



# Market segmentation

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- **Segmentation** is about separating the overall market into groups of customers with similar needs.
- **Segmentation** can be defined as the grouping of individuals or organisations with similar needs, these needs being capable of being met by a single product offering.
- **Targeting** implies deciding which groups of customers are the best ones to aim for.
- **Targeting** is about developing variations on the basic product to meet the needs of these different groups.



# Market segmentation

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- The market segmentation process:
  - Deciding the segmentation criteria (variables to use for separating the overall market into groups of customers)
  - Identification and description of the segments
  - Choice of the segment / segments (targeting)
  - Application of a marketing mix for each selected target
  - The target should be:
    - Consistent with the aims and the company's image
    - Consistent with the company's resources
    - Capable of generating sufficient sales volumes and profits
    - With limited competition



# Market targeting

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- **Undifferentiated marketing** targets the whole market with one offer
  - Mass marketing
  - Focuses on common needs rather than what's different
  - Application of a single marketing mix
- **Differentiated marketing** targets several different market segments and designs separate offers for each
  - Goal is to achieve higher sales and stronger position
  - More expensive than undifferentiated marketing
- **Concentrated marketing** targets a small share of a large market
  - Limited company resources
  - Knowledge of the market
  - More effective and efficient



# Market targeting

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- **Micromarketing** is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations
  - Local marketing
  - Individual marketing
- **Local marketing** involves tailoring brands and promotion to the needs and wants of local customer groups
  - Cities / Neighborhoods / Stores
  - *Benefits:*
    - Increased marketing effectiveness in competitive markets
    - More customer-specific offerings
  - *Challenges:*
    - Increased manufacturing and marketing costs
    - Less economies of scale
    - Logistics
    - Dilution of company image



# Market targeting

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- **Individual marketing** involves tailoring products and marketing programs to the needs and preferences of individual customers
  - Also known as:
    - One-to-one marketing
    - Mass customization
- **Mass customization** is the process through which firms interact one-to-one with masses of customers to design products and services tailor-made to meet individual needs. Has made relationships with customers important in the new economy.
  - Provides a way to distinguish the company against competitors



# Market segmentation

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## Segmentation criteria

- **Geographic segmentation** divides the market into different geographical units such as
  - nations, regions, states, counties, or cities;
  - Urban / sub-urban / rural population
- **Demographic segmentation** divides the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality



# Market segmentation

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## Segmentation criteria

- **Demographic segmentation**
- Age and life-cycle stage segmentation is the process of offering different products or using different marketing approaches for different age and life-cycle groups
- Gender segmentation divides the market based on sex (male or female)
- Income segmentation divides the market into affluent or low-income consumers
- Spending patterns
- **Geo-demographic segmentation**
- Households are classified with reference to micro-areas
- Specific characteristics are georeferenced, such as: demographic, working conditions, income, level of education, structure of households, etc.



# Market segmentation

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## Segmentation criteria

- **Psychographic segmentation** divides buyers into different groups based on social class, lifestyle, or personality traits
- **Behavioral segmentation** divides buyers into groups based on their knowledge, attitudes, uses, or responses to a product
  - Purchase occasion
  - Benefits sought
  - User status
  - Usage rate
  - Loyalty status





# Market segmentation

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## Segmentation criteria

- Purchase occasion
- Benefits sought
- User status divides buyers into ex-users, potential users, first-time users, and regular users of a product
- Usage rate divides buyers into light, medium, and heavy product users
- Loyalty status divides buyers into groups according to their degree of loyalty



# Market segmentation

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## Family life cycle:

- Family life cycle marketing is a method of selling to consumers based on the stages of their lives.
  - Young and Single
  - Recently Married Households
  - Full Nest 1: families with babies
  - Full Nest 2 / 3: families with older children
  - Empty Nest: families have adult children who are no longer living at home
  - Solitary survivor



# Market segmentation

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## Segmenting international markets

- **Segmenting international markets**
  - Geographic location
  - Economic factors
  - Political and legal factors
  - Cultural factors
- **Intermarket segmentation** divides consumers into groups with similar needs and buying behaviors even though they are located in different countries



# Market segmentation

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To be useful, a market segment should be:

- **Measurable:** examples include the size, purchasing power, and profiles of the segments
- **Accessible:** refers to the fact that the market can be effectively reached and served
- **Substantial:** refers to the fact that the markets are large and profitable enough to serve
- **Differentiable:** refers to the fact that the markets are conceptually distinguishable and respond differently to marketing mix elements and programs
- **Actionable:** refers to the fact that effective programs can be designed for attracting and serving the segments



# Market segmentation

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## **Evaluating Market Segments**

- Segment size and growth
  - Smaller versus larger segments
  - Growth potential
- Segment structural attractiveness
  - Competition
  - Substitute products
  - Power of buyers
  - Power of suppliers
- Company objectives and resources
  - Competitive advantage
  - Availability of resources
  - Consistent with company objectives

# The Long Tail Model

Popularity / usefulness

HEAD

LONG TAIL

Highly popular

Sorta/kinda popular

Niche products

# of unique products

## The Long Tail



“A post-modern tribe (or new tribe) is a togetherness of individuals, not necessarily homogeneous (in its clear social features) but linked by a unique subjectivity, an instinct of affection, a common ethos. These individuals can carry out intensely lived collective actions even if ephemeral.”

(Cova, 2010)



# Market research

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- The collection information on the target market is realized through the market research.
- Market researches can be realised in two main ways:
  - Desk analysis (**secondary data**): collection and elaboration of existing data (magazines, data banks, sectoral analysis, etc.)
  - Field researches (primary data): direct collection of data and information through personal interviews (qualitative researches) or interviews to a representative sampling (quantitative researches)
    - **Focus group** (qualitative researches): panel talks (i.e. for **product research** = testing new products ideas on potential customers)
    - **Questionnaire**: (quantitative research): survey towards a representative sample of potential customers (**customer research**: motivations and behaviour of customers, etc....)





# Market segmentation

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## Target choice

- Definition of the segmentation criteria
- Segments identification and description
- Choice of the segments (targeting)
- Design and application of the marketing mix for each target (**Product, Price, Place, Promotion**)
- Positioning



# Differentiation and Positioning

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**Product 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

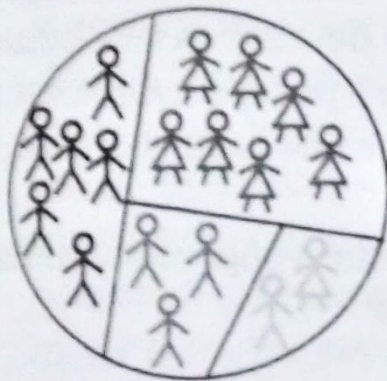
- Perceptions
- Impressions
- Feelings

**Positioning maps** show consumer perceptions of their brands versus competing products on important buying dimensions

- Price and orientation

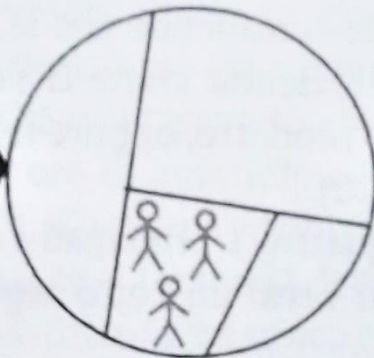
# Positioning

## SEGMENTAZIONE



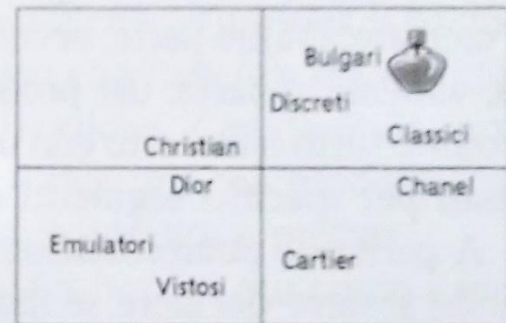
1. Identificare le variabili di segmentazione del mercato
2. Definire i profili dei segmenti individuati

## TARGETING



3. Stabilire l'importanza dei segmenti individuati
4. Selezionare il/i segmento/i obiettivo (target)

## POSIZIONAMENTO



5. Posizionare il prodotto nel segmento target
6. Definire il marketing mix del prodotto per il segmento target



# Differentiation and Positioning

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## *Choosing a Differentiation and Positioning Strategy*

- Identifying a set of possible competitive advantages to build a position
  - Product differentiation
  - Service differentiation
  - Channels
  - People
  - Image
- Choosing the right competitive advantages
- Selecting an overall positioning strategy



# Differentiation and Positioning

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## *Identifying Possible Value Differences and Competitive Advantage*

**Competitive Advantage** is the advantage over competitors gained by offering greater value either through lower prices or by providing more benefits that justify higher prices

A difference is worth establishing to the extent that it satisfies the following criteria:

- Important
- Distinctive
- Superior
- Communicable
- Preemptive
- Affordable



# Differentiation and Positioning

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## *Selecting an Overall Strategy*

**Value proposition** is the full mix of benefits upon which a brand is positioned

- More for more
- More for the same
- Same for less
- Less for much less
- More for less

## *Developing a Positioning Statement*

**Positioning statement** states the product's membership in a category and then shows its point-of-difference from other members of the category.



# The marketing strategy

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- Starting from the customers' needs in the target market segments the **critical success factors** have been identified
- In relation to competitors a **competitors' profile** has been identified and competitors have been grouped in strategic groups.
- Through the **positioning** the company defines the place the product occupies in consumers' minds relative to competing products
- The company has to develop a **competitive advantage** over competitors: the capacity of developing with higher intensity one or more critical success factors.

# The business idea

