of the segmentation strategy. This is to ensure that the selected segment has potential and feasibility of successfully reaching a designated target. Not all segmentations are effective. To be useful, market segments must be:
  - Measurable—the size, purchasing power, and profiles of the segments can be measured. Segmenting a market based on non-measurable criteria (e.g. a segment of people who are highly educated but against modern technology is very difficult to identify) may lead to wrong projection of production and sales.
  - Accessible—the market segments can be effectively reached and served. Segmenting a market for online shopping for the rural area with no access to Internet may not be the best decision.

    ○ Substantial—the market segments are large or profitable enough to serve. Segmenting a market with only consists of hundreds of potential buyers may not be able to sustain the business in the long run.

    ○ Differentiable—the segments are conceptually distinguishable and respond differently to different marketing mix elements and programmes. More unique products could be design to fulfill the distinguished criteria of the segment compared to segments with many similarities.

    ○ Actionable—effective programmes can be designed for attracting and serving the segments. Complicated ads messages that are targeted to the less educated segment would not lead them to react to the stimuli. Something simple and direct approach would be the best for them.

MARKET TARGETING

- If segmenting is the process by which marketers identify groups of consumers with similar wants and needs, targeting is the act of evaluating and comparing the identified groups, and then selecting one or more of them as the prospect(s) with the highest potential.
- A marketing mix is then devised that will provide the organization with the best return on sales while simultaneously creating the maximum amount of value to consumers.

Evaluating Market Segments

- In evaluating different market segments, a firm must look at three factors: (i) segment size and growth, (ii) segment structural attractiveness, and (iii) company objectives and resources. The company must first collect and analyze data on current segment sales, growth rates, and expected profitability for various segments.

Current Segment Size and Growth Potential

- It will be interested in segments that have the right size and growth characteristics. But 'right size and growth' is a relative matter.
- Is the market segment currently large enough that it presents a company with the opportunity to make a profit? If it is not large enough or profitable enough, does it have a high enough growth potential that it is attractive in terms of a company's long-term strategy?
- For example, the opportunity for automobile manufacturers is greater in China. China has 1.2 million passenger cars, one car for every 20,000 Chinese. The market in China is growing at an annual rate of 33%, therefore, a tremendous potential market exists there.

Segment Attractiveness

- The company also needs to examine major structural factors that affect long-run segment attractiveness.
- A segment is less attractive if it already contains many strong and aggressive competitors.
- A market or market segment characterized by strong competition may be a segment to avoid or one in which to utilize a different strategy.
- Often a local brand may present competition to the entering multinational.
- The existence of many actual or potential substitute products may limit prices and the profits that can be earned in a segment.
- For example, it may not be a good idea if a company decides to open a fast-food restaurant in Malaysia competing with the well accepted competitors such as KFC, McDonald's and A&W offering a similar menu.

Company Objectives and Resources

- Even if a segment has the right size and growth and is structurally attractive, the company must consider its own objectives and resources.
- In many cases, reaching market segments requires considerable resources such as expenditures for distribution and market research.
- Another question is whether the pursuit of a particular segment is compatible with the company's overall goals and established sources of competitive advantage.
- Some attractive segments can be dismissed quickly because they do not mesh with the company's long-term objectives.
- For example, Pepsi was firmly entrenched in the Russian market, having entered in 1972, but Coca-Cola chose to wait. At the time of Coca-Cola's entry, Pepsi had 100% of the Russian cola market. This would appear to be a difficult position to challenge, but because of the size of the Coca-Cola investment and the skillful execution of its investment moves in Russia, by 1996 Coca-Cola's market share had reached 50%.

Selecting Target Market Strategy

- If, after evaluating the identified segments, a decision is made to proceed, an appropriate targeting strategy must be developed.
- There are three basic categories of target marketing strategies: (i) undifferentiated marketing, (ii) differentiated marketing, and (iii) concentrated marketing as shown in Figure 5.3. However, a new recent strategy that has been slowly adopted by marketers nowadays is micro marketing.
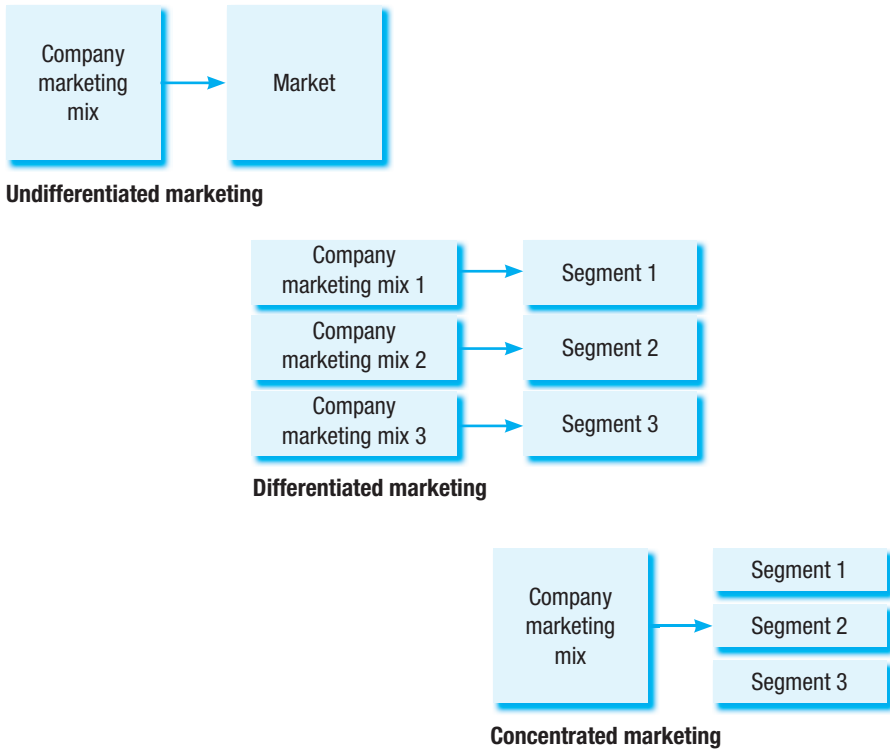
Undifferentiated marketing

Differentiated marketing

Concentrated marketing

Figure 5.3 Targeting strategy map

Undifferentiated Marketing

- Undifferentiated marketing is analogous to mass marketing. It involves creating the same marketing mix for broad market of potential buyers.
- Using an undifferentiated marketing strategy, a firm might decide to ignore market segment differences and target the whole market with one offer.
- This mass-marketing strategy focuses on what is common in the needs of consumers rather than on what is different.
- The advantages of mass marketing are clear: greater sales volume, lower production costs, and greater profitability. In addition, lower production costs and, if done well, higher quality and greater effectiveness of marketing communications.
- For example, Coca-Cola, one of the world's most global brands, uses the appeal of youthful fun in its global advertising. Its sponsorship program is global and is adapted to events that are popular in specific countries, such as soccer in other parts of the world versus football in the United States.

Differentiated Marketing

- Differentiated marketing is also known as segmented marketing.
- It entails targeting two or more distinct market segments with different marketing mixes and designs separate offers for each. This strategy allows a company to achieve wider market coverage.
- By offering product and marketing variations to segments, companies hope for higher sales and a stronger position within each market segment.
- Developing a stronger position within several segments creates more total sales than undifferentiated marketing across all the segments.
- However, differentiated marketing also increases the costs of doing business. Developing separate marketing plans for the separate segments requires extra marketing research, forecasting, sales analysis, promotion, planning, and channel management. Moreover, trying to reach different market segments with different advertising increases promotion costs.
- Thus, the company must weigh increased sales against increased costs when deciding on a differentiated marketing strategy.
- For example, in the cosmetics industry, Unilever NV pursues differentiated marketing strategies by targeting both ends of the perfume market. Unilever targets the luxury market with Calvin Klein and Brut as its mass-market brands. Similarly, Cosmair sells Giorgio Armani Gio to the upper end of the market and Gloria Vanderbilt to the lower end. While mass marketer Procter & Gamble (P&G), is known for its Old Spice brand.

Concentrated Marketing

- Concentrated marketing is also known as niche marketing. Niches are smaller and may attract only one or a few competitors.
- Niching offers smaller companies an opportunity to compete by focusing their limited resources on serving niches that may be unimportant to or overlooked by larger competitors.
- Many companies start as nichers to get a foothold against larger, more resourceful competitors, and then grow into broader competitors (*see* Figure 5.4).
- The low cost of setting up shop on the Internet makes it even more profitable to serve seemingly minuscule niches.
- Firms can achieve strong market position due to its greater knowledge of consumer needs in the niches it serves and the reputation it acquires.
- It can market more effectively by fine-tuning its products, prices, and programmes to the needs of carefully defined segments. It can also market more efficiently, targeting its products or services, channels, and communications programmes toward only consumers that it can serve best and most profitably.
- Concentrated marketing can be highly profitable. At the same time, it involves higher-than-normal risks. Companies that rely on one or a few segments for all of their business will suffer greatly if the segment turns sour. Or large competitors may decide to enter the same segment with greater resources.

- For example, an antique furniture retailer is targeting a specific interest of a segment which is rather a smaller size of market.

Figure 5.4   Harley Davidson is an example of a niche market

Micromarketing

- It is the practice of tailoring products and marketing programmes to suit the tastes of specific individuals and locations. Rather than seeing a customer in every individual, micro marketers see the individual in every customer.
- Through **local marketing**, marketers tailor brands and promotions to the needs and wants of local customer groups—cities, neighbourhoods, and even specific stores.
- In the extreme, micromarketing becomes **individual marketing**—tailoring products and marketing programmes to the needs and preferences of individual customers.
- Individual marketing has also been labeled **one-to-one marketing, mass customization**, and markets-of-one marketing.
- Business-to-business marketers are also finding new ways to customize their offerings.

MARKET POSITIONING

- Positioning is arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the mind of target market consumer.
- In short, positioning is the location of your product in the mind of your customer.
- Thus, one of the most powerful tools of marketing is not something that a marketer can do to the product or to any element of the marketing mix: Positioning is what happens in the mind of the customer.

- Kotler (1994) refers to it as the unique selling proposition. Explained in other words, the positioning statement is the point where the bundle of attributes joins to form one concept which aims at capturing the essence of that which the target audience seeks in the product category.
- Positioning is important because it is the means by which products and services can be differentiated from one another and thereby giving consumer a reason to buy.
- 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. Positioning involves implanting the brand's unique benefits and differentiation in customers' minds.
- To simplify the buying process, consumers organize products, services, and companies into categories and 'position' them in their minds.
- A product's position is the complex set of perceptions, impressions, and feelings that consumers have for the product compared with competing products.

Positioning Maps

- In helping marketers to develop a market positioning strategy for a product or service, perceptual maps or positioning maps as they are sometimes referred to, are often used to help the organization identify a positioning strategy.
- Marketers often prepare perceptual positioning maps that show consumer perceptions of their brand versus competing products on important buying dimensions as shown in Figure 5.5.
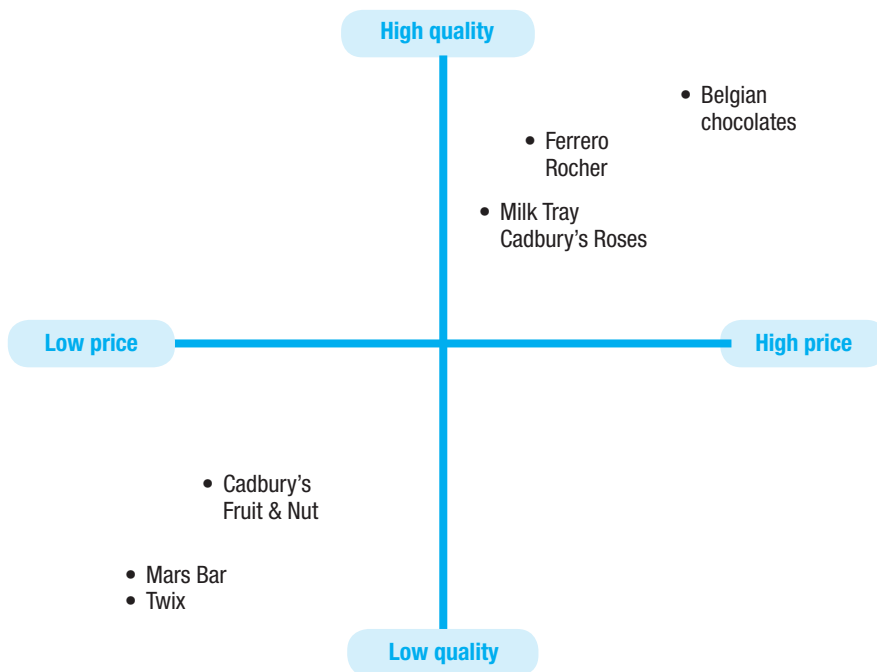

Figure 5.5   Perceptual map

- When plotting a perceptual map two dimensions are commonly used. Figure 5.5 is a very basic perceptual map of the UK chocolate market. The brands are categorized from low to high price and low to high quality. Belgian chocolates are plotted as high quality and high price, and Twix is plotted as a low quality and low price brand.
- Once completed, the perceptual map could help identify where an organization could launch a new brand, perhaps at the medium price and quality range. In the above map, it seems that there is not much competition within the medium quality and medium price chocolate area.
- However, perceptual maps are plotted based on someone's perception; what may be a quality product to one person may not be perceived as quality to another.

Positioning Strategy

- Developing a positioning strategy depends much on how competitors position themselves.
- Do organizations want to develop a 'me too' strategy and position themselves close to their competitors so that consumers can make a direct comparison when they purchase?
- Or does the organization want to develop a strategy which positions themselves away from their competitors? Offering a benefit which is superior depends much on the marketing mix strategy the organization adopts.
- The pricing strategy must reflect the benefit offered and the promotion strategy must communicate this benefit.
- Ries and Trout (1982) suggest a six-step question framework for successful positioning:
  - What position do you currently own?
  - What position do you want to own?
  - Who do you have to defeat to own the position you want?
  - Do you have the resources to do it?
  - Can you persist until you get there?
  - Are your tactics supporting the positioning objective you set?

Positioning Possibilities

The positioning possibilities that exist for any given brand or service are almost infinite. Several positioning strategies can be pursued (*see* Figure 5.6).

- Product features: This strategy implies that the product can be separated from its competitors based on attributes, features, or benefits. The product feature is the most commonly used strategy. For example, Sony is well known for producing the most advance and latest audio visual appliances.
- Price/quality: The price and quality ladder is, according to most researchers, the most effective of all eight-attribute ladders. If a product has a high price, it automatically indicates a high quality of the product to the consumer whereas a low price indicates a low quality. For example Mercedes cars are known as highly durable luxury cars.
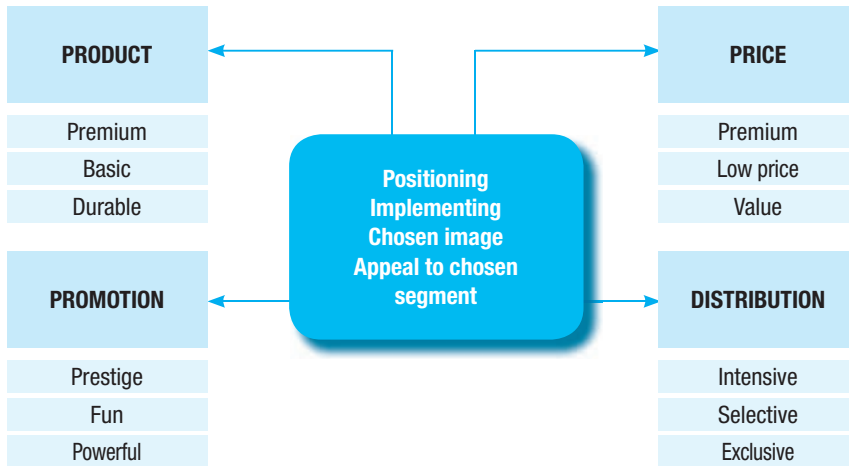
Figure 5.6 Integrating positioning strategy to marketing mix

- Usage occasion: The product is marketed as when or how it can be used as a strategy to win an empty slot in the customers' mind. For example, Pizza Hut delivery has always been the choice in the occasion where people have no time to eating out or cooking at home.
- Product class dissociation: The product class dissociation ladder implies that a product or company can be positioned as superior to its competitors or that the product is so different compared to its competitors that it almost not fit the same product category. For example, Ferrari has always been associated with status, sporty, luxury and prestige as compared to other sports car manufacturers.
- User: This strategy indicates that the company clearly can identify and know the consumers and their needs. For example, Air Asia knows their segment well (the middle income and price sensitive), and have come out with the tagline 'Everyone can fly'.
- Competitor: This strategy to position a product is done by positioning it directly against or away from the competitors' position. For example, Giant has been advertising that they offer the lowest price as compared to Tesco and Carrefour.
- Benefits: This strategy implies that a position can be gained through proclaiming the benefits that the customer gets when they consume the product. For example, De Palma Hotels have been claiming that they are the only hotel that has Syariah Compliance (*halal* hotels) in Malaysia.
- Cultural heritage: This addresses the cultural heritage or tradition of the company or its home country. For example, Old Town White Coffee is well known for its ambiance of a retro coffee shop tradition in terms of the interior as well as the menu.

Positioning Differences

- The differences chosen in the product positioning strategy product must be:
  - o Important: The difference delivers a highly valued benefit to the target buyers.
  - o Distinctive: Competitors do not offer the difference, or the company can offer it in a more distinctive way.
  - o Superior: The difference is superior to other ways that the customer might obtain the same benefit
  - o Communicable: The difference can be explained and communicated to the target buyers.
  - o Pre-emptive: Competitors cannot easily copy the difference.
  - o Affordable: Buyers can afford to pay the difference.
  - o Profitable: Company can introduce the difference profitably.

Communicating and Delivering the Chosen Position

- Once it has chosen a position, the company must take strong steps to deliver and communicate the desired position to target consumers.
- Positioning the company calls for concrete action, not just talk. If the company decides to build a position on better quality and service, it must first deliver that position.
- Designing the marketing mix—product, price, place, and promotion—involves working out the tactical details of the positioning strategy.
- Establishing a position or changing one usually takes a long time. In contrast, positions that have taken years to build can quickly be lost.
- Once a company has built the desired position, it must take care to maintain it through consistent performance and communication. It must closely monitor and adapt the position over time to match changes in consumer needs and competitors' strategies. This is illustrated in Figure 5.6.

Repositioning

- Brand repositioning is an attempt to change consumer perceptions of a particular brand when the existing positioning is doesn't work. For example, the Johnson & Johnson Company has successfully repositioned their product lines from baby products to family products.
- It involves changing the identity of a product, relative to the identity of competing products, in the collective minds of the target market.
- The changed image of (a company, product, etc.) is meant to target a new or wider market.

SUMMARY

Market segmentation was developed in the 1960s in response to growing markets with a variety of needs and in response to increasing competition. Market segmentation assists marketers in developing more precise definitions of customer needs and wants. Through market segmentation, the similarities and differences of potential buying customers can be identified and grouped. Demographics, psychographics, behavioural characteristics, and benefits sought are common attributes used to segment markets. After marketers have identified segments, the next step is targeting. The identified groups are evaluated and compared; the prospect(s) with the greatest potential is selected from them. The group is evaluated on the basis of several factors: segment size and growth potential, competition, and compatibility and feasibility. After evaluating the identified segments, marketers must decide on an appropriate targeting strategy. Market segmentation and market targeting also can be used to develop a competitive advantage. Companies must plan a way to reach their chosen target market(s) by determining the best positioning for their product offerings. Here, marketers devise an appropriate marketing mix to fix the product in the mind of the potential buyers in the target market. High-tech and high-touch positioning are the two strategies that can work well for a global product.

REFERENCES

1 Boone, L. & Kurtz, D. (1998), *Contemporary Marketing Wired* (9th edn), New York: Dryden Press.

2 Bovee, C., Houston, M. & Thill, J. (1995), *Marketing* (2nd edn), London: Irwin-McGraw Hill.

3 Churchill, G. & Peter, P.(1998), *Marketing* (2nd edn), London: Irwin-McGraw Hill.

4 Kotler, P. & Armstrong, G. (1999), *Principles of Marketing*, New Jersey: Pearson Prentice Hall.

5 Kotler, P. et al. (2009), *Principles of Marketing: A Global Perspective*, New Jersey: Pearson Prentice Hall.

6 Lamb, C., Hair, J. & McDaniel, C. (1998), *Marketing*, Mason: Thomson South-Western.

7 Ries, A. & Trout, J. (1982), *Positioning: The Battle for your Mind*, New York: Warner Books.

DISCUSSION QUESTIONS

As a professional chef, also a butter producer, Wan, believes there is a market for the highest quality organic butter. He believes that discriminating home cooks as well as chefs in fine restaurants would be willing and able to pay a premium price for such a product. He also believes that the marketplace would attach significant value to such a product based upon its origin in Auckland, New Zealand. Wan has assembled information from the Internet about several companies that produce and sell organic butter. He has found that some producers have taken a high volume approach and distribute their products through a national distribution network at only a slight premium in price over traditional butter products. These creameries stress the organic nature of their butter to differentiate their product. Others appear to have positioned themselves as stockists of a particularly high quality product that also happens to be organic, and have priced their butter at a significant premium.

Answer the questions 1–5 below based on the case above.

1. **Of the various segmentation bases discussed in the text, which seem to be the most appropriate for Wan's?**

2. **How might Wan address the problem of differentiating and positioning their product?**

3. **Select a value position statement for Wan's.**

4. **Of the various segmentation bases, which seem to be the most appropriate for Tracy's Therapeutic Massage?**

5. **How might Tracy's Therapeutic Massage address the problem of differentiating and positioning their product?**

Answer guide

1. Several consumer and business segmentation bases are appropriate. The first is geographic. It is Wan's intention to initially enter the market in his local region, paying attention to the local restaurants and then targeting fine quality restaurants in major metropolitan areas. There is also an appropriate demographic basis for segmentation, income. Various psychographic bases could also be used including social class and lifestyle. Although he may wish to sell more butter than it might generate in sales, Wan could also focus on using their butter for special occasions when that 'special' flavor would be wanted.

2. There are several butters currently in the market that may have equal or perhaps even higher quality than Wan's. Wan's butter must be positioned in the minds of both the restaurant decision makers and consumers as very high quality. It will also be helpful to stress the connection with the New Zealand's butter, as this is a unique, positive, product attribute.

3. Wan's butter will be attempting one of the more difficult positioning strategies—more for more. Due to his costs of production and low quantities initially produced he will need to be perhaps the most expensive butter in the market. This is a difficult and vulnerable position to occupy. However, the product is unique and can be positioned as an 'upscale' or 'only the best' product.

   Tracy has many local competitors who offer more services than she does, Therapeutic Massage, but she keeps her prices at or below the competitors' rates. Tracy is the only local massage therapist who offers Ashiatsu, a deep compression bare foot massage technique in which, through the therapist's use of overhead bars, gravitational force is combined with smooth, flowing, deep pressure massage strokes to provide the 'deepest, most luxurious massage on the planet.' Although Tracy eventually hopes to be totally home-based, she also presently does onsite chair massages at local businesses a few days a month, as well as some post-event sports massages at local races and fairs.

4. Tracy has both business and consumer clients. Her business clients are companies that have employees or clients who either suffer from work- or age-related stress issues, or are in a waiting room for a period of time (orthodontist office waiting for a child, etc.), or have just completed some sort of intensive physical activity (sporting events). Her consumer clients can be segmented based on geography, gender, age, income, or occupation. She also maintains contact with regular users.

5. Tracy's product is a service, and as such, inseparable from the provider. Thus, the business is marketing Tracy and her talents as a massage therapist. To do so successfully, she needs to stress her competency and professionalism as evidenced by her being 'certified' and a registered nurse. She is also offering Ashiatsu, a unique form of massage available nowhere else in the area. This enables her to differentiate her services from others in the market.

6. **Using the full spectrum of segmentation variables, describe how Proton has segmented the automobile market.**

Answer guide

Proton has segmented its market based on:

Demographic
- Income—lower-middle income
- Gender—evenly split
- Age and marital status —young single or married without children for Proton Satria and Gen 2 model. While married with children are for bigger model such as Waja and Perdana.

Psychographic
- Personality—environmentally and socially responsible
- Behavioural

- Benefits—quality, economy, innovation, personal service, and the image of an Asian import
- Loyalty status—strong

7. What segmentation, targeting, and positioning recommendations would you make to Proton for future proton models?

Answer guide

A major consideration for future models will depend on the success of the models that Proton will have already released by the time this book goes to print. Another concept vehicle that Proton is currently considering is a compact MPV, a cross between a Saloon and a Van size. Caution should be taken by Proton not to get too broad too quickly. Moreover, there are likely only so many bases that a single car division will be able to cover. However, one thing that should be very clear is, Proton should maintain a strong focus on the characteristics that have established its success. Specifically, they should target customers who value quality, innovation, social responsibility, and a low-pressure personal sales environment.

CASE APPLICATION

The Almera Expected to Excite Malaysians

Edaran Tan Chong Motor Sdn Bhd (ETCM) is expecting a warm market reception and significant sales when launching its all-new Nissan Almera sedan in the fourth quarter of 2012.

'After more than 20 years of absence, we are finally launching the B segment sedan for Nissan and expect it to do well' says Datuk Dr Ang Bon Beng, ETCM executive director. 'How can we go wrong when the Almera is dubbed as the most sellable sedan in the world?'

With a targeted release date of just before the Christmas holidays, the Nissan Almera will be marketed with both 1.5L automatic as well as manual transmission, promising great fuel efficiency, priced between RM70,000 and RM80,000-plus. It is currently among the best-selling sedans in the global market with over 460,000 units sold worldwide since its 2010 launch.

'In China, almost 18,000 units of the Almera are sold a month, while in Thailand it is 7,000 units a month. Thailand is not a passenger car segment market and yet the people are so into this car. We are a passenger car segment market, so that is why I am confident it will do very well here', explains Ang, adding that the Nissan Almera is also expected to 'increase our market share for the Nissan brand from the present 5.3 per cent to 5.6 per cent'. However, Ang did not provide projected figures.

The completely knocked-down Almera model will be assembled at the Tan Chong assembly plant in Serendah, Selangor for the Malaysian market.

Source: Adapted from Portfolio, *Business Times*, 24 October 2012.

Questions

1. Discuss what do you understand from the statement 'We are a passenger car segment market…'.

2. Based on the pricing strategy, describe the bases of segmentation that have been considered by Nissan.

3. What is the most likely targeting strategy adopted by Nissan for Almera?

4. Suggest the most suitable positioning strategy for Almera.

5. Draw a positioning map with suitable dimensions (variables), then compare Almera's position with other imported car manufacturer brands available in Malaysia.