Market segmentation and positioning are key determinants of successful marketing. They are fundamental to the matching process which is the *raison d’être* of marketers. It is marketers who are responsible for ensuring that the offer made by the company in the marketplace satisfies the wants and needs of the target market of customers and consumers. Segmentation and positioning analyses enable the marketer to make informed choices about what to offer, to whom, and in what way.

This article considers the processes of segmentation and positioning in turn, illustrating the theory behind these activities with practitioner examples. These relate to consumer markets, but the processes are equally applicable in the business-to-business sector. However, these activities are more sophisticated in the former sector than the latter.

**Market segmentation**

**The importance of definitions**

We must first define some terms to help us to understand market segmentation.

‘Customer’ and ‘consumer’ are often used interchangeably. The term ‘consumer’ generally means the final consumer, who is not necessarily the customer. For example, a parent buying lunch box snacks is probably acting as an agent on behalf of school-age children. The parent can therefore be described as the ‘intermediate customer’ and the child as the ‘end consumer’. To market such snacks effectively, the marketer must differentiate the wants and needs of each party influencing the purchase process. He or she must also be clear about which actors in the process are to be the subject of any segmentation exercise.

The term ‘market’ must be defined unequivocally. For example, Mark Warner and Saga are both holiday companies but they are not in the same market. The former offers holidays for families, young couples and groups in Alpine and sunshine resorts, while Saga caters for the more mature traveller who may be looking for holidays involving leisure pursuits such as sightseeing, bridge or walking. We need a definition so that we can

- measure market share and market growth;
- specify target customers;
- recognise relevant competitors;
- formulate marketing objectives and strategies.
As a rule of thumb, a market should be defined in terms of a consumer need, and in a way that covers the aggregation of all the alternative products and services which consumers regard as being capable of satisfying that need. For example, a brand of instant coffee not only competes with other brands in the same product category, but also with alternative hot drinks such as tea and chocolate. Consumers may even see cold drinks such as colas and water as substitutes for it.

Needs-based definitions evolve over time as trends emerge in the marketplace, and companies must be prepared to revise their definitions accordingly. Nevertheless, they need to devise a definition that is manageable. At the extreme end of the range, micromarketing is about marketing to the individual as a segment of one. However, companies must be able to meet the needs of individual segments in a way that is commercially viable. They therefore concentrate their efforts on groups of many customers who share approximately the same needs.

The next steps are to measure, manage and maximise the market. It is at this point that the process of segmentation becomes important.

**Segmentation in practice**

Market segmentation allows companies to gain advantage over their competitors in the marketplace by enabling them to concentrate resources on clearly identified opportunities. It is based on the assumption that ‘birds of a feather flock together’.

In many cases, the segments form separate markets in their own right, and they can often be of considerable size. There are number of criteria that make a market segment of commercial interest, including the following:

- The segments should be large enough to provide an adequate return on investment.
- The requirements of segment members should be very similar, but the members should be distinct from the rest of the market.
- Segments must be reachable, that is, the channels, or routes to market (where people buy), must be accessible.

These criteria may seem obvious, but the annals of marketing literature are full of examples of products which did not meet them. The Sinclair C5 car, for example, did not appeal to a large enough segment to provide a feasible return on investment, and its demise was almost concurrent with its launch.

In practice, segmentation is about attempting to answer questions such as ‘who buys ?’, ‘what do they buy ?’, ‘why ?’, ‘how ?’ and ‘where ?’. The answers are based largely on data collected through market research programmes (as discussed by Ryals (2000) in MQ).

*Figure 1* sets out a number of analytic routes to gathering this information. For example, in endeavouring to build up a picture of who buys, companies may investigate socio-economic or geographic variables. Increasingly, however, all the variables listed along this route are being combined in sophisticated geodemographic software packages (such as Tactician). Their output can fully describe a geographic location (such as an individual postcode area) in socio-economic, demographic and psychographic detail at the click of a mouse. (Psychographic segmentation analysis presents purchaser profiles which are an aggregation of attitudinal data.)

Alternatively, when one wants to analyse what is bought and why, one can measure a number of variables. These are classified as objective (examples are usage and loyalty scores : how often do buyers purchase brand X), or subjective (for instance the benefits sought by buyers of brand X).
This type of data can then be used by marketers to create a typology of buyers for a particular set of products or services. These consumer profiles are usually assigned labels that are an abbreviation of a complex set of consumer characteristics and typical buying behaviours. This is demonstrated in the following case study (sourced from UK press articles in March 1999).

**Case study: a typology of British shoppers**

Bluewater, which is Europe’s largest and newest shopping complex at the time of writing, opened in Kent, to the east of London, in 1999, at a cost of £350 million. The centre incorporates more than 320 shops, restaurants, cafés, a crèche, a 12-screen cinema, a boating lake, a picnic area, mountain bike trails, and numerous cash point machines. Approximately 80,000 customers with an average spend of £25 are expected to visit the complex every day. It is expected that Bluewater will become a valuable business for its Australian owners Lend Lease.

No aspect of the Bluewater project was left to chance. For five years, researchers investigated consumer buying behaviours using a variety of methods in order to create psychographic profiles for the shopping centre planners. The research was directed by a psychotherapist with a background in marketing, and it identified seven definitive types of British shopper, as shown in Table 1.

Bluewater’s research into consumer behaviour was designed to ensure that the shopping centre’s offerings would be aligned to shoppers’ needs. Every aspect of the shopping experience has been made customer friendly and customer focused. Shoppers enter the complex through hotel-style ‘welcome’ halls, where they are advised by concierges who will do everything from escorting them to a particular shop to carrying their bags and reminding them where they left their car in the 13,000 space car park.
Bluewater’s investigations also identified gender issues common to certain groups of shoppers. These traits have been addressed through measures such as ensuring that stores such as Marks & Spencer, which the shopping psychologist reported ‘is where men tend to get bored and want to go home’, are placed conveniently next to gadget shops such as Dixons or the bar of a TGI Friday.

### Positioning

As the Bluewater example shows, when the relevant segmentation data has been collected, the next step in the strategic process is to use this to drive the positioning of the product or service. In the case of Bluewater, the offerings made to shoppers were scoped to appeal to the maximum number.

Positioning is a prerequisite of the branding process (which will be discussed in a future paper in MQ). It is about occupying a relevant place on the mental map of consumers of the product. On this map, the company’s brand is placed in relation to competitive brands as defined by the consumer. An understanding of this cognitive positioning provides the insights that enable the marketer to define and differentiate his or her brand.

Importantly, as Sergio Zyman, formerly of Coca Cola, maintains, ‘if you want to establish a clear image in the minds of consumers, you first need a clear image in your own mind’. In other words, managers must be able to answer the simple question ‘what business are we in?’ before proceeding with the matching process. Frequently, however, positioning is far from clear in companies. This can be for a variety of reasons, which include the following:

- It is quite common for companies to want their products to ‘be all things to all men’.
- They do not know where to start with the positioning process.
- Everyone connected with the product or service has to be allowed to express an opinion.

<table>
<thead>
<tr>
<th>Type of shopper</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>County classics</td>
<td>House-proud. Shop at John Lewis and Jaeger. Interested in success, concerned about what others think of them and cynical about fashion. Numerically the largest cluster.</td>
</tr>
<tr>
<td>Club executives</td>
<td>BMWs and Boss suits are part of their iconography. Career-oriented. Expect service to be efficient.</td>
</tr>
<tr>
<td>Sporting thirties</td>
<td>Interested in sports. A tendency to be disruptive; do not really want to shop, prefer the bar instead.</td>
</tr>
<tr>
<td>Home comfortable</td>
<td>Mature customers with traditional tastes. Like to be served by someone their own age.</td>
</tr>
<tr>
<td>Young fashionable</td>
<td>In search of an identity. Interested in cosmetics, personal grooming and outward appearance.</td>
</tr>
<tr>
<td>Young survivors</td>
<td>Want low cost amusement. May use shopping to boost their self-esteem.</td>
</tr>
<tr>
<td>Budget optimists</td>
<td>Do not need to have their egos massaged. Looking for a sense of trust in their transactions.</td>
</tr>
</tbody>
</table>
Companies with a clear positioning for their brands of products or services tend to share the following characteristics:

- They have only one template, which is used company-wide (that is, everyone ‘sings from the same hymn sheet’).
- The allocation of responsibility for developing the positioning is unequivocal.
- A long-term rather than short-term view is taken.
- Communications activities are soundly based on the positioning.
- Simplicity (that is, ‘less is more’) becomes a byword for marketing activities.

Creating a positioning

A typical positioning would be made up of the components shown in Table 2. This is based on a hypothetical Nike case.

<table>
<thead>
<tr>
<th>Definitions of core elements</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target:</strong> This describes the core users (not all users). It can be defined by demographics, attitudes or behaviour.</td>
<td>For teenagers and young adults around the world.</td>
</tr>
<tr>
<td><strong>Frame of reference:</strong> This is the grouping in which the consumer sees the brand. It describes the things for which it could be substituted.</td>
<td>Nike is the athletic shoe.</td>
</tr>
<tr>
<td><strong>Point of difference:</strong> This is the specific benefit we want consumers to associate with the brand to distinguish it from the competition.</td>
<td>Which has street credibility.</td>
</tr>
<tr>
<td><strong>Support:</strong> These are the ‘reasons why’, or the ‘proof’ that the point of difference is true.</td>
<td>Because only Nike uses leading edge design and materials technology and is the choice of professional athletes worldwide.</td>
</tr>
</tbody>
</table>

[Source: Cranfield School of Management]

In positioning, marketers work with consumer perceptions. These can only be determined through primary research on users of the product. (In some cases, it can also be helpful to use non-users as respondents).

The three main information domains that need to be covered are the consumer, the competition and the product or service. From this data, the key dimensions underpinning the mental map can be explicitly identified.

- **Consumer:** What is the target consumer’s unique set of needs and wants? Is the value of the needs and wants grouping large enough?
- **Competition:** What locations are occupied by other brands? What are their strengths and weaknesses? What level of resources do they command?
- **Product:** What are the current beliefs about the brand? What benefits does the brand really have, or what benefits can you afford to add?

A market map for household cleaning products is shown in Figure 2. The key dimensions of ‘cleaning power’ and ‘freshness’ are the main driving attributes in this product category. In this highly competitive market, the map shows that pine disinfectants are perceived as delivering freshness but less cleaning power than bleach (which is not perceived to be strong on freshness).
Once the consumers’ mental map has been represented, one can understand the positioning of individual brands, for example Harpic, within the marketplace.

When the brand positioning has been identified, this needs to be activated. (Branding will be covered in a future article in the series).

**Summary**

While managers do not need to understand the nuts and bolts of constructing market research surveys or building databases, they do need to know how to understand customers, consumers and markets. Along with market research, market segmentation is crucial in developing this understanding. It forms the basis of successful competitive strategy, and it is one of the fundamentals of marketing.

Activating positioning is the next step in the marketing process. The wants and needs of the target consumer are matched with the offer the company has to make. Positioning activities involve working with consumer perceptions and then using this knowledge to direct branding activities.

**Reference**

- ‘Market research and information technology’
Further reading

- **Creating Powerful Brands**
  de Chernatony, L and McDonald, M H B (1992) Butterworth–Heinemann
  Examples are now becoming dated, but a clear exposition of what creates a successful brand.

- **Principles of Marketing**
  A clear and comprehensive description of the processes, with appropriate cases to illustrate the theory.

- **Market Segmentation: How to Do It, How to Profit From It**
  An easy to read guide to the complete process of segmentation; if you buy only one book on this subject, this is the one to go for.