



Market segmentation

- **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

- 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

- **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

- **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

- **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

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

Segmentation criteria

- 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

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

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

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

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

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

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

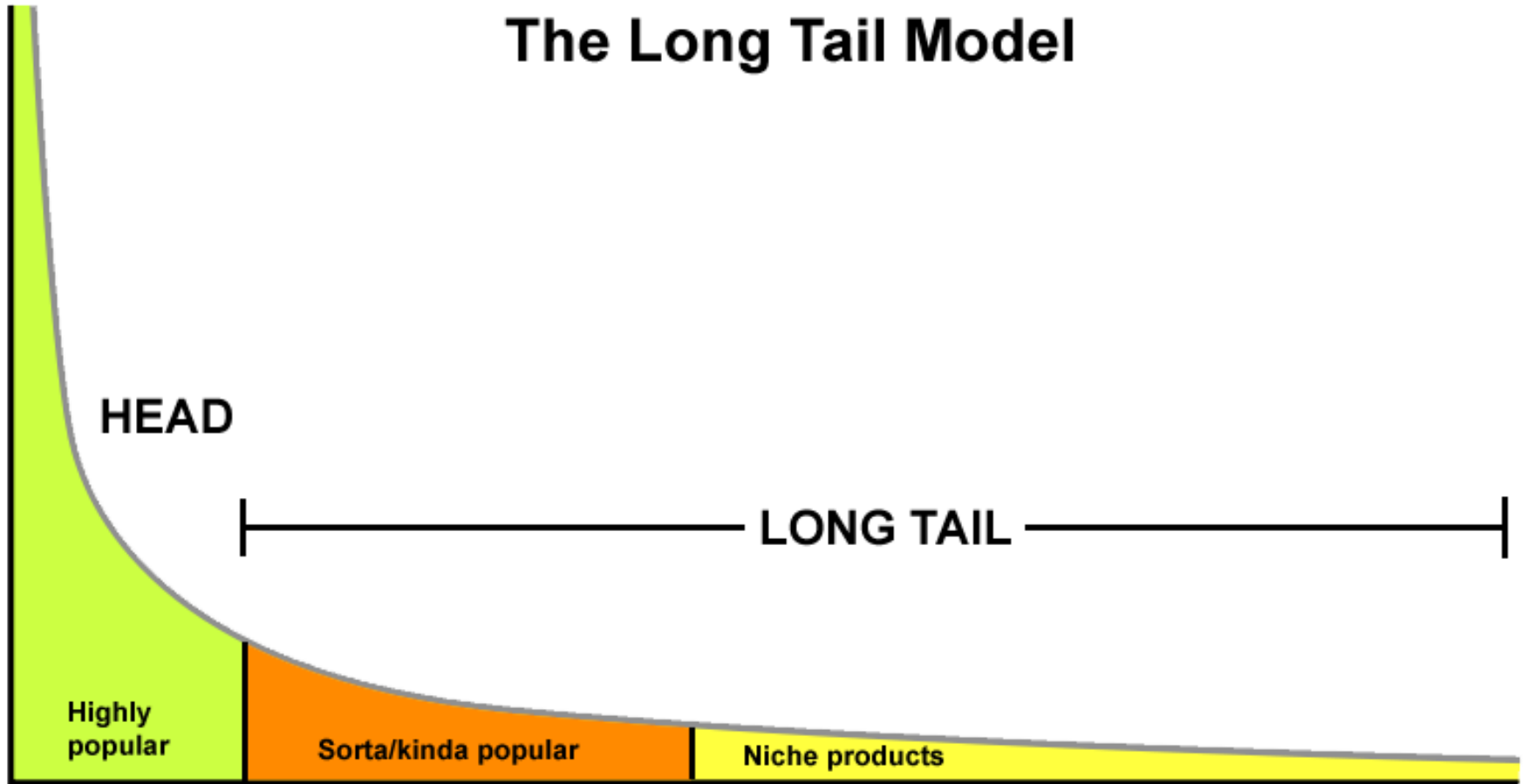
Highly popular

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

- 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 researches): survey towards a representative sample of potential customers (**customer research**: motivations and behaviour of customers, etc....)



Market segmentation

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

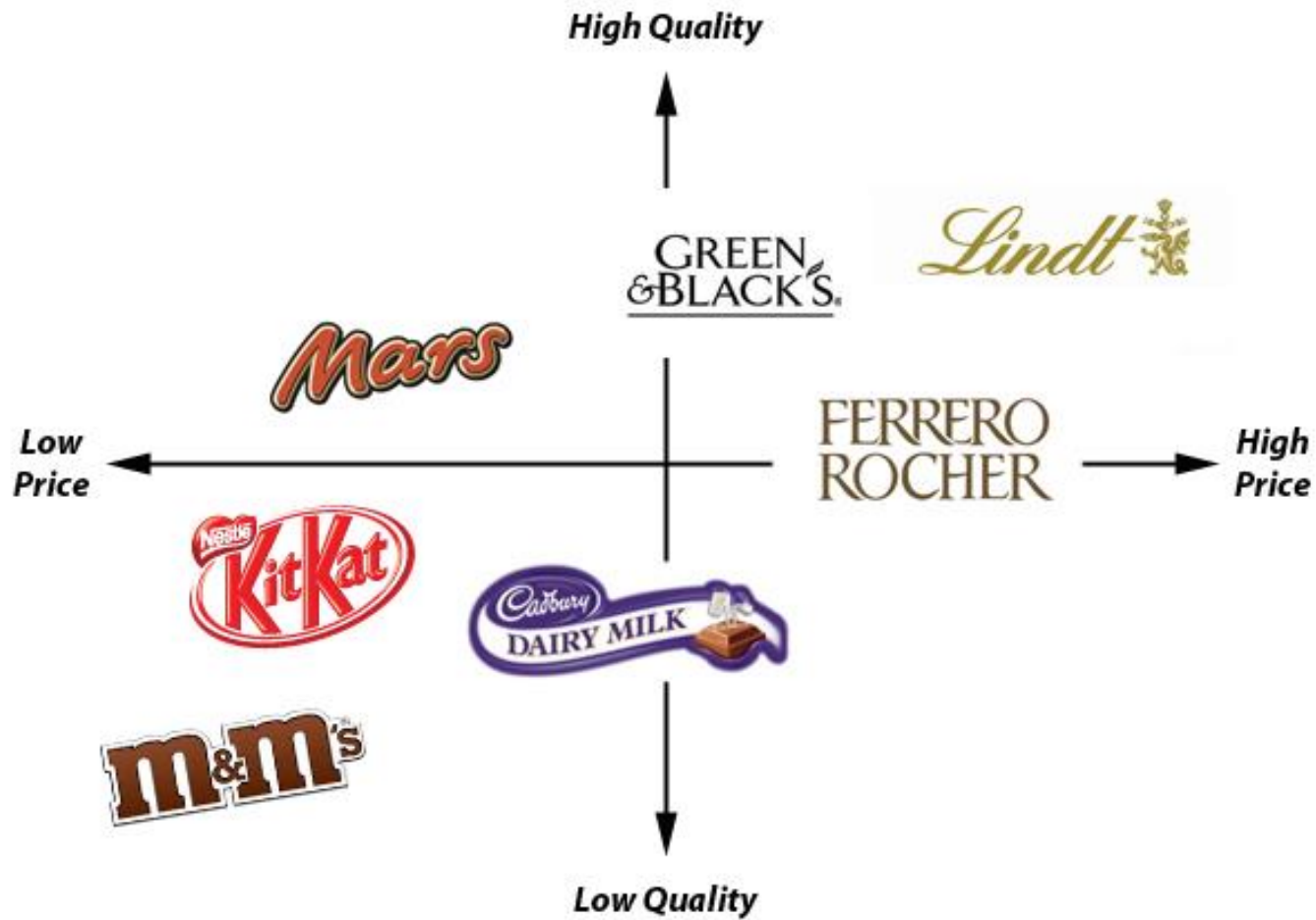
Product position is the way the product is defined by consumers on important attributes—the place the product occupies in consumers' minds relative to competing products

- Perceptions
- Impressions
- Feelings

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

- Price and orientation

Positioning maps



Positioning maps

Positioning Map - Cosmetics



MAPPA DI POSIZIONAMENTO (SETTORE AUTOMOTIVE)



Fonte: Isp. Paolo Quaresima. Studio strategico di competitor analysis presso l'Istituto degli Studi di Bari. Anal. quantitativa di 100 marchi (scelta di 200 marchi benchmark).



Differentiation and Positioning

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

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

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

- 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

