

Chapter 5

Selecting the target:

TARGETING





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Objectives

- Learn how to select a target market
- Understand what are the characteristics that make a good target segment
- Identify the criteria for targeting
- Select the targeting strategy

Abstract

Having identified the various groups of potential buyers (segments), it is possible to assess how attractive each is and decide which one(s) to serve (target).

The first step is ascertaining the effective potential of the target. To this end, the target segment must meet some requirements. It must be Differentiable, Measurable, Substantial, Accessible, Stable and Actionable. The presence of these attributes is the necessary condition for considering a segment as a target . Additional criteria, both quantitative and qualitative, should be used.

A complementary analysis of the product range of the firm allows the development of a segment-product matrix, which is used to identify the specific product-market combination(s) on which a company competes.

Finally, the firm chooses the targeting strategy considering the company's resources, the characteristics and needs of the segments; the characteristics of the product and the benefits offered by it; and the strategies adopted by the competitors.

5.1. The target market

A company might go after the whole available market →
→ **undifferentiated** mass marketing strategy

Normally companies prefer to focus more precisely on some groups with well-defined traits.

Companies need to identify the groups of buyers that they want and can serve effectively.

A company may prefer to concentrate its effort on certain segments of the available market to present a targeted offer to those buyers.

This is its target market

the part of the available market to which the company aims its selling efforts.

5.2 Selecting the target

The available segments are identified and assessed →
→ the firm decides which one(s) it wants to reach with its offer → it decides who its customers should be.

If the firm adopts a **mass-marketing** strategy, it serves all the buyers of a broad target market indistinctly.

This allows to reach the largest part of the potential market, maximising the sales and lowering costs, achieving lower prices or higher margins than the competitors.

The 'one size fits all' approach works perfectly until no competitor offers a better targeted product. When this happens, the buyers tend to disappear

5.2 Selecting the target

Segmented marketing approach

- more effective presence in the market
- increase of costs (the more specific the marketing mix, the higher the costs).

The choice to serve different segment(s) must weigh the expected increase of sales and profits against the calculated increase in costs.

If the increase of costs is higher than the expected increase in sales, the effort to focus the offer to a specific segment would be self-defeating.

5.2 Selecting the target

For each of the segments, the firm evaluates the market potential and estimates a corresponding market forecast, assesses the competitive environment of the segment, and calculates the costs of the marketing mix necessary to reach out successfully to this segment.

It must keep in mind what resources it can allocate to the segment(s).

The availability of resources is a constraint to the decisions of the firm, because it determines the successful implementation of the targeting decisions.

5.2 Selecting the target

The targeting process consists of the following steps

1. Selecting one or more segments that are attractive and worthwhile
2. Understanding the market environment of the selected target segments
3. Stating a unique value proposition that distinguishes the company's offer from that of the competitors;
4. Developing a marketing mix tuned to the characteristics of the segment; paying particular attention to
5. Developing a communication and promotional strategy that is consistent with the intended positioning.

5.2.1 Target segment features

The first step consists in verifying the existence of the necessary conditions for the effective feasibility of the targeting, both in operational and economic terms.

For targeting to be effective, the target segment must meet some requirements, that go beyond what is necessary to identify a segment

internal homogeneity (the segment is homogeneous enough to allow one marketing mix to reach its components) and

external heterogeneity (segments are different enough to justify and require changes in the marketing mix).

5.2.1 Target segment features

The segment must be

Differentiable

Measurable

Substantial

Accessible

Stable

Essential feature for the successive targeting: they must be *differentiable*.

People belonging to different groups must have different expectations in relation to the product and must respond in a different way to the marketing policies.

5.2.1 Target segment features

Measurable. It must be possible to evaluate its market potential: to find or gather precise and quantifiable information based on the distinguishing characteristic of the segment. The firm must be able to assess the size of the segment and its purchasing power.

Substantial. The people who belong to the segment must be numerous enough to justify and reward the investments necessary to implement a customised marketing plan.

Accessible. The segment should be reachable with the tools of the marketing mix that the firm may use.

Stable. Although it is inevitable that consumer tastes and requirements evolve, variables used to define it should remain consistent in the medium-term. The size of the market should not fluctuate unpredictably nor should it be expected to decline in the short to medium-term

Moreover, it must be *actionable*. The company must have the necessary resources to develop effective marketing programmes to attract and serve the selected segment(s)

5.2.2 Targeting criteria

The presence of these attributes is the necessary condition for a segment to be considered as a target. Additional criteria are used to decide which segments are going to be targeted

The firm must consider factors related to the *dimensions* of each segment, its *structural attractiveness* and the *objectives* and *resources* of the firm itself.

Selecting the target market follows some strategic assumptions related to those factors. These assumptions can be based on both *quantitative* and *qualitative* variables.

Quantitative variables

current size of the segment, its growth potential, the current and prospective profitability

Qualitative variables

the competitive pressure, the level of accessibility, the customer fit, the effects on firm's or brand image, possible synergies with other sectors already served by the firm

5.2.2 Targeting criteria

quantitative criteria

segment size → the larger the segment, the more *sustainable* and *profitable* it is likely to be.

segment growth rate → the faster a segment is growing, the *more sales* it is likely to generate, also because in a growing market it is easier to *gain market share*

actual and perspective profitability → linked to the previous factors and to the characteristics of the segment in terms of income and motivations

By using the quantitative criteria, the company can assess which ones are potentially attractive and narrow its attention to the ones that have optimal size and growth perspectives

5.2.2 Targeting criteria

qualitative criteria

The *customer fit*

making sure that the segment is in line with company objectives and resources is essential for *meeting the demand* profitably and constantly in the long-term.

A segment may have optimal size and growth perspectives and be structurally attractive but

has the firm the *necessary resources* to develop the product and marketing mix?

Is serving that segment *in line* with the firm's *strategy* and *brand positioning*?

If a segment they does not fit with the long-term objectives of the company, it should not be taken into consideration as a target market

5.2.2 Targeting criteria

The firm should look at the *combination of products* it can offer to the market. Assessing the company position requires the combination of external and internal analysis.

To pick up the target segments the assessment of the segments should be accompanied by the *complementary analysis* of the *product range* of the firm.

To assess the product portfolio, it is useful to classify it into *categories*, dividing the various models in the company's portfolio based on their intended use.

5.2.2 Targeting criteria

This consolidates the multiplicity of models produced by the company into groups with a certain degree of homogeneity, making it easier to manage them.

The criteria used for this grouping refer to the

- *technical characteristics* of the *product* (such as the bio-friendliness of food products)
- *characteristics* of the *consumption* or usage process (walking and running shoes)
- *logistical requirements* (fresh, dry and frozen products).

5.2.2 Targeting criteria

The firm can blend market segments and product categories, developing a *segment-product matrix* to evaluate the connection between the segments and the products and estimate the size of the corresponding market.

The segment-product matrix is used to identify the *competitive position* (not to be confused with positioning), that is the specific *product-market combination(s)* on which the firm competes.

With the *segment-product matrix* the firm connects the market segments of potential buyers with the products it offers.

5.2.2 Targeting criteria

The *segment-product matrix*

The segments can be classified as *primary* and *secondary*.

Primary segments: their needs are very coherent with the benefits a certain product offers and its marketing mix emphasises.

Secondary segments: may be interested in some of the characteristics of the product but for various reasons cannot be considered as a choice target.

5.2.2 Targeting criteria

The *segment-product matrix*

Segment Product	Mountaineers	Seaside tourists	professionals	young
t-shirt		Primary segment		Primary segment
Windbreaker	Primary segment			
suit			Primary segment	
jeans	Secondary segment	Secondary segment		Primary segment
jersey	Primary segment		Secondary segment	Secondary segment

Primary segment

Secondary segment

5.2.2 Targeting criteria

the *brand persona*

A useful tool for focusing on the target and helping to communicate its characteristics to the marketing team and all the firm's employees is the development of the *brand persona*.

The Brand (or Buyer or Marketing) Persona simply consists of a detailed description of the targeted consumer(s), in the form of a detailed portrait of a fictitious consumer who could perfectly represent the targeted segment

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The Brand Persona is useful because – when people find it difficult to conceptualise from abstract notions – it helps:

- companies and brands to be very specific in the definition of their target(s),
- the marketing managers to communicate the targeting strategy in a better way, so that all members of the marketing team will share the same knowledge,
- the marketing team to get a more lively and concrete representation of the targeted consumer(s) and to better picture what are their characteristics, in terms of profile, behaviours, motives, expectations etc., when defining the marketing plan.

5.2.2 Targeting criteria

The description of the *brand persona* is usually represented through one single page and frequently contains:


- the name of the fictitious character with all relevant sociodemographic data,
- the title of the segment, that is supposed to summarise its key characteristics,
- the consumer's behaviours in relation to the focal product,
- the consumer's typical purchasing process, including the decision-making sources and factors.
- the buying most important expectations, motives and possible barriers, sentences that could be formulated by that consumer in relation to the focal product

5.2.2 Targeting criteria

Example of a *brand persona* representation

I FEEL SLOVENIA

Johanne, GREEN EXPLORERS (EXPLORERS)



"I find developed infrastructure for cyclists, pedestrians, and public transportation important."

worldly

persistent

logical

simple

OCCUPATION

scientist

STATUS


married

TRAVELS

often

COMES FROM

Germany, Benelux



travels with her husband

PRIMARY MOTIVATION

- To go somewhere beautiful

SECONDARY MOTIVATIONS

- To learn about a new country
- To experience diversity

EXPECTATIONS





- Relaxation and well-being
- Sense of peace and escape from everyday routine
- Colourful nature and beautiful views
- Clean environment
- High-quality public transport and accessible information (on time, good connections)
- People speak English

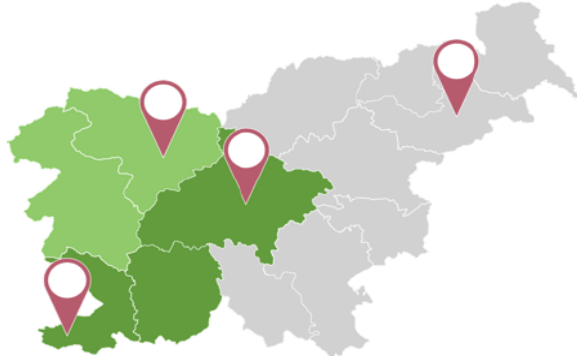
DECISION-MAKING INFLUENCE

the internet	<div style="background-color: white; height: 10px; width: 100%;"></div>
printed guide books	<div style="background-color: white; height: 10px; width: 80%;"></div>
Media (TV, printed media)	<div style="background-color: white; height: 10px; width: 30%;"></div>
Recommendations from people	<div style="background-color: white; height: 10px; width: 20%;"></div>
Local information	<div style="background-color: white; height: 10px; width: 80%;"></div>




AREAS OF INTEREST
nature, culture

- Light activities in nature
- Tour of natural attractions (Postojna Cave, Lake Bled)
- Visit to old town centres (e.g. Piran)
- Visit to Ljubljana









TRAVEL

SLEEP



TRAVEL STYLE

Organised	<div style="background-color: #4CAF50; height: 10px; width: 10%;"></div>	Spontaneous
Spends	<div style="background-color: #4CAF50; height: 10px; width: 15%;"></div>	Saves
Town/city	<div style="background-color: #4CAF50; height: 10px; width: 25%;"></div>	Nature
Relaxed	<div style="background-color: #4CAF50; height: 10px; width: 25%;"></div>	Active
Returning	<div style="background-color: #4CAF50; height: 10px; width: 40%;"></div>	Discovering new things

DESCRIPTION

In her everyday life, Johanne has a demanding job with much responsibility. She has very little free time, so she wants to use it to the maximum extent when she travels; she usually travels with her husband. She is worldly, she understands the world around her in her own way, and she prefers to explore it on her own rather than believing what she hears. She likes to combine learning about new things with relaxation. Photographs are an important source for decision-making with regard to travel, as they help develop feelings and create expectations.

EXPLORING

●

3 months in advance

SOURCES OF INFORMATION

●

the internet
printed guide books

RESERVATION

●

1 month in advance
Booking.com

TRAVEL

●

1 week
€1,200 per couple

5.2.3 Targeting strategy

To evaluate which targeting strategy to choose, it is useful to assess whether the market preferences with respect to the product attributes are homogeneous or not. The consumers' preferences can be:

1. *homogeneous*,
2. *agglomerated*
3. *diffuse*.

When preferences are *homogeneous*, all the consumers have roughly similar tastes and needs. There are no clear groupings that can be satisfied more precisely with different offers.

When preferences are *agglomerated*, consumers have clearly distinct needs and tastes, clustered around some combinations of attributes of the product. Each agglomeration would prefer offers that combine differently the attributes of the product.

When preferences are *diffuse*, consumer preferences greatly vary; each consumer has specific tastes and needs, different from everyone else's.

5.2.3 Targeting strategy

Targeting, the selection of the segment(s) to satisfy, requires deciding which strategy to pursue to reach the identified target segment(s).

The firm can choose among *three basic possible strategies*, plus a *fourth* one that is becoming more approachable for an increasing number of companies.

1. *standardised* (or undifferentiated) marketing,
2. *differentiated* marketing,
3. *concentrated* marketing,
4. *personalised* marketing.

They are related to the way the preferences of consumers are distributed in the segment

5.2.3 Targeting strategy

The basic strategies are translated in three (four) basic strategic options:

1. *Mass* or *standardised* marketing: *undifferentiated* marketing strategy;
2. *Multi-specialised* marketing: *differentiated* marketing strategy;
3. *Focused marketing*: *concentrated* marketing strategy;
4. *Individual marketing*: *personalised* marketing strategy.

Undifferentiated marketing strategy

In the market where the firm operates the consumers' preferences are *homogeneous*.

The firm ignores any differences in the market, addressing it in a uniform way. It is a *mass-marketing* approach, which ignores the differences between hypothetical segments because they are not relevant. The firm approaches potential clients with *one* offer packaged with a *single marketing-mix*.

5.2.3 Targeting strategy

Differentiated marketing strategy

In the market where the firm operates the consumers' preferences are *agglomerated*.

The firm develops products for each group of consumers that have distinctive needs and tastes. It is a *selective specialization* in which the firm targets *multiple* segments, developing a *marketing mix* for *each of the segments* it decides to target

Concentrated marketing strategy

In the market where the firm operates the consumers' preferences are *agglomerated*.

The firm focuses its offer on a *single* segment. Concentrated marketing strategies require perfect knowledge of needs, preferences and attitudes of the consumers. In this case, it is possible to speak of a *specialist* focus on the market which is also called *niche marketing*.

5.2.3 Targeting strategy

Personalised marketing strategy

In the market where the firm operates the consumers' preferences are *diffused*.

The firm focuses its offer on the *individual client* tailoring the marketing-mix to *each individual* client.

Typical of industrial contexts, where a firm often serves one or more sizeable customers for whom it develops ad hoc products and services.

Because of the emphasis more recently placed on the establishment of *strong relationship* with the individual customer also in consumer goods markets and thanks to the development of informatics technologies, many firms focus their marketing on ways to *personalise* products and messages for *each* client.

5.2.4 Selecting the targeting strategy

Four factors on which the firm bases its choice of the targeting strategy.

- 1. The company's resources;*
- 2. The characteristics and the requirements of the consumers (segments);*
- 3. The characteristics of the product and the benefits offered by it;*
- 4. The strategies adopted by the competitors.*

5.2.4 Selecting the targeting strategy

1. *The company's resources*

When company **resources** are **limited**, the chosen strategy can be either *undifferentiated marketing* or *concentrated marketing*.

Firms with **scarce resources** often cannot reach mass markets because they cannot sustain the necessary cost. Firms with limited resources choose to target only one segment. The *concentrated marketing* strategy should target a particularly profitable market niche.

When the company has **ample resources**, it can target multiple segments. The *differentiated marketing* strategy allows the firm to target with precision various segments and gives it the benefit of risk diversification

5.2.4 Selecting the targeting strategy

2. The characteristics and the requirements of the consumers (segments)

Consumers have different needs and expectations and are increasingly demanding.

Customers' satisfaction is linked to the *customisation* of the products.

An undifferentiated offer does not satisfy them → most companies must reject the choice of an *undifferentiated* marketing strategy.

Concentrated or *differentiated* marketing strategies are more suited to this type of customers

In B2C markets when consumers strongly prefer customised products, a firm should think of choosing the *personalised* marketing targeting strategy.

5.2.4 Selecting the targeting strategy

3. The characteristics of the product and the benefits offered by it

The degree of *homogeneity* of the product affects the targeting strategy choice

Trivialised products (e.g., petrol or matches) →

→ the buyers do not recognize any additional value to the variety →

→ *undifferentiated* marketing strategy gives the advantage of lower costs.

Products where consumers appreciate the ability to choose between different varieties (e.g., clothing consumer electronics) →

→ *differentiated* marketing strategy allows the firm to ask a higher price for a more targeted offer.

5.2.4 Selecting the targeting strategy

3. The characteristics of the product and the benefits offered by it

The degree of *novelty* of the product affects the targeting strategy choice

The product is new for the market and satisfies a need that was latent →

→ *undifferentiated* marketing strategy gives an advantage against competitors offering differentiated (and costlier) products to consumers who are satisfied with the basic (and cheaper) product.

When *launching* a new product, even when the type of product is not new for the market

→

→ more practical and less risky to arrive on the market with a single version.

When the product is in its *maturity* →

→ product differentiation is a key aspect of marketing →

→ a *differentiated* marketing strategy becomes more fitting.

5.2.4 Selecting the targeting strategy

4. The strategies adopted by the competitors

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5.2.4 Selecting the targeting strategy

4. *The strategies adopted by the competitors*

The competitors' targeting strategies and the potential threat of new entrants influence the targeting strategy

Sometimes adopting a strategy in contrast with the competitors' offers visibility → but

→ if the competitors adopt *undifferentiated* marketing, it might mean that there is no room for *product differentiation*.

→ if competitors use a *differentiated* marketing strategy, offering an undifferentiated product would be an inappropriate choice because consumers want variety

If *threat of substitute* products →

→ *differentiated* marketing strategy: a single offer to all potential consumers →

→ disadvantage against a new entrant targeting a specific segment

Reflection

Consider the footwear market and work out its subdivision in categories

Consider the markets for flour, petrol (automotive) and chocolate.

Discuss how are consumers' preferences with respect to the product attributes

Consider the footwear market and, based on its subdivision in categories you have defined, develop a segment-product matrix

Test

Analyse the market for footwear

1. Identify some of the segments in which it can be divided.
2. Discuss the presence in each of them of the five features required for a segment to be a worthwhile target