

# Market Definition, Market Segmentation and Brand Positioning

Greg Allenby  
Ohio State University

# Marketing Concept

Offer goods and services that fit into the lives of individuals.

Don't attempt to change the lives of individuals so that they fit the offering.

# The Marketing Concept and Return on Investment (ROI)

## The consumer side of the market:

Good return is obtained with offerings that are relevant to the existing activities of individuals, made at a general price they find acceptable, made available at outlets they already frequent.

At the heart of successful market definition is the concept of a prospect – a person who might conceivably part with their money for the right to acquire and use some version of your product category.

For the planning period, some people are in your market and others are not.

People whose present and planned pursuits have no place for some version of your product category are best left out of your calculations.

*How Useful is a Regression Model? A factor analysis model?  
What model should you use? What is the likelihood?*

# The Marketing Concept and Return on Investment (ROI)

## The producer side of the market:

Firms more likely make money by building on their existing competencies and expertise.

While core competencies can be developed over the long-term, the analysis and evaluation of a specific venture is better made in terms of a firm's existing expertise.

*What Model?*

# Kinds of Exchange

At any time, in any geographic region, buyers and seller engage in countless exchanges ...

... most of which are irrelevant to any single venture!

Defining a market involves stating the kinds of exchange that are relevant to your venture.

Elements of a universe that are of interest.

Boundaries of analysis.

# Rules of the Game

Objective: to make a satisfactory return on investment by engaging in exchange.

Therefore, prospects must be:

Notified of the offering's existence (e.g., national media, direct mail, etc.).

Able to engage in physical exchange.

Implication: Existing competencies and expertise in the firms make some options more attractive than others.

# Key Decisions for Marketing Strategy

What geographic area will we operate in?  
What timeframe do we have in mind?  
Who are our prospects?  
What will we offer?  
In what broad range of price?  
To whom will we offer it?  
How will we let them know about our offering?  
How/where will we engage in exchange with them?  
Whom will we compete with?

*How Best to Answer?*

# A Method for Market Definition

Identify the product domain for the venture, the intended geographic location, planning horizon and general price level.

Select a domain of consumer activity corresponding to management's product category.



# A Method for Market Definition

Evaluate the locatability of persons who perform the focal behavior. Study their media exposure and exchange vehicle patronage for the purpose of:

Communication from them.

Communication to them.

Exchange with them.

Specify the competitive marketers/ technologies implicated by steps 1-3.

# Market Definition

## Specific answers to some strategic questions:

- What geographic area will we operate in?
- What timeframe do we have in mind?
- Who are our prospects?

## Partial answers to the others:

- What will we offer?
- In what broad range of price?
- To whom will we offer it?
- How will we let them know about our offering?
- How/where will we engage in exchange with them?
- Whom will we compete with?

Can you conceive of a model with partial answers?  
How would you write the likelihood?

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# Market Segmentation

The process of understanding and characterizing the diversity of demand that individuals bring to the marketplace.

1. Identify bases for segmenting the market.
2. Develop segment profiles.
3. Develop measure of segment attractiveness.

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# Step 1. Identify Bases for Segmenting the Market

Possible basis (classification) variables:

Descriptions of individuals/ firms

Demographics, psychographics, lifestyle, personality, social class/  
purchasing approaches, expenditures.

Descriptions of environments

Geography (world region, country, city, metro size, density, climate),  
occasions (weddings, camping trips, vacations), culture.

Descriptions of behavior

Marketplace: loyalty status, usage rate, price sensitivity.

In the context of everyday life/work: concerns and interests.

# Do Traditional Classification Variables Work?

“The Effectiveness of Demographic and Psychographic Variables for Explaining Brand and Product Use”

20,000 respondents from a study conducted by Simmons Market Research.

52 product categories.

packaged goods typically found in grocery stores (e.g. beer, shampoo, soda, toothpaste)

between 5 (charcoal) and 74 (candy bars) brands per category

Self-reported product and brand use.

# Predicting Brand Choice and Product Use

	Demo - graphics	Self concept	Buying style	Attitudes	Opinions about myself
Relative Brand Choice	0/52	0/52	0/52	0/52	0/52
Product Use	44/52	19/52	22/52	28/52	11/52

Number of product categories where variables are predictively useful



# Implication

Descriptions of individuals and environments ...

Useful for predicting product use.

Wealthy people are in the market for expensive cars, people in northern climates are in the market for warm coats.

Not useful for predicting relative brand preference.

Meaning of a car (e.g., status symbol, reliable transport, thrill of the road) or protection against elements not revealed by these variables.

... do not reveal how an individual interacts with their environment.

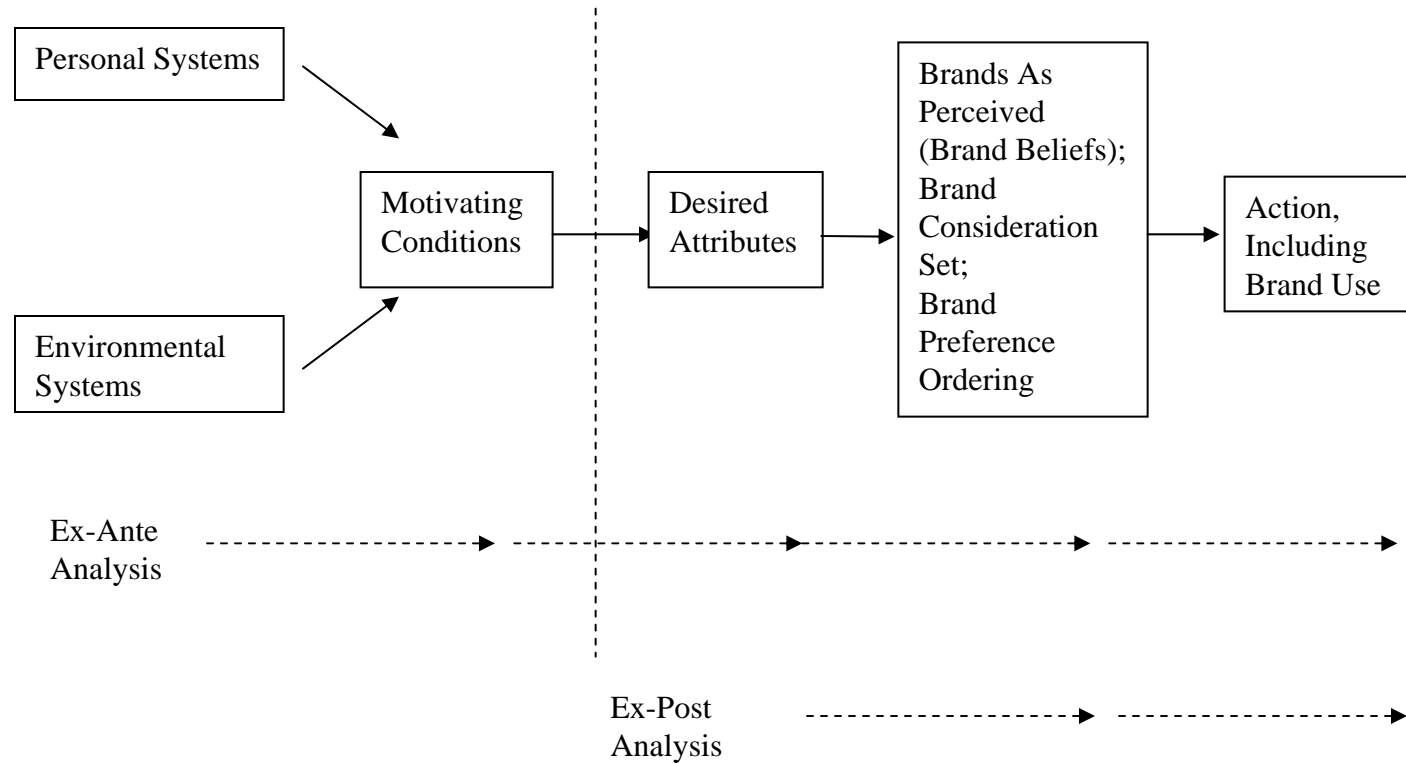
# Behavioral Relevance of a Brand

One or a few activities outside the marketplace.

Designed to address a subset of conditions that prompt individuals to engage in a particular activity.

Tiny range in comparison to the scope of needs, traits and lifestyles.

# Conceptualizing User Wants



# Explanatory (Basis) Variables

Motivating conditions arise from the intersection of personal and environmental systems

Demographics, general psychographics are person-specific

Geography and descriptions of activities (i.e. weddings, camping trips) are environment-specific.

Common basis variables (general descriptors) cannot explain motivating conditions.

# Classification Variables for Brand-Level Segmentation

*Concerns and interests that lead us to our  
everyday activities.*

# Basis Variable for Brand-Level Segmentation

## Sticks

- Solving immediate problems
- Preventing potential problems
- Maintaining stable state

Moving away from an undesirable state.

## Carrots

- Exploring interest opportunities
- Enjoying sensory pleasure

Moving toward a desirable state.

Displeasure in use

Pushed back from the marketplace.

Ineffective/frustrating outcome

	BRUSHING TEETH	DAILY SWIMMING	ATTENDING LIVE THEATER	FEEDING THE CAT
Motivational Class	The individual may be...	Daily swimmer may be ...	Individual may attend live theater ...	The cat-feeder may be...
1. Problem Solving	escaping from the unpleasant process of bacteria in the mouth creating bad breath, or damaging teeth, or from the ugliness of teeth discolored or stained from smoking cigarettes/drinking coffee/ eating blueberries	ameliorating a medical condition	seeking restoration for a weary body and overtaxed mind; or relief from boredom, drudgery, banality, stultifying routine, or from absorption with the concerns of young or ailing charges; escaping from an environment that is oppressive or distracting or lacking in privacy	troubled by Cat's sluggish movements, dry skin, overweight body, or lack of appetite
2. Problem Prevention	preventing imagined criticisms from oneself/significant others on grounds that one is lazy, careless of personal hygiene, lacking in consideration for others	expressing self image as an individual who knows how to care for themselves, who maintains the fitness of younger person	considering the implications of attending the performance for his or her self-concept as a (discerning) cultivator of the good life, a generous provider/host, a thoughtful lover/spouse/parent/child	catering to a spoiled child, nurturing a loyal friend, tending an expensive status symbol
3. Routine Maintenance	maintaining a system that needs only routine attention	a routine activity engaged in as a matter of course	engaging in a routine with minimal investment of thought and interest	mindlessly performing a routine chore
4. Exploratory Opportunity	exploring an interesting question related to brushing techniques	a skilled activity whose continued improvement is a subject of absorbing interest	intrinsically interested in theater as a student of human condition or the aficionado fascinated by the complexities and finer points of the theater arts	"into" cat nutrition, finding interest in learning ever more and more about the functions of various ingredients in Cat's diet
5. Sensory Opportunity	enjoying the sensory experiences associated with bristle on gums, taste and tingle of dentifrice, and the sight of glistening pearly teeth	an opportunity for a multitude of sensory pleasures, of moving water and physical movements of the body	considering the theater as an opportunity to feast the senses	empathizing with Cat, Leslie may take pleasure in presenting an array of delectable meals to please Cat's palate
6. Product-related Problems	in addition to one or more of the preceding orientations, worrying about possible damage to enamel, irritation and strong taste	any of the preceding with, nevertheless, a range of unpleasant aspects, such as cold changing rooms, chlorine smells, exposing one's body to comparative evaluation by self and others	Additionally perceiving attendance as entailing some troubling elements, such as expense, inconvenience, possibilities for embarrassment, for feeling more "out of it" than if one stayed home	doing any of the preceding while worried about cost, trouble, waste, smell, and other considerations
7. Frustration	With one or more of the preceding orientations, frustrated that toothpastes aren't strong enough to prevent cavities or claim more than they can deliver	where currently available physical conditions, suits, accessories, and gear are poorly designed and hindrances to realizing the swimmer's desired outcome from the activity	finding available theatre less enjoyable than one would wish	"making do" with food delivery systems that are deficient in some respect

# Toothbrushing Concerns and Interests

## Solving Immediate Problems

- a1: My teeth stain easily.
- a2: I wake up with a bad taste/feeling in my mouth.
- a3: I am concerned about the condition of my gums
- a4: I am predisposed to having sensitive teeth.
- a5: I am concerned about tartar and plaque build-up on my teeth.
- a6: I am concerned about bad breath.
- a7: my teeth are dull/not white enough.
- a8: I am predisposed to having cavities.
- a9: I have trouble getting my kids to brush.
- a10: I am concerned there are cavity prone places on my teeth.
- a11: I am concerned about germs and mouth infections.
- a12: I am concerned about not getting to hard to reach places.

## Preventing Potential Problems:

- b1: I would feel I'm letting myself down if I didn't brush regularly.
- b2: I believe that people expect me to brush regularly

## Maintaining Stable State:

- c1: I don't have problems, worries or interests regarding my teeth. I just brush my teeth regularly.
- c2: For me, brushing my teeth is just something I do with little thought or interest.

## Exploring Interest Opportunities:

- d1: I like to try different oral brushing techniques/routines just for a change of pace.
- d2: I'm interested in knowing about the science of oral hygiene – including different kinds of brushes and toothpastes.

## Enjoying Sensory Pleasure:

- e1: I like the tingle I feel in my mouth after I brush.
- e2: I enjoy the fresh taste I get from brushing.
- e3: I love to see my teeth gleaming like pearls.
- e4: Bubbling action adds to the sensory pleasure of brushing.

## Displeasure in Use:

- f1: Toothpastes are too strong tasting.
- f2: Toothpastes scratch the enamel on my teeth.
- f3: Toothpastes irritate my mouth.
- f4: Toothpastes cost too much.
- f5: Toothpastes contain artificial ingredients.
- f6: Toothpaste packaging can be harmful to the environment.

## Ineffective/ Frustrating Outcome:

- g1: Toothpastes aren't strong enough to prevent cavities.
- g2: Toothpaste breath-freshening doesn't last long enough.
- g3: Toothpaste claim more than they can deliver.



# Asking the Question

## Describes me...

	<u>Completely</u>	<u>Very well</u>	<u>Somewhat</u>	<u>Slightly</u>	<u>Not at all</u>
1. My teeth stain easily.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. I wake up with bad taste/feeling in my mouth.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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4. I am predisposed to having sensitive teeth.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. I am concerned about tartar and plaque build-up on my teeth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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# What Do We Learn From Basis Variables?

## General Descriptors

General Demographics and  
Psychographics

Domain of activity

Resource allocation

### **Product use**

Defining a market

Segmentation research

## Domain-specific Descriptors

Concerns and Interests

Context for activity

Resource deployment/utilization

### **Brand choice**

Identifying diverse wants within a market

Market segmentation research

## Step 2. Develop Segment Profiles

*Creation of groups of individuals with similar classification variables*

# Cluster Analysis for Segmenting Markets

Define a measure to assess the similarity of customers on the basis of their needs.

Group customers with similar needs. The software uses the “Ward’s minimum variance criterion” and, as an option, the K-Means algorithm for doing this.

Select the number of segments using numeric and strategic criteria, and your judgment.

Profile the needs of the selected segments (e.g., using cluster means).

*Is clustering an appropriate method?*

# Step 3. Measures of Segment Attractiveness

Within each segment, specify and assess:

## Competition

Availability of substitute brands, power of buyers and sellers, competitor intents and strategies.

## State of want satisfaction

Brand variability.

## Potential for brand inroads

Organization skills & resources need to succeed in the segment, i.e., core competence.

# Criteria for Assessing Targets

## **Measurable**

Size, purchasing power, profiles of segments can be measured.

## **Accessible**

Segments can be effectively reached and served.

## **Substantial**

Segments are large or profitable enough to serve.

## **Differential**

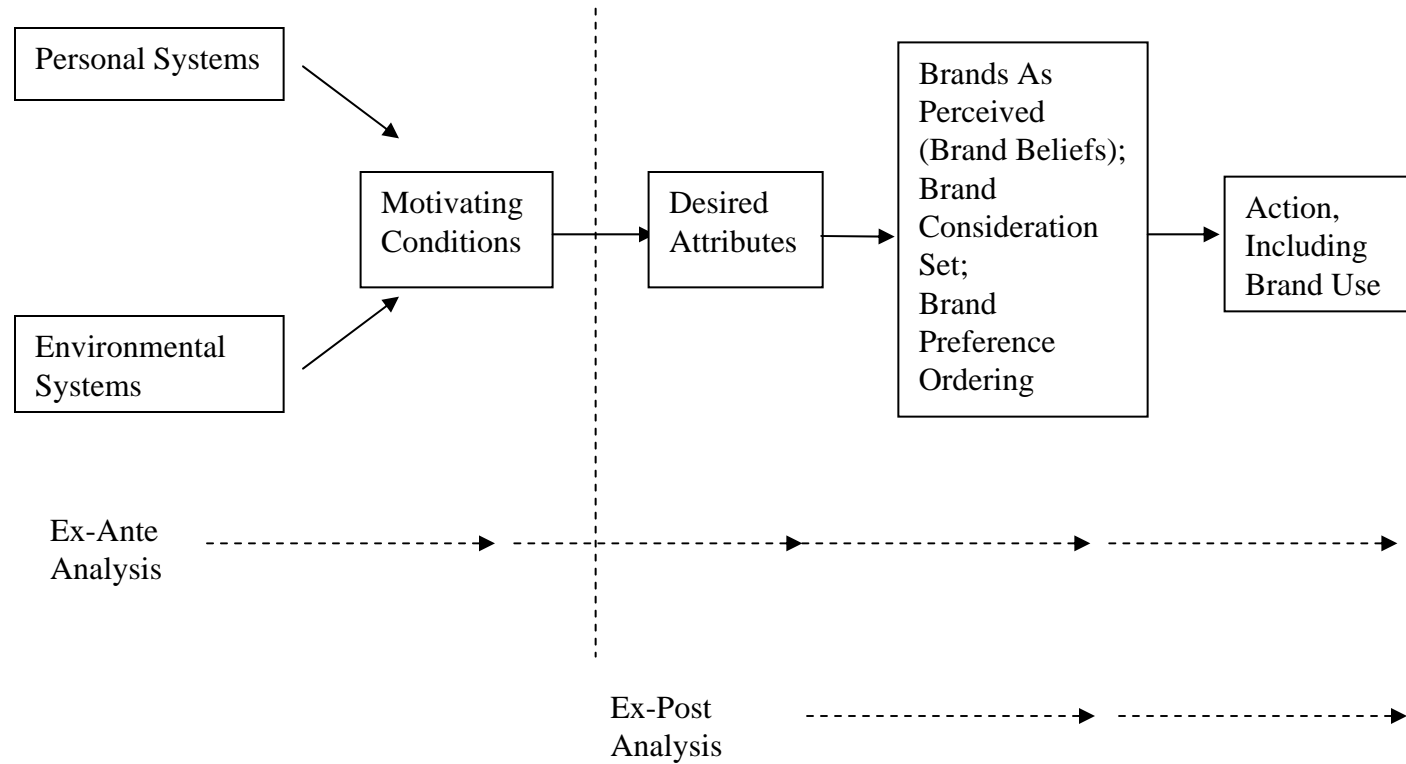
Segments must respond differently to different marketing mix elements and programs.

## **Actionable**

Effective programs can be designed to attract and serve the segments

*Tradeoffs? Model?*

# Conceptualizing User Wants



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# Outboard Engine Attributes

Brand Name

Evinrude, Force, Johnson,  
Mariner, Mercury, Yamaha

Price

Fuel Economy

Reliability

Durability

Vibration and Noise

Acceleration

Speed

Emissions

Technology

# Credit Card Attributes

## Bank

current, local, out-of-state

## Interest Rates

8%, 7%, 6% , variable

## Reward Programs

free checking, greater interest  
on savings

## Annual Fee

\$50, \$25, \$0

## Rebates

1%, .5%, none

## Credit Line

\$2000, \$5000

## Grace Period

45 days, none

# Product Design

Product is a bundle of attributes whose importance is driven by customer needs.

How do motivating conditions map to attributes?

How do perceptions of attribute efficacy affect part-worth estimates in the model  $y = x'\beta + \varepsilon$  where  $x$  denotes attribute-levels?

What is “ $x$ ” for a respondent? How does it vary across respondents?

How are these attributes evaluated and combined to form utility?

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# Price

Price is the sum of all the values that consumers exchange for the benefits of having or using the product or service.

Broadly speaking, costs include time, money, physical effort, and psychological effort associated with the acquisition of a good or service.

Price has been the major factor affecting buyer choice; nonprice factors have become increasingly important in buyer-choice behavior.

# Price Plays Two Roles

## Market Defining

The general “price” level of an offering affects whether or not it is considered for evaluation.

Tend to be non-monetary (e.g., physical, psychological, emotional ...) that are difficult to control, and the price “level.”

## Brand Positioning

The choice of which offering to purchase is driven by value:

$$\text{Value} = \text{Benefits} - \text{Costs} \quad (\text{or Benefits/Costs})$$

where price (\$) is an element of cost.

*Should analysis rely on linear models?*

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# Attentional Allocation and Engagement

Attention proceeds by self-selection.

Advertising communication lacks a means of alerting its targets that a personally relevant message is about to be delivered, and must rely on other means to have target allocate their attention.

Once attention is allocated to an advertisement, the consumer needs to engage in processing the add in memory for future use.



# Attention Engagement

Pleasant and unpleasant aspects of the motivational context for using the advertised product are a means of engaging attention.

How does attention engagement lead to changes in memory.

How do desired attributes lead to a consideration set of brands? How should you measure brand association?  
What is meant by attribute importance?

*Linear Models?*

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# Perceptions

Perceptual maps are visualizations of the way in which consumers perceive products. In terms of the linear model:

$$y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \dots + \beta_kx_k + \varepsilon$$

the analysis of perceptions deals with measuring “x”

Different from conjoint analysis which measures the importance of an attribute-level conditional on the value of the level ( $\beta|x$ ).

# Data Collection

19a. Think about the needs you had for a disposable, one-time use camera during your KEY SITUATION. Think about all the things an IDEAL camera for this situation should do. Listed below are characteristics of disposable, one-time use cameras. Use the scale in Box "A" to indicate how important each characteristic is to you for the IDEAL camera used in your KEY SITUATION. (In Column "A" below, write in ONE number for each characteristic listed. Finish all of Column "A" before answering Column "B")

19b. Listed below in BOX "B" are various brands of disposable, one-time use cameras which you may or may not know about. I would like your opinions based on what you know or have heard about these cameras, even if you have never used them. (Refer to Side 1 of the Picture Chart enclosed with this questionnaire)

First, cross-out any products in Box "B" that you know nothing about. Now, for each characteristic, write in Column "B" the code number(s) or letter(s) from Box "B" for the camera(s) that you believe definitely have this characteristic. (You can write in as few or as many numbers or letters as you like)

BOX "A"	
How important was this characteristic in your KEY SITUATION?	
If characteristic is ...	Write in Code
Extremely important.....	1
Very important.....	2
Fairly important.....	3
Slightly important.....	4
Not at all important/Do not have this need.....	5

BOX "B"	
(Cross off any brands you know nothing about)	
	Write in
Fuji Flash 400.....	0
Fuji QuickSnap Multiview (APS) ..	1
Fuji QuickSnap Waterproof 800 ..	2
Jazz Outdoor (non flash).....	3
Kodak Advantix Flash.....	4
Kodak Max Flash.....	5
Kodak Max Outdoor (non flash) ..	6
Kodak Max Panoramic .....	7
Kodak Max Sport (waterproof) ....	8
Message Camera (i.e. It's a boy, birthday, etc.).....	9
Store Brand/Generic Flash (Walgreens, CVS, etc.).....	A

Characteristics a Disposable, One-Time Use Camera Could Have

	COLUMN "A" How Important for your KEY SITUATION? <i>(Write in Code from Box "A")</i>	COLUMN "B" Which disposable, one-time use camera(s) DEFINITELY Have This Characteristic? <i>(Write in Code(s) from Box "B")</i>
Available in multi-packs .....	_____	1 _____
Makes me feel proud of the pictures I take.....	_____	2 _____
Printed instructions on the camera are clear/easy to read .....	_____	3 _____
Pictures come out well regardless of the lighting.....	_____	4 _____
Flash indicator is easy to see/use.....	_____	5 _____

Please continue answering all of Column "A" on page 3 before answering Column "B"

# Data Collection

Please continue answering as you did on the previous page.

Characteristics a Disposable, One-Time Use Camera Could Have . . .	COLUMN "A" How Important for your KEY SITUATION? (Write in Code from Box "A")	COLUMN "B" Which disposable, one-time use camera(s) DEFINITELY Have This Characteristic? (Write in Code(s) from Box "B")
Prints have themed, decorative borders.....	_____	6 _____
Get what I see through the viewfinder .....	_____	7 _____
Is recommended by photographic organizations.....	_____	8 _____
Has a lever film advance instead of a wheel film advance .....	_____	9 _____
Can hold camera at arms length and take photo of myself .....	_____	10 _____
Is a fun design.....	_____	11 _____
Good for special projects (school, work, home, etc.).....	_____	12 _____
Is lightweight .....	_____	13 _____
Good for teenagers .....	_____	14 _____
Brand is easy to recognize.....	_____	15 _____
Is more expensive, but worth it .....	_____	16 _____
Available anywhere and everywhere .....	_____	17 _____
Is a well-established brand/brand I grew up with .....	_____	18 _____
I don't have to hold the button down to make the flash work...	_____	19 _____
Is high-tech, innovative .....	_____	20 _____
Good for more candid/less posed shots .....	_____	21 _____
The camera's "look" matches special themes and events.....	_____	22 _____
Good for sport or beach .....	_____	23 _____
Does not look like a toy .....	_____	24 _____
Good if I forgot my regular camera .....	_____	25 _____
The camera lets me know if there is not enough light or too much light.....	_____	26 _____
Pictures look good when enlarged.....	_____	27 _____
Has a telephoto/zoom lens .....	_____	28 _____
Pictures have a date stamp .....	_____	29 _____
Pre-loaded with high quality film .....	_____	30 _____
Gives me something to remember/reminisce about .....	_____	31 _____
Printed instructions on the package are clear/easy to read.....	_____	32 _____
Packaging/colors stand out/catch my eye in the store .....	_____	33 _____
Helps my child feel grown up.....	_____	34 _____
Pre-loaded with Advanced Photo System film.....	_____	35 _____

# Data Collection

Don't have to worry about someone trying to steal my camera .....	-----	36	-----
Lets me take one flash picture after another without waiting...	-----	37	-----
Pictures have vivid, vibrant colors .....	-----	38	-----
The camera lets me know if the film is advancing properly .....	-----	39	-----
Good when I don't want to risk my expensive camera .....	-----	40	-----
Camera is available in a variety of colors .....	-----	41	-----
Good for underwater photography.....	-----	42	-----
Looks rugged and durable .....	-----	43	-----
Lets me take photographs I would otherwise have missed .....	-----	44	-----
Is fun to use.....	-----	45	-----
Shutter release button is conveniently located/easy to press .....	-----	46	-----
Is a trustworthy brand .....	-----	47	-----
Comes with an envelope for pre-paid processing.....	-----	48	-----
Is inexpensive, but gives me good quality pictures .....	-----	49	-----
Is a brand that appeals to youth .....	-----	50	-----
Good for people who don't own a camera .....	-----	51	-----
Doesn't break if I drop it.....	-----	52	-----
Good for sightseeing.....	-----	53	-----
Is a simple, practical design.....	-----	54	-----
Good to give as a gift .....	-----	55	-----
Has a self-timer that lets me get in the picture .....	-----	56	-----
Is recommended by friends.....	-----	57	-----
Has a large, easy to use viewfinder.....	-----	58	-----
First image on roll is pre-loaded with a souvenir picture .....	-----	59	-----
Has a bright, powerful flash .....	-----	60	-----
Consistently produces high-quality photographs.....	-----	61	-----
Has an accessory (neck strap, clip) that makes it easy to keep camera with me at all times .....	-----	62	-----
Makes me feel connected to people/places I've been .....	-----	63	-----
Display information helps me choose the right camera .....	-----	64	-----

Go Back and Answer Q19b

# Concluding Remarks

It is doubtful that existing models are appropriate for much of the analysis needed for defining markets, segmenting markets and conducting brand positioning.

The standard linear compensatory model is flexible but does not reflect the underlying process.

Marketing is in need of i) new models; ii) new variables; iii) better understanding of process.