

Applied Marketing Strategy and Decision-Making Tools: Segmentation, Targeting, and Positioning

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In this lesson, you will:

- Explore some of the most important concepts in creating marketing strategy: segmentation, targeting, and positioning
- Consider the cost/benefit trade-offs associated with varying sizes of market segments
- Examine how to develop a positioning statement that highlights the value proposition of your product for a particular target segment

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Read: Should This Firm Segment the Market?

By properly segmenting the market, you maximize the value proposition to your customers while achieving an optimal balance between costs and benefits. How finely should you segment the market? What variables should you use as the basis for your segmentation? Learn the keys to segmentation in the following pages.

Underfoot Industries



Underfoot Industries, a major North American carpet manufacturer, has collected data from hundreds of carpet consumers representing a broad cross section of the market. The marketing team at Underfoot asked carpet buyers about which benefits were most important to them, with particular emphasis on strength and water resistance. An analysis of the data produced this scatterplot.

It appears that there are customers looking for strength in a carpet, some needing water resistance, some needing both, and some for whom neither is very important. How can Underfoot Industries effectively satisfy the needs of such a diverse range of customers?

Could Underfoot segment this market into smaller groups that they can target and reach with the right product and marketing effort?

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Watch: Why Segment?

As you consider the questions that Underfoot Industries' management must answer, you may find it helpful to think about the different groups of customers, and their different needs, as parts of a greater whole. The technique of market segmentation can help you think more strategically about ways to meet the needs of those groups.

Transcript

Now I'd like to turn a little bit farther down in strategic thinking, more specifically to marketing oriented strategy. And for that, I'll use the framework called STP, segmentation, targeting, positioning. We start with segmentation, breaking the market up into different submarkets. And then we target. We choose some of those submarkets where our value proposition is superior to that of the competition. And once we've done that, we then position our product for those target consumers to show what our value proposition is and why it's superior to that competition.

So let's start with segmentation. I'd like to spend a little bit of time on this because I think in my experience, many people, go quickly through, well, these are the segments that are out there. Women 25 to 44. Young educated people. I've regioned those in the west versus those in the east, or whatever the criteria might be that people use to break up the market to get you to think about how we break up the market, the variables we use, the size of the segments. It's very important to making sure we've optimized the target market we go

after, and the strategic position we have in the marketplace.

So, I'd like to start with two dimensions of segmentation. And the first and most important is the horizontal dimension. How big are the segments? So if we think about that, we could think about two ends of a spectrum. Micro-marketing, marketing to a segment of one. Really focusing our marketing at one to one level, or mass marketing. A market of everyone, where we're not really segmenting the market at all. We're going after the large mass market and going after everyone. And what are we trying to do? We're trying to maximize our value proposition. Well, each end of the spectrum, the value proposition, is maximized in a very different way. So if you think about value proposition, it's benefits over costs. But what happens if we micro-segment? What happens if we really go after a segment of one? The benefits go up a lot. Because we're bringing out our product or service. Or our pricing or our after-sales service, or whatever it might be, is focused on delivering exactly what that consumer wants, so benefits are very high. But what's the problem with that? Of course delivering that is usually at extremely high cost. How do we customize the product? How do we deliver it exactly the way that particular consumer wants? So in terms of value proposition, if we micro-segment, the benefits are high, but the costs also tend to be very high. What about the other side of this dimension, mass marketing? Well here costs tend to go down because we get economies of scale. We sell exactly the same thing to everybody. We communicate it in the same way to everybody. We do everything in the same way so we get economies to scale so costs go down. But what's the downside of that? Well, benefits tend to go down. We're giving everybody exactly the same product of

service, so we're not able to tailor the benefits or our communications or the way we service it or the way we sell it or other kinds of things to what that particular person needs. So, we tend to have lower costs, but also lower benefits. So the question before us is how do we maximize the value of proposition? We tend not to mass market, because at that end, the cost savings don't tend to outweigh the benefit reduction. We tend not to microsegment, because the benefit enhancement tends to be outweighed by the growth in cost. So what we're trying to do in segmentation is figure out where's the sweet spot? Where can we get segments where we can deliver the benefits that they want, but those segments are big enough that we can get economies of scale such that we keep costs down but keep benefits off and maximize our value proposition? And that's really the trek in segmentation, is figuring out how do we go about defining the group, the group size, the group composition? It really maximizes our value proposition and that are rarely be at either end of the spectrum. Sometimes, it is. The promise of advanced technologies is that we can do more more micro-segmenting with less and less cost. So we can move more to that end of the spectrum. But in general we do have economies of scale, but in general we also have very big differences between consumers and the benefits they want and the ways we go about marketing to them, so, in general we can't either mass market or micro segment. We have to look somewhere in the middle.

So, if we're going to do that, we have to think about the vertical dimension. We have to think about what variables do we use to go about segmenting the market? It's not just how big are these segments but how do we go about defining them? Do we use behavior, past

purchase behavior to define those people who were heavy users versus light users. Or those people who are loyal to our product or those people who are not loyal to our product. If we have good data about those people, and that's indicative of what they are going to do, as we move forward, which behavior often is, that might be a good segmentation variable. Or it might be more people's attitudes. So as I started out this section, I talked about women 25 to 44, or young, educated people. Variables that tend to suggest groups of people who have similar likes, similar benefits they're seeking and are big enough and we're able to target them. We're able to identify them in the marketplace. So take, segmentation is really a difficult task to figure out how big should the segments be, what variable should we use to define the segment? And those marketers who really come up with the right definition of segments, so they can get the right kinds of benefits to consumers, but get economies of scale so they can do that profitably, tend to have an edge in the marketplace. So spending a little extra time thinking about that can quite often be worth the time and cost it takes to go about defining segments in the best possible way for your product or your service.

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Read: Segmentation Variables

Market segments need to consist of groups of customers that:

- Are large enough that you can market to them efficiently

- Share a similar set of needs

- Are identifiable using measurable criteria

- Are reachable by your communication and distribution channels

In segmenting a market, a firm seeks to identify groups of customers who are similar to each other but different from other groups of customers. This entails looking for characteristics or behaviors that are shared by clusters of customers who seek a similar set of benefits. Marketers define these groups of customers—these market segments—by their choice of segmentation variables.

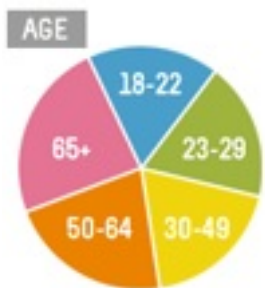
Choosing Segmentation Variables

For a segment to be useful to marketers, it must consist of customers that the firm can identify and reach. A variable such as "are extroverts" may correspond to a group of customers for whom your product is a perfect fit. But how do you find and market to customers who are extroverts? How would you identify them and then reach them with advertising or promotions?

Categories of Segmentation Variables

There are many variables that firms can use in defining segments, often in combination with one another. Most variables used for segmenting markets fall under one of the main categories listed below.

Demographic variables group customers by general population statistical categories. Demographic variables are often used in combination with other variables.



Consumer Market Examples:

gender, age, income, occupation, family size/stage (single, married with no children, full nest, empty nest, and so on), education, race/ethnicity

Business-to-Business (B2B) Market Examples:

industry (Standard Industrial Classification code), size, resources

Demographic segments tend to be easy to identify and to act on. Demographics generally do a good job predicting customer preferences for a category of products, but they are not as good at predicting a customer's choice of brand within that product category.

Geographic variables group customers by where they live, work, or make purchases.



Consumer Market Examples:

region (could be as large as a continent or as small as a neighborhood), postal code, population density (urban, suburban, rural), climate

B2B Market Examples:

region, geographic market served, headquarters versus branch versus plant

Geographic segmentation is commonly used in B2B settings. For many business customers, shipping costs may be an important factor in purchasing decisions. Geographic segmentation is also very useful in those industries that tend to have many companies in the same region. For many consumer product markets, geographic segmentation is less useful because it tends to be less predictive of purchasing behavior. Of course, there are some consumer markets for which there may be very strong regional variations.

Psychographic variables group customers by lifestyle, interests, likes and dislikes, qualities or attributes with which they identify.



Consumer Market Examples:

activities, interests, values, media habits

B2B Market Examples:

corporate culture, power structure, buyer/seller similarity

Psychographic segments tend to be much better at predicting a choice of brand than demographic or geographic variables, but they are often more difficult to measure. Sometimes the differences between psychographic and demographic segments are not clear, especially with respect to attitudes, beliefs, and lifestyle.

Behavioral variables group customers based on their demonstrated or likely behavior in purchasing or using products.



Consumer Market Examples:

benefits sought, rate of usage, level of expertise, desire for variety, brand loyalty, readiness to buy, price sensitivity, occasions (holidays or other events that may stimulate purchase)

B2B Market Examples:

intended applications, level of expertise, purchase policies, competing bids, risk attitude, size of order, urgency, supplier last used

A common type of behavioral segmentation is called *benefit segmentation*, which groups customers based on the benefits they seek

in a product. These benefits may include price, a specific feature or use, or a particular service. Behavior variables are generally much more predictive of customer behavior than other variables, but historically firms have found it difficult and costly to take action on behavioral segments. In many markets, technology is making it easier to measure and use behavioral variables. Some businesses segment markets using a combination of psychographic and behavioral variables.

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Read: Segmentation in Practice

Click each example below to learn more about ways in which companies use segmentation.

Mobil Speedpass table adapted from, Noel Capon, *Managing Marketing in the 21st Century* (New Jersey, Prentice Hall, 2001).

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Read: Targeting at Underfoot Industries

Once you have segmented the market, you need to choose the most profitable segment or segments to target. Begin by identifying the segment for whom your value proposition is better than your competitors' value propositions.

Underfoot Industries



A closer look at the carpet-market segmentation graph produced by Underfoot Industries' research reveals some interesting patterns among the customers studied.

Which market segment(s) should Underfoot Industries target? Let's explore what decision makers at Underfoot need to consider about their company, customers, and competitors so they can answer this essential question.

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Watch: Choose Your Target Markets

Once you have divided the market into distinct segments, you need to choose which segment(s) to target. How does a company like Underfoot Industries decide which of their identified segments is worth pursuing in the market?

Transcript

In a segmentation, targeting, positioning framework, after we segment, the next step is to target. To choose who is the right target segment. What's the right group of consumers for us to target, where we'll win with the competition? We have to think about the customers. What are the different needs of the different segments? How can we go about marketing to them? Where do they go about buying things? What are their price preferences and demand? And those kinds of things.

Secondly, our company. What are the benefits? What are the strengths? What are the weaknesses of our product or service? And of course, the competition. Because what are we trying to do, in terms of picking a target segment? We're picking that segment, or those segments, where our value proposition is superior to our competition, and trying to avoid segments where we'll have a more difficult time beating the competition. So thinking about the target market, thinking about the right target market, is absolutely critical to being successful.

Let me tell you a story about how that could be more difficult than you

might think. Tylenol, an absolutely fantastic brand, very successful, brought out extra strength Tylenol right when store brands, brands by the retailers, which generally mimic the benefits of branded goods but at a lower price point, started becoming very popular in that product category. Tylenol thought about well, who do we target? The variables they used were income and education. They did some surveys, and those surveys suggested that higher income, more educated people, indicated that they would be more likely to buy the more expensive branded product. So Tylenol went about targeting that group. But it turned out that was a group that said they wanted it, but their behavior was not that. If we look at purchase data, which Tylenol did, people who were more educated and higher income tend to be more likely to purchase the lower-priced store-brand, then were lower educated, less income people. There's lots of reasons behind that, reasons why they said one thing, but did another. There are reasons why people with more money bought the less expensive good, and people with less money bought the more expensive good, which is not what usually happens. But the reason to tell this is to really think about who's really the person who's going to buy your product.

Where should you put your resources? What's the right target market? Not just going by what people say they'll do, not just going by what your preconceived notion is, or that in general, higher income people buy the higher priced product. But really understanding where your value proposition will be superior to your competition for a certain group of consumers. Doing that effectively will get you the biggest return on your marketing investment.

Ask the Expert: Clarence Lee Discusses Digital Targeting

The digital revolution offers many opportunities for segmentation and targeting. For insight on this topic, Professor Stayman spoke with a colleague, Professor Clarence Lee.

Professor Lee discussed the adage, "Money follows attention", and he applied *homophily*, the tendency of people to associate with others like them, to segmentation and marketing.



Clarence Lee teaches digital marketing strategy at Cornell Tech in New York City, and at Cornell's Johnson School of Management in Ithaca, NY.

Transcript

How has targeting changed in the digital context?

So one thing we always talk about in marketing is money follows attention. And I would go even a step further to say that the type of attention matters as well. And digital technology allows the firm to better understand and segment the type of attention that it can garner from consumers.

And one example of this is compare Facebook with Google. It's well known that consumers spend much more time, on average, on Facebook than on Google. Yet, if you looked at the advertising revenue that Google's able to bring in, it's a multiple orders of magnitude, multiple orders of times, than Facebook. And why is that? The reason is because when consumers go on to Google to search for your product, that is actually signaling to you that they have your product or your brand specifically in mind, and they're probably closer to the purchase stage in the consumer funnel, than supposedly if they encountered your ads while browsing through the pages of Facebook. So this is an example of how because of that type of potential from Google is closer to the further down the purchase funnel, it's more valuable, and therefore that information is also.

How does social network data help a business make decisions?

So having social networking data allows the firm to better target and also segment its customers. We all know that birds of a feather flock together. And this is something that's well known in sociology, the idea of what's called homophily. That people tend to, on average, have higher trust and value the opinion of people that they're more similar to more. And so supposedly if you know whom are connected together in a social network, then what you can also do is understand who are the influencers, who are the key opinion leaders in that network, and that allows you, as the firm, to better target these opinion leaders, understand their challenges, their needs, what they like about your product, what they don't like about your product. And all that information within these pockets and clusters of a social network can

be valuable to you in that it saves time on sampling everybody. But also it allows you to better, once we have that information, act on that information. It can better reach across to these communities of customers in a more efficient way.

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Read: Economics of Customer Loyalty

When considering a target market, almost every company should start with its loyal customers. Why? As a group, your loyal customers tend to be your most profitable. Is every single one of your loyal customers profitable? Probably not. Are all of your most profitable customers loyal? Not necessarily. On the aggregate, though, loyal customers are more profitable than new customers, and the longer your customers are loyal, the more profitable they become. Here are six reasons why this is usually so.

 Acquiring new customers is expensive and time consuming.

With loyal customers, that acquisition cost is amortized over many years and purchases.

 The base profit margin that a company earns from a customer generally remains stable into the future.

That is, once the acquisition costs have been offset and a customer becomes profitable, that customer tends to remain profitable as they continue to make purchases from you.

 Loyal customers increase the amount they purchase over the years.

As customers grow more familiar with your company's product

offerings over time, those customers not only continue to make purchases from you, but they tend to increase the amount that they purchase from you year after year.

 Loyal customers have better knowledge about your products and services and cost less to serve each year.

Loyal customers have fewer questions and doubts than new customers. This adds up to fewer calls to your sales staff or account managers, fewer product returns, fewer contacts with the help-desk or call center, and all this tends to have a favorable impact on operating costs.

 Loyal customers refer new customers.

Your loyal customers are likely to interact with other people whose needs are similar to their own—other members of their market segment. New customers that you gain by referral cost your company substantially less than ones you go out and acquire yourself, and referred customers are more likely to become loyal customers.

 Loyal customers are less price sensitive.

As you need to increase prices over the years, your loyal customers are more likely to see beyond the price point and embrace the value that your product offers. Loyal customers are more likely to pay premium

prices than new or occasional customers are because they are not receiving trial discounts or introductory offers.

This graph, adapted from a *Harvard Business Review* article by Fred Reichheld and Earl Sasser, shows the profitability associated with each of these aspects every year over the span of an eight-year relationship with a group of satisfied, loyal customers.

It is important not to be so focused on acquiring new customers that you lose sight of the value of your loyal customers.

Some have argued that in their businesses, loyal customers cost too much to keep and are in fact less profitable. Can you think of some conditions that might lead to loyal customers actually hurting a firm's

profits? What could a company do to try and reverse the problem?

Graph adapted from "Zero Defections: Quality Comes to Services" by Frederick F. Reichheld and W. Earl Sasser, Jr; Harvard Business Review; Sept.—Oct. 1990

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Read: Positioning at Underfoot Industries

Once you have targeted the customers you want to pursue, determine and articulate the value your product brings to those customers. The way your customers perceive your value proposition relative to that of your competitors is your "positioning."

Positioning is the *something* that fits with the *somebody* you identify with segmentation and targeting.

Underfoot Industries



Having identified four distinct and actionable market segments, the management team at Underfoot Industries undertook a 3-Cs analysis to answer this fundamental targeting question:

Can we hold a sustainable competitive advantage in delivering the right benefits to one or more of these segments, and can we do so profitably?

The 3-Cs analysis yielded several important insights, and three conclusions, in particular, stood out.

- No other firm in the industry offers products for schools
- Underfoot Industries has specialized technology to produce high-strength fiber
- While a relatively small number of Underfoot's existing customers are schools (70% of their existing loyal customers are light commercial or residential), one of Underfoot's distributors has connections with public-education and private-school customers.

Based on these findings, Underfoot Industries decided to make a concerted effort to target the school segment, while finding ways to provide additional value to its base of loyal customers in the light commercial segment.

How should Underfoot summarize their product's value proposition and position it to their targeted customers? Keep this question in mind as you learn more about positioning and what it means for Underfoot Industries and for your company.

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Watch: What Is Positioning?

The third leg of the S-T-P framework is positioning. Having segmented your potential customer base and decided which are the most attractive ones to target, you now have to develop a brand promise that meets the needs and expectations of that group.

Transcript

The last part of the segmentation targeting position framework is positioning. Once we've broken the market into different segments, we've chosen our target market. We then have to go about showing that target market that our value proposition is superior to our competition. And that's what positioning means. It's getting consumers to think about our product in relation to the competition in a way that we win, that our value proposition is superior. Well, what does that mean? That means having a clear framework where we have a target market just like the three C's framework. We know who the competitors are, who we've defined as the competitors to provide the benefits that we provide to that target market. And what our company's strengths and weaknesses are in terms of where are we providing superior value?

Once we've defined that, we then have to go about going to the marketplace and getting consumers to believe that. And that means a couple of things. We have to know where our value comes from. What's our point of differentiation? Where are we superior to the competition? But just as important sometimes is a point of parity.

Making sure that we shore up our weaknesses. For example, in the diet soda category, the point of difference is usually lower calories. That diet soda is lower calorie than regular soda. But the point of parity quite often has to be taste, that you get lower calories but not at the expense of very poor taste. Because if you get low calories but it tastes bad, people don't see that as a superior value proposition. So we have to think about where we win but also shoring up our weaknesses. We have to do that in terms of some competitive spirit. We have to define who is the competition? Who are we better than? So some decaffeinated coffees come out and say, well, we taste just as good as caffeinated coffees, but we have less caffeine. That's the advantage, the point of parity and point of difference. Other decaffeinated coffees say, well we taste better than other decaffeinated coffees. They don't taste so good, but we taste good as a decaffeinated coffee, so the competitive frame is other decaffeinated coffees. So we have to think of our points of parity and difference. And think about what's the competitive frame that's most effective at showing that we have superior value proposition for our particular target market.

And lastly, there's a reason why. Why should people believe that you have that point of differentiation? You have that superior value proposition. If we have all of those things well laid out and we're able to communicate them effectively, we then have good positioning in the consumers' minds. And I want to emphasize that. We get to choose the target market but we don't get to choose what our positioning is. We get to choose what we want our positioning to be, but positioning is something that's in the consumer's mind. What do they believe about our value proposition compared to what competition? And if we

do that effectively, and we build good positioning within the consumer's mind, what we end up with is a strong brand. Something that consumers believe about our product or service, compared to the competition, that they tie to our brand. A very strong place to be in the marketplace if we can build that effectively.

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Read: Positioning Statements

Product and marketing decisions around the brand need to support the positioning statement

A good positioning statement should be:

- Credible and open to growth yet unique
- Simple, memorable, and tailored to the target market
- Clear on how your product or service differs from competitors
- Used as a guide in marketing decisions

A positioning statement is a succinct description of your target market and a compelling picture of how you want that target audience to perceive your brand. Though it may read like promotional copy, your positioning statement is an internal tool. A good positioning statement serves as a guidepost for your marketing efforts. It is indispensable to maintaining focus on your brand and its value proposition as you formulate your market strategy and tactics. Product and marketing decisions around the brand need to support the positioning statement.

Template for a Positioning Statement

For [Target Market], the [Brand] is the [Point of Differentiation] among all [Frame of Reference] because [Reason to Believe].

- The *point of differentiation*, or *point of difference (POD)* refers to the customer benefits that set you apart from your competitors.
- The *frame of reference (FOR)* is the segment or category in which your brand competes.

Remember, the point of differentiation, the frame of reference, and the reason to believe must be meaningful, important, and convincing *to your customers*, not just to your company. The wording of your positioning statement will probably not match this template exactly, but to be effective, it must contain the five main components in brackets above. Occasionally, a positioning statement will contain a point of parity, when it is central to a product's positioning.

For example, the following positioning statement was used by **Amazon.com** back in 2001, when it sold books almost exclusively:

For World Wide Web users who enjoy books, Amazon.com is a retail bookseller that provides instant access to over 1.1 million books. Unlike traditional book retailers, Amazon.com provides a combination of extraordinary convenience, low prices, and comprehensive selection.

Guidelines for Creating a Positioning Statement

What makes a good positioning statement?

1. It is simple, memorable, and tailored to the target market.
2. It provides an unmistakable and easily understood picture of your

brand that differentiates it from your competitors.

3. It is credible, and your brand can deliver on its promise.
4. Your brand can be the sole occupier of this particular position in the market. You can "own" it.
5. It helps you evaluate whether or not marketing decisions are consistent with and supportive of your brand.
6. It leaves room for growth.

Keep these guidelines in mind as you create your own positioning statement.

Underfoot Industries

Underfoot Industries has decided to pursue two target markets: schools and light commercial customers. These are distinct market segments whose customers rate their needs differently. This calls for two different positioning statements.

For the Schools Segment

For schools, the Underfoot Industries EverAwesome line is the strongest, most durable carpet among all commercial-grade carpets for organizations on a budget, because it is made using our patented SteelTwist technology. The EverAwesome line features Underfoot Industries' patented technology for producing high-strength, low-wear carpets. Underfoot named its production technology "SteelTwist" to appeal to customers, such as schools, who place a very high value on carpet strength.

For the Light Commercial Segment

For today's appearance-conscious business, the Underfoot Industries EverAwesome line is the carpet that stays new-looking longest among all commercial-grade carpets. Our patented technology produces durable, low-wear carpet whose lifetime cost is 40-80% lower than other brands. The brand name "EverAwesome" tells customers: "This carpet looks great, AND it will last a long time."

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Read: Perceptual Maps

Perceptual maps show customer perceptions of products and their attributes at a fixed point in time

Mathematically sound perceptual maps, often in a series over time, can aid organizations in their decision making

A *perceptual map*, sometimes called a *positioning map*, is a graphical representation of how consumers view a set of products or brands within a market. As the name suggests, perceptual maps show *customer perceptions* of products and their attributes. By showing which competitors are positioned where, these maps can help decision makers choose where they want to compete, and where there might be opportunities to position themselves differently to customers. Perceptual maps are not decision-making tools on their own, but they are very useful in aiding communication and discussion within an organization.

Most perceptual maps use two main dimensions. To the left is an example of a perceptual map of a fictitious light-commercial carpet market segment in the United States.

Positioning maps are created by interviewing consumers about brands in a market, and compiling customer ratings of the brands across a set

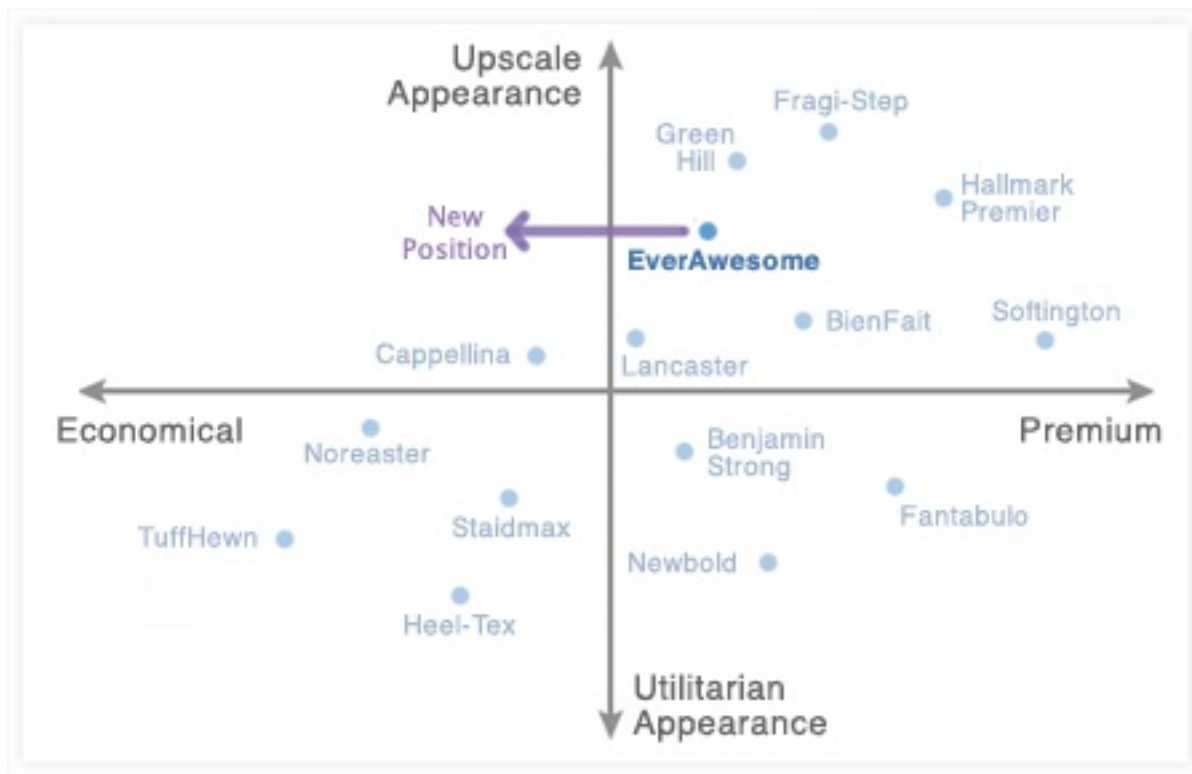
of attributes. The data are analyzed with a statistical technique called multidimensional scaling. Through this process, brands are plotted on a grid in such a way that brands perceived to be very similar are placed close together, while dissimilar brands are placed far apart. In creating a perceptual map, it is very important to choose the two main attributes carefully. These attributes, or *dimensions*, become the x- and y-axis of the perceptual map. For the map to be a useful positioning tool, its main dimensions must be meaningful to consumers and important to their decision making.

Limitations of Perceptual Maps

- Perceptual maps are difficult to create. The math and statistics are complex, and if not done carefully, will produce a misleading or erroneous map.
- A given perceptual map is a snapshot; it does not reflect changes in customer perceptions of the market over time. To evaluate a changing market, you need to create a series of perceptual maps from data gathered multiple times.
- They do not include a probability model to indicate the quality or accuracy of your plotted results.
- A mapping study generally needs at least six to eight products for the technique to be useful.

A perceptual map can be a very useful starting point for positioning decisions. You can use one to locate holes or unfilled niches in a

market, or areas of strong or weak competition. Then ask yourself some questions about that hole or niche on your map. Is that niche a viable market? Are there enough customers who would buy that combination of attributes, and if so, could you profitably offer a product to that niche? Like the frameworks presented earlier in this course, a perceptual map is not a formula for success, but it is a powerful way to raise positioning questions and display key aspects of a market.



Underfoot Industries

Underfoot Industries undertook a positioning study among its target customers in the light commercial segment. The study focused on two dimensions that are important to light commercial carpet customers: appearance, and cost.

The resulting perceptual map shows that Underfoot's EverAwesome line is perceived to be somewhat upscale in appearance, and somewhat expensive. Several other brands are positioned similarly. Managers at Underfoot know that because of the durability of its EverAwesome carpets, the lifetime costs are in fact substantially lower than nearly all competitors. If Underfoot Industries can successfully position its EverAwesome brand to be somewhat economical and still upscale in appearance, it could own that part of the market. Underfoot Industries now has a positioning strategy it can pursue in earnest.

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Final Assessment

As you have seen in this lesson, the right segmentation, targeting, and positioning are the essence of your market strategy and, ultimately, define your brand. Now you will complete the following assessment to confirm your mastery of the key concepts presented.

Answer the following questions.

You must answer at least three questions correctly in order to achieve completion.

You may take this assessment as many times as you need in order to achieve a passing score.

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Lesson Wrap-up

In segmenting your market, choosing the segments to target, and determining how to position your product within your target segments, you create a perception of the value of your product and company in the minds of consumers. You create your brand.

In this lesson, you examined segmentation, targeting, and positioning, perhaps the most important concepts in creating a marketing strategy. You considered the cost/benefit trade-offs associated with varying sizes of market segments and how to identify variables that can be used to segment a market. You saw the connections between a product's position and its brand, as well as how a perceptual map can be used to position a product in the marketplace. You also saw how a positioning statement can highlight the value proposition of your product for a particular target segment.
