UNIT II

MARKET SEGMENTATION

Market segmentation is the process of dividing up mass markets into groups or segments with similar needs and wants. The rationale for market segmentation is that in order to achieve competitive advantage and superior performance, firms should: "(1) identify segments of industry demand, (2) target specific segments of demand, and (3) develop specific 'marketing mixes' for each targeted market segment.

Customer segmentation is imperative when trying to send messages to a target market. Segmenting consumers enables marketing teams to stretch budgets and make the most of marketing dollars by reaching the most ideal visitors who are likely to become leads, without wasting money on impressions that will never turn into conversions.

Additionally, by reaching niche groups of people, marketers can craft messages specifically for them. This communication will enable marketers to connect with the target audience, develop relationships, and communicate messages that resonate.

There is an excess of ways to segment the market in order to reach the most ideal consumers for certain products or services. Some of these include geographic segmentation, demographic segmentation, psychographic segmentation, and behavioral segmentation.

Customer Segmentation: Geographic

Geographic segmentation is the practice of segmenting a campaign's target audience based on where they are located. Segments can be as broad as a country or a region, or as narrow as one street of homes in a town.

Geographic segmentation is useful for both large and small businesses alike. Large businesses with international markets may choose to offer products or services specifically for audiences in particular locations. For example, Home Depot may target US north eastern states when advertising a sale on snow shovels. Presenting this ad to Floridians, for instance, would be irrelevant, unnecessary, and could even desensitize the audience to future advertisements.

Particularly for small businesses, geographic segmentation can be used to target specific customers without wasting excess advertising dollars on impressions that will not turn into leads. For example, a local pizzeria could present their ad to only people within the town they are located.

Geographic segmentation is one type of customer segmentation that is extremely easy to implement, as many companies often have their customers_ addresses from landing pages, or their credit cards.

Customer Segmentation: Demographic B2C

Demographic segmentation is segmenting the market based on certain characteristics of the audience. Characteristics often include, but are certainly not limited to: race, ethnicity, age, gender, religious, education, income, marital status, and occupation.

Also fairly easy to implement, demographic segmentation can be useful in a variety of ways. Luxury brands may choose to market to a demographic consisting of people with household income > $200,000. Colleges may use messaging in their advertising that appeals to 17-22 year olds.

Demographic segmentation is even more efficient when targeting multiple segments at once. Bridge ran an email marketing campaign where we targeted local (geographic) females (demographic: gender) aged 25-50 years old (demographic: age) with a household income of less than $100,000 (demographic: income) and an interest in furniture (behavioral). Targeting several segmentations in conjunction with one another led to over 440 sales for the local furniture retailer, driving more than $180,000 in revenue.

Combining various customer segmentation criteria has the potential to reach a very targeted niche market and drive sales while maximizing the value of every marketing dollar spent.

Customer Segmentation: Demographic B2B

Demographic segmentation can also be used in B2B markets. In this case, common demographics include: company size, industry, role, time working for the company, and more.

Agencies may choose to segment the market by industry when searching for prospective clients. An advertising agency that specializes in auto advertising may segment the market by industry. They can further segment the market by role when opting to contact marketing managers and creative directors.

Again, using multiple demographic criteria while segmenting targets a very specific list of prospective customers.

Customer Segmentation: Psychographic

Psychographic segmentation is far less concrete than both geographic and demographic customer segmentation, as the characteristics used to segment are less ―tangible‖ than the latter two. Psychographic segmentation divides the market on principles such as lifestyle, values, social class, and personality.

This type of customer segmentation is significantly more difficult to implement than geographic or demographic segmentation. To properly segment the market based on psychographics, marketers must really take the time to get to know their current and past customers. This includes clearly defining the ideal buyer persona for the product or service and developing relationships with the customer base.

A prime example of psychographic segmentation is targeting those who are budget conscious. These people value a good deal and tend to be smart shoppers. Target ads to this segment by appealing to their intrinsic budget-savvy personality.

Discount stores, like Wal-Mart, utilize this tactic nicely. Wal-Mart uses messaging like ―Unbeatable Prices‖ and ―Best Online Specials‖ because it will resonate with the audience they are trying to reach.

Customer Segmentation: Behavioral

Behavioral segmentation is similar to psychographic segmentation on the basis that it is less concrete than demographic or geographic segmentation. Behavioral segmentation is the practice of dividing consumers into groups according to any of the following attributes: usage, loyalties, awareness, occasions, knowledge, liking, and purchase patterns.

Behavioral segmentation can be used in a variety of ways. When segmenting based on awareness, companies may opt to send their loyal customers one ad campaign, whereas target an additional campaign to prospective customers who have yet to build a relationship with the brand.

When segmenting based on occasions, companies can target consumers who are less price sensitive during times like graduation season and the holiday season.

Behavioral segmentation allows marketers to be more relevant and produce messaging that will resonate well with their desired target market.

Segment Smarter

Each style of customer segmentation carries its own unique set of benefits, but using them in conjunction with one another will create maximum impact. Reach even more specific niche markets by combining different segmentation styles.

Customer segmentation is universally applicable. The tactic can benefit marketers in both small business start-ups and global companies across all industries.

Thus, with billions of people in the world, efficiently utilizing customer segmentation will help businesses narrow the pool and reach the people that they want to be talking to, ultimately driving conversions and revenue.

REQUIREMENTS FOR EFFECTIVE SEGMENTATION

There are many ways to segment a market, but not all segmentations are effective. For example, buyers of table salt could be divided into black and brown hair customers. But hair colourobviously does not affect the purchase of salt. Furthermore, if all salt buyers bought the same amount of salt each month, believed that all salt is the same, and wanted to pay the same price, the company would not benefit from segmenting this market.

To be useful, market segments must be

1. Measurable: The size, purchasing power, and profiles of the segments can be measured. Certain segmentation variables are difficult to measure. For example, there are approximately 30.5 million left handed people in the United States, which is nearly the entire population of Canada. Yet few products are targeted toward this left-handed segment.

The major problem may be that the segment is hard to identify and measure. There are no data on the demographics of lefties, and the U.S. Census Bureau does not keep track of left handedness in its surveys. Private data companies keep reams of statistics on other demographic segments but not on left-handers.

2. Accessible: The market segments must be effectively reached and served. Suppose a fragrance company finds that heavy users of its brand are single men and women who stay out late and socialize a lot. Unless this group lives or shops at certain places and is exposed to certain media, its members will be difficult to reach.

3. Substantial: The market segments are large or profitable enough to serve. A segment should be the largest possible homogeneous group worth pursuing with a tailored marketing program. It would not pay, for example, for an automobile manufacturer to develop cars especially for people whose height is greater than seven feet.

4. Differentiable: The segments are conceptually distinguishable and respond differently to different marketing mix elements and programs. If men and women respond similarly to marketing efforts for soft drinks, they do not constitute separate segments.

5. Actionable: Effective programs can be designed for attracting and serving the segments. For example, although one small airline identified seven market segments, its staff was too small to develop separate marketing programs for each segment.

EVALUATING MARKET SEGMENTS

Three Factors must be considered to evaluate a market segment

- Segment Size and Growth
- Segment Structural Attractiveness
- Company objectives and resources

1. **Segment Size and Growth**

   The company must first collect and analyze data on current segment sales, growth rates, and the expected profitability for various segments. It will be interested in segments that have the right size and growth characteristics. But ―right size and growth‖ is a relative matter.

The largest, fastest-growing segments are not always the most attractive ones for every company. Smaller companies may lack the skills and resources needed to serve larger segments. Or they may find these segments too competitive. Such companies may target segments that are smaller and less attractive, in an absolute sense, but that are potentially more profitable for them.

2. Segment Structural Attractiveness

The company also needs to examine major structural factors that affect long-run segment attractiveness. For example, a segment is less attractive if it already contains many strong and aggressive competitors. The existence of many actual or potential substitute products may limit prices and the profits that can be earned in a segment. The relative power of buyers also affects segment attractiveness. Buyers with strong bargaining power relative to sellers will try to force prices down, demand more services, and set competitors against one another—all at the expense of seller profitability. Finally, a segment may be less attractive if it contains powerful suppliers who can control prices or reduce the quality or quantity of ordered goods and services.

3. 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. Some attractive segments can be dismissed quickly because they do not mesh with the company's long-run objectives. Or the company may lack the skills and resources needed to succeed in an attractive segment. For example, given the current economic conditions, the economy segment of the automobile market is large and growing. But given its objectives and resources, it would make little sense for luxury-performance carmaker BMW to enter this segment. A company should enter only segments in which it can create superior customer value and gain advantages over its competitors.

TARGET MARKETING

A **target market** is a group of customers within a business's serviceable available market that the business has decided to aim its marketing efforts towards. Target markets consist of consumers who exhibit similar characteristics (such as age, location, income, and lifestyle) and are considered most likely to buy a business's product or service.

Primary target markets are those market segments to which marketing efforts are primarily directed, while secondary markets are smaller or less vital to a product's success.

It is important for a business to identify and select a target market so it can direct its marketing efforts to that group of customers and better satisfy their needs and wants. This enables the business to use its marketing resources more efficiently, resulting in more cost and time efficient marketing efforts. It allows for better understanding of customers and therefore enables the creation of promotional materials that are more relevant to customer needs. Also, targeting makes it possible to collect more precise data about customer needs and behaviors and then analyze that information over time in order to refine market strategies effectively.

Target markets or also known as target consumers are certain clusters of consumers with similar or the same needs that most businesses target their marketing efforts in order to sell their products and services. Market segmentation including the following:

- Geographic – Addresses, Location, Climate, Region.
- Demographic/socioeconomic segmentation – Gender, age, wage, career, education.
- Psychographic – Attitudes, values, religion, and lifestyles.
- Behavioral segmentation – (occasions, degree of loyalty)
- Product-related segmentation – (relationship to a product)

Market segmentation divides the market into four main sub categories – demographic, geographic, psychographic and behavioral segmentation. After doing market segmentation the subdivision market will be much more specific and it is relatively easy to understand consumer demand, enterprises can determine their own service objects according to their business ideology, principles and production technology and marketing power. To aim at the small target market, this is easy to formulate the special marketing strategy. At the same time, in the segments of the market, the information is easy to understand and feedback, once the consumer demand changes, enterprises can rapidly change marketing strategy formulated corresponding countermeasures, in order to adapt to the change of market demand, improve the flexibility and competitiveness of enterprises. Through market segmentation, the enterprise will be able to notice every subdivision market purchasing potential, satisfying degree, competition and comparative analysis, to better meet market needs. Meanwhile, the manpower, material resources and funds of any enterprise are limited. Through market segments, after select the suitable target market, enterprises can focus more on human, financial, and material resources, to fight for the advantages of local market, and then to occupy their own target market.

Segmenting the market allows marketers to better understand the group they are aiming their message at, which is more efficient than aiming at a broad group of people. Segmentation has been an essential part of marketing since industrial development induced mass production, particularly in manufacturing. This caused the focus to shift from customer satisfaction to reduction of production costs. However, as manufacturing processes became more variable, and consumer demand diversified, businesses needed to respond by segmenting the market. Businesses who were able to identify specific consumer needs were able to develop the right message for consumers within particular segments, which gave them a competitive advantage (Wedel & Kamakura, 2012). Since being introduced by Wendell R. Smith in 1956, the theory has become a key concept in marketing.

Smith stated: "market segmentation involves viewing a heterogeneous market as a number of smaller homogeneous markets, in response to differing preferences, attributable to the desires of consumers for more precise satisfaction of their varying wants" (Wedel & Kamakura, 2012). Notestablishing a target market will often result in a poor response from consumers or no response at all. The aim of market segmentation for businesses is to gain a competitive advantage by having a better understanding of a specific segment than its competitors. Hunt and Arnett (2004) use the example of Black and Decker power tools, and the way the company segmented the market into three main groups. After identifying each different group, Black and

Decker then designed one separate power tool range for each segment, based on their characteristics. "To target each segment, B&D uses specific products lines with different brand names" (Hunt & Arnett, 2004).

- **Demographic segmentation:** It refers to aspects of a market such as age, gender, race, occupation and education. Creating a message aimed at a particular demographic allows the sender to reach a wide range of receivers, while still staying within the confines of a specific segment. "Demographic segmentation almost always plays some role in a segmentation strategy" (Thomas, 1980), and is often paired with other segments to create a slightly more specific segment. A luxury good or service may be marketed to high income earners if the marketer believes that it would be relevant across a large enough portion of the segment to make it profitable for the sender, or create the awareness intended. Certain brands only target working professionals whereas others might only target people who are at high school.
- **Geographic segmentation** divides the market by location. This could be divided into countries, cities, towns and neighbour hoods etc. Different geographic locations usually have different aspects to their environment, which allows marketers to appeal to the specific needs of each location. For example, marketers could target tractors specifically towards rural areas where there are likely to be a number of farmers who operate tractors. In contrast, it would not make sense to market those same tractors in an urban area where people are not likely to find them as useful (Thomas, 1980).
- **Psychographic segmentation** relates to dividing a market based on how they live their everyday lives. This could encompass their values, as well as their personality, attitudes and general interests (A. S. Boote, 1984). According to Boote (1984), a popular psychographic segment in marketing is personal values. In the example used, a segment categorized by how much money a consumer is willing to spend on a product could be defined by certain inclinations when shopping. One being – "spending no more money than is necessary…even if it means not buying the best." Another orientation being – "shopping around to get the best price once I have decided on the kind of product I want to buy." By learning about these orientations, the marketer is able to gauge different attitudes of the consumers potentially being targeted.
- **Behavioral segmentation** subdivides the market depending on how consumers behave towards a product. Consumers behave differently depending on occasions and the frequency of usage of a product. For example, a spouse may not usually spend money on flowers for their significant other, but might on Valentine's Day, as it is a special occasion. "Many Marketers believe that behavior variables are the best starting points for building market segments" (Tatum, 2007).

Market segmentation involves subdividing the total market into groups of people who share common characteristics, to which the business can direct specific marketing efforts. Segmenting markets aims to increase sales, market share and profits by better responding to the desires of the different target customer groups. A segmentation variable is a characteristic of individuals orgroups used by marketers to divide a total market into segments.[2]Markets can generally be segmented according to four main variables: demographic, geographic, psychographic and behavioral characteristics.

One key to identifying the best target market is assessing brand loyalty involving attitudes and behaviors toward the brand.[9]Buyer groups can be divided into the following: those loyal to the brand, those who buy your brand but also buy from competing brands, those who buy more than one competing brand, those who are regularly loyal to another brand, and new users who are entering for the first time or re-entering.[9]Loyalty, which concerns consumer attitudes in terms of interest in competitive alternatives, overall satisfaction, involvement, and intensity, has become increasingly important in competitive markets.

Demographic: Demographic segmentation is the process of dividing the total market according to particular characteristics such as age, gender, family size, family life cycle, income, occupation, education, religion, race, and nationality. Age and gender are two of the most commonly used demographic variables used to segment markets. Demographics are useful and widely used but should be coupled with other segmentation variables to effectively define a target market.

- **Gender**: Due to physiological differences, males and females have very different product demands and preferences, for example, in clothing, hair care, and other lifestyle items.
- **Age**: Consumers of different ages have different demand characteristics. Young people, for example, might demand bright, fashionable clothing, while the elderly prefer dignified and simple but elegant dress.
- **Income**: Lower income and higher income consumers will be quite different in product selection, leisure time arrangement, social communication and communication and so on.
- **Occupation and education**: Consumers with different occupations education levels desire different products. For example, farmers prefer to buy load-carrying bicycles while students and teachers love light, beautiful style bikes.
- **Family life cycle**: Families can be divided into five stages based on age, marital status, and children. These are newly married, full nest, empty nest and lonely. In different stages, family purchasing power and interest in particular goods and services vary greatly.

Geographic: Geographic segmentation is the process of dividing the total market according to geographic location, for instance region (urban, suburban, rural, city size), climate and land type. Businesses may do this because different regions may present different needs and provide different commercial opportunities. For instance, an ice cream shop would be more likely to start up in a hot location than a cold climate. Identifying regional preferences and attitudes can help campaigns to be better targeted for particular geographic areas.

Psychographic:

Psychographic segmentation is based on personality characteristics, mainly includes the consumer's personality, the life style, the social class, the motive, the value orientation. Businesses can do this by researching consumer's preferences, likes and dislikes, habits,interests, hobbies, values and socioeconomic group. These variables are concerned with why people behave the way they do and are often used effectively in conjunction with other segmentation variables. Psychographics also relates to attitudes toward certain activities like fitness, willingness to take risks, concern for the environment, political opinions, concern with fashion, and innovativeness.

Values and culture are strongly linked to how people think and behave and are important aspects of segmentation variables, especially in global campaigns. Personality traits such as self-esteem, intelligence, and introversion/extroversion also affect the processing and persuasiveness of communication.

Lifestyle: Lifestyle is a particular habit of individuals or groups in the consumption, work and entertainment. Different lifestyles tend to produce different consumer demand and purchase behavior, even on the same kind of goods, there will be different needs in the quality, appearance, style, and specifications. Today, many consumers does not only buy goods to meet the material needs, it is more important to show the performance of their lifestyle, to meet the psychological needs, such as identity, status, and the pursuit of fashion.

Social class: Due to the different social class have a different social environment, different backgrounds, and different characteristics of different consumer preferences demand for goods or services are quite different. Philip Kotler divided American society into six classes.

- **Upper uppers**: Inheritance property, family background has famous celebrities.
- **Lower uppers**: The extraordinary vitality in the occupation or business and get higher income or wealth.
- **Upper middles**: They are extremely concerned about their careers, they are doing special occupations, independent entrepreneurs and managers.
- **Lower middles**: Middle-income white-collar and blue collar workers.
- **Upper lowers**: Low wages, life is just at the poverty line, the pursuit of wealth but no skills.

- **Lower lowers:** The poor often rely on long-term unemployment, or public charity relief to the people. People in different social classes, the demand for cars, clothing, furniture, entertainment, reading, there is a big difference.

Personality: Personality refers to the individual's unique psychological characteristics, these psychological characteristics of individuals and their environment to maintain a relatively consistent and lasting response. Everyone has a unique personality affecting their buying behavior. To distinguish between different personality, there is a strong correlation between the premise and specific personality with the product or brand choice, so personality can become the market segments of the psychological variables.

Behavioural: Behavioural segmentation relates to customers' knowledge, attitude, use of product and the purchase occasion, such as special one-off or regular loyal buying. Identifying what customers want from products and the benefits they seek are important to behavioral segmentation to allow marketers to better design and select products that satisfy these needs. Many marketers believe that behavioral variables are the best starting point for market segmentation.

- **Opportunity**: It is the time consumers buy and use the product. These opportunities include marriage, divorce, purchase, moving, demolition, admission, study, retirement, travel, tourism, holidays, and so on. It will help improve brand usage and marketing targeted. Such as travel agencies can provide specialized travel services at Christmas, stationery enterprises can begin to provide more learning supplies before new semester.
- **Benefit:** Benefit segmentation is a kind of classification method based on the different interests of consumers from the brand products. Using the benefit segmentation method, what must be determined is the benefit people are seeking for, who are seeking these benefits, how important to them these benefits are, what brand can offer these benefits, what benefits have not been met.
- **User status:** According to the state of use, consumers can be classified into once users, nonusers, potential users, the primary user, occasionally users and often user type, for different type of consumers the brand should use different marketing strategies and methods. The brand who has a high market share can focus more on the potential users to change them to the actual users, such as leading brands; some small businesses can only be used as an often user services.
- **Brand loyalty:** Consumer loyalty is the most valuable wealth of enterprises. Consumers can be divided into four types according to their brand loyalty: True Friends, Butterflies, Barnacles and Strangers.
- **True Friends:** They are the highest level of the four types and the most important part of the customer group. For example, a fan of a Swiss knife, they will keep telling their friends and neighbours the benefits of this knife, their frequency of use. These loyal customers will be free of charge to the brand, and continue to recommend to others. For any business, this is the most popular type of customer.
- **Butterflies:** Butterflies are not particularly loyal, but have spent money on your products and brought in good revenue. An example of a butterfly would be someone that supports Microsoft in general, but buys the iPhone since it happened to be the best available phone on the market.
- **Barnacles:** Here is where some companies, especially B2B companies, find a surprising amount of their customer base falls into. Barnacles are loyal customers, but they are loyal customers that rarely make a purchase, and may not bring in much of a profit. A great example would be a customer that buys one cup of coffee at your coffee shop, and then comes in every day for the next month to use your free Wi-Fi without making a purchase.
- **Strangers**: Due to different reasons, some customers are not loyal to certain brands. Generally speaking, enterprises should avoid targeting strangers, because they will never become a sincere customer, they have little contribution to the development of enterprises.

Market segmentation is a marketing strategy that categories or segments the market based on their characteristics. These categories or segments are demographic, geographic, psychographic, psychological and behavioral (market segmentation). Market segmentation is an effective tool for marketers and is said to

be a fundamental concept in modern marketing. It realises that individuals have different motivations, desires, lifestyles and tastes. Market segmentation's
effectiveness is in ability to divide a market into segments which management can then use to effectively make further informed decisions. By targeting individuals with similar characteristics, management can create an effective marketing plan for their targeted buyers. They can market their brand and develop and advertise products that relate at deeper and personal level with their targeted customers (market segmentation).

Demographic

Demographic segmentation is the division of the market based on an individual's sex, age, income and life style. Demographic segmentation is used the most frequently by businesses in comparison to the other market segments. This is possibly because of the ability to easily collect this kind of information. The national census of a country collects this kind of information. Demographic segmentation has been challenged with scholars stating that demographic segmentations such as age and sex are poor behavior predictors. However, other studies have showed that demographic segmentation is accurate and effective when analysed as a group rather than looking at an individual's behavior.

Geographic

Geographic segmentation is the division of the market based on an individual's location. This can be either nationally, regionally or locally and was said to be the first kind of segmentation used practically. Geographic segmentation can be used to compare certain habits and characteristics of different locations. UK's National Food survey showed that Scotland's consumption of vegetables and beverages was much lower than England and Wales.

Psychological

Psychological segmentation is the division of the market based on an individual's personality, attitudes and interests. This type of segmentation is based around understanding an individual's traits, habits and reason. Segmenting the market based on personality has been met with controversy. Some scholars state that personality is too complex of a segment and shows disappointing results. Psychological studies have seen trends in certain traits displayed by individuals. Mothers who were difficult to persuade to buy products for their child displayed high-esteem personality traits. In contrast, those portraying low self-esteem were easily influenced. Studies have also shown a correlation between aggression and cigarette smokers in men. This kind of research can prove beneficial to a company segmenting their target market psychologically.

Behavioral

Behavioral segmentation is the division of the market based on how individuals react or respond to a product. Behavioral segmentation relates to a consumer's brand loyalty, usage rate and usage situation, to name a few. Consumer's purchase products primarily for their value or benefits and this are the basic element of this segmentation. Many marketers believe the best starting point forconstructing market segmentation is behavioral segmentation. This is understandable as this segment deals an individual's reaction to the product exclusively. Businesses can use an individual's reaction to price drops, technology changes and product status to determine how to market their product or service effectively.

SELECTING TARGET MARKET

1. Analyze the features of your products and services. Determine the benefits that your customers get from your products and how your products fill the needs of those customers. Make a list of those features and needs to make the analysis easier.
2. Look at the types of customers who are likely to purchase your products and use your services. Consider things such as age, gender, income level, marital status, occupation, educational level, gender and ethnic background. Identify which customer categories have the greatest need for your products.
3. Consider the personal characteristics of your potential customers and determine how the customers lifestyle affects a need for your products. Think about the customer’s interests, values and personality traits. Consider how and when your customer will use your services, as well as the features that appeal to the customer.

4. Look at your competition's target market. Analyze the needs that your competition fills for their target market. Identify the areas of the market that have been overlooked by the competition. Seek to fill the void within the market, rather than targeting the same market as your competition.
5. Take a look at your current customer base, if your business is already operating. Identify the products or services that interest your current customers and determine what benefits these customers get from those services.
6. Compile all of your research findings. Use your findings to determine which types of customers have the most need for your services. Keep the market well-balanced so that your target market is not too big or too small.

POSITIONING

Positioning refers to the place that a brand occupies in the mind of the customer and how it is distinguished from products from competitors. In order to position products or brands, companies may emphasize the distinguishing features of their brand (what it is, what it does and how, etc.) or they may try to create a suitable image (inexpensive or premium, utilitarian or luxurious, entry-level or high-end, etc.) through the marketing mix. Once a brand has achieved a strong position, it can become difficult to reposition it.

Positioning is one of the most powerful marketing concepts. Originally, positioning focused on the product and with Ries and Trout grew to include building a product's reputation and ranking among competitor's products. Schaefer and Kuehlwein extend the concept beyond material and rational aspects to include 'meaning' carried by a brand's mission or myth. Primarily, positioning is about "the place a brand occupies in the mind of its target audience". Positioning is now a regular marketing activity or strategy. A national positioning strategy can often be used, or modified slightly, as a tool to accommodate entering into foreign markets.

Positioning is part of the broader marketing strategy which includes three basic decision levels, namely segmentation, targeting and positioning, sometimes known as the S-T-P approach:

The STP approach highlights the three areas of decision-making

> **Segmentation**: **refers** to the process of dividing a broad consumer or business market, normally consisting of existing and potential customers, into sub-groups of consumers (known as segments)
>
> **Targeting**: **refers** to the selection of segment or segments that will become the focus of special attention (known as *target markets*).
>
> **Positioning**: refers to an overall strategy that "aims to make a brand occupy a distinct position, relative to competing brands, in the mind of the customer".

POSITIONING STRATEGY

A clear understanding of the market includes target demographics, strength of the competitors' products, how you give value, and your own strengths and weaknesses. After you have a thorough understanding of the landscape of your market, you can decide which positioning strategy will be the most successful for your products.

1. Target Demographics

A product cannot be all things to all people. Products are designed to appeal to a specific demographic group. Several characteristics of a demographic are age, gender, education, and language and income level. For example, Telemundo is a Spanish language television network that offers programming to Latino and Hispanic customers.

A strategy that does a good job of targeting a market segment delivers more value to the consumer, establishes a stronger position against competitors, has more compelling communications and has a higher probability of keeping its customers.

2. Low-Price Strategy

Pricing is a major consideration for most consumers. If a company can convince consumers that they are receiving more value for their money, they will buy the product.

A lower price strategy may require compromises in product quality or to reduce the range of offerings. For example, a car manufacturer might offer a lower price in exchange for a smaller engine and fabric upholstery instead of leather.

Fast-food restaurants are famous for their menus, with many items selling for only $0.99. Consumers that have limited budgets will buy these lower-priced offerings because they believe that the 99 cent items represent good value for the price.

3. High-Price Strategy

Consumers perceive products with higher prices as having superior quality and are worth the price. However, to create this perception in the mind of the consumer, the company must focus its advertising on how its features and benefits are superior to those of its competitors.

The Five Guys hamburger chain has created the impression that their hamburgers and fries are higher quality than McDonald's and Burger King. As a result, Five Guys is able to charge higher prices, and people will stand in line to pay.

4. Distribution

Companies can create the perception of better value by restricting the distribution of their products. Golf equipment manufacturers have certain clubs and balls that are only available in pro shops and are sold at higher prices The golfer believes that the products must be of higher quality because they're not available in Target or Walmart.

5. Competitive Comparisons

The objective of competitive comparisons is to reposition a competitor's products in the minds of consumers. This strategy is helpful when a market has two strong competitors. One company focuses its advertising on showing how its products differ from its competition.

Marketers must determine where and how to position their products in the marketplace. They need to know who is going to buy their products, and why. How significant is the price? Do consumers perceive that the product has sufficient value to justify paying a higher price -- or do they simply want the lowest price possible? These are all questions that a marketer must answer to have a successful positioning strategy.