Chapter 6

To consolidate your learning, the key points from this chapter are summarized here:

■ Describe the principles of market segmentation and the STP process.

Whole markets are subdivided into different segments by means of the STP process. The abbreviation STP refers to the three activities—segmentation, targeting, and positioning—that should be undertaken sequentially if segmentation is to be successful. *Segmenting* a market means dividing it into different groups of customers with distinctly similar needs and requirements of offerings. The second part of the STP process determines which segments should be *targeted* with a comprehensive marketing mix programmme. The third part of the STP process is to *position* a brand within the target market(s).

■ List the characteristics and differences between market segmentation and product differentiation.

Market segmentation is related to product differentiation. Given an increasing proliferation of tastes, marketers have sought to design offerings around consumer demand (market segmentation) more than around their own production needs (product differentiation).

■ Explain consumer and business-to-business market segmentation.

Data, based on differing consumer, user, organizational, and market characteristics, are used to segment a market. These characteristics differ for consumer and business-to-business (B2B) contexts. To segment consumer goods and service markets, market information based on certain key customer-, product-, or situation-related criteria (variables) is used. These are classified as segmentation bases and include profile, behavioural, and psychological criteria. To segment business markets, two main groups of interrelated variables are used: organizational characteristics and buyer characteristics.

■ Describe different targeting strategies.

Once identified, the organization selects its target marketing approach. Four different approaches exist: undifferentiated; differentiated; concentrated, or niche; and customized target marketing.

■ Discuss the concept of positioning.

Positioning provides the means by which offerings can be differentiated from one another and gives customers reasons to buy. It encompasses physical attributes, the way in which a brand is communicated, and how customers perceive the brand relative to competing brands.

■ Consider how the use of perceptual maps can assist in the positioning process.

Perceptual maps are used in the positioning process to illustrate differing attributes of a selection of brands. They also illustrate existing levels of differentiation between brands, how our brand and competing brands are perceived in the marketplace, how a market operates, and the strengths and weaknesses that can help management to make strategic decisions about how to differentiate the attributes that matter to customers and hence to compete more effectively in the market. C–D maps enable brand performance to be incorporated into the strategy positioning process.