Market Segmentation, Targeting and Positioning
Overview

• Introduction to Marketing Terms
• Segmentation
• Targeting
Who buys these?

- Do you think that they are meant for the same people?
- What kinds of criteria might you use to differentiate who buys one item over the other?
- What “problem” does each one solve?
Purpose of Segmentation

• Segmentation will be important for your project because you don’t want to focus
  – Who has the problem that you are trying to fix? What are his/her characteristics?
  – How many people have the problem?
  – Are there enough people who have the problem to make solving it worthwhile?
A FEW MARKETING TERMS
Market

- **Market**: the group of people or organizations who need your product and are able to buy it

Source: [http://www.businessdictionary.com/definition/marketing.html](http://www.businessdictionary.com/definition/marketing.html)
Marketing Mix: “Four Ps”

- **Marketing Mix**: The four categories of decisions a marketer makes about an offering, also known as the “Four Ps”
  - **Product**: the actual offering, whether product or service (or both)
  - **Price**: how much to charge
  - **Place**: where the product will be available (channels)
  - **Promotion**: how customers will learn about the product (advertising, other communications)

Source: [http://www.quickmba.com/marketing/mix/](http://www.quickmba.com/marketing/mix/)
Mass Marketing

- **Mass Marketing**: offering the same product to everyone in a market

  *Example*: A rice company sells only one kind of rice, in one size bag. Everyone buys the same one.

Target Marketing

- **Target Marketing**: focusing on one or more specific groups of customers with different products, services, or marketing messages

  *Example: A health & beauty products maker offers several types of shampoo: one type is very mild and meant for babies; one is scented to appeal to men; one promises shinier hair and has a feminine, floral scent.*

SEGMENTATION
Market Segmentation

• **Market segmentation** is dividing up a market into smaller groups, or segments, by their needs or characteristics.

• When done properly, it allows companies to better understand and serve the needs of their customers and to increase revenues.

Criteria for Segments

• **"Identifiable:"** the differentiating attributes of the segments must be measurable so that they can be identified.

• **Accessible:** the segments must be reachable through communication and distribution channels.

• **Substantial:** the segments should be sufficiently large to justify the resources required to target them.

• **Unique needs:** to justify separate offerings, the segments must respond differently to the different marketing mixes.

• **Durable:** the segments should be relatively stable to minimize the cost of frequent changes.”

Segmentation Base

A **Segmentation Base** is the group of characteristics that is used to segment members. Potential customers are divided into meaningful and distinct groups.
Segmentation Base

• Characteristics used to divide consumer groups
  – Geographic: where they are
  – Demographic: statistical categories
  – Psychographic: what they think
  – Behavioral: what they do

• Note that when segmenting, you will probably choose a combination of multiple factors
Geographic Factors

• Factors relating to where consumers are and what their area is like
  – Regional: could be on any level from continent to neighborhood
  – Size of metro area / population size
  – Population density (urban vs. rural)
  – Climate: Are there four seasons? Is there a monsoon season? Hurricane season? Is it sunny all the time?

Source: http://www.netmba.com/marketing/market/segmentation/
Demographic Factors

• Statistical socio-economic factors
• Examples: *age, gender, family size, family life cycle, income, occupation, education, religion, ethnicity, generation, nationality, sexual orientation*

Sources: [http://www.businessdictionary.com/definition/demographic-factors.html](http://www.businessdictionary.com/definition/demographic-factors.html)  
Psychographic Factors

• Factors that categorize people by lifestyle & beliefs
• Deeper level than demographics and may be hard to capture statistically
• Examples: *activities, interests, opinions, values*

Behavioral Factors

• “Based on actual consumer behavior towards products”
• Examples: benefits sought, rate of usage, brand loyalty

Source: http://www.netmba.com/marketing/market/segmentation/
Segmenting Business Markets

- Variables used to divide business groups:
  - Geographic: specific location and characteristics of that area such as growth rate
  - Customer Type: i.e., size, industry
  - Buyer Behavior: i.e., frequency and size of purchase, brand loyalty

Source: http://www.netmba.com/marketing/market/segmentation/
Market Targeting is the process of evaluating and selecting the most viable market segment(s) to enter. *Who do you work with? Where are they?*
Market Targeting

• You probably want to target the segment that is easy to get to, large, and likely to buy.
• You might try multiple segments on a trial basis and narrow down to one or two.
• As your business grows, you may split these segments or expand into other segments.
• You should also think about who your competitors are targeting; is there a segment that is not being served?
Positioning

Positioning is the development of market programs for specific target customers. It achieves a place in the minds of customers. *What does the customer feel/see about the product?*
SEGMENTATION FOR THE ACARA CHALLENGE
Getting Started

• Most likely, your potential market—the people who are willing and able to buy your product or service—is not the entire world
• It’s probably not even the entire country
• That’s ok! It’s hard to make everyone happy
• You need to start narrowing down your field
Geographic Considerations

• Geographic factors may be the first way to segment
• As a start-up, unless you are completely online, you will probably need a local focus
• Some things to think about:
  – How far are you willing/able to travel to interview and observe people? Does your school have an existing relationship with a particular village?
  – What aspects of food or water are absent from your area? For instance, urban areas may not produce much raw food.
  – What sorts of cultural boundaries exist? Is there a particular ethnic group living in your area, and could their needs be different from others’? How large is their “territory?”
Other Practical Considerations

• What sort of assets does your team have?
  – Practical / technical skills or knowledge related to food vs. water
  – Interest in one area over another
  – Networks
  – Language skills
  – Personal knowledge or observations

• Having particular strengths in one area may help you focus, though you should beware not to bring in preconceived notions of what problem exists or how to solve it
Iterative Process

- You probably won’t get the segmentation exactly right the first time around.
- Most likely, your segmentation plan will change as you learn more about your problem.
- The segment(s) you initially focus on will inform where to look for more information, and that information will help you to refine your plan—and so on.
- You should go back to your target segment to confirm that they would use your product or service.
“The Indian University our team represented already had a relationship with a particular village, so we decided to start there. One person on our team was a biogas expert and wanted to steer our team in that direction, but we wanted to make sure we understood the problem first. We found that the village already had defunct biogas plants, which had been given by NGOs working in the area—but that transport of the gas to individual homes was a problem. We looked at a report that had been put together about the needs of the village, and it found that irrigation was a big issue. Farmers were using flood irrigation, but they only got water every week or two, and the fields often dried up in between. Some of us had heard about drip irrigation and thought it might work there, so we investigated what types of crops were suitable for this kind of system, and found that many of them were being grown there.”
Example from Previous AC

- Started with geography: they already had a relationship with a village
- Used primary and secondary research (existing report) to identify problems and scope
- Identified possible solutions
- Compared feasibility & possible impact
- Narrowed focus based on who might actually use the solution (farmers, types of crops)
Going Back to the Beginning

• Remember to go back to these questions:
  – Who has the problem that you are trying to fix? What are his/her characteristics?
  – How many people have the problem?
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Resources

- www.netmba.com
- www.quickmba.com
- www.businessdictionary.com