



BLUES

EUROPEAN ENTREPRENEURSHIP EXPERIENCE

Blended-learning international
entrepreneurship skills programme



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MODULE 5

TOPIC 2

MARKET
SEGMENTATION AND
MARKET
POSITIONING

1. Market segmentation

Definition of market segmentation (1)

Market segmentation starts with the identification of groups of customers that have similar needs within the same market.

Market segmentation consist in the division of a market into well-defined parts. A market segment consists of a group of customers who share similar needs and wants.

The marketer's task is to identify the appropriate number and nature of market segments and decide which one(s) to target.

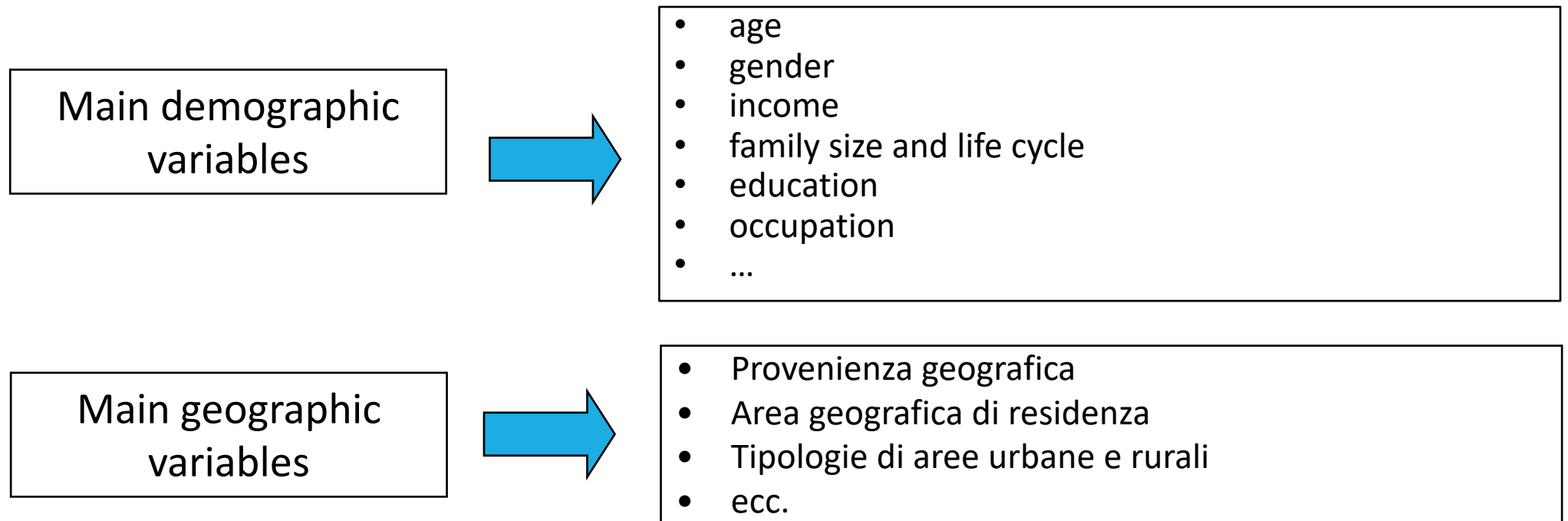
Criteria for market segmentation

To segmenting market four criteria are generally used, which generate four kind of segmentation

1. Geographic and demographic segmentation;
2. psychographic segmentation;
3. behavioural segmentation;
4. benefit segmentation.

Geographic and demographic segmentation

Segmentation method according to which the differences in socio-demographic profiles determine the differences in the advantages pursued and in the preferences towards a product / service.

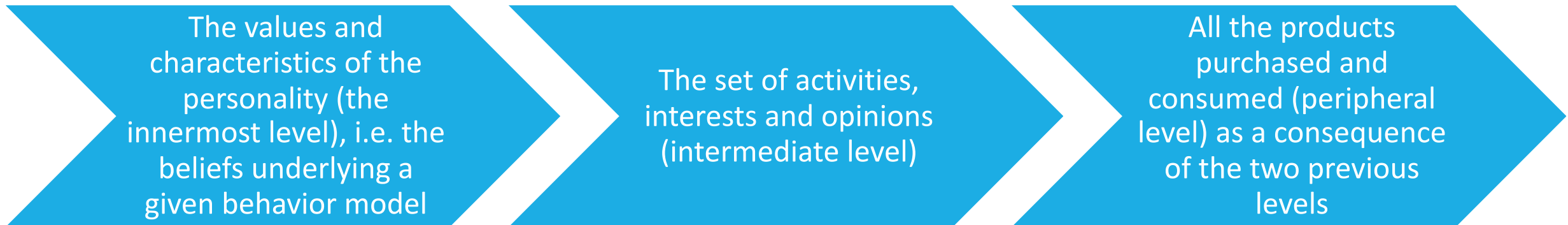


Psychographic segmentation

This criterion groups consumers according to individual motivations, personality and lifestyle.

Lifestyle corresponds to the set of values, activities, interests and opinions of an individual and determines his/her consumer and purchase behavior.

The concept of lifestyle can therefore be articulated on three levels:



Behavioural segmentation

In behavioural segmentation, marketers divide buyers into groups on the basis of their knowledge of, attitude toward, use of, or response to a product.

The following criteria can be considered:

Occasions

Occasions mark a time of day, week, month, year, or other well-defined temporal aspects of a consumer's life.

User Status

Every product has its nonusers, ex-users, potential users, first-time users, and regular users.

Usage Rate

We can segment markets into light, medium, and heavy product users.

Buyer-Readiness Stage

Some people are unaware of the product, some are aware, some are informed, some are interested, some desire the product, and some intend to buy.

Loyalty Status

Marketers can identify: hard-core loyals, split loyals, shifting loyals, switchers.

Attitude

Consumer attitudes about products are enthusiastic, positive, indifferent, negative and hostile.

Benefit segmentation

The starting point of this criteria is that not everyone who buys a product has the same needs or wants the same benefits from it. Customers are then divided on the basis of the benefits and main attributes they search on a specific product.

The process followed in the benefit segmentation is:

Identify the list of attributes or advantages associated with the category of products that satisfy the need

Evaluate the importance assigned to each attribute by the customers

Group into segments the customers who express homogeneous evaluations of the attributes considered

Identify the dimensions of each segment considered and the profile of the components of each segment

Effective Segmentation Criteria

1

Measurable. The size, purchasing power, and characteristics of the segments can be measured.

2

Substantial. The segments are large and profitable enough to serve.

3

Accessible. The segments can be effectively reached and served.

4

Differentiable. The segments are conceptually distinguishable and respond differently to different marketing-mix elements and programs

5

Actionable. Effective programs can be formulated for attracting and serving the segments.

2. Market positioning

Preliminary aspects

After a company decided which market segment to enter, it has to decide the “position” it wants to occupy in this segment. Consider that:



There are companies which could offer products similar to the one proposed by the enterprise and which are competitors

Consumers are overloaded with information about products and cannot re-evaluate products every time they decide to buy. To simplify buying decision process, consumers organize products into categories – that is, they “position” products, services and companies in their minds.



Positioning: definition

Positioning can be defined as the concept of a brand and its image in order to give it a favourable position in the opinion of customers, different from that occupied by competing products.

“A product’s position is the place that the product / brand occupies in consumers’ minds compared with competing products”.

Key issues



What are the distinctive characteristics of a brand that cause a favorable reaction by customers?

Which are the different brands or competitors relating to these distinctive features?

What is the best position to occupy in the segment, considering customer expectations and positions occupied by competitors?

What are the most appropriate marketing tools to occupy and defend this position?

Strategic positioning decisions

01

Product
differentiation:
leverage the
benefits of the
product

02

Price
differentiation:
higher / lower

03

Image
differentiation:
enhancement of
intangible features

Positioning alternatives

Current positioning:
positioning defined by
customers perceptions
related to an existing brand
or product.

New positioning:
positioning of a new brand
or a new product.

Repositioning: changing
process of a brand or a
product positioning towards
a new location in the mind
of potential customers.

Perceptual map (1)

To develop a positioning strategy, an enterprise can use a tool called positioning maps. As the map is based on perception of consumers, it is also called perceptual map.

Positioning map shows where existing products are positioned in the market, so that the enterprise can decide where it would like to place (position) its product.

Perceptual maps are based on the analysis of several variables related to the perceptions of potential customers.

They measure the “psychological gap” among brands-products in the minds of potential customers.

These perceptions are translated into a position on the map, with psychological distances or proximity, and represent estimates to be considered with care and caution.

The construction of a perceptual map (1)

This process follows three steps:

01

The selection of
main attributes

02

The list of main
competitors in
the product
category

03

The assignment
of scores for
each product /
brand

The construction of a perceptual map (2)

1. Selection of main attributes.

- On the basis of market research, main attributes are those which have more influence on consumers decision.
- From the list of possible attributes, it's possible to select two only, the most important in terms of the product choice among competitors. These two will form the axes of the perceptual map.

The construction of a perceptual map (3)

Indeed, the simplest and most used perceptive maps are built on two dimensions. They can represent:

- simple variables (e.g. the variable “speed” and “price” of a car);
- composition of several simple variables, when it is possible to talk about “factors” such as the “performance factor” (composed of the variables “speed”, “acceleration”, “braking capacity”, etc.) and the “habitability factor” (dimension, comfort, baggage car, etc.).

The construction of a perceptual map (4)

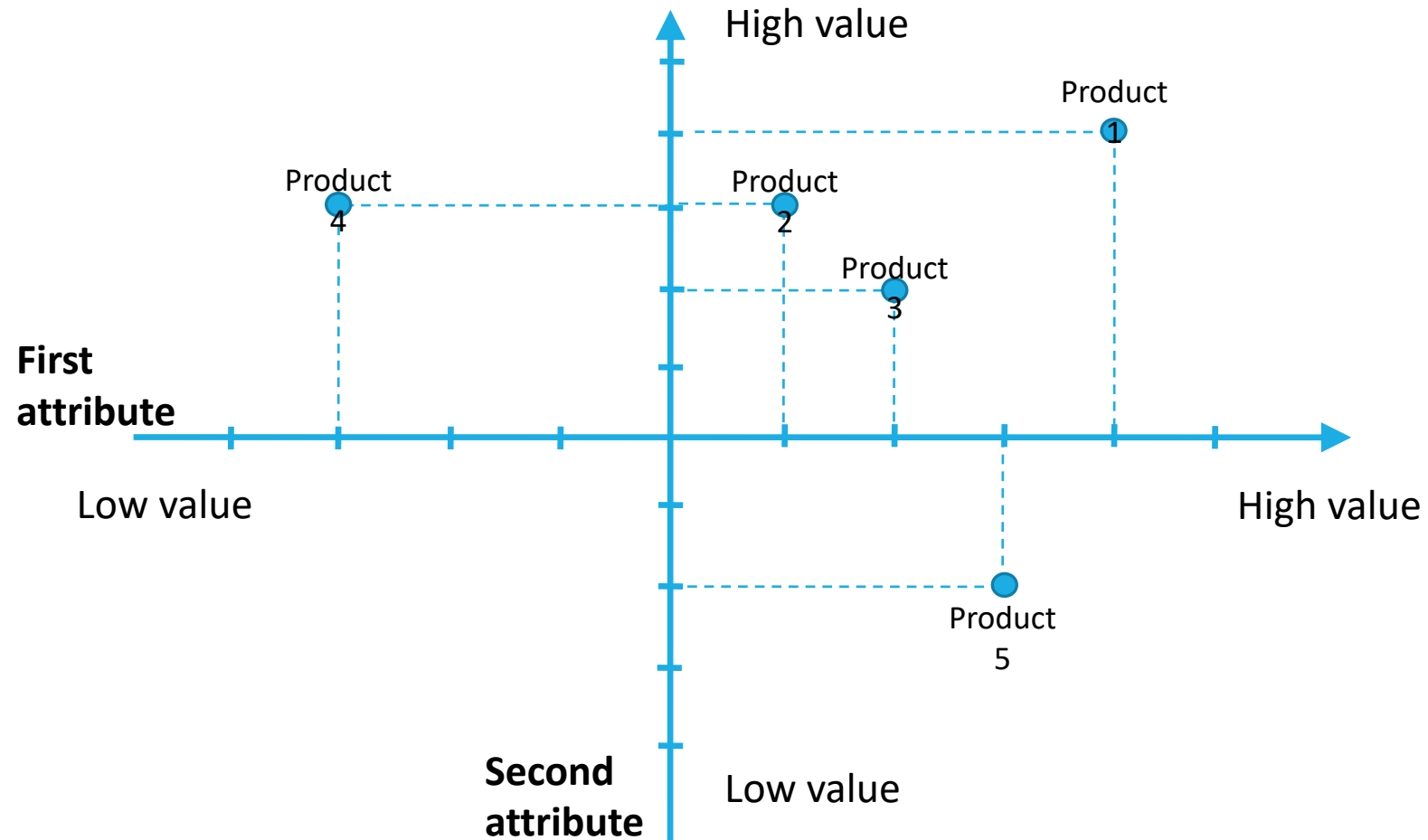
2. List of main competitors in the product category

Identifying main competitors and brands, generally about ten, that will be plotted onto the perceptual map.

3. Assignment of scores for each brand

Using a simple 1 to 10 rating scale, it's possible to allocate scores for all the brands. The scores are an estimation of how an average consumer would perceive the determinant attributes of these brands and data come from market research studies.

The construction of a perceptual map (5)



Enterprise decisions

In this way, an enterprise can:

verify how “competitor products” are positioned in the market segment and where its product is placed;

take some decisions about where it would like to position its

Generally, an enterprise has two options:

it can position its product to fill a gap in the market

or, if it would like to compete against its competitors, it can position its product where other enterprises have placed their product, following the idea, in this last case, that “*we can do it better than them*”.

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