SEGMENTATION, TARGETING AND POSITIONING (STP)

Robert Blattberg

Connect

WHAT IS STP IN MARKETING

- **STP** stands for **Segmentation, Targeting, and Positioning**

- It is a fundamental marketing model that helps businesses effectively reach and engage their desired audience.

- STP allows marketers to tailor their strategies to meet the specific needs of different customer segments, enhancing the overall effectiveness of marketing campaigns.

ELEMENTS OF STP

- **Segmentation**: The first step is to divide the market into distinct groups based on shared characteristics.

- **Targeting**: After identifying the segments, the next step is to evaluate and select which segments to focus on.

- **Positioning**: The final step is positioning, which involves crafting a unique image and message for the product or service that appeals to the targeted segments.
  - This means defining how the product should be perceived in the minds of consumers relative to competitors

TYPES OF MARKET SEGMENTATION

- **Demographic Segmentation**: Categorizes consumers based on observable characteristics such as age, gender, income, education, and family size. It is one of the simplest and most widely used forms of segmentation

- **Geographic Segmentation**: Divides the market based on location, which can include regional preferences, climate, and local culture. Understanding geographic differences helps businesses tailor their offerings to specific areas

- **Psychographic Segmentation**: Focuses on the psychological aspects of consumer behavior, including lifestyles, values, interests, and attitudes. It provides deeper insights into why consumers make certain purchasing decisions.

TYPES OF MARKET SEGMENTATION

- **Behavioral Segmentation**: Segments consumers based on their behaviors, such as purchasing habits, brand loyalty, and product usage rates. It helps businesses understand how different segments interact with their products.

- **Benefit Segmentation**: Focuses on customers seeking different benefits such as ease-of-use or cost-effectiveness
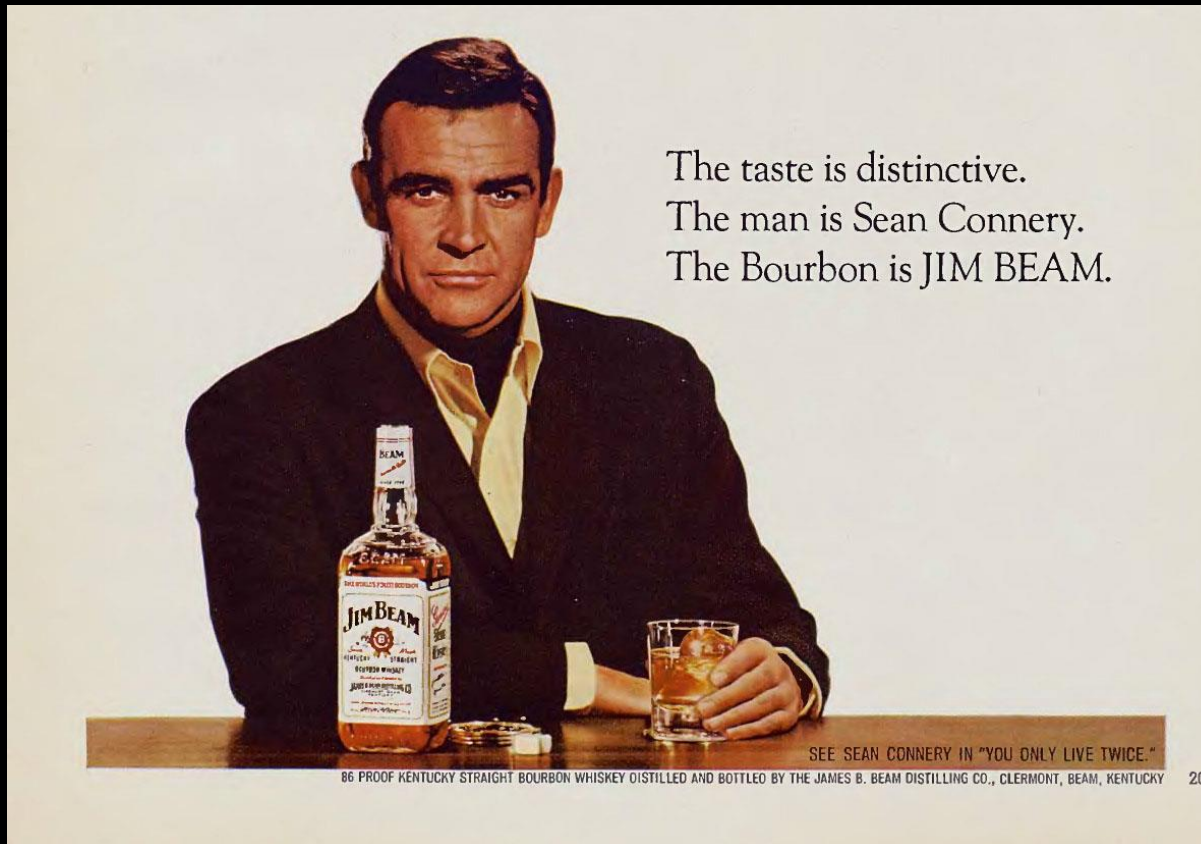
DEMOGRAPHIC SEGMENTATION EXAMPLE

- **2024 Election**

- **Segmenting using**
  - **Age**
  - **Income**
  - **Education**
  - **Ethnicity**

GEOGRAPHIC EXAMPLE

- **2024 Election**

- **Segmenting using**
  - **Urban v Rural**
  - **Suburban v Inner City**

PSYCHOGRAPHIC SEGMENTATION EXAMPLE

PSYCHOGRAPHIC SEGMENTATION EXAMPLE

BENEFIT SEGMENTATION EXAMPLE

- **Automobiles**

  - **Reliability**

  - **Sporty**

  - **Safety**

  - **Rugged**

BEHAVIORAL SEGMENTATION EXAMPLE

- **Heavy v Light buyers**

- **Loyal v Disloyal**

- **Example – use loyalty cards to reward loyal customers and provide lower prices to them**

BEHAVIORAL SEGMENTATION EXAMPLE

- RFM (Recency, Frequency, Monetary)

  - Recency (When did you last buy)

  - Frequency (How often have you purchased)

  - Monetary (How much have you spent)

- Goal is to design different marketing and communication programs aimed at recent, high frequency and high monetary buyers v in frequent buyers (try to get them to try product or service again)

SEGMENTATION - TEPPER

- **What segmentation approaches could you use for Tepper MBA program?**

- **Demographic**
  - **Require engineering, math or science background**

- **Geographic**
  - **Target students from specific countries**

- **Benefit**
  - **Offer joint degree in AI/Computer Science and MBA to increase market value of graduates**

STEPS IN TARGETING

- **Evaluation of Segments**: Marketers assess the potential of each segment to determine which ones are most viable and align with the company's goals.

    - This evaluation considers factors like segment size, sales and growth potential, and competitive landscape.

- **Selection of Target Market**: The targeting decision is based on the segments that are most likely to respond positively to the marketing efforts and where the company can effectively compete.

TARGETING EXAMPLE

- **Univ Chicago MBA Program**

  - **Option 1 – Go to schools with high GMAT scores**

  - **Option 2 – Go to schools with highest number of students taking GMAT's**

TARGETING EXAMPLE- NON-ALCOHOLIC WINE

- **How can we segment**

- **Behavioral**
  - **Heavy, light or non-users**
- **Demographically**
  - **Men v women**
- **Benefit**
  - **No hangover, safer to drive**

TARGETING EXAMPLE- NON-ALCOHOLIC WINE

- Who should we target?

- Answer depends upon doing consumer research
 - I may have an opinion, but it is speculative

TARGETING EXAMPLE- NON-ALCOHOLIC WINE

- **One answer**

- "The category is driven by younger consumers, most with families, who are more conscious of the choices they're making and what they're putting into their bodies. It's become trendy and cool amongst peers."

TARGETING EXAMPLE

- **Kellogg v University of Chicago**

UNIVERSITY OF CHICAGO V KELLOGG

Prospective MBA Student

Benefit Sought

Academic Excellence

Employment Opportunities
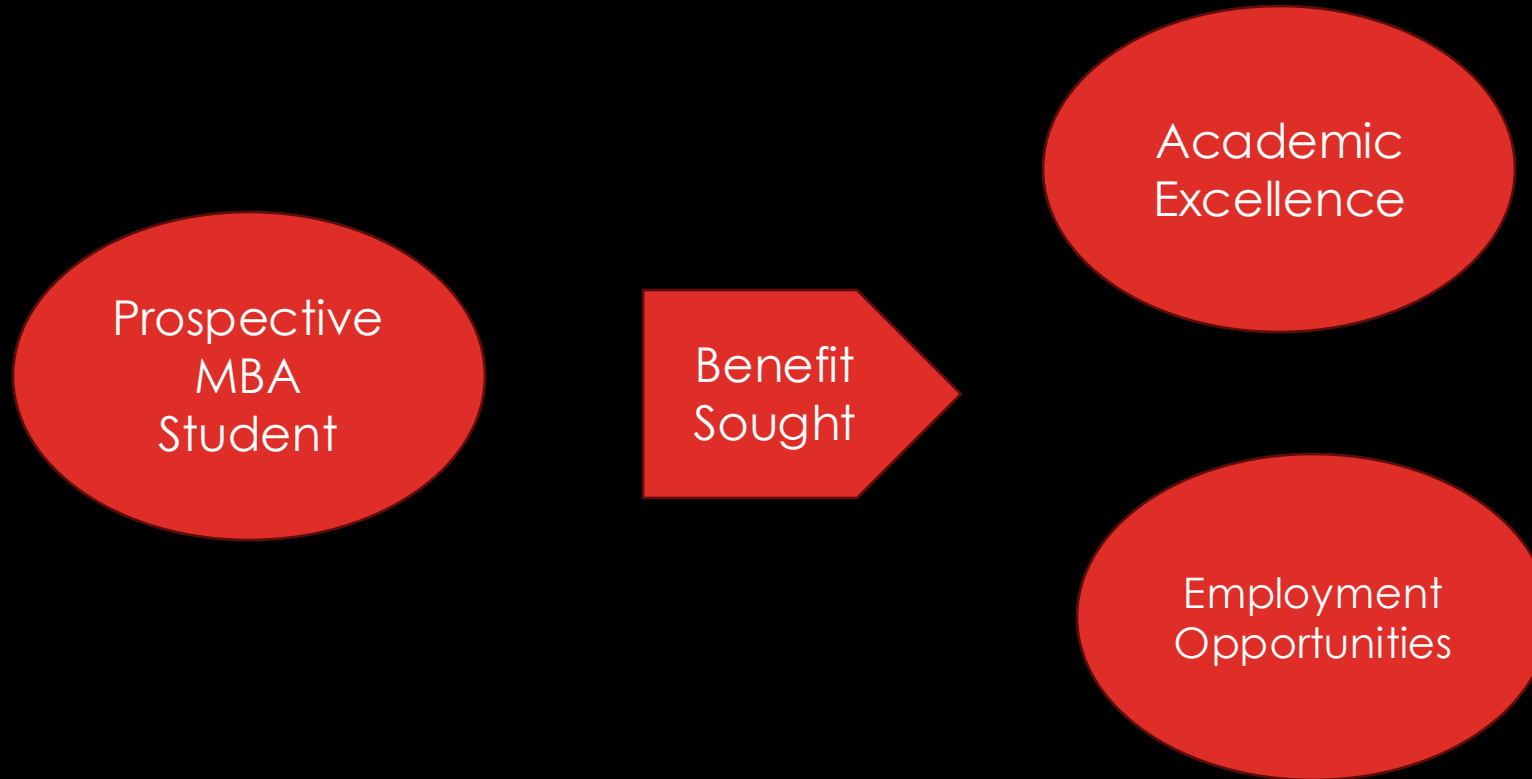
TARGETING EXAMPLE

- **Kellogg v University of Chicago**

  - **Kellogg targeted recruiters which focused on benefit – managerial jobs**

  - **U of C positioning focused on feature (Noble Prize Winners and academic excellence)**

POSITIONING

1. Target Audience: Clearly define who your ideal customer is. This could include demographics, psychographics, needs, and preferences.

2. Category Definition: State the product/service category or market space your brand operates in. This provides context.

3. Key Benefit: Highlight the primary benefit or value proposition your brand delivers to the target audience. What core problem are you solving for them?

POSITIONING

4. Differentiator: Explain what makes your brand unique and different from competitors in a compelling way. This is your sustainable competitive advantage.

5. Reason to Believe: Provide evidence or reasons why the target audience should believe your differentiation claims. This builds credibility.

POSITIONING

1. Target Audience: Prospective MBA students

2. Category Definition: Option 1 – traditional MBA; option 2 – Joint degrees

3. Key Benefit: Significant increase in income; business training (feature)
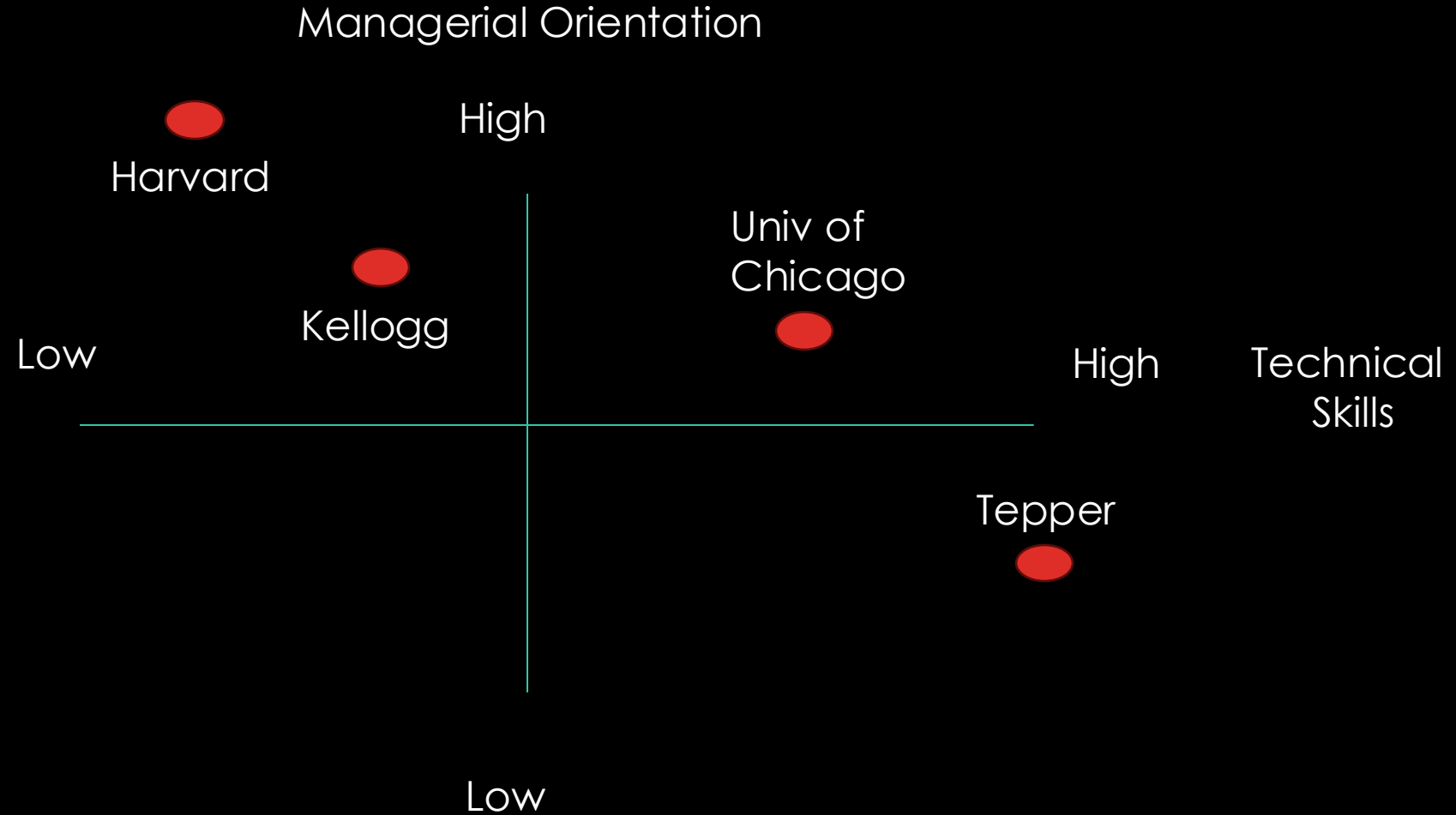
POSITIONING

4. Differentiator: Option 2 – Carnegie's preeminence in computer science / AI and related topics

5. Reason to Believe: Surveys of starting salaries
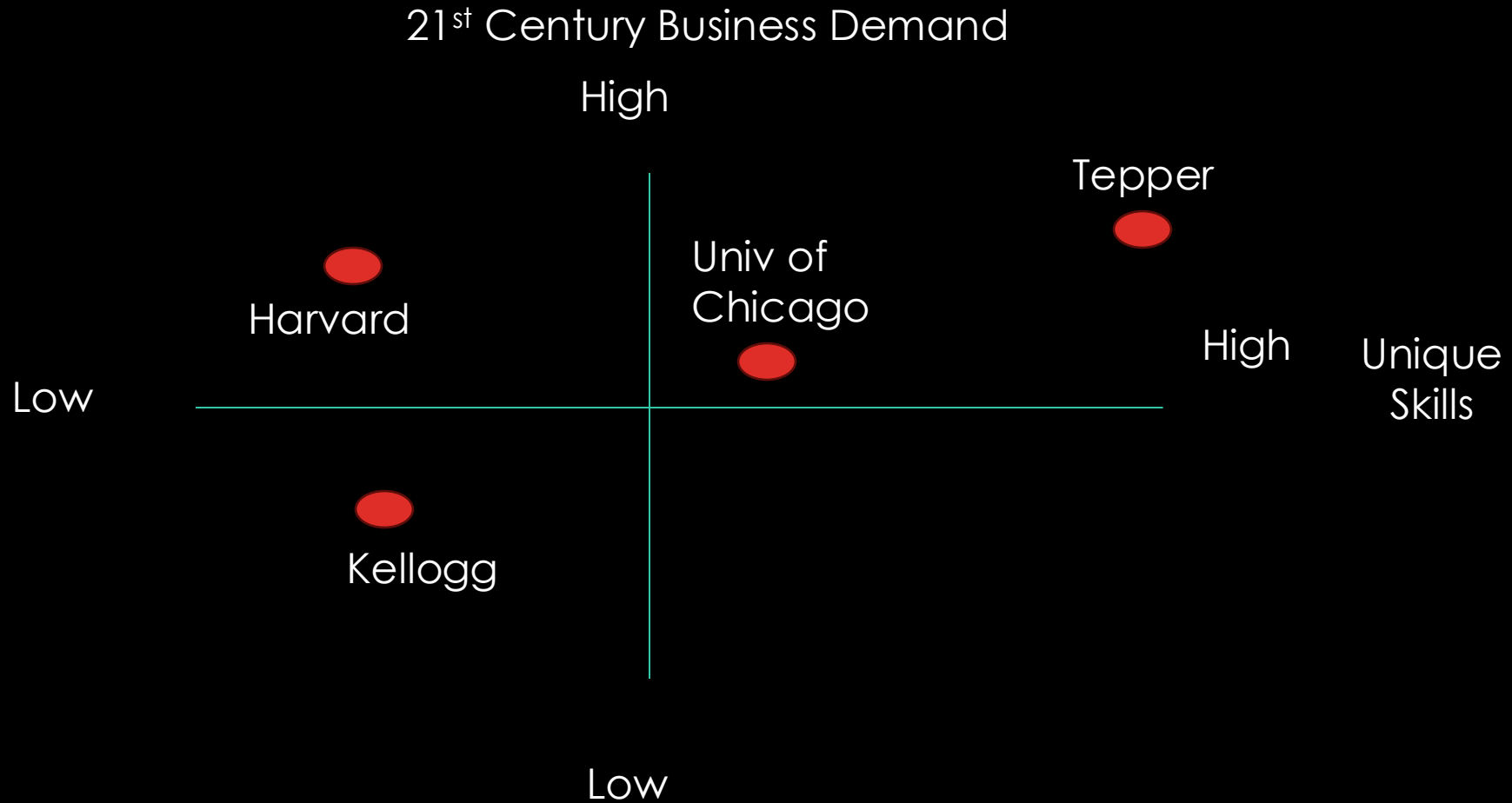
PROVIDE POSITIONING MAP FOR TEPPER

- What does the positioning map look like for Tepper?

POSITIONING MAP – OPTION 1

Managerial Orientation

High

Harvard

Univ of
Chicago

Kellogg

Low

High   Technical
Skills

Tepper

Low

POSITIONING MAP – OPTION 2

21st Century Business Demand

High

Tepper

Univ of
Chicago

Harvard

Low   High   Unique
                                                                                 Skills

Kellogg

Low

CONCLUDING COMMENTS

- You should now be experts in STP

- As you now know there are many ways to segment a market.
  - You need to assess which method leads to the best strategy for the organization

- Selecting segments to target requires a deep understanding of the customer

  - It is easy to select target segments, but this does mean that the choice will result in effective marketing

  - Knowledge of the customer chain and competition is essential in making a good targeting decision

CONCLUDING COMMENTS

- **Positioning is the most difficult part of STP**

- **Easy to develop a positioning but will it**

  - **Be effective**

  - **Is the positioning consistent with the organizations ability to deliver on the promise being made**