STP framework

- **Market segmentation**
  1. Identify customer needs and segment the market
  2. Develop profiles of resulting segments

- **Target marketing**
  1. Evaluate attractiveness of each segment
  2. Select target segments

- **Marketing positioning**
  1. Identify differential advantage for each segment
  2. Formulate marketing mix

- **Marketing planning**
  1. Develop marketing plan for each segment
  2. Develop marketing organization

**Why segmentation?**

1. Better matching of customer needs
2. Enhanced profits
3. Enhanced opportunity for growth
4. Retain customers
5. Targeted communications
6. Market segment share

**Basic market-preference patterns**

- (a) Homogeneous preferences
- (b) Diffused preferences
- (c) Clustered preferences

**Market-segmentation procedure**

- Survey
  - Motivations
  - Attitudes
  - Behavior
  - Analysis
  - Factor
  - Cluster
  - Profiling

Bases for segmenting consumer markets

- Geographic: Region, City or Metro Size, Density, Climate
- Demographic: Age, Gender, Family size and Life cycle, Race, Occupation, or Income...
- Psychographic: Lifestyle, Personality Values
- Behavioral: Occasions, Benefits, Uses, Attitudes or Loyalty

Bases for segmenting business markets

- Demographics
- Operating Variables
- Purchasing Approaches
- Situational Factors
- Personal Characteristics

Criteria for effective segmentation

- Measurable: Size, purchasing power, profiles of segments can be measured.
- Substantial: Segments must be large or profitable enough to serve.
- Accessible: Segments can be effectively reached and served.
- Differential: Segments must respond differently to different marketing mix elements & actions.
- Actionable: Must be able to attract and serve the segments.

Criteria for effective segmentation (continued)

- Measurable
- Substantial
- Accessible
- Differential
- Actionable

Dynamic targeting strategies

- Unsegmented marketing
- Difference marketing
- Segment 1
- Segment 2
- Segment 3
- Focused marketing
- Segment 1
- Segment 2
- Segment 3

Product differentiation

- Form
- Features
- Performance
- Quality
- Conformance Quality
- Durability
- Reliability
- Repairability
- Style
- Design

Services differentiation

- Ordering
- Installation
- Customer Consulting
- Maintenance & Repair
- Delivery
- Customer Training
Marketing

**Image Differentiation**

Media  
Symbols  
Atmosphere  
Events

**The drivers of future**

- **Personnel drivers**
  - Competence, Courtesy, Credibility, Reliability, Responsiveness, Initiative, Communication
- **Channel drivers**
  - Coverage, Expertise, Performance

**BCG competitive advantage matrix**

<table>
<thead>
<tr>
<th>Size of the Advantage</th>
<th>Number of Approaches to Achieve Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>Few</td>
</tr>
<tr>
<td></td>
<td>Volume</td>
</tr>
<tr>
<td></td>
<td>Specialized</td>
</tr>
<tr>
<td>Small</td>
<td>Many</td>
</tr>
<tr>
<td></td>
<td>Stalemated</td>
</tr>
<tr>
<td></td>
<td>Fragmented</td>
</tr>
</tbody>
</table>

**Ries and Trout on positioning**

- **Product/Market Position**
  - Competitive Advantage

**Positioning map: Airlines**

- First class
- High Price
- High Level Service
- Gap Virgin P Economy
- “No frills”
- Economy
- Low Level Service
- Low Price

**Sales & Profit Life Cycles**

- Sales & profits ($)
- Introduction
- Growth
- Maturity
- Decline
- Time
Four introductory marketing strategies

| Promotion  |       |
| High | Low |
|----------------------------------|
| Price |
| High | Rapid-skimming strategy | Slow-skimming strategy |
| Low | Rapid-penetration strategy | Slow-penetration strategy |

Maturity stage

- Market Modification
- Product Modification
- Marketing-Mix Modification

Decline stage

- Increase investment
- Resolve uncertainties - stable investment
- Selective niches
- Harvesting
- Divesting

Dibb & Simkin Model of Segmentation Implementation

A: Core analyses (Now)
- The existing situation
- General trends/marketing environment
- Strengths, weaknesses, opportunities, threats
- Customer needs/expectations/buyer behaviour
- Competitive positions/strategies
- Brand or product positioning
- Balance of portfolio

B: Strategic thinking (The future)
- Identification of new segmentation criteria/segmentation bases
- Determination of new/revised market segments
- Selection of new/revised target segments
- Determination of brand positioning strategies

C: Implementation programs (How)
- Marketing programs
  - Product range and portfolio
  - Pricing and payment issues
  - Promotional strategies and tactics
  - Distribution and control
  - Service levels and personnel
- Salesforce
- Internal communications and organization
- Resources and scheduling
  - Budgets
  - People and responsibilities
  - Activities
- Ongoing requirements
  - Product/brand development
  - Marketing research
  - Training
  - Communications
  - Monitoring performance
MOSAIC group H: Stylish singles

- Nearly 1.3 million households, representing 5.4% of all UK households
- 2.8 million people in this group
- Students and young professionals
- First time openers of savings accounts and mortgage accounts
- Like weekend breaks to European capital cities
- Prefer The Guardian, The Independent, and The Observer
- Television viewing is light: current affairs and late films preferred
- Shop for the food at convenience stores late in the day
- Convenience more important than price
- Prefer the city to the outer suburbs
- Enjoy living in diverse, cosmopolitan, multicultural environment
- Big spenders on mobile phones, CDs, sports etc. And PCs

Source: adapted from http://www.uk.experian.com

Some really interesting papers