

PRINCIPLES OF MARKETING

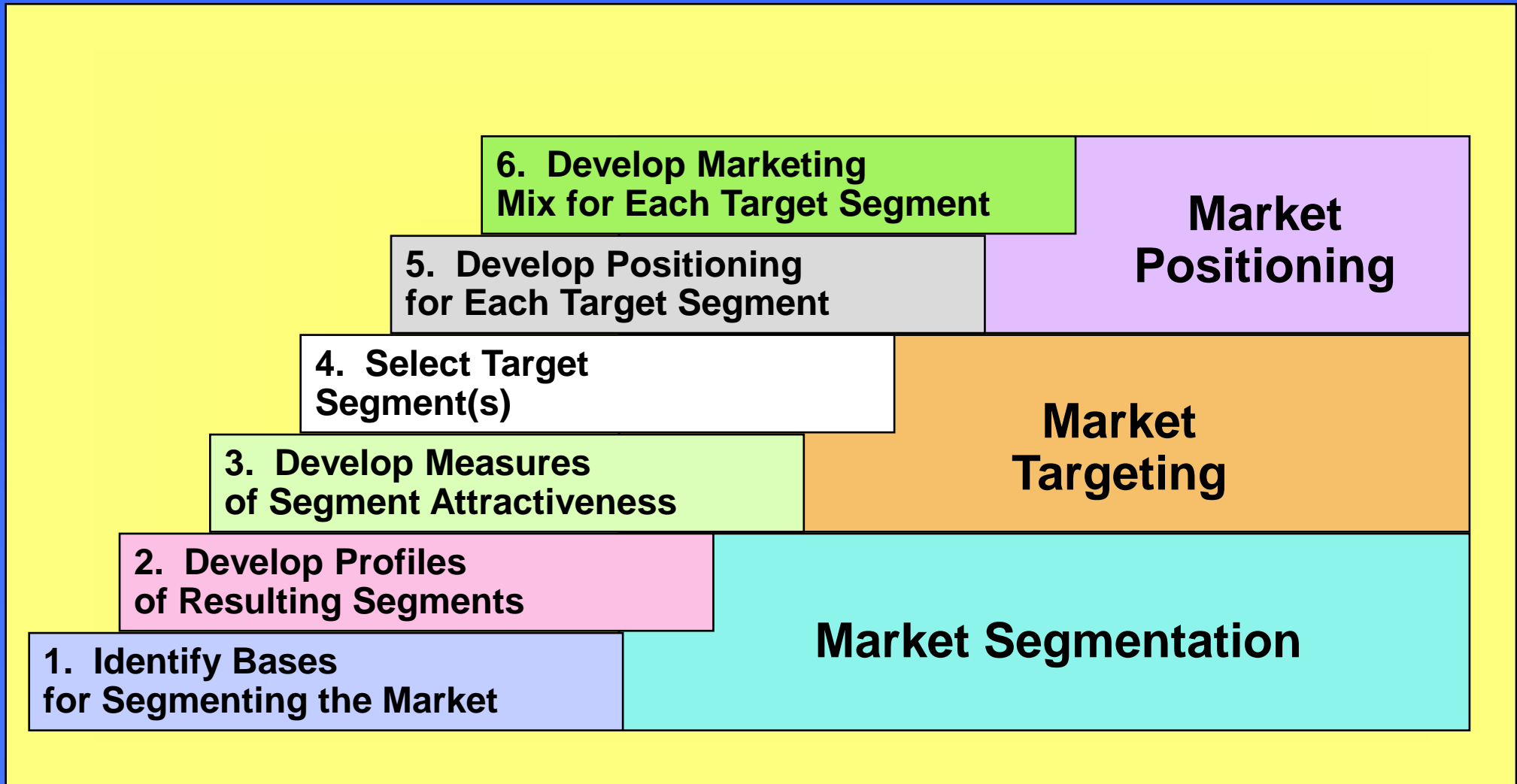
Eighth Edition

Philip Kotler and Gary Armstrong

Chapter 7

**Market Segmentation,
Targeting, and Positioning
for Competitive Advantage**

Steps in Segmentation, Targeting, and Positioning

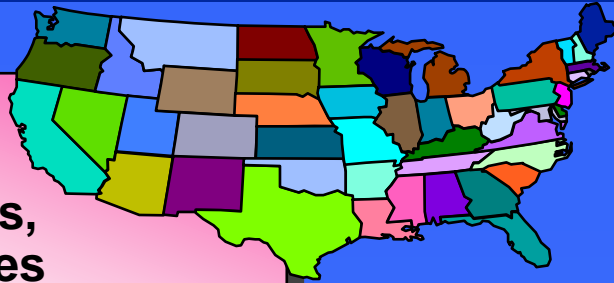


Step 1. Market Segmentation

Bases for Segmenting Consumer Markets

Geographic

Nations, states,
regions or cities



Demographic

Age, gender,
family size and
life cycle,
or
income



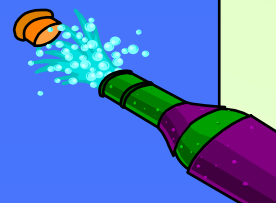
Psychographic

Social class, lifestyle,
or personality

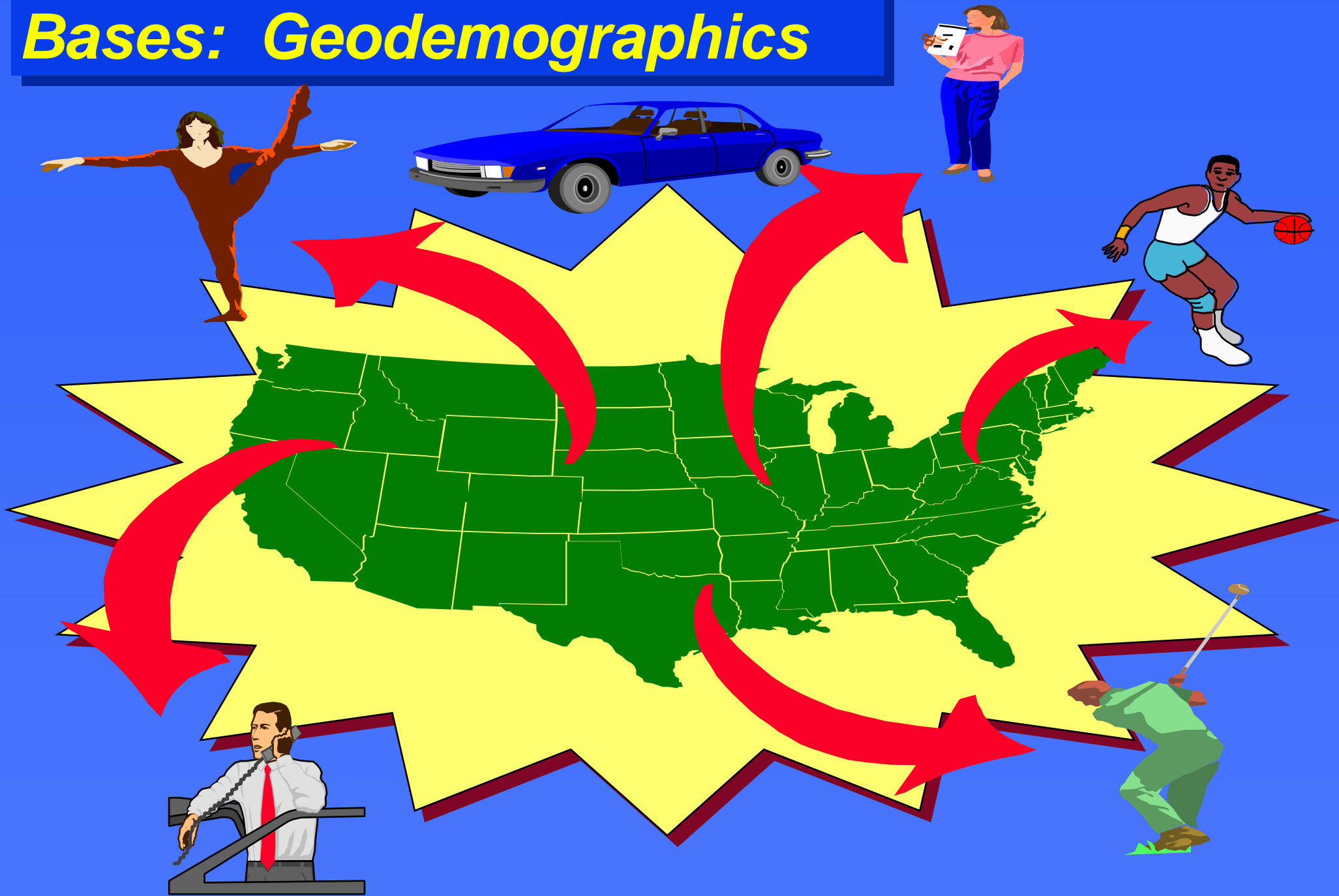


Behavioral

Occasions, benefits,
uses, or responses



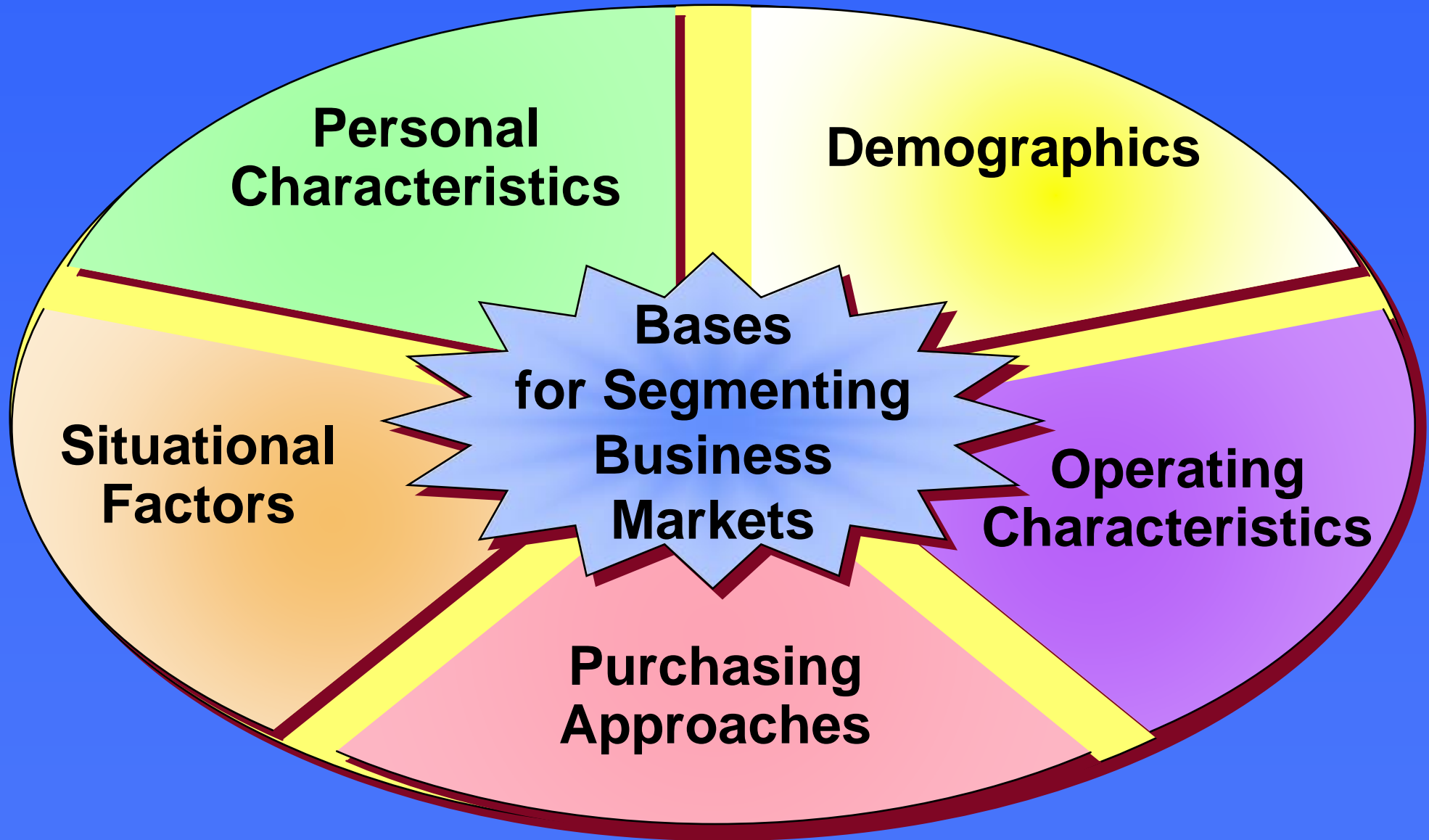
Using Multiple Segmentation Bases: Geodemographics



Step 1. Market Segmentation

Bases for Segmenting Business Markets

7-5



Step 1. Market Segmentation

Bases for Segmenting International Markets

7-6

Industrial Markets

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graph TD; A[Industrial Markets] --> B[Geographic]; A --> C[Economic]; A --> D[Political/Legal]; A --> E[Cultural]; A --> F[Intermarket];
```

Geographic

Economic

**Political/
Legal**

Cultural

Intermarket

Step 1. Market Segmentation

Requirements for Effective Segmentation

Measurable

- Size, purchasing power, profiles of segments can be measured.

Accessible

- Segments must be effectively reached and served.

Substantial

- Segments must be large or profitable enough to serve.

Differential

- Segments must respond differently to different marketing mix elements & actions.

Actionable

- Must be able to attract and serve the segments.

Step 2. Market Targeting

Evaluating Market Segments

- **Segment Size and Growth**
 - Analyze sales, growth rates and expected profitability.
- **Segment Structural Attractiveness**
 - Consider effects of: Competitors, Availability of Substitute Products and, the Power of Buyers & Suppliers.
- **Company Objectives and Resources**
 - Company skills & resources relative to the segment(s).
 - Look for Competitive Advantages.

Step 1. Market Segmentation

Levels of Market Segmentation

Mass Marketing

*Same product to all consumers
(no segmentation)*

Segment Marketing

*Different products to one or more segments
(some segmentation)*

Niche Marketing

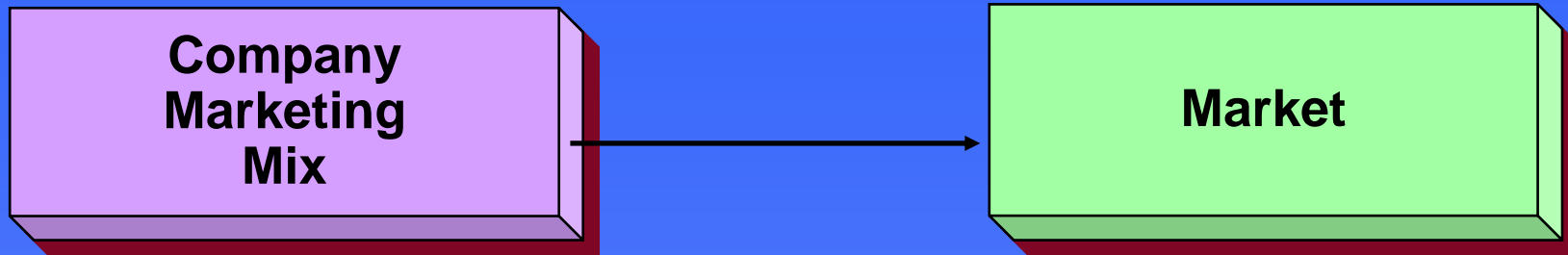
*Different products to subgroups within segments
(more segmentation)*

Micromarketing

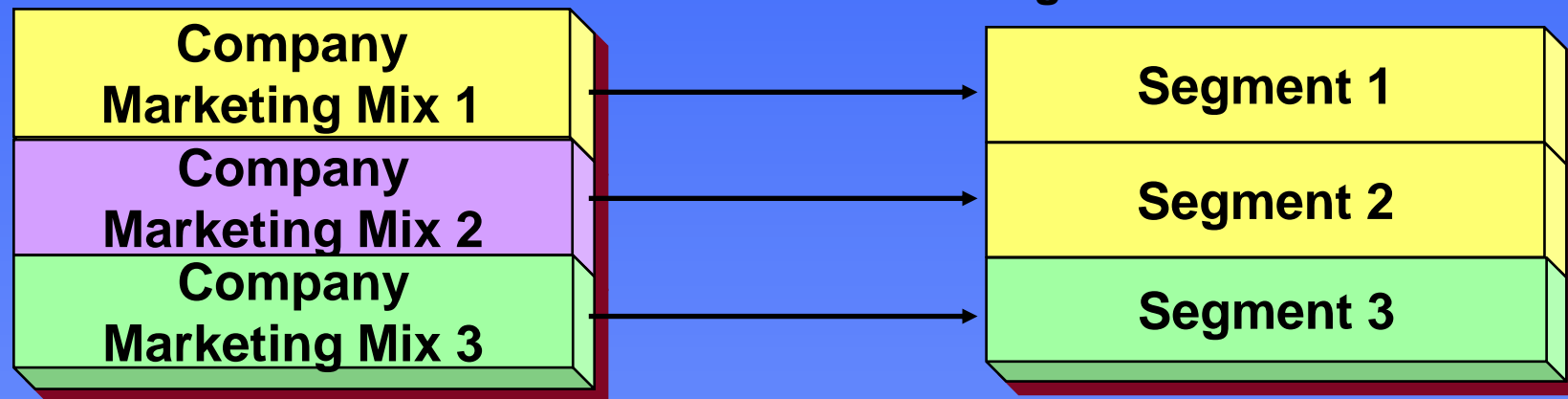
*Products to suit the tastes of individuals or locations
(complete segmentation)*

Step 2. Market Targeting

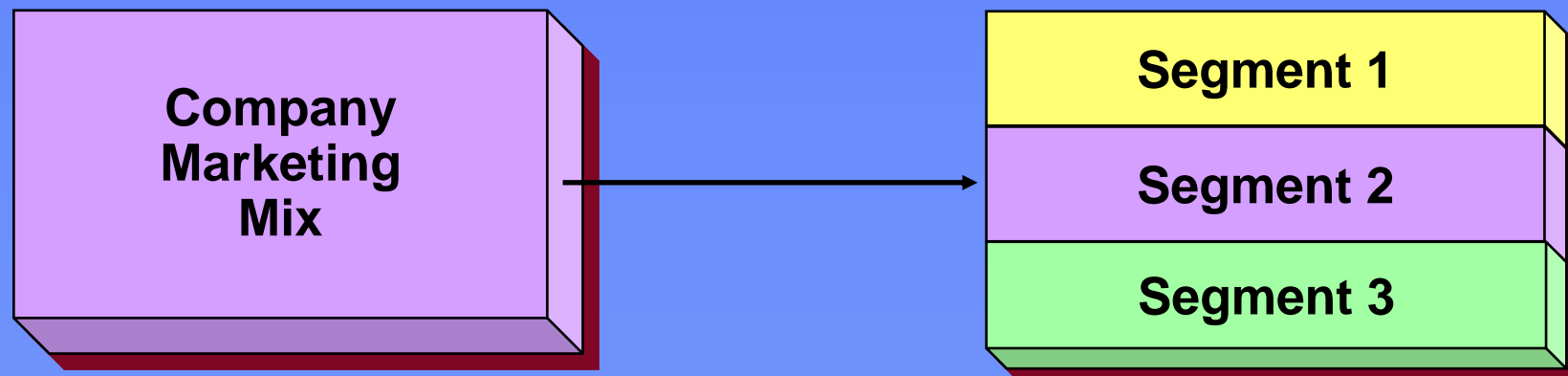
Market Coverage Strategies



A. Undifferentiated Marketing



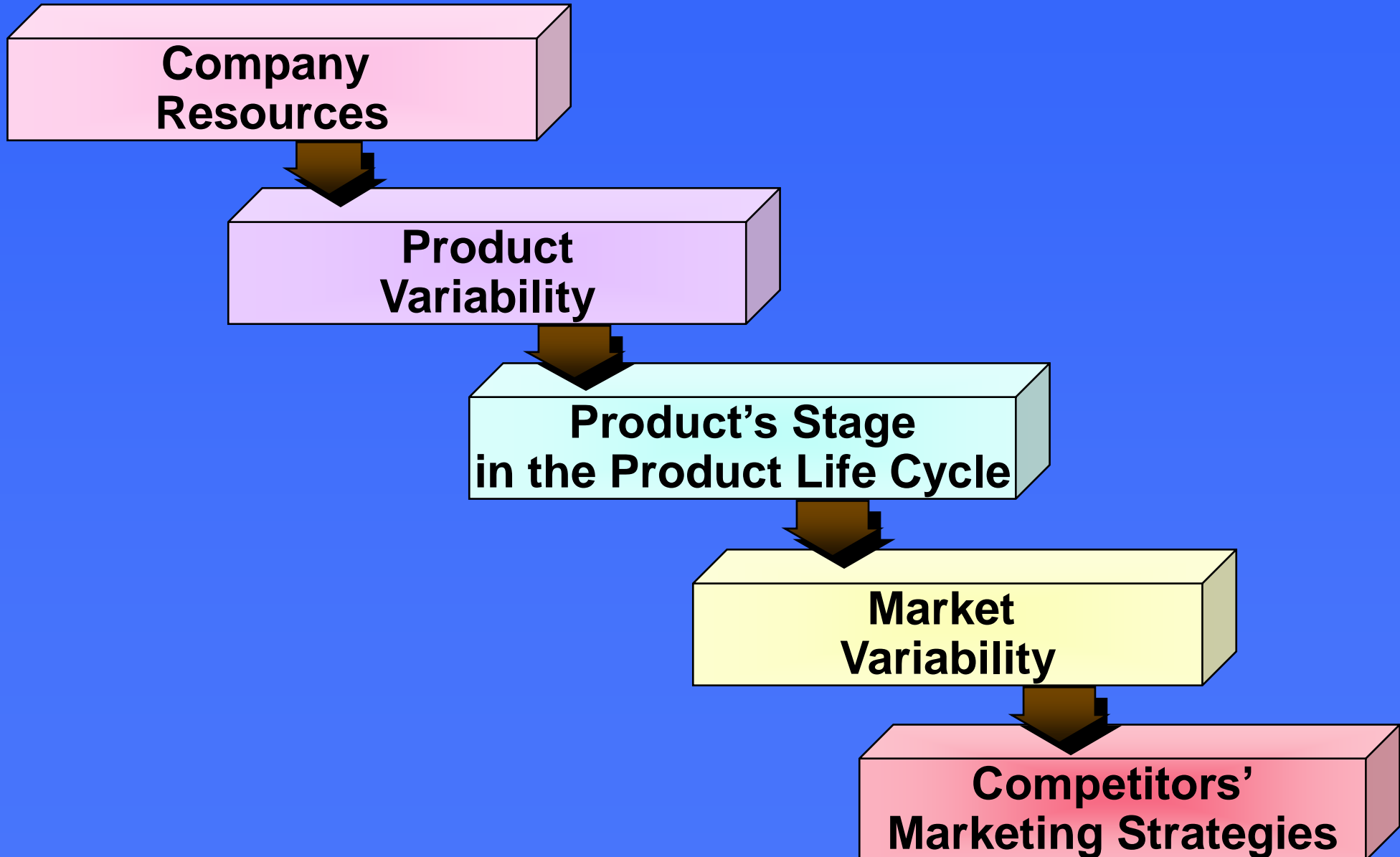
B. Differentiated Marketing



C. Concentrated Marketing

Step 2. Market Targeting

Choosing a Market-Coverage Strategy



Step 3. Positioning for Competitive Advantage

- **Product's Position** - the place the product occupies in consumers' minds relative to competing products; i.e. Volvo positions on "safety".
- **Marketers must:**
 - *Plan* positions to give products the greatest advantage
 - Develop marketing mixes to create planned positions

Steps to Choosing and Implementing a Positioning Strategy

- **Step 1. Identifying a set of possible competitive advantages: Competitive Differentiation.**
- **Step 2. Selecting the right competitive advantage.**
- **Step 3. Effectively communicating and delivering the chosen position to the market.**

Developing Competitive Differentiation

Product

Service

Areas for Competitive Differentiation

Personnel

Image

Selecting the Right Competitive Advantages

