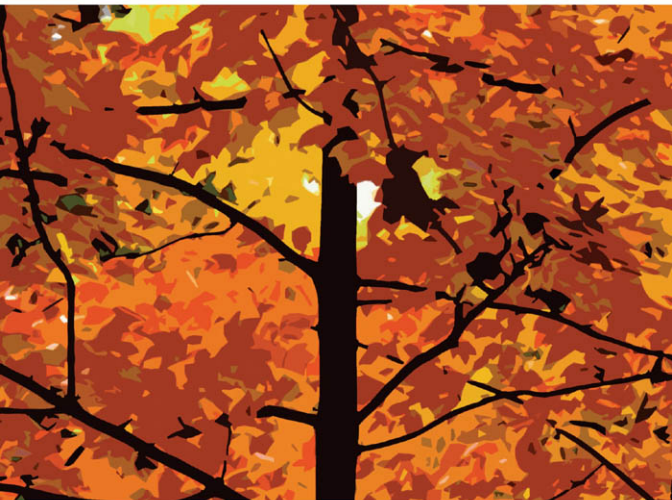Pearson New International Edition

Strategic Marketing
for Non-Profit Organizations
Alan R Andreasen Philip R Kotler

Seventh Edition

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SEGMENTATION, TARGETING, AND POSITIONING

POSITIONING AN OFFERING CALLED "YOU"!

Looking for the ideal job is a major challenge for any undergrad, MBA, junior executive, or seasoned professional. Where do you look for a job and how do you position yourself? Should you be a different prospect for different potential employers? Should you be outgoing and creative for that advertising agency and more serious and meticulous for a software developer? How about banking? Should you dress differently than you would for the advertising firm?

All of these are really questions about "Brand You." Getting a job—or a date—is a matter of choosing which target markets to approach and how you should position yourself for each. In a recent article in *Time*, writer Jeninne Lee-St. John said: "Treating our personalities as products reflects an increasingly competitive society in which the best way to stand out is to develop an engaging—and easily defined—image." But what is the ideal positioning if one wants to work for the American Cancer Society or for the Boy Scouts or Girls Inc.? How should one come across on MySpace and does it matter what your goal is?

Not surprisingly, there are now "personal branding" consultants to help prospects with segmentation and positioning challenges. One of the first things they tell clients is that it is important to understand your strengths and consider ways of positioning your weaknesses as positives. The *Time* article describes a 66-year-old woman seeking a mate whose original statement about herself was that she needed to be taught things and was looking for someone with the patience to help her. A consultant from PersonalsTrainer suggested describing herself as: "Learning new things is a passion."

Personal branding consultants have an array of techniques to help clients understand themselves and to think about optimal positioning. One trick is to ask yourself—and your friends—what kind of a car you would be if you were a car. The *Time* author admits: "Turns out I'm a Mini Cooper . . . people see me as small but bold and stylish and full of energy."

Taped practice interviews also provide great insight into how one comes across as a package and a "performer." What do others see and hear? Consultants can help with this—and the resulting videotape is often a shocker as we see how often we mumble and get off the topic. But the substance still has to be there. You cannot come across as "the real thing" if the thing you have created is not really you. It would be like a nonprofit touting its careful management when it is regularly blindsided by accounting irregularities, employee misstatements, and performance goofs.

The *Time* article tells of a Texas investment advisor who was overwhelmed trying to keep up with the broad field of investment strategies and opportunities for diverse clients. A personal consultant identified his core values as family, church, and hard work and his hobbies as fishing, golf, and travel. The consultant repositioned him as "a wealth planner for active retirees." The result was a 30 percent increase in revenues and a career working with fewer—but more profitable—clients.

Source: Jeninne Lee-St. John, "You World," *Time*, November 6, 2006, p. 61.

A central theme of this text is that, whether a nonprofit marketer is undertaking organization-level or campaign planning, the central issue is—or ought to be—how to induce desired behavior from target audiences. Thus we argue that the three most fundamental challenges of nonprofit marketers is deciding (1) who should be their target audiences, (2) what sort of behavior or behaviors do they want them to take, and (3) what sort of value proposition should they propose to secure their behavioral goals?

With respect to audiences and behaviors, nonprofit organizations with huge challenges and limited budgets cannot be all things to all people (even though their mission statement may grandly imply such ambitions). They must choose audiences, choose behaviors, and then figure out compelling value propositions. We refer to the first as the segmentation and targeting problem, and the second as the positioning problem. In the private sector, the acronym is "STP," and it drives any marketer's thinking and strategizing about how to achieve market success.

In this chapter we consider these challenges; in the next we will specifically focus on the role of branding.

SEGMENTATION

Good marketing starts with the target audience that ultimately determines success. Thus the first element to be set out in any marketing strategy is the organization's approach toward market targets. This can be a challenge for the overall organization when it decides on target audiences that will comprise its mission and basic objectives. A pregnancy prevention organization can decide to emphasize teens, all women, or African-Americans. It can ignore men or incorporate them in their approach. Much depends on organizational strengths and what other organizations are doing. But a
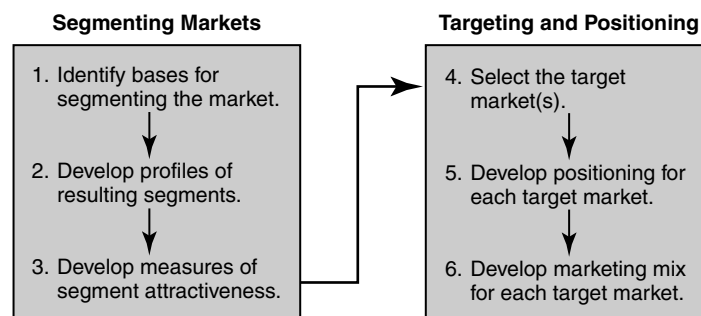
primary concern is with the target audience: Who is in need of help, do we know how to influence them, and do we have the resources and knowledge base—or can we acquire them—in order to have an impact? The latter issues raise questions about the organization's ability to raise funds and volunteers. The latter may well be influenced by the target audiences chosen.

Of course, the segmentation question is always a challenge when one is developing a specific campaign. But at both the organizational and campaign level, the marketing manager will constantly keep in mind that target audiences come in many different shapes and sizes and a fundamental problem is how to deal with this complexity. Treating all target audiences the same may achieve economies of scale, but it ignores the diversity that is typically present in most markets, and it probably means that what is offered never really meets any one target audience member's needs very well.

On the other hand, treating everyone as a unique individual deserving customized attention has been—or seemed—too expensive and impractical for most nonprofit situations (except in fundraising, where individualized approaches to foundations, corporations, and major donors are certainly merited). Today, however, treating audience members individually—as markets of one—is becoming ever more practical. Computers and information technology have made individualized approaches through direct mail much more cost-effective. For example, direct mail technology allows a political fundraiser to send letters to Lexus and Hyundai owners living next to each other and to ask for $500 from the Lexus owner and $100 from the Hyundai owner.[1] Even more promising are developments on the Internet where sophisticated software allows marketers to address individuals by name and respond to inquiries with custom-tailored reactions. As the work of Williams and Flora and others has demonstrated, such tailored approaches can be especially valuable in health care.[2]

For the marketer seeking to develop a sophisticated segmentation approach, a process is needed to cope with the sheer enormity of the task. There are really *two* stages to this process. First is a conceptualization and research stage to identify and describe the groups the marketer *may* wish to target. We shall refer to this stage as *developing market segments*. As can be seen in the left side of Figure 1, market segmentation requires (1) choosing among the different bases for segmenting the market, (2) developing profiles of the resulting market segments, and (3) developing measures of each segment's attractiveness. The second stage is *target marketing,* the

FIGURE 1 Steps in Market Segmentation, Targeting, and Positioning

Segmenting Markets

1. Identify bases for segmenting the market.
2. Develop profiles of resulting segments.
3. Develop measures of segment attractiveness.

Targeting and Positioning

4. Select the target market(s).
5. Develop positioning for each target market.
6. Develop marketing mix for each target market.

act of selecting one or more of the market segments, deciding how many resources and of what kind to apply to each, and developing a positioning and marketing mix strategy for each.

Dividing Up Markets

There are a great many ways in which a given market can be divided for purposes of marketing strategy. In determining which way one ought to proceed, the manager should first consider *why* segmentation is to be carried out. That is, segmenting the market is fundamentally a research task and good "backward" research design starts with an understanding of how the data will be used to help managers make decisions. There are three types of decisions for which segmentation information is valuable:

1. *Quantity decisions.* How much of the organization's financial, human, and mental resources are to be devoted to various groups in the target population? Which groups merit zero attention, if any?
2. *Quality decisions.* Among the chosen segments, how should each segment be approached in terms of specific propositions, communications, place of offering, "prices," and the like?
3. *Timing decisions.* Should some segments be targeted earlier and some later with a specific marketing effort?

How, then, to divide up the market? In theory, the criteria are well-defined. A segmentation base is optimal if it yields segments possessing the following characteristics:

1. *Mutual exclusivity.* Is each segment conceptually separable from all other segments? Breaking donors into present givers and past givers, for example, would be confusing for a respondent who could be both a past and a present giver.
2. *Exhaustiveness.* Is every potential target member included in some segment? Thus if there is to be segmentation according to household status, one should have categories to cover relationships like unmarried couples and religious communes where the notion of "household head" does not apply.
3. *Measurability.* Can you measure the size, motivation, ability to act, and so on of the resulting segments? Certain segments are hard to measure, such as the segment of white upper-income teenage female drug addicts engaged in secretive behavior.
4. *Reachability.* Can the resulting segments be effectively reached and served? It would be hard for a drug treatment center to develop efficient media to locate and communicate with white female drug addicts.
5. *Substantiality.* Are the resulting segments large enough to be worth pursuing? The drug treatment center is likely to decide that white affluent female drug addicts are too few in number to be worth the development of a special marketing program. Size is a combination of both the number of audience units and the amount of consumption.
6. *Differential responsiveness.* This is perhaps the most crucial criterion. A segmentation scheme may meet all of the previous criteria but several or all segments may respond exactly alike to different amounts, types, and timings of strategy. In such cases, although it may be *conceptually* useful to develop separate segments in this way, *managerially* it is not useful.

It is typically difficult to address all of these issues when considering a particular segmentation scheme. Responsiveness and reachability are often impossible to measure and, as a result, managers typically use surrogates for what they ideally would like to measure. Segmentation is often based on demographics, for example, because managers assume that such characteristics will be related to likely responsiveness and reachability. Thus one might choose to segment potential symphony target audiences on the basis of gender because it is believed (or past research has shown) that women respond more to communications focusing on the performance itself, whereas men respond more to communications about the networking aspects of attending the symphony *event*. At the same time, it may be believed that ads placed in the sports section of a newspaper would reach a predominantly male audience and ads in the metropolitan news section would be an excellent way to reach females. Symphony marketers may initially conclude—with or without past research evidence—that the added costs of placing two such ads in a given paper may be justified by the better *total* responses achieved over a less costly, single ad that tried a middle approach or tried to combine the two approaches into one (possibly confusing) message. As we will emphasize throughout this chapter, if cost is a constraint, it is often better to focus on only part of the market rather than try to craft an approach that somehow fits everyone!

Alternative Segmentation Bases

Variables that, in the past, have been used to segment markets in particular cases vary according to whether they were *primarily* chosen to reflect expected differences in responsiveness or differences in reachability. Frank, Massy, and Wind developed a two-by-two matrix that serves as a useful vehicle for categorizing segmentation approaches that may be used to achieve these ends.[3] These authors noted that two important ways in which segmentation variables differ are in the extent to which they are (1) objective or psychological and (2) general or behavior-specific. These alternatives are set out in Figure 2.

Objective measures are those that can be verified fairly accurately by an independent observer or about which individuals seldom lie (much)—for example, age, income, sex, and the like. *Psychological measures* are mental states peculiar to each respondent

FIGURE 2	Bases for Market Segmentation	
	General	**Behavior-Specific**
Objective Measures	Age, income, sex Place of residence Status change Family life cycle Social class	Past behavior • Purchase quantity • Outlet/brand preference • Loyalty
Psychological Measures	Personality Psychographics/lifestyles (e.g., Personicx) Values (e.g., VALS 2)	Beliefs, perceptions BCOS drivers Stage in decision

that have to be deduced (inferred) from what people tell us; included here are such cognitive factors as perceptions, beliefs, benefits sought, and so forth. The value of psychological variables depends on the candor and cooperation of a target audience and the sophistication of analysts in teasing out "real" meanings from their responses.

General variables are those that might apply to any exchange, whereas *behavior-specific* variables are those that are unique to one type or class of behaviors (for example, voting for particular bills or visiting art museums). Thus the extent to which an individual audience possesses an "aggressive" or "risk-averse" personality would be an example of a general psychological variable, whereas beliefs about the likelihood of getting friendly nursing service or the latest diagnostic procedures at Good Samaritan Hospital would be a behavior-specific psychological variable.

In some respects, marketers would prefer to use objective rather than psychological measures as the basis for segmentation. There are several reasons for this. First, there is the *ease* of identifying target audiences. As noted, most objective general measures such as sex and geographic location are instantly observable. Others, such as education level, occupation, household size, and family composition are relatively easily determined and verifiable. Unlike psychological measures, objective indicators do not always require audience cooperation, nor is there a strong likelihood that an error in measurement would be made either because the wrong wording was used for a question or because respondents did not know the answer or consciously or unconsciously distorted their responses. Second, target audiences can be fairly easily allocated to specific, nonarbitrary categories. Third, the measures can be adapted easily by different researchers to different contexts, permitting extensive comparison of segmentation findings across studies. This is typically not possible with psychological characteristics, where subtle changes in wording can yield major differences in results. Thus how one measures "liberal" or "conservative" in one study may not be the same as in another study.

Objective data are also important because, even when the target market is described in nondemographic terms (say, a personality or lifestyle type), the marketer will need to link these characteristics back to demographic characteristics in order to know the size of the target market and how to reach it efficiently.

Finally, objective measures are often preferred because they are available in a wide range of secondary sources, including Census Bureau data, Simmons reports, Nielsen audience measures, and so on. For example, if one believes that households with young children are the best prospects for a charity drive, then publicly available census data can be used to discover cities or census tracts within cities that have above-average proportions of households with that characteristic. Thus socioeconomic characteristics were the principal criteria used by the National Center for Charitable Statistics to segment the target markets for exempt nonprofit agencies in the 1980s. Their taxonomy of beneficiaries is reproduced in Exhibit 1.

Objective General Measures

Among the most commonly used objective general measures are the following:

Demographic Segmentation

As noted, demographic variables have been applied creatively to nonprofit market segmentation for many decades.