STP - Segmentation, Targeting, Positioning

Not every customer wants the same thing, and no company can please everyone. Philip Kotler, one of the best-known names in marketing, describes a clear answer in three steps known as STP: segmentation, targeting and positioning. First we divide the market into groups, then we choose the groups we will serve, and finally we decide how we want those customers to see us. STP turns a vague idea of the market into clear choices about who our customers are and why they should choose us. It is the base of almost every marketing plan.

1. Segment the Market

Segmentation means dividing a broad market into smaller groups of customers with similar needs or behaviour. Kotler names four main bases for doing this. Geographic segmentation uses places such as country, city or climate, and demographic segmentation uses facts such as age, income or family size. Psychographic segmentation looks at lifestyle, values and personality, while behavioural segmentation looks at how people buy and use a product, for example the benefits they seek or how loyal they are. A useful segment can be measured, is large enough to be profitable, can be reached, and is clearly different from the other segments.

Example: A coffee shop segments its customers on a behavioural base: when and why they buy. It finds three clear groups: commuters in a hurry in the morning, students who stay for hours, and families at the weekend.

At work: Sameh, a marketing manager at a company that makes healthy snack bars, segments the market on a psychographic base: lifestyle. He finds three clear groups: gym members, busy office workers, and parents who pack school lunches.

2. Evaluate the Segments

Not every segment is worth serving, so the next step is to evaluate each one. Kotler suggests looking at three things. The first is size and growth: is the segment large enough, and is it growing? The second is attractiveness: are there already many strong competitors, or powerful buyers who push prices down? The third is fit: does the segment match our goals and resources, so that we can serve it better than others?

Example: A small bakery evaluates the wedding-cake segment for fit. The segment is attractive, but it needs skills and staff that the bakery does not have, so the bakery stays with fresh bread for its neighbourhood, where it is strong.

At work: Sameh evaluates his three segments for size, attractiveness and fit. The gym segment is crowded with strong brands, while the parents segment is large, growing and close to the company's skills. He keeps the parents segment at the top of his list.

3. Choose a Targeting Strategy

Targeting means deciding which segments we will serve and how. Kotler describes a range of targeting strategies. With undifferentiated marketing, one offer goes to the whole market, while

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differentiated marketing creates a separate offer for each chosen segment. Concentrated marketing, also called niche marketing, focuses on one small segment and serves it very well. Micromarketing goes even further and tailors offers to local areas or even to individual customers.

Example: A clothing brand uses differentiated marketing as its targeting strategy: one line for teenagers and another line for working adults. Each line gets its own designs, prices and advertising, so both groups feel that the brand speaks to them.

At work: Sameh chooses a concentrated strategy and targets one segment only: parents who pack school lunches. The whole budget goes into one product, a nut-free bar that schools accept, and shops near schools soon order more.

4. Position the Offer

Positioning is the place that our product holds in customers' minds compared with competitors. It should rest on a real difference that the target segment cares about, such as quality, price, convenience or service. Kotler suggests summing it up in a positioning statement: to a target segment with a need, our brand is a concept that offers a clear point of difference. This statement then guides every message, from the package to the advertising. If customers cannot say in a few words why we are different, our positioning is not yet clear.

Example: A small hotel writes a positioning statement: for business travellers who need quiet, our hotel is the calm city base that offers a good night's sleep. Every detail, from the thick curtains to the late breakfast, now tells the same story.

At work: Sameh writes his positioning statement: for busy parents who need safe school snacks, our bar is the nut-free lunch-box snack that schools accept. The new package shows this promise clearly, and parents understand it at a glance.

Conclusion

In summary, STP has three steps: segment the market, choose the target segments with a clear targeting strategy, and position the offer in customers' minds. Each step builds on the one before, so a clear segment leads to a clear target, and a clear target leads to a clear position. Trying to please everyone usually means that nobody feels the product is made for them. STP helps us decide whom we serve, and then serve them better than anyone else.

Sources

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