

Chapter 4

STP Marketing

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Concept of Market Segmentation

Market segmentation, or target marketing strategy, is also known as **STP marketing**. STP stands for **Segmenting, Targeting, and Positioning**, which refers to three key target marketing tools as follows:

1. Market Segmentation (Segmenting)

The process of dividing a market of consumers for a particular product into smaller, distinct segments in order to identify the characteristics of each segment and select segments with potential.

2. Market Targeting (Targeting)

The activity of evaluating and selecting market segments that have potential and are suitable for the company's resources and capabilities in generating sales and profits.

3. Market Positioning (Positioning)

The process of establishing a competitive position for a product in the market by comparing the product's attributes and image with those of competitors.

Market Segmentation

Market segmentation refers to the process of dividing consumers into smaller groups with different characteristics, where members within each group share similar traits and have similar needs for products or services.

Benefits of Market Segmentation

1. Helps companies distinguish different target groups, leading to a clearer understanding of each market segment.
2. Enables companies to use segmentation as a criterion for selecting target markets that are appropriate for their products, potential, and available resources.
3. Helps identify the needs and satisfaction preferences of each market segment that differ from one another.

4. Enables companies to adapt or modify products or services to enter new markets and expand customer groups.
5. Helps customers receive products and services that truly match their needs.
6. Builds customer brand loyalty as a result of satisfaction with products or services.
7. Helps protect against competitive imitation in the market, as customers remain loyal to the brand.
8. Enables more effective improvement of marketing plans and marketing budgets.

Market Segmentation Process

Divided into **three stages**

1. Survey Stage

In the first stage, marketers must conduct market research to collect various types of market data in order to identify information that serves as key factors for market segmentation.

2. Analysis Stage

This stage involves analyzing data obtained from the survey to identify market segments with potential by grouping data according to shared characteristics.

3. Profiling Stage

This stage involves describing the distinctive characteristics of each segment based on the segmentation criteria.

Types of Market Segmentation

Consider consumer preferences, needs, satisfaction, and market behavior toward products. There are **three types**

1. Homogeneous Preferences

This refers to a market in which all consumers have similar preferences, needs, satisfaction levels, and marketing behavior, with no significant differences among them.

2. Diffused Preferences

Consumers have widely differing preferences, needs, and behaviors regarding product attributes. In this case, producers typically offer a standardized product, as it tends to be accepted by the majority of consumers.

3. Clustered Preferences

Similar to the first type, but preferences and needs that are alike are clearly divided into distinct groups or clusters.

Businesses can enter the market through **three alternative approaches**:

1. **Select a central market position** by offering a standardized product expected to be accepted by all segments. This approach is suitable for using a uniform marketing policy (**undifferentiated marketing**).
2. **Select a single largest market segment** by applying a mass or niche marketing strategy, focusing on one specific segment (**concentrated marketing**).
3. **Select all three segments** by offering three different marketing mixes tailored to each target segment, using distinct marketing policies (**differentiated marketing**).

Criteria for Consumer Market Segmentation

- 1. Geographic Segmentation (Geographic)**
Market segmentation based on geographic characteristics of the market, such as region, population size, climate, or population density.
- 2. Demographic Segmentation (Demographic)**
Market segmentation based on demographic factors, including age, gender, family size, income, education, occupation, family life cycle, religion, ethnicity, race, household size, and family life cycle.
- 3. Psychographic Segmentation (Psychographic)**
Market segmentation based on differences in lifestyle or personality characteristics, such as social class, lifestyle patterns, and personality traits.
- 4. Behavioral Segmentation (Behavioral)**
Market segmentation based on consumer knowledge, attitudes, product usage, responses to product attributes, or opportunities to purchase products.

Industrial Market Segmentation

Segmentation Variables	Examples of Market Segmentation
1. Demographic	
1.1 Industry	Target industries, such as the automotive industry, food processing industry, or publishing industry, etc.
1.2 Company size	Small, medium, large
1.3 Company location	Geographic boundaries
2. Operating Variables	
2.1 Technology	High technology / Low technology
2.2 User status	High technology / Low technology
2.3 Service capability	High service requirement / Low service requirement
3. Purchasing Approach	
3.1 Customer purchasing organization	Centralized purchasing / Decentralized purchasing
3.2 Customer power structure	Departments with purchasing authority, such as purchasing, sales, production, etc.
3.3 Nature of buyer-seller relationship	Close relationship / No prior relationship
3.4 Customer purchasing policy	Purchasing procedures, contracting, bidding, leasing, service agreements
3.5 Customer buying criteria	Product quality, service, price
4. Situational Factors	
4.1 Urgency of purchase	Need for fast delivery or not
4.2 Product application	Used as a component / Used completely
4.3 Order size	Large customers / Small customers
5. Personal Characteristics of Buyers	
5.1 Degree of similarity between buyer's and seller's businesses	Very similar / Somewhat similar
5.2 Attitude toward risk	High risk / Low risk
5.3 Customer loyalty	High / Low / None

Effective Market Segmentation

The effectiveness of market segmentation (**effective segmentation**) can be evaluated based on the following criteria:

- 1. Measurable**
The size and purchasing power of each market segment can be measured.
- 2. Substantial**
The market segment is large enough to generate sufficient sales and profits.
- 3. Accessible**
The market segment can be reached and its needs can be effectively served.
- 4. Actionable**
Marketing programs can be designed and implemented to serve the target market effectively.
- 5. Differentiable**
The segments are distinct and respond differently to marketing efforts, enabling customer satisfaction.

Target Market Selection

Targeting refers to the evaluation and selection of one or more market segments from market segmentation to be chosen as target markets.

Steps in Target Market Selection

- 1. Evaluating Market Segments to select appropriate target segments**
 - 1.1 Size and Growth of Market Segment**
 - 1.2 Segment Structural Attractiveness**
 - 1.3 Company Objectives and Resources**

2. Selecting Market Segments **Selecting** refers to choosing the market segments that have been evaluated and are deemed suitable to become target markets.

2.1 Undifferentiated Marketing

This strategy offers a single product or marketing mix to the entire market, assuming that all customers have similar needs.

2.2 Differentiated Marketing

This strategy involves targeting several market segments, each with different needs, and offering distinct products or marketing mixes for each segment.

2.3 Concentrated Marketing

This strategy focuses on selecting only one market segment (**single segment**) and tailoring marketing strategies to closely match the needs of that specific segment, aiming to achieve high customer satisfaction.

Target Market Coverage Strategies

1. Single Segment Concentration

This strategy focuses on offering one type of product to a single market segment.

2. Product Specialization

This strategy involves offering one specific product to multiple market segments.

3. Market Specialization

This strategy focuses on serving a single market segment with a variety of products.

4. Selective Specialization

This strategy involves selecting several market segments in which the company has expertise and capabilities that align with its objectives and resources, allowing it to serve those segments effectively.

5. Full Market Coverage

This strategy aims to offer a wide range of products to serve many market segments or the entire market.

Product Positioning

Product positioning refers to making decisions on activities with the objective of creating and maintaining a set of perceptions about a company's product in the minds of consumers, in comparison with competitors' positions.

Marketers should consider the following criteria:

1. Product Attribute Analysis

This involves analyzing the attributes of products of both the company and its competitors by examining attributes such as quality, features, style, brand, and packaging, in order to understand competitive differences.

2. Target Market Analysis and Target Market Selection

This involves using information from market segmentation to analyze the characteristics of the market, consumer behavior, criteria used in product selection, and the benefits consumers expect to receive from the product.

3.Product Positioning Methods Based on Distinctive Product Characteristics

3.1 Attribute Positioning

3.2 Benefit Positioning

3.3 Use or Application Positioning

3.4 User Positioning

3.5 Competitor Positioning

3.6 Product Category Positioning

3.7 Quality and/or Price Positioning

3.8 Cultural Positioning

3.9 Multifunction Positioning

4. Testing the Product Positioning Concept for Accuracy and Appropriateness of Positioning, using the following guiding questions:

- 4.1 Does the product offer clear and credible benefits?
- 4.2 Can the product solve problems and respond to customer needs?
- 4.3 Are there other products that already meet the same needs in a similar way?
- 4.4 Is the pricing appropriate for the value of the product?
- 4.5 Would you purchase this product?
- 4.6 Who do you think is the user of this product, and how often would it be used?

5. Developing a Product Positioning Map involves positioning the product on a positioning map based on its distinctive attributes, showing a comparison with competitors' product positions.

6. Brand Repositioning refers to changing the product brand position to better suit changing market conditions or to make the target market more appropriate.

6.1 Repositioning toward the lower-end market (Trading Down)

6.2 Repositioning toward the upper-end market (Trading Up)