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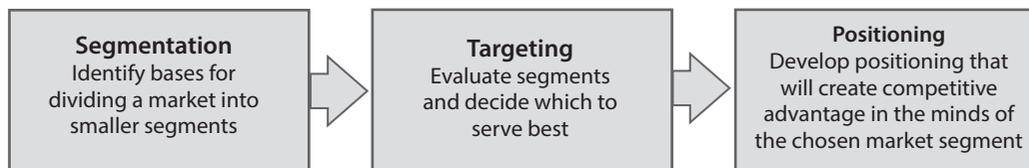
## Market Segmentation, Targeting and Positioning

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It is impossible to appeal to all customers in the marketplace who are widely dispersed with varied needs. Organisations that want to succeed must identify their customers and develop marketing mixes to satisfy their needs. This chapter considers the steps in the target marketing process, including how to divide markets into meaningful customer segments, evaluating each segment, deciding which segment(s) to target, and designing market offerings to be positioned in the minds of the selected target market.

### The target marketing process

The target marketing process provides the basis for the selection of target market – a chosen segment of the market that an organisation wishes to serve. It consists of the three-step process of segmentation, targeting and positioning (Figure 5.1). Marketers utilise this process due to the prevalence of mature markets, greater diversity in customer needs, and its ability to provide focus for an organisation’s marketing strategy and resource allocation among markets and products (Baines and Fill, 2014).



**Figure 5.1:** Steps in target marketing process. Adapted from Solomon et al. (2013).

The benefits of this process include the following:

- **Understanding customers' needs.** The target marketing process provides a basis for understanding customers' needs by grouping customers with similar characteristics together and for the selection of target market. Segmentation allows marketers more precisely to define customer needs and expectations. Marketers improve their understanding of how, why, and what influences customer buying. Being in touch with customers increases their responsiveness to changing needs and allowing better marketing programmes.
- **Suitable marketing mix.** This process allows marketers to understand customers' requirements of a target market and design a suitable marketing mix that meets their needs. Hence providing effective and efficient matching of organisational resources to targeted segments and promising greater return on marketing investment.
- **Differentiation.** By breaking a market into different segments allows marketers to decide which segment is more appropriate to differentiate its offerings from the competitors.

Market segments need to be protected from competitors. Otherwise, there is a threat that new entrants will establish a foothold and grow market share in a neglected, poorly served segment of a market.

## Market segmentation

Market segmentation is the process of dividing a market into smaller groups or segments of customers with distinctly similar needs or characteristics that have implications for different products and marketing mixes. There are many variables available and there is no single best way to segment a market. This section discusses three important segmentation topics: segmenting consumer markets, segmenting online shoppers and segmenting business markets.

### ■ Segmenting consumer markets

Consumer markets can be divided in various ways and marketers have to try different segmentation variables, alone and in combination, to find the best way to divide the total market into relatively homogeneous segments that are identified by common characteristics (Tynan and Drayton, 1987). These characteristics are relevant in describing and in predicting the response to marketing stimuli by consumers, in a given segment. Segmentation variables include profile (geographic and demographic), psychographic and behavioural (Table 5.1).

**Table 5.1:** Segmentation variables for consumer markets. Adapted from Perreault et al. (2014).

<b>Geographic</b>	
World region or country	Western Europe (UK, France, Belgium, Germany, Italy, etc.) Eastern Europe (Poland, Romania, Slovakia, Ukraine, etc.) North America (United States, Canada, etc.) South America (Argentina, Brazil, Chile, Peru, etc.) Middle East (Saudi Arabia, Iran, Iraq, Jordan, etc.) Africa (Egypt, South Africa, Nigeria, Kenya, etc.)
Country region examples	Asia (China, Japan, Malaysia, Thailand, Taiwan, Korea, etc.) Australasia (Australia, New Zealand, Papua New Guinea, etc.) UK: England, Scotland, Wales and Northern Ireland. America: Pacific, Mountain, West North Central, West South Central, East North Central, East South Central, South Atlantic, Middle Atlantic and New England. Malaysia: Penang, Perlis, Kedah, Perak, Selangor, Negeri Sembilan, Melaka, Johor, Pahang, Kelantan, Terengganu, Sabah and Sarawak. UAE: Dubai, Abu Dhabi, Ajman, Fujairah, Ras al-Khaimah, Sharjah and Umm al-Quwain.
Density	Urban, suburban, small town, rural
<b>Demographic</b>	
Age	Under 6, 6-11, 12-19, 20-34, 35-49, 50-64, 65+
Life stage	Infant, preschool; child, teen, collegiate, adult, senior
Gender	Male, female
Generational cohort	Baby boomer (1946-1964), Generation X (1965-1979), Generation Y (1980-1995), Generation Z (after 1995)
Income	Low, middle, high
Family Size	1-2, 3-4, 5+
Family life cycle	Young single, young couples, young parents, middle-aged empty nesters, retired
Occupation	Professional and technical; managers, officials and proprietors; clerical;
Education	craftspeople; supervisors; operatives; farmers; retired; students; homemakers;
Social class	unemployed Some high school or less; high school graduate; university graduate, etc. Lower-lowers, upper-lowers, working class, middle class, upper-middles, lower-uppers, upper-uppers
<b>Psychographic</b>	
Lifestyle	Sports-oriented, fashion-oriented, culture-oriented
Personality	Extroverts, introverts, aggressive, submissive
<b>Behavioural</b>	
Benefits sought	Convenience, speed, economy, quality, status, performance
Purchase occasion	Regular occasion, gift, special occasion, eating occasion, holidays
Purchase behaviour	Self-buying, brand switching, innovators
User status	Non-user, ex-user, potential user, first-time user, regular user
User rates	Light user, medium user, heavy user
Loyalty status	None, medium, strong, absolute
Readiness stage	Unaware, aware, informed, interested, intended to buy
Attitude to product	Favourable, indifferent, unfavourable