

Targeting & Positioning

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Managing World-Class Organizations

Segmentation Redux:

- Use needs variables to segment markets
- Select segments taking into account both the attractiveness of segments and the strengths of the firm.
- Use descriptor variables to develop a marketing plan to reach and serve chosen segments.
- Develop mechanisms to implement the segmentation strategy on a routine basis (one way to do this is through information technology).

Step 2. Market Targeting

Choosing a Market-Coverage Strategy



Marketing Index Numbers

Index number development is a basic marketing tool.

The Index Number

Index numbers are statistics used for comparing.

enable marketers to make many comparisons quickly and easily.

Index numbers can be utilized many different ways

Using Index Numbers for Selecting Segments

most frequent uses for index is to compare consumer product usage with a population base, to better understand the ratio and/or relationship between the population and the usage of a particular product or service.

Simmons Research Bureau Data

Example: Frozen Pizza

Research study of consumers who use frozen pizza:

Ages	Total population of potential users (household decision makers) in the age group (000)	Number of product users in the age group (000)
35-44	12,512	8,132
55-64	10,905	4,780

*Base = 74,975,000 total decision makers

**Base = 37,791,000 total product users in the decision maker group

Calculations:

Calculate the index numbers for age group 35–44, compared to 55–64:

Ages	Total population of potential users (household decision makers) in the age group (000)	Number of product users in the age group (000)
35-44	12,512	8,132
55-64	10,905	4,780

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Calculations:

Research study of consumers who use frozen pizza:

Ages	Total population of potential users (household decision makers) in the age group (000)	Percentage of the total population in the age group	Number of product users in the age group (000)	Percent of all users of the product as a percent of the total user base	Index Number
35-44	12,512	16.7*	8,132	21.5**	129
55-64	10,905	14.5*	4,780	12.6	87

*Base = 74,975,000 total decision makers

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Index Numbers Calculations

- Total potential buying population, aged 35–44, divided by the total population in the age group:
 - $12,512/74,975 = 16.7\%$.
- Number of users (based on marketing data) aged 35–44, divided by the total number of users:
 - $8,132/37,791 = 21.5\%$.
- The **index number** thus is the percent of household decision-makers aged 35–44 (21.5%), divided by the percent of population 35–44 using the product (16.7%).
 - $21.5\%/16.7\% = 129$ (index number).

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Frozen Pizza

Research study of consumers who use frozen pizza:

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Interpretation of index numbers

Index Suggests that the 35–44 group is a better marketing target than the 55–64 age group.

Although the marketer may observe this by studying the raw data alone, it is much easier to see the difference when the two segments are compared on a basis of 100.

(One group is 29 points higher than 100, although the other group is 13 points below 100).

It is obvious now that the 35–44 group is a much better target because that group has a propensity to consume more and is a larger-size market.

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Opportunity Index Numbers

Brand Development Index (BDI) and Category Development Index (CDI)

for planning marketing strategy in geographical markets.

The BDI is based on a brand's percent of total U.S. sales in a market, compared to the population expressed as a percent of the total population

$$BDI = \frac{\text{Percent of total Brandsales in market "x"}}{\text{Percent of U.S. Population in market "x"}} \times 100$$

The CDI is calculated much the same way as the BDI except that the dividend of the equation is the sales for the entire product category as a percent of total U.S. category sales.:

$$CDI = \frac{\text{Percent of total Category sales in market "x"}}{\text{Percent of U.S. Population in market "x"}} \times 100$$

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BDI & CDI: An Example

Market	Percent of U.S. TV households*	Percent of Brand Sales	Percent of Category Sales	BDI	CDI
Atlanta district	10	12	9	120	90
San Francisco district	15	12	18	80	120

- The Atlanta market the brand is selling well even though the competition, reflected in the CDI, is not doing well.
- On the other hand, San Francisco is a market where the brand is not doing well, but the category is doing very well.
- The analyst should develop a strategy to determine whether brand sales can be improved in San Francisco and perhaps bring sales up to the category level
- Another strategy is necessary for Atlanta, perhaps a focus on maintaining the good sales position with strong personal selling and sales promotion efforts.

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CDI / BDI Analysis

Combine BDI and CDI to Examine Descriptors of the (e.g.) High CDI / Low BDI cell

		<i>CDI</i>	
		LOW	HIGH
<i>BDI</i>	LOW	1.	2.
	HIGH	3.	4.

Finding: Consumers in Cell #2, mostly live in the South-Western U.S. The firm may want to allocate more resources to this *geographic region* (descriptor)

Socially Responsible Target Marketing

Smart targeting helps companies and consumers alike.

Target marketing sometimes generates controversy and concern.

Disadvantaged and vulnerable can be targeted. Cigarette, beer, and fast-food marketers have received criticism in the past. Internet has come under attack because of the loose boundaries and lack of control in marketing practices.

Step 3. Choosing a Positioning Strategy

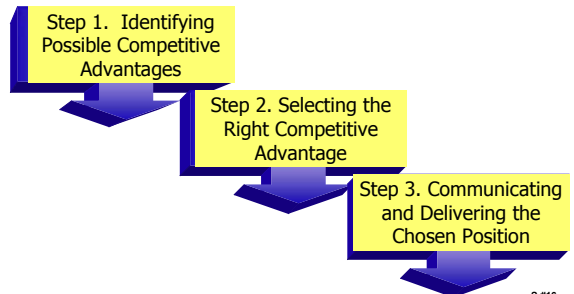


Product's Position - the way the product is defined by consumers on important attributes - the place the product occupies in consumers' minds relative to competing products.

Marketers must:

Plan positions to give their products the greatest advantage in selected target markets, Design marketing mixes to create these planned positions.

Step 3. Choosing a Positioning Strategy



Identifying Possible Competitive Advantages

Key to winning and keeping customers is to understand their needs and buying processes better than competitors do and deliver more value.

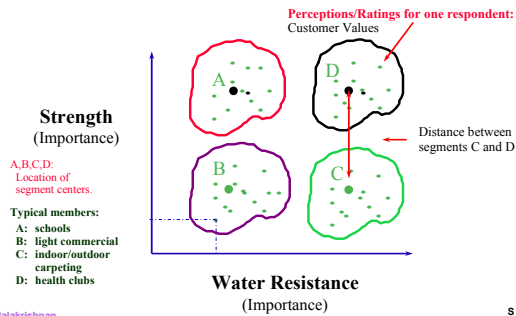
Competitive advantage is an advantage over competitors gained by offering consumers greater value, that justify competitive advantage,

either through lower prices or by providing more benefits, ...

Identifying Possible Competitive Advantages

Product Differentiation i.e. Features, Performance, Style & Design, or Attributes	Services Differentiation i.e. Delivery, Installation, Repair Services, Customer Training Services
Image Differentiation i.e. Symbols, Atmospheres, Events	Personnel Differentiation i.e. Hiring, Training Better People Than Competitors Do

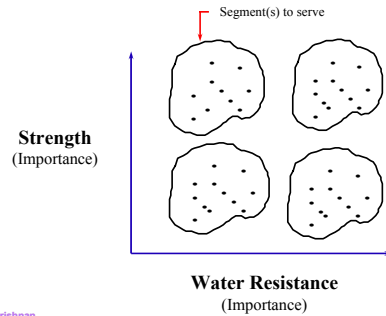
Segmentation (for Carpet Fibers)



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Targeting



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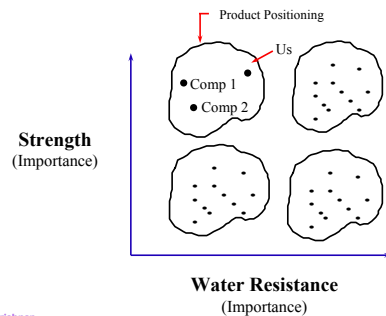
Product Positioning

Along with information about which segments should become their target markets, marketers should also consider product positioning. This involves creating a favorable perception of the product relative to competing products in the minds of potential buyers.

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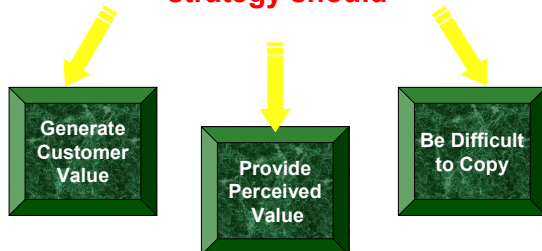
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A successful differentiation strategy should



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Strategies for successful differentiation

Many Ways to Differentiate:

- **Better Ingredients**
 - Pepperidge Farm; Mercedes: Intel Inside
- **Packaging**
 - Pringles
- **Combining Products**
 - Dow Brands Spiffits -- Augment Cleaning Products with Premoistened Towels
- **Added Service**
 - Frequent Flyer Clubs with Lounges
- **Breadth of Product Line**
 - CompUSA: One Stop shopping center

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Two Step Strategic Process for Successful Differentiation

- Map the Entire Consumption Process for your Product
 - Need to do this for each customer segment
 - Identify all the steps that the customers pass through from the time that they first become aware of the product to the time that they finally dispose or discontinue it.
- Analyze the Consumer's Experience
 - MacMillan and McGrath, HBR 1997

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Differentiation: Map the Consumption Chain

- How do people become aware of their need for your product?
 - Oral-B's Blue dye on toothbrushes
- How do consumers find your offering?
 - McDonald's outlets in WalMart; Starbucks outlets in Grocery stores
- How do Consumers make their final selection?
 - Make it easy to be selected! Citibank with college students
- How do consumers order/purchase your products?
 - Web sites, IT order terminals: Expensive equipment but makes it hard to switch
- How is your product delivered?
- How is your product installed?
 - Compaq's color coded cables

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Map the Entire Consumption Process

- How is your product/service paid for?
 - First USA Visa: Pay over the Internet
- How is your product packaged?
 - Pepsi's plastic bottles
- How is your product really being used?
 - Railroads need for Locomotives is JIT! => GE Leases.
- Help, Repair, Exchanges, Returns Policies?
 - Nordstroms

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Analyze the Consumer's Experience

- Goal: to assemble an inventory of possible points of differentiation
 - What, Where, Who, When and How
 - Then assess the ideas
- EX:
 - What are customers doing at each point of the Consumption Chain? What else would they like to be doing?
 - Where are your customers when they are at this point in the chain? Where else might they be?
 - Who else is with the customers at the different links?
 - When are they there? Timing.
 - How are their needs being addressed?

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Differentiation & Product Positioning

- Differentiation:** Creation of tangible or intangible differences on one or two key dimensions between a focal product and its main competitors.
- Positioning:** Strategies to ensure that key differences between the focal product and its competitors occupy a distinct position in the minds of customers.
- Mapping:** Techniques (using customer-data) that enable managers to develop differentiation and positioning strategies by enabling them to visualize the competitive structure of their markets as perceived by their customers.

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A Note on Positioning

- Positioning involves designing an offering so that the target segment members perceive it in a **distinct and valued way relative to competitors.**
- Need to develop a:
 - Sustainable Competitive Advantage (SCA)
- Three ways to position an offering:
 1. Unique ("Only product/service with XXX")
 2. Difference ("More than twice the [feature] vs. [competitor]!")
 3. Similarities ("Same functionality as [competitor]; lower price")

What are **you** telling your targeted segments?

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Product Positioning

Types of positioning

- ↓ Positioning by competitors
- ↓ Positioning by attribute
- ↓ Positioning by use or application
- ↓ Positioning by user
- ↓ Positioning by product class

Positioning Maps

- Representations of consumer perceptions of various brands relative to one another
- Managers can review positioning maps to check whether their brands have the attributes deemed important and that customers realize it has them
- Managers can check whether the marketing mix should be revised to adjust the product's position

Perceptual Maps Using Attribute Ratings

Example: Evaluation of New Laptop Concept with Longer Battery Life

Select a set of laptop computers of interest to the target group (including the new concept).

Identify key attributes (eg, through focus groups).

Ensure that consumers are familiar with the laptops (eg, through video presentation).

Have consumers evaluate the laptops.

Reliable	Unreliable (A1)
Common	Distinctive (A2)
Light	Heavy (A3)
Short battery life	Long battery life (A4)
⋮	
Poor value	Good value (A15)

Perceptual Maps Using Attribute Ratings cont'd

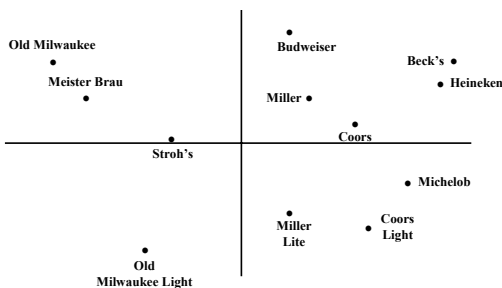
Generate a matrix of inputs consisting of each consumer's (C1, C2,...) Ratings of each brand on each of the attributes (A1, A2, A3,...)

	A1	A2	A3	A4	A15
Dell 320N	6	3	7	2		2
C1 TI Travelmate	4	3	4	1		5
Toshiba concept	3	6	2	7		7
⋮						
Dell 320N						
C2 TI Travelmate						
Toshiba concept						

Compute average ratings of each brand on each attribute. Submit data to a suitable perceptual mapping technique (eg, MDPREF or Factor Analysis). Interpret the underlying key dimensions of the map using the directions of the individual attributes.

Explore the implications of how consumers' view the competing products.

Perceptual Map of Beer Market (This slide shows the products)



Perceptual Map of Beer Market (This slide shows both products & attributes)



Automobile Positioning Map

