
Segmentation, Targeting And Positioning Model in Modern Marketing

Companies (at least most of them) cannot serve and communicate with all the customer of a large and diverse market and they need to divide it to more manageable groups (or segments) with clear boundaries in order to serve them well. Segmentation, Targeting and Positioning (STP) is the framework which companies are using in order to identify best groups of the customers with distinct needs and wants to focus their marketing efforts on them (ibid). After segmentation, companies must choose one or more segment which they strategically think they can serve better or be more successful (targeting) and then establish and communicate their offerings and marketing messages (positioning). Not only companies are using STP framework in relation to their markets and customer, Claudiu et al. (2008) state that companies can it to develop the relationships with their suppliers.

Segmentation

Market segmentation is a marketing strategy which is widely being used by companies and the underlying assumption is that customers vary widely in their needs, wants and preferences and respond differently to a marketing message or offer. To aim is to find a group (or segment) of the customers which is anticipated to respond similarly to marketing offers. Segmentation can be done based on different factors: demographics, geographical locations, psychological behavior and lifestyle, usage rate, loyalty status and education to name some. It is important to keep in mind that as Kotler and heller stated: "Not all segmentation schemes are useful" and suggested that segments must have five key characteristics namely: measurable, substantial, accessible, differentiable and actionable.

For example, our company which is active in the sales of environmental analyzers has segmented the Air Quality Monitoring Stations' market based on a combination of geographical locations (30 different provinces of the country), industry (Oil and Gas, Universities, Departments of Environment (DOE), Municipalities, other industries as one segment) and brand loyalty. Each province has different buying power and different rates of air pollution. Each industry used our equipment for different purposes and definitely, brand loyalty among our customers is different.

Targeting

After segmentation, a company must decide how many of the segments and exactly which ones they need to target. In doing so they need to consider Michael Porter's five forces model. The forces are customer power, supplier power, the threat of new entrants, the degree of competition and the threat of substitution. Targeting can be varied from full market coverage to multiple segments to single segment to individuals as segments. The latter is also called mass customization has been chosen by more companies lately. In our company, we have chosen, Isfahan-province-Municipality-of-Isfahan, Isfahan-province-oil-gas, Yazd-province-DOE and Kerman-province-DOE as our targeted segments which have been scored high considering purchasing power and brand loyalty.

Positioning

Positioning actually is an image which is created in the minds of customers regarding the company, its brand, and products. So after target segment(s) has been chosen, companies must decide how they want to position their brand and products in the minds of the customers of the chosen segments and what message they want to communicate. One of the things in positioning is that while companies try to avoid competition in their niche markets, it has been argued that there is an optimum point where the niche market overlaps between the companies will help new companies to improve their fitness.

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