

MOHAMED KHIDER UNIVERSITY OF BISKRA  
FACULTY OF ECONOMICS, COMMERCE AND MANAGERIAL SCIENCES  
CLASS: 2<sup>ND</sup> YEAR COMMERCIAL SCIENCES

# COURSE OF MARKETING


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Course five:

## MARKET SEGMENTATION

*(STP: SEGMENTING,  
TARGETING,  
POSITIONNING)*

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## COURSE OBJECTIVES

**At The End Of This Lecture You Will Learn The Following:**

- 1- Definition of Market
- 2- The Concept and importance of segmentation
- 3- Segmentation stages :
  - a- Evaluating/Segmenting
  - b- Targeting
  - c- Positioning
- 4- Basis of segmentation
- 5- Choosing Markets

## Introduction

Companies that sell to consumers and industries recognize that they cannot deal with all markets in the same way. Buyers are very numerous, extensively scattered and varied in their needs. Therefore, companies must identify the parts/segments of the market that they can serve best.

Few companies now use **mass** marketing. Instead, they practise **target** marketing – they identify market **segments**,

The company identifies different ways to segment the market and develops profiles of the resulting market segments.

Market **targeting** involves evaluating each market segment's attractiveness and selecting one or more of the market segments to enter.

Market **positioning** is setting the competitive positioning for the product and creating a detailed marketing mix.

**Businesses mostly succeed by concentrating on a group of customers they can serve better than anyone else.**

## 1- DEFINITION OF MARKET

- A market is the set of actual and potential buyers of product.  
Markets consist of buyers that are basically different in one or more ways—they may differ in wants, resources, locations, buying attitudes and practices.
- Markets consist of people with needs and wants with enough disposable income and willingness to spend on the goods and services provided, to satisfy their special needs and wants.
- \* For most products, the total market is too broad and **heterogeneous** for a strategy of market segmentation—that is, developing one product and one marketing program to reach the entire market.
- \* A more effective strategy is **Market Segmentation**.

## 2-A- DEFINITION OF MARKET SEGMENTATION

Market Segmentation is the process of dividing consumers in a given economy into **target** markets.

It is aimed at dividing the total market in an economy where demands for a given product are **heterogeneous** into **homogeneous** demand groups or segments, for the purpose of providing unique or specific products or services for each segment.

- **Market Segmentation:**

- *Divides a market into subsets of prospective customers who behave in the same way, have similar wants, or have similar characteristics that relate to purchase.*

- **Intermarket Segments:**

- *Well-defined, similar clusters of customers across national boundaries.*

## 2-A- DEFINITION OF MARKET SEGMENTATION

### Targeting:

- *Selecting which segments in a market are appropriate to focus on and designing the means of reaching them*

### Positioning

- The final step in this framework is positioning, which allows you to **set your product or services apart from the competition** in the minds of your target audience. There are a lot of businesses that do something similar to you, so you need to find what it is that makes you stand out.
- All the different factors that you considered in the first two steps should have made it easy for you to identify your niche. There are three positioning factors that can help you gain a competitive edge:
  1. **Symbolic positioning:** Enhance the self-image, belongingness, or even ego of your customers. The luxury car industry is a great example of this – they serve the same purpose as any other car but they also boost their customer's self-esteem and image.
  2. **Functional positioning:** Solve your customer's problem and provide them with genuine benefits.
  3. **Experiential positioning:** Focus on the emotional connection that your customers have with your product, service, or brand.
- The most successful product positioning is a combination of all three factors. One way to visualize this is by **creating a perceptual map for your industry**. Focus on what is important for your customers and see where you and your competitors land on the map.

## 2-B- IMPORTANCE OF MARKET SEGMENTATION

The benefits of market segmentation are summarised below:

- marketing opportunities for each segmentation and the total market can be easily determined
- appropriate marketing efforts for each market segment can be well defined and implemented
- each market segment becomes a marketing unit for planning, implementation and control purpose.



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## 2-B- IMPORTANCE OF MARKET SEGMENTATION

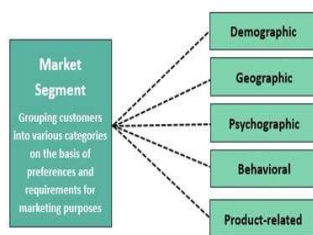
### Benefits of Market Segmentation

Successful marketing segmentation campaigns can increase the long-term profitability and health of a company. Several benefits of market segmentation include;

- **Increased resource efficiency.** It allows management to focus on certain demographics or customers. Instead of trying to promote products to the entire market, It allows focused, precise approach that often costs less compared to a broad reach approach.
- **Stronger brand image.** Once the market segment is identified, management must then consider what message to craft.
- **Greater potential for brand loyalty.** It increases the opportunity for consumers to build long-term relationships with a company.
- **Stronger market differentiation.** [product differentiation](#) could be by communicating specifically how a company is different from its competitors with a specific image that is more likely to be memorable and specific.
- **Better targeted digital advertising.** Marketing segmentation enables a company to perform better targeted advertising strategies. This includes marketing plans that direct effort towards specific ages, locations, or habits via social media.

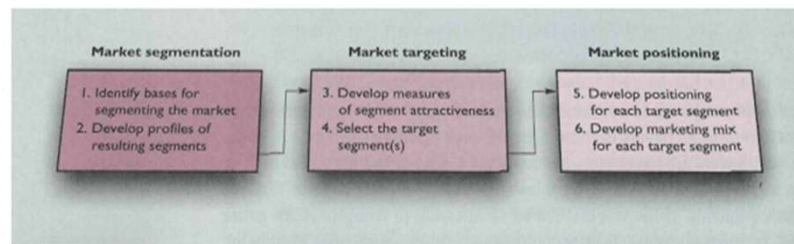
## 3- BASIS OF SEGMENTATING CONSUMER/BUSINESS MARKETS

### Types of Market Segment



WallStreetMojo

### Steps of segmentation



### 3- BASIS OF SEGMENTATING CONSUMER/BUSINESS MARKETS

Companies can generally use three criteria to identify different market segments:

1. **Homogeneity**, or common needs within a segment
2. **Distinction**, or being unique from other groups
3. **Reaction**, or a similar response to the market

#### DEMOGRAPHIC SEGMENTATION

Demographic segmentation is one of the simple, common methods of market segmentation. It involves breaking the market into customer demographics as age, income, gender, race, education, or occupation. This market segmentation strategy assumes that individuals with similar demographics will have similar needs.

**Example:** The market segmentation strategy for a new video game console may reveal that most users are young males with disposable income.

### 3- BASIS OF SEGMENTATING CONSUMER/BUSINESS MARKETS

#### GEOGRAPHIC SEGMENTATION

Geographic segmentation is technically a subset of demographic segmentation. This approach groups customers by physical location, assuming that people within a given geographical area may have similar needs. This strategy is more useful for larger companies seeking to expand into different branches, offices, or locations.

**Example:** A clothing retailer may display more rain gear (Rain suits) in their Northwest locations compared to their Southwest locations.

#### PSYCHOGRAPHIC SEGMENTATION

Often the most difficult market segmentation approach, psychographic segmentation strives to classify consumers based on their lifestyle, personality, opinions, and interests. This may be more difficult to achieve, as these traits (1) may change easily and (2) may not have readily available objective data. However, this approach may yield strongest market segment results as it groups individuals based on intrinsic motivators as opposed to external data points.

**Example:** A fitness apparel company may target individuals based on their interest in playing or watching a variety of sports.

### 3- BASIS OF SEGMENTATING CONSUMER/BUSINESS MARKETS

#### BEHAVIORAL SEGMENTATION

Behavioral segmentation relies heavily on market data, consumer actions, and decision-making patterns of customers. This approach groups consumers based on how they have previously interacted with markets and products. This approach assumes that consumers' prior spending habits are an indicator of what they may buy in the future, though spending habits may change over time or in response to global events.

- Example 1: 'Sensodyne' toothpaste brand is specifically targeted at consumers with sensitive teeth. While brands such as 'Colgate' and 'Pepsodent' are specifically meant for teeth whitening and prevention of tooth decay.
- Example 2: In the smartphone market, 'Blackberry' was launched specifically targeting the business population and the promotional strategy gave it exclusivity over other smart-phones. 'Apple' was launched for premium consumers, looking for uniqueness.

Behavioural segmentation implies dividing buyers into groups based on their knowledge, attitude, uses, or responses to a product. Some marketing executives are of the view that behavioural variables are the best start point for building market segments. Variables such as occasions, benefits sought, status, usage rate, loyalty status, attitude toward products- among others, are used by marketers to segment markets.



### 3- BASIS OF SEGMENTATING CONSUMER/BUSINESS MARKETS

**PRODUCT SEGMENTATION** is when you offer different versions of your product to different groups of people.

**Product-related segmentation** is dividing consumer markets into groups based on benefits sought by buyers, usage rates, and loyalty levels.

#### Example : benefit segmentation of the toothpaste market

BENEFIT SEGMENTS	DEMOGRAPHICS	BEHAVIOUR	PSYCHOGRAPHICS	FAVoured BRANDS
Economy (low price)	Men	Heavy users	High autonomy, value oriented	Brands on sale
Medicinal (decay prevention)	Large families	Heavy users	Hypochondriacal, conservative	Crest
('cosmetic (bright teeth)	Teens, young adults	Smokers	High sociability, active	Aqua -Fresh, Ultra Brttc
Taste (good tasting)	Children	Spearmint lovers	High self-involvement, hedonistic	Colgate, Aim

## 5- CHOOSING MARKETS

- **These criteria should be taken into consideration:**

- a) **Measurable:** Market segments are usually measured in terms of sales value or volume (i.e. the number of customers within the segment). By identifying the size of a market segment to a reasonable degree of accuracy, marketers strategists can then decide whether, how, and to what extent they should focus their efforts on marketing to this segment.
- b) **Substantial/ profitable:** How much is the market important that it can realize the firm's objectives in terms of profit and other. A practical market segment is usually an homogenous group and also mostly stable because marketers would not focus on an unstable market.
- c) **Accessible:** It is important that marketers with their efforts may access market segments. Different segments might respond better to outdoor advertising, social media campaigns, television infomercials, or any number of other approaches.

## 5- CHOOSING MARKETS

- a) **differentiable:** An ideal market segment should be internally homogeneous but externally heterogeneous. Differences between market segments should be clearly defined, so that the campaigns, products and marketing tools applied to them can be implemented without overlap.
- b) **Actionable:** The market segment must have practical value – its characteristics must provide supporting data for a marketing position or sales approach; its outcomes are easily quantified and in relation with what was planned before.



## \* REQUIREMENT FOR EFFECTIVE SEGMENTATION (PH. KOTLER)

**Measurability.** The size, buying power and profiles of the segments need measuring. Certain segmentation variables are difficult to measure. For example, there are 30 million left-handed people in Europe - almost equalling the entire population of Canada - yet few firms target them. The crucial problem may be that the segment is hard to identify and measure. There are no data on the demographics of left-handed people and governments do not keep track of left-handedness in their surveys. Private data companies keep reams of statistics on other demographic segments, but not on left-handers.<sup>26</sup>

**Accessibility.** Can market segments be effectively reached and served? There are many heavy drinkers, but their imbibing is all they have in common. Except for a few Islamic states, heavy drinkers come from all countries, covering all ages, income groups and psychologies, and both genders. Unless this group lives or shops at certain places or sees certain media, its members will be difficult to target.

**Substantiality.** 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 programme. It would not pay, for example, for a car manufacturer to develop cars for persons whose height is less than four feet.

**Actionability.** Effective programmes need to attract and serve the segments. For example, although the Midland Bank identified seven market segments and developed Vector and Orchard accounts for them, its resources were too small to develop special marketing programmes for each segment. It had a limited advertising budget and had to serve all the segments using the same people in the branches.

**measurability**  
*The degree to which the size, purchasing power and profits of a market segment can be measured.*

**accessibility**  
*The degree to which a market segment can be reached and served.*

**substantiality**  
*The degree to which a market segment is sufficiently large or profitable.*

**actionability**  
*The degree to which effective programmes can be designed/or attracting and serving a given market segment.*

**See  
you  
in  
the next  
lecture**

**THANK YOU FOR YOUR ATTENDANCE**