

Chapter 6

**Segmentation, Targeting
& Positioning in B.M**

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Objectives



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

Content

- 01 Market Segmentation
- 02 Selecting the Target Segments
- 03 Positioning



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1. Market segmentation

01

❖ 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

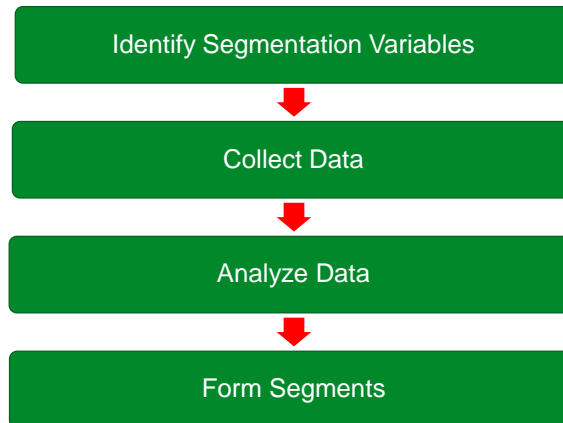


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1. Market segmentation

❖ Business Market Segmentation Process

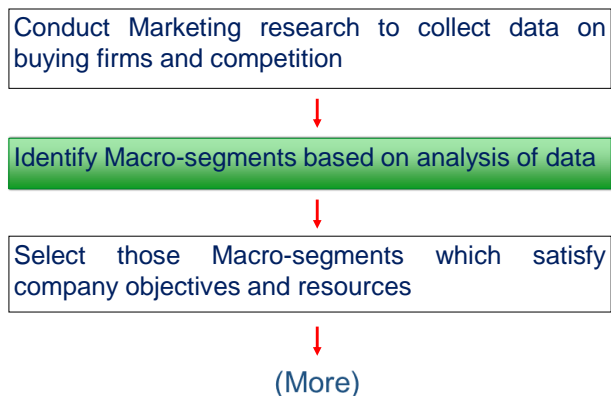


Nguồn: Lau Geok Theng (2007), *Business Marketing – An Asian Perspective*, McGraw Hill,, pp 96.

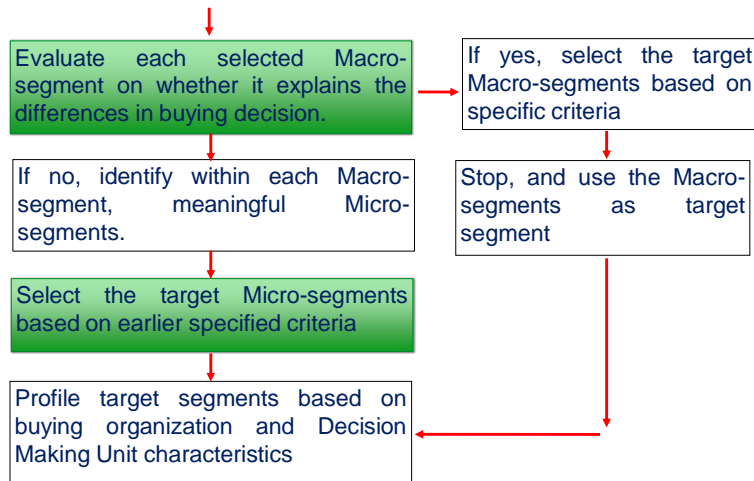


1. Market segmentation

❖ Segmenting and Targeting Framework



1. Market segmentation



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Nguồn: Yoram Wind & Richard Cardozo, "Industrial Market Segmentation", *Industrial Marketing Management*, 3, 2, (April, 1974), pp 153-66.



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1. Market segmentation

❖ 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, or 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.

1. Market segmentation

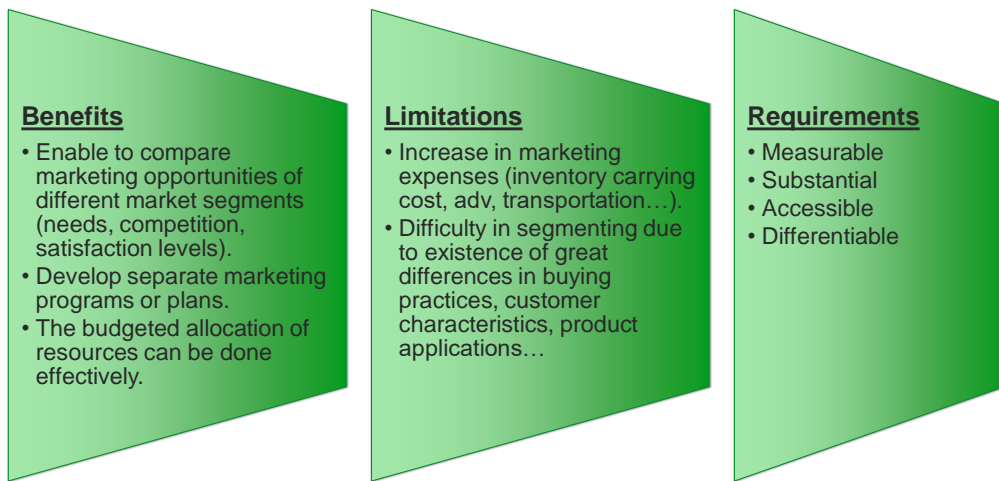
❖ Identifying variables used for segmenting

	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?

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

1. Market segmentation

❖ Benefits, Limitations and Requirements of effective segmentation:



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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2. Selecting the target segments

❖ Simple Matrix System (SMS)

Segments \ Factors	Automotive	Bicycle	Boiler	Furniture	Bus body Building
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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2. Selecting the target segments

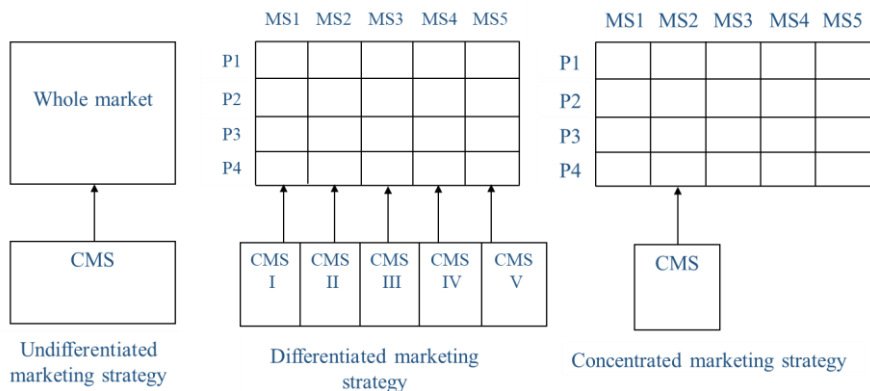
❖ Simple Matrix System (SMS)

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



2. Selecting the target segments

❖ Target market strategies



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



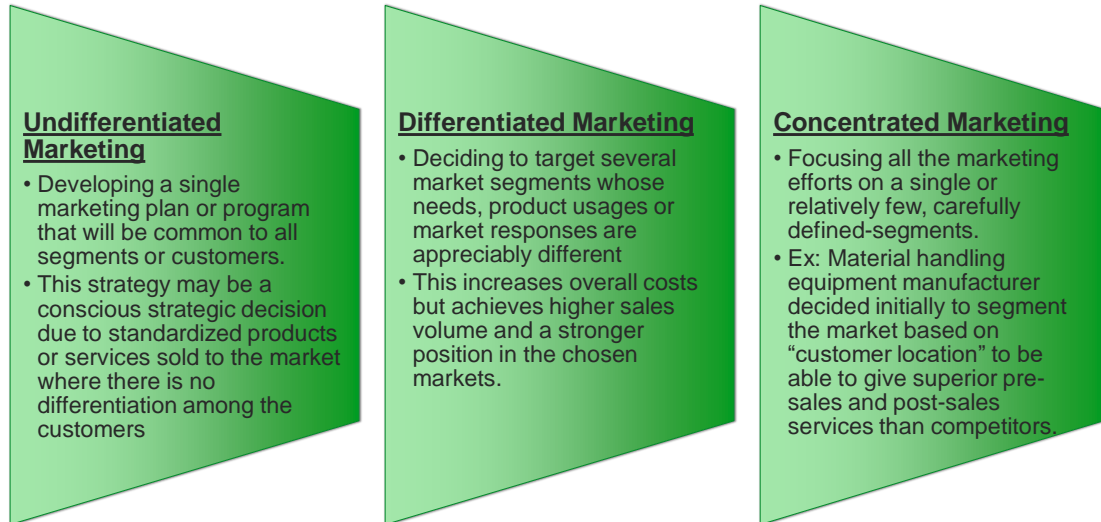
Nguồn: Krishna K Havaladar (2010), *Business Marketing*, McGraw Hill, 3rd edition, p154.



2. Selecting the target segments

02

❖ Target market strategies:



3. Positioning

03

❖ 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 Havaldar (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

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.

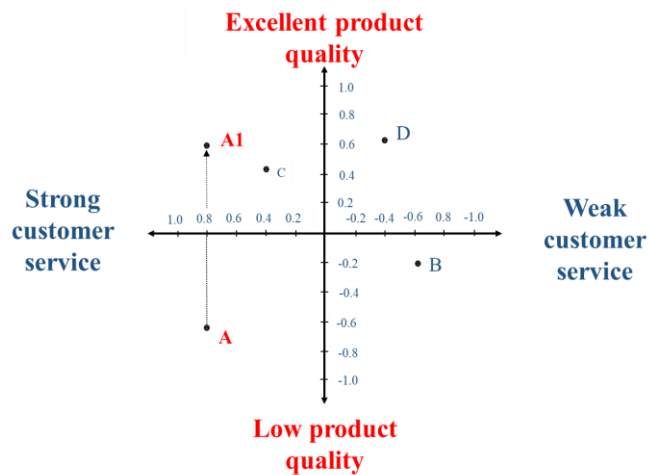


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3. Positioning

❖ Example of Two-dimensional Perceptual Map



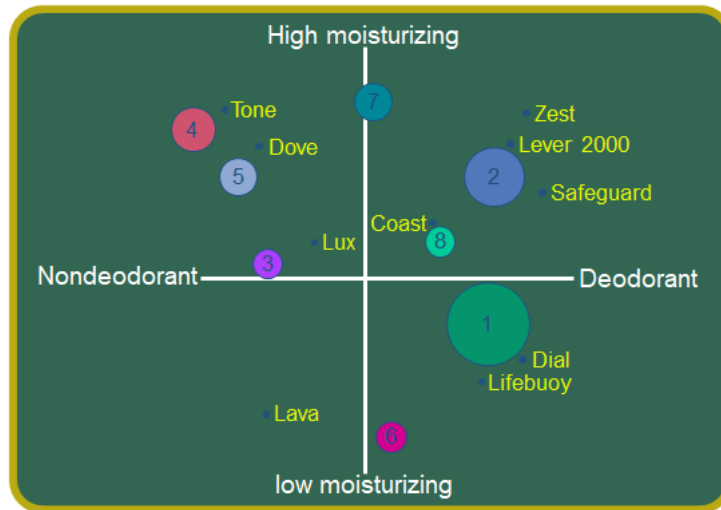
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3. Positioning

03

❖ Example of Savon Positioning



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3. Positioning

03

❖ Positioning strategies according to Ries and Trout:

- The first strategy is to strengthen its own current position in the mind of customers.
- The second strategy is to search for a new unoccupied position that is valued by enough consumers and to grab it.



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



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3. Positioning



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3. Positioning

❖ Positioning strategies according to Ries and Trout:

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