



Chapter 4
Segmentation, Targeting and Positioning in B.M

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Objectives

- ❖ Know market segmentation, its benefits and limitations, and requirements of effective segmentation.
- ❖ Learn to select the target market segments and target-market strategies.
- ❖ Learn to develop effective positioning strategies.

Outlines

- 4.1 Market Segmentation
- 4.2 Selecting the Target Segments
- 4.3 Positioning

4.1. Market segmentation

❖ **Definition:** Market segmentation is the process of dividing a market into groups of customers **who have similar requirements for a product or service offering.**

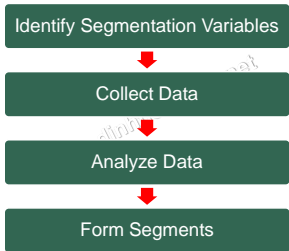
Nguồn: Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3rd edition, p42



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4.1. Market segmentation (cont')

Business Market Segmentation Process



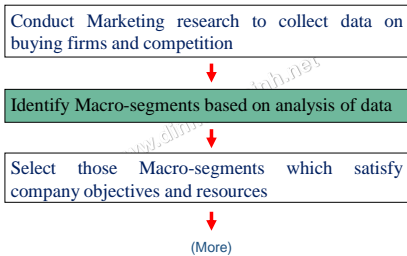
Nguồn: Lau Geok Theng (2007), *Business Marketing – An Asian Perspective*, McGraw Hill., pp 96



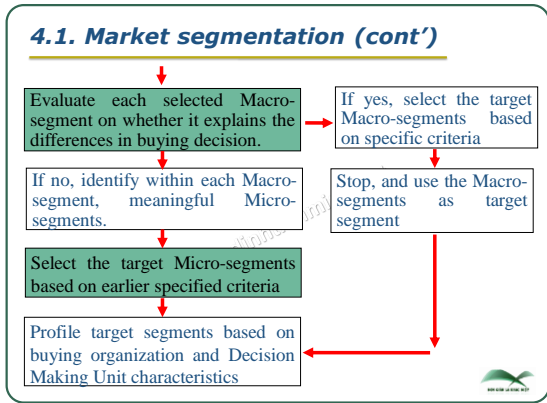
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4.1. Market segmentation (cont')

Segmenting and Targeting Framework



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7. Nguyễn-Yoram Wind & Richard Cardoso, "Industrial Market Segmentation", *Industrial Marketing Management*, 3, 2, (April, 1974), pp 153-66.

4.1. Market segmentation (cont')

❖ Identifying variables used for segmenting

Variables	Examples
	Macro-variables
1. Type of industry, type of customer	-Which industries should we market our products or service? Mining, chemical, rubber, textile, etc. -Type of customer includes Government, Commercial, Cooperative, and Institutional.
2. Company size, usage rate	-What size of company should we focus on? Based on sales potential (or usage), market is segmented by large, medium and small (or A, B, and C) size customers.
3. Customer location, geographic area	-What geographical areas should we concentrate on? Customers located nearer to factory, of clusters of customers located in various urban areas.
4. End-use or application benefits of products	-Should we focus on certain specific end-uses of applications of our product instead of all the uses or applications? Each product or service has different benefits, uses or applications.

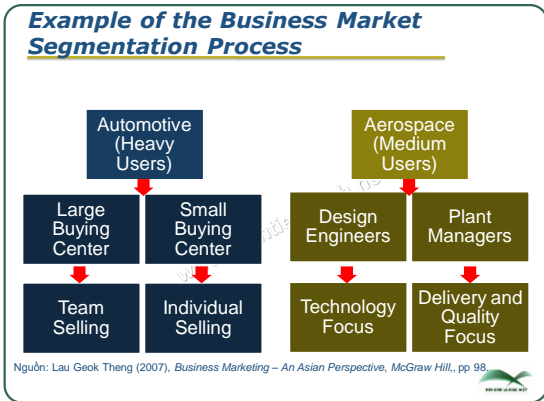
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4.1. Market segmentation (cont')

	Micro-variables
5. Buying situations: New task, Modified rebuy, Straight rebuy	-Should we serve customers who need more information, help, or discussion in decision making process from the suppliers?
6. Organizational capabilities	-Should we concentrate on customers who need financial support (more credit), more service (prompt or quick deliveries), or technical support?
7. Purchasing policies	-Should we focus on customers who prefer competitive bidding, market based negotiated prices, turn-key contracts, or service contracts?
8. Purchasing criteria	-Should we serve the customers who seek quality, service, or price?
9. Personal characteristics	-Should we focus on customers based on the personal characteristics of buying-center members such as risk-takers, risk-avoiders, or personal motives?

Nguyễn: Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3rd edition, p147.

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4.1. Market segmentation (cont')

❖ Benefits, Limitations and Requirements of effective segmentation:

- **What are the Benefits?**
 - Enable to compare marketing opportunities of different market segments (needs, competition, satisfaction levels).
 - Develop separate marketing programs or plans.
 - The budgeted allocation of resources can be done effectively.

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4.1. Market segmentation (cont')

❖ Benefits, Limitations and Requirements of effective segmentation (cont'):

- **What are the Limitations?**
 - Increase in marketing expenses (inventory carrying cost, adv, transportation...).
 - Difficulty in segmenting due to existence of great differences in buying practices, customer characteristics, product applications...

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4.1. Market segmentation (cont')

❖ Benefits, Limitations and Requirements of effective segmentation (cont'):

▪ **What are the Requirements?**

- Measurable
- Substantial
- Accessible
- Differentiable



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4.2. Selecting the target segments

❖ After evaluating several market segments, the company must select its target segments by using the Simple Matrix System (SMS) method.



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4.2. Selecting the target segments (cont')

Simple Matrix System (SMS)

Segments	Automotive	Bicycle	Boiler	Furniture	Bus body Building
Factors					
Size (US million)	600	500	300	250	200
Growth (in %)	20	10	10	7	10
Profitability	Good	Good	Good	Low	Low
No. of competitors	3	4	3	10	8
Major competitors' strengths	Product quality and timely delivery	Product quality and timely delivery	Availability of special raw material with 2 competitors	Low prices from small-scale manufacturers	Low prices from small-scale manufacturers



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4.2. Selecting the target segments (cont')

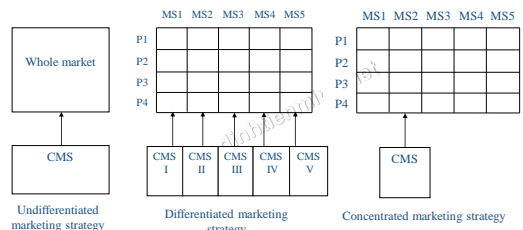
Major competitors' weaknesses	Customer service	Customer relationship	Except 2 other competitors did not have raw material	Mainly supplied by small-scale manufacturers	Mainly supplied by small-scale manufacturers
Company strengths	Customer service and relationship	Customer service and relationship	---	---	---
Success factor	Large volume production and technically complex product	Large volume production and technically complex product	Availability of special quality raw material	Simple product, low price	Simple product, low price
Compatibility with company's long-term objectives	High	Average	Low	Low	Low

Nguồn: Krishna K Havaldar (2010), Business Marketing, McGraw Hill, 3rd edition, p152.

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4.2. Selecting the target segments (cont')

Target market strategies



P: Product; MS: Market Segment; CSM: Company Marketing Strategy

21 Nguồn: Krishna K Havaldar (2010), Business Marketing, McGraw Hill, 3rd edition, p154.

4.2. Selecting the target segments (cont')

❖ Target market strategies

▪ Undifferentiated Marketing

- Developing a single marketing plan or program that will be common to all segments of customers.
- This strategy may be a conscious strategic decision due to standardized products or services sold to the market where there is no differentiation among the customers.

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4.2. Selecting the target segments (cont')

❖ Target market strategies

▪ Differentiated Marketing

- Deciding to target several market segments whose needs, product usages or market responses are appreciably different
- This increases overall costs but achieves higher sales volume and a stronger position in the chosen markets.



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4.2. Selecting the target segments (cont')

❖ Target market strategies

▪ Concentrated Marketing:

- Focusing all the marketing efforts on a single or relatively few, carefully defined segments.
- Ex: Material handling equipment manufacturer decided initially to segment the market based on "customer location" to be able to give superior pre-sales and post-sales services than competitors.



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4.3. Positioning

❖ **Definition:** Positioning is defined as a distinct place a product/ service occupies in the minds of the target customers relative to competing products/ services.

Nguồn: Krishna K Havaladar (2010), *Business Marketing*; McGraw Hill, 3rd edition, p156.

❖ **Ries & Trout** call positioning as the battle for the customer's mind.

Nguồn: Al Ries & Jack Trout, *Positioning. The battle for your mind*, 1st edition, New York: Warner Books, 1986.



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4.3. Positioning (cont')

❖ Three critical components in writing positioning statements:

- **Target:** The characteristics of the target customers in which the supplier is interested.
- **Offering concept:** The absolutely necessary attributes for the target customers.
- **Value proposition:** The difference of the market offering compared to the next-best alternative offering that is valuable to the target customers.

Nguồn: Anderson and Narus.



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Exemple of Value Proposition

Why should I buy the product/ service from you instead of from your competitors?

- ❖ Giving sound reasons on how target customers will be more benefited by using the supplier's brand.
- ❖ Claim support is sometimes needed such as ISO certification to differentiate the superior product quality from that of competitors.



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4.3. Positioning (cont')

❖ Criteria to select best positioning statement:

1. It should be **meaningful** for both target customers and the supplier firm people.

Example:

Oracle's positioning statement: *"We offer better solutions"*.

Gati transport company: *"On time, Every time"*.

Nguồn: George P. Dovel, "Stake it out: Positioning Success, Step by Step", *Business Marketing* (July, 1990), pp48-51.



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4.3. Positioning (cont')

❖ Criteria to select best positioning statement:

- 2. It should convey the value proposition that is **accurate, real and convincing** for the target customers.

Nguồn: George P. Dovel, "Stake it out: Positioning Success, Step by Step", *Business Marketing* (July, 1990), pp48-51.



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4.3. Positioning (cont')

❖ Criteria to select best positioning statement:

- 3. It should be **consistent** with what the organisation is trying to achieve (All concerned people should be committed to deliver the value proposition to the target customers).

Nguồn: George P. Dovel, "Stake it out: Positioning Success, Step by Step", *Business Marketing* (July, 1990), pp48-51.



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4.3. Positioning (cont')

❖ Criteria to select best positioning statement:

- 4. It should be **the basis** of communication message through advertising, sales promotion and sales presentations.

Nguồn: George P. Dovel, "Stake it out: Positioning Success, Step by Step", *Business Marketing* (July, 1990), pp48-51.



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4.3. Positioning (cont')

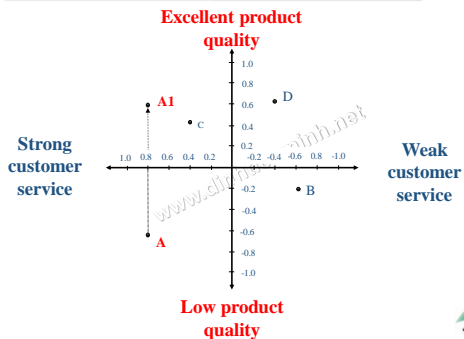
❖ Procedure for developing a positioning strategy:

- Identifying the major attributes for differentiation (Product, Service, Personnel, Image variable).
- Selecting the differentiating attributes.
- Communication the company's positioning.



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Example of Two-dimensional Perceptual Map



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4.3. Positioning (cont')

Positioning strategies according to Ries and Trout

The first strategy is to strengthen its own current position in the mind of customers.



"We're number 2. We're trying harder"



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4.3. Positioning (cont')

Positioning strategies according to Ries and Trout

The **second** strategy is to search for a new unoccupied position that is valued by enough consumers and to grab it.



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4.3. Positioning (cont')

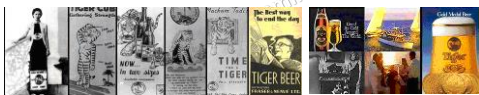


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4.3. Positioning (cont')

Positioning strategies according to Ries and Trout

The **third** strategy is to deposition or reposition the competition.



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4.3. Positioning (cont')

Positioning strategies according to Ries and Trout

The **fourth** strategy can be called the exclusive-club strategy. It can be developed by a company when a number-one position along some meaningful attribute cannot be achieved.



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Question for discussion

Choose a product/ service and tell us:

1. What segmentation variables will probably be useful? Provide reasons for your answers.
2. What is your selection for the target market and the marketing strategy.
3. How do you position your product/ service in this target market?

Suggest: Photocopier, Paint, Shipping service, Pollution control equipment, Water treatment system, Cement industry, Coffee bean...



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Ending!

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