# MARKET SEGMENTATION, TARGETING & POSITIONING

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# Learning Objectives

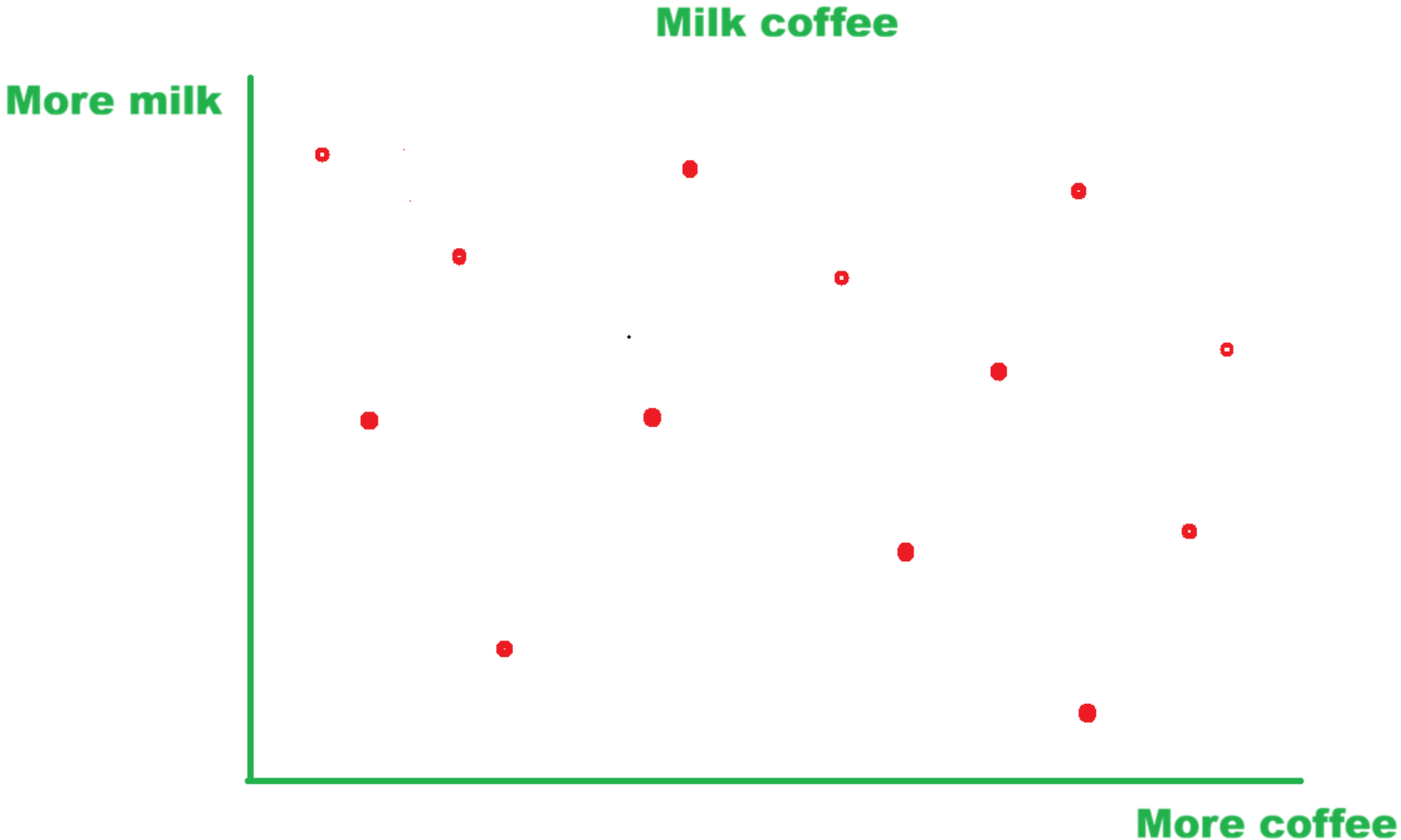


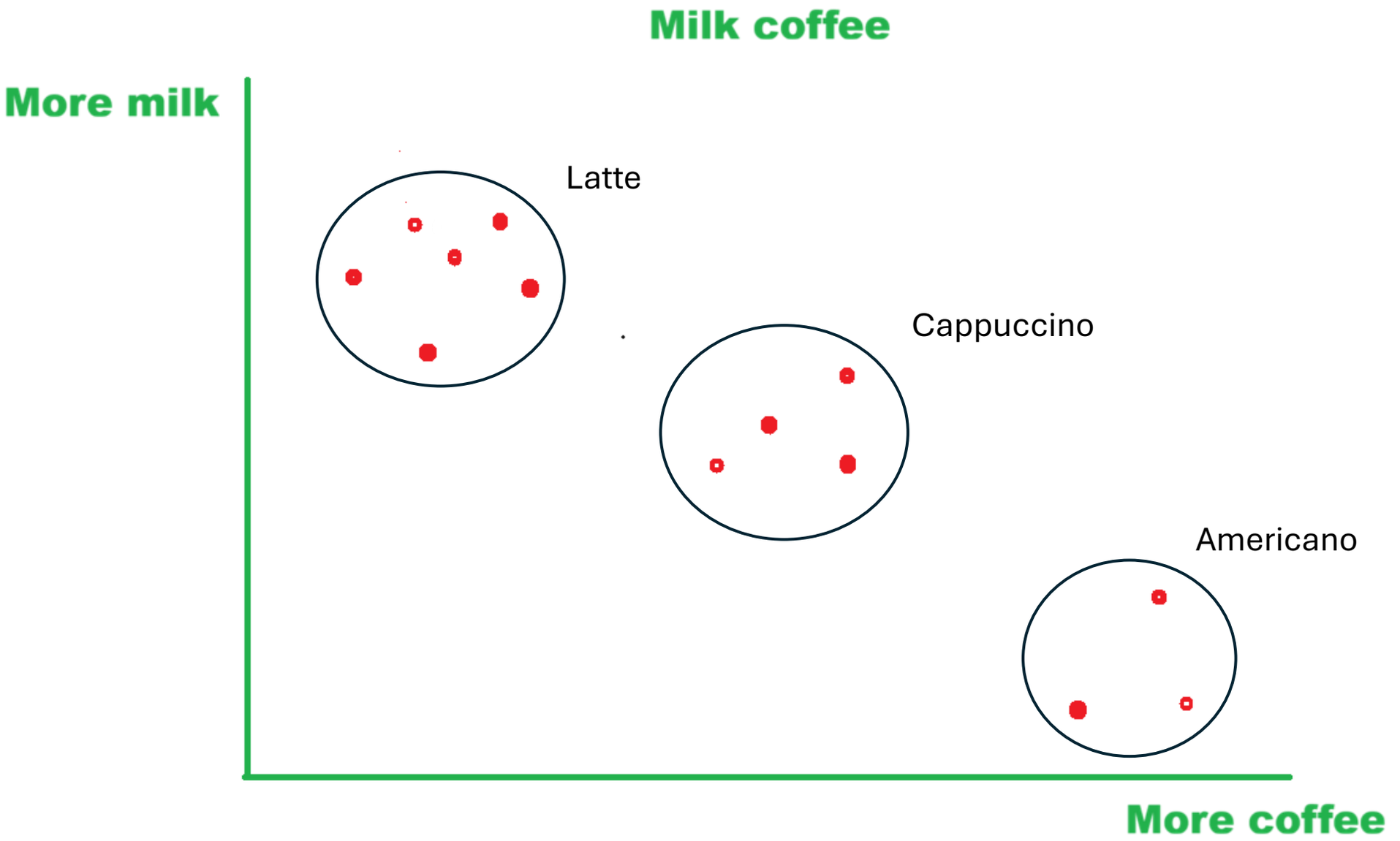
**By the end of this topic, students should be able to**

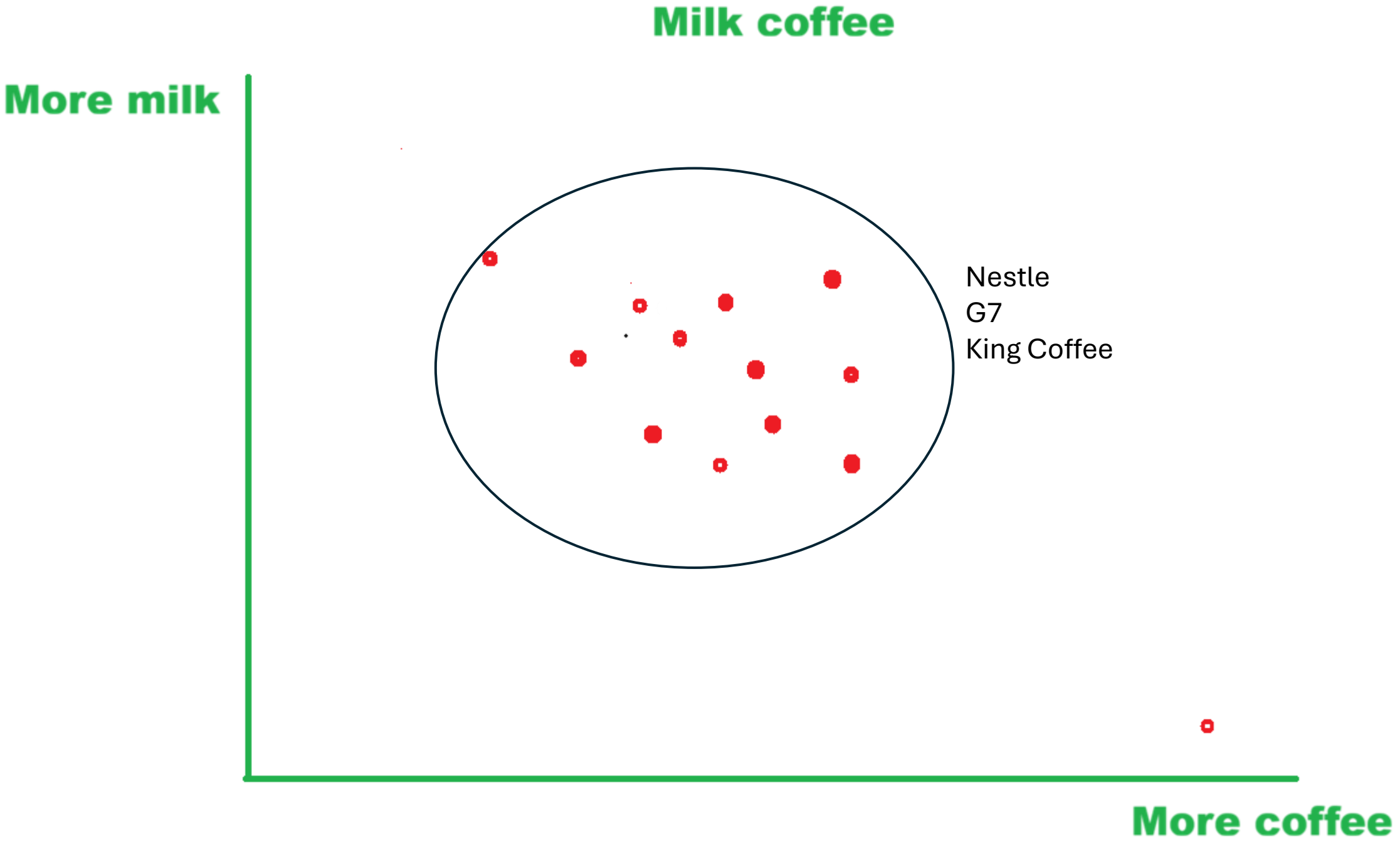
- Explain why companies divide markets into segments.
- Identify the major variables used to segment consumer markets.
- Evaluate and select attractive target markets.
- Compare different market-targeting strategies.
- Explain differentiation and positioning.
- Develop a simple positioning statement

# Should a company serve all customers in exactly the same way?

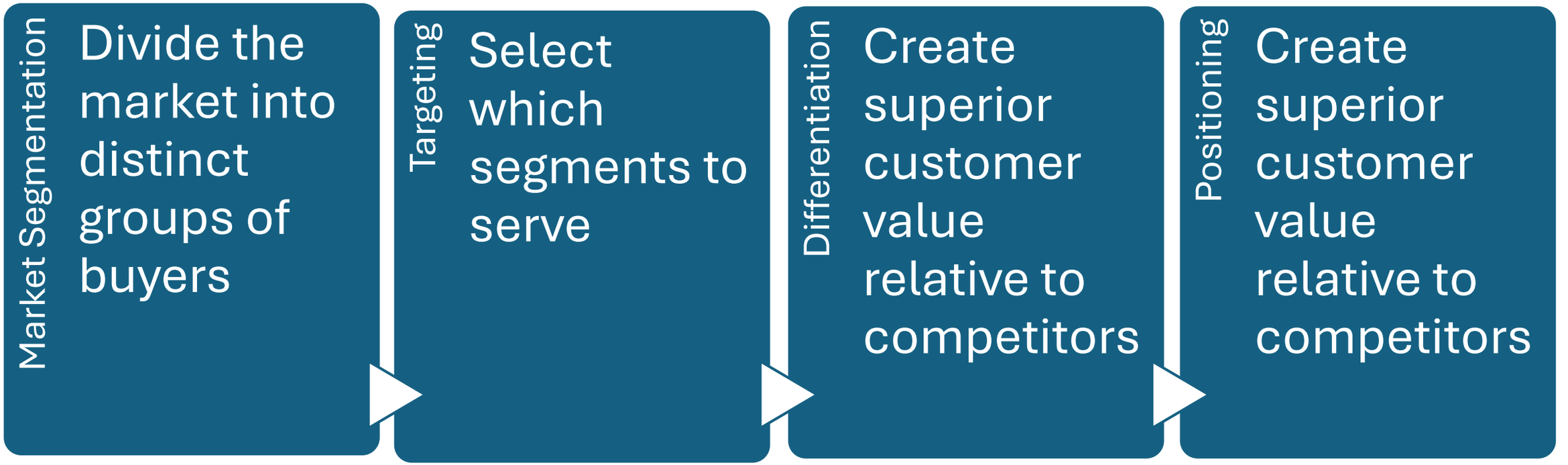
- Customers are different.
  - needs and wants
  - income
  - age and lifestyle
  - buying behaviour
  - attitudes and preferences
  - responses to marketing activities
- Markets are different
  - Density
  - Demand
  - Consumer power
  - Value
  - Resource
  - Law


Milk coffee
More milk
More coffee


Milk coffee
More milk
Latte
Cappuccino
Americano
More coffee


Milk coffee
More milk
Nestle
G7
King Coffee
More coffee

# A customer-driven marketing strategy



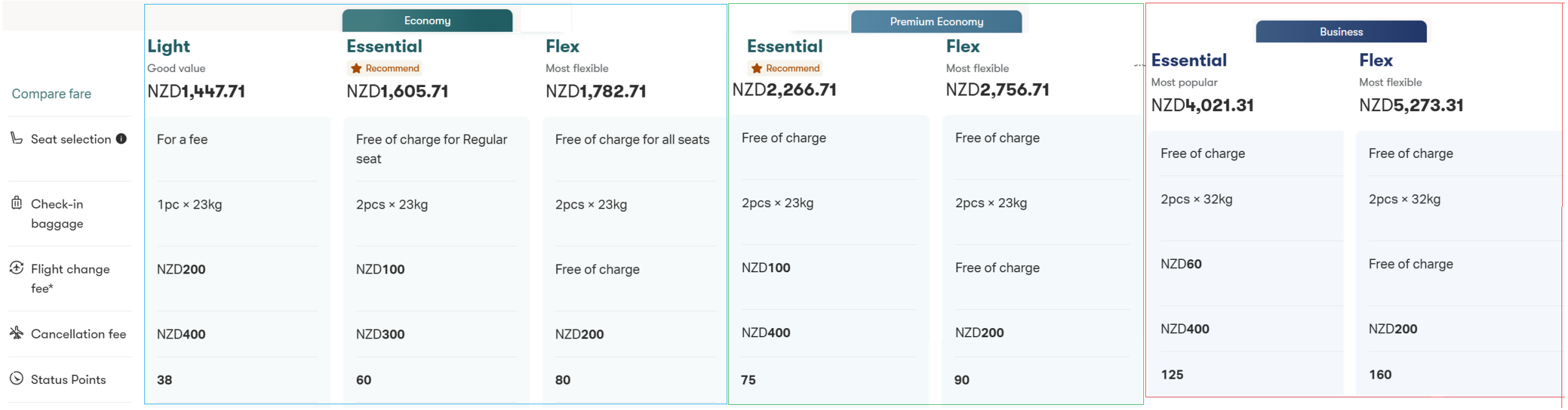
# MARKET SGMENTATION



# What Is Market Segmentation?

- **Market segmentation** is the process of dividing a broad market into smaller groups of consumers who share similar needs, characteristics, or buying behaviours.
- Consumers within the same segment are expected to **respond similarly to a given marketing stimulus**, while consumers in different segments are expected to **respond differently to the same stimulus**.
- Because different segments respond differently, they may require **different marketing strategies or marketing mixes**.

# Flight Ticket (Cathay Pacific)



| Compare fare | Economy | | | Premium Economy | | Business | |
|---|---|---|---|---|---|---|---|
| | Light<br>Good value<br>NZD1,447.71 | Essential<br>Recommend<br>NZD1,605.71 | Flex<br>Most flexible<br>NZD1,782.71 | Essential<br>Recommend<br>NZD2,266.71 | Flex<br>Most flexible<br>NZD2,756.71 | Essential<br>Most popular<br>NZD4,021.31 | Flex<br>Most flexible<br>NZD5,273.31 |
| Seat selection | For a fee | Free of charge for Regular seat | Free of charge for all seats | Free of charge | Free of charge | Free of charge | Free of charge |
| Check-in baggage | 1pc × 23kg | 2pcs × 23kg | 2pcs × 23kg | 2pcs × 23kg | 2pcs × 23kg | 2pcs × 32kg | 2pcs × 32kg |
| Flight change fee* | NZD200 | NZD100 | Free of charge | NZD100 | Free of charge | NZD60 | Free of charge |
| Cancellation fee | NZD400 | NZD300 | NZD200 | NZD400 | NZD200 | NZD400 | NZD200 |
| Status Points | 38 | 60 | 80 | 75 | 90 | 125 | 160 |

**Same marketing stimulus:** a $50 flexibility upgrade

Two market segments may respond differently:

**Business travellers**

Value flexibility because travel schedules may change.

Are relatively less price-sensitive.

Many may be willing to pay the extra $50.

**Business segment:** emphasise flexibility, convenience, and time saving.

**Budget leisure travellers**

Plan trips in advance.

Are more price-sensitive.

Many may prefer the cheapest non-refundable ticket.

**Budget leisure segment:** emphasise low fares and promotional discounts.

# Why Segment Markets?

- Segmentation helps companies:
  - understand customers better
  - identify attractive customer groups
  - design more relevant products
  - communicate more effectively
  - allocate marketing resources efficiently
  - compete more effectively
- Eg: Hanoi 5 gates train. Instead of advertising the same travelling package to everyone, it may offer:
  - family packages
  - honeymoon packages
  - school packages
  - wellness retreats
- Major Bases for Segmenting Consumer Markets: Geography, Demography, Psychology, Behaviour

# GEOGRAPHIC SEGMENTATION

- Dividing the market according to geographical units such as:
  - nations
  - regions
  - cities
  - neighbourhoods
  - climate zones
  - urban vs rural areas
  - Topography
- Eg: Clothing retailers sell: heavier winter clothing in cold regions, and lighter clothing in tropical regions.
- McDonald’s: Menus can differ across countries (cultures)

# DEMOGRAPHIC SEGMENTATION

- Dividing the market based on characteristics such as:
  - age
  - life-cycle stage
  - gender
  - income
  - occupation
  - education
  - religion
  - generation
- Eg: A bank may offer:
  - student accounts → university students
  - home loans → young families
  - investment products → middle-aged customers
  - retirement products → older consumers

# PSYCHOGRAPHIC SEGMENTATION

- Consumers with similar demographics may have very different lifestyles → Dividing buyers based on:
  - social class
  - lifestyle
  - personality characteristics
- Eg: Two 30-year-old consumers with similar incomes may prefer:
  - Consumer A → luxury shopping and fine dining
  - Consumer B → hiking, minimalism and sustainable products.
- Travellers may be:
  - adventure seekers
  - luxury travellers
  - cultural explorers
  - wellness travellers
  - budget backpackers



# BEHAVIOURAL SEGMENTATION

- Dividing buyers according to their:
  - knowledge
  - attitudes
  - uses
  - responses to a product
- Common variables include:
  - occasions → Eg: Chocolate for Valentine's Day, Mooncakes for Mid-Autumn Festival
  - benefits sought → Eg: Toothpaste: cavity protection, whitening, sensitivity protection, fresh breath
  - user status: non-users, potential users, first-time users, regular users
  - usage rate → Eg: Coffee shops may particularly value customers who buy coffee every day rather than occasionally
  - loyalty status → Eg: Airlines use frequent-flyer programmes to strengthen loyalty among frequent travellers.

# EFFECTIVE SEGMENTATION

- Measurable
- Accessible
- Substantial
- Differentiable
- Actionable

Eg: A business wants to target to customers who enjoy beautiful things

What is the problems?

- How large is this segment?
- How can we identify them?
- Can we reach them?
- Do they respond differently?
- Can we design a specific strategy for them?

→"University students aged 18–24 who regularly purchase coffee near campus.“

→easier to measure and reach

# MARKET TARGETING



# Why we need market targeting?

- **Which segment(s) should we serve?**
- Market targeting involves:
  - Evaluating the attractiveness of market segments
    - **Segment size and growth:** Is the segment large or growing?
    - **Structural attractiveness:** How strong is competition? Are substitutes available? How powerful are buyers?
    - **Company objectives and resources:** Does the segment fit the company's strengths and strategy?
  - Selecting one or more segments to enter: The Largest Segment Is Not Always Best
- A large market may appear attractive but may also have:
  - intense competition
  - high marketing costs
  - strong existing brands
  - low profitability

→ A smaller segment may offer a better opportunity.



# TARGET MARKET STRATEGIES




- Undifferentiated marketing: The company targets the whole market with **one offer**.
  - **Advantage:** lower cost
  - **Problem:** difficult to satisfy diverse needs.
- Differentiated marketing: The company targets several market segments and designs a separate offer for each.
  - Example: Toyota



# TARGET MARKET STRATEGIES

Concentrated marketing: The company focuses on a **large share of one or a few smaller segments**

→ **niche marketing**

→ useful when a company: has limited resources, has specialist expertise, serves highly specific customer needs

# Cocoon Vietnam — Focusing on a Specific Beauty Segment

The Vietnamese cosmetics market includes many large international and domestic brands competing for mainstream consumers. Instead of trying to appeal to everyone, **Cocoon focused on a more specific segment: consumers looking for vegan, cruelty-free and locally inspired beauty products**.

Its products use recognisably Vietnamese ingredients such as coffee, winter melon and grapefruit, helping the brand combine ethical beauty with a distinctive Vietnamese identity.

rather than competing for every cosmetics buyer, Cocoon initially built strong relevance among consumers who particularly valued these attributes.

Cocoon did not need to serve the whole cosmetics market. By serving a smaller group with distinctive needs particularly well, it could build a strong and differentiated brand.

**Limited resources → focus rather than mass competition**
**Specialist expertise → vegan, plant-based cosmetics**
**Specific customer needs → ethical, cruelty-free, locally rooted beauty**

# TARGET MARKET STRATEGIES

Micromarketing: Micromarketing adapts products and marketing programmes to specific:

- individuals → Individual Marketing
  Eg.: Tailoring products to individual customers.
  Nike By You allows customers to personalise selected shoes.
- local customer groups → Local Marketing
  Eg: Adapting brands and promotions to local customer groups.

# NIKE BY YOU

With Nike By You, customers can customise selected shoes by choosing colours, materials and personalised details.

**Each customer can receive a product tailored to his or her individual preferences.**

## HOW IT WORKS

1. **CHOOSE** your shoe model
2. **CUSTOMISE** colours, materials and details
3. **PERSONALISE** add your own text or symbols
4. **ORDER** made especially for you
5. **DELIVERED** your unique product

### CUSTOMER A

**Red-and-black Air Max + personalised text**




Red · Black · Mesh · Personalised text (ALEX)

### CUSTOMER B

**Neutral colours + different materials**



Beige · Light Grey · Canvas · Personalised text (B)

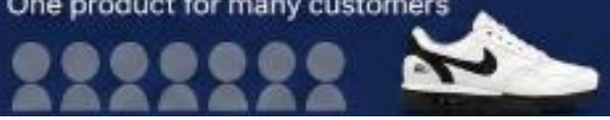
### CUSTOMER C

**Completely different colour combination**




Teal · Purple · Yellow · Personalised text (C.T.)

**FROM MASS MARKETING**
One product for many customers



**TO INDIVIDUAL MARKETING**
One customer → one customised offering



**BENEFIT**
Higher customer satisfaction, stronger emotional connection and greater loyalty.

Troy University Resources



# DIFFERENTIATION & POSITIONING

# How will marketers create superior value for their target market?

- Differentiation means making the market offering different from competing offerings in ways that create **greater customer value**.
- Companies can differentiate through:
  - products
  - services
  - channels
  - people
  - image

# Dyson vacuum cleaner

Dyson entered highly competitive household appliance markets where many products performed similar basic functions.

Instead of competing mainly on price, Dyson differentiated through **product technology and design**. Its vacuum cleaners became known for bagless cyclone technology, strong suction, distinctive appearance, and engineering-focused innovation.

This allowed Dyson to position its products as **high-performance, technologically advanced appliances** and charge premium prices compared with many conventional competitors.

**Question:**
How product differentiation creates value?

By making the product itself meaningfully different in **features, performance, design, or quality**.






# Image Differentiation

- Harley-Davidson: customers are not simply buying a motorcycle - they may be buying **freedom, identity, belonging, and a particular lifestyle**.
- Vespa: customers may buy **stylish, youthful, urban and Italian rather than rugged, rebellious and American**.

# Choosing the Right Competitive Differences

- Not every difference is worth promoting.
- A difference should be:
  - **Important** — delivers a highly valued benefit
  - **Distinctive** — competitors do not offer it in the same way
  - **Superior** — better than alternative ways of obtaining the benefit
  - **Communicable** — easy for customers to understand
  - **Affordable** — target customers can pay for it
  - **Profitable** — financially worthwhile for the company

# POSITIONING

- Positioning means arranging for a product to occupy a **clear, distinctive, and desirable place** relative to competing products in the minds of target consumers.
- Eg.: Vietjet Air – low-cost carrier

  Volvo - safety

# Value Proposition

| Value Proposition | Meaning | Example |
| --- | --- | --- |
| **More for More** | Superior benefits at a higher price | Rolex |
| **More for the Same** | More benefits at a similar price | Xiaomi |
| **The Same for Less** | Comparable benefits at a lower price | BigC |
| **Less for Much Less** | Fewer benefits at a substantially lower price | Vietjet Air |
| **More for Less** | More benefits at a lower price | New challenger brand |

# More for More: Rolex

Rolex competes in the luxury watch market. Its watches are priced far above ordinary watches, but customers are not paying only for timekeeping. They also receive prestige, craftsmanship, heritage, exclusivity, and strong symbolic value.

Customers pay **more** because they perceive that they receive **more benefits**, especially status and brand image.

# More for the Same: Xiaomi

Xiaomi entered many smartphone markets by offering phones with high-resolution cameras, large batteries, strong processors, and attractive designs at prices similar to or lower than established mainstream brands.

Consumers may perceive that they receive **more features and performance for roughly the same price**.

# The Same for Less: BigC

BigC sells many everyday grocery products that perform the same basic functions as products sold by larger supermarket chains. It keeps prices low through a limited product range, private-label products, simple store layouts, and cost-efficient operations.

Customers obtain **similar basic benefits at a lower price**.

# Less for Much Less: Vietjet Air

Vietjet Air offers very low airfares but provides fewer included services than traditional full-service airlines. Passengers may pay separately for checked baggage, seat selection, food, and other extras.

Customers accept **fewer services** in exchange for a **much lower price**.

# More for Less: New Market Entrant

- Imagine a new fitness centre entering a university neighbourhood. Existing gyms charge 400.000 VND per month for basic equipment access. The new gym charges 300.000 VND while also including group classes, an app, extended opening hours, and free fitness assessments.
- The company offers **more benefits at a lower price**.

# Team work



# Questions:

- Discuss the possible segmentation of your business case study. How would you divide them? By which criteria?
- What are the target segmentations? Why?
- Which product/ service would be provided to make the business different to its competitors?
- What positioning strategy do you recommend?