

**Lesson No. 6.**

**Topic of the lesson: Segmentation of the pharmaceutical market.  
The essence and problems of positioning in the pharmaceutical market**

**Main issues to be discussed at the seminar:**

1. Market segmentation and segmentation. Basic concepts. The main components of the market environment during market segmentation.
2. Basic parameters of market segmentation.
3. Main stages of market segmentation. Types of segmentation. Market segmentation criteria.
4. Market segmentation by consumers. Classification of consumers and main directions of consumer research.
5. Segmentation methods.
6. Policy, goal, positioning objectives.

Modern companies are increasingly moving from mass and product-differentiated marketing methods to targeted marketing techniques, which helps them more fully identify existing marketing opportunities. For each target market, you can develop a product that that market needs. To ensure effective coverage of each such market, a product may vary in price, quality, use different distribution channels, and also vary in advertising efforts. Instead of scattering your marketing efforts, you can focus them on the customers who are most interested in purchasing the product.

Target marketing requires three main activities.

**The first is market segmentation** - dividing the market into clear groups of buyers, each of which may require separate products and marketing mixes. The company identifies different ways to segment the market, profiles the resulting segments, and evaluates the attractiveness of each of them.

**The second is the selection of target market segments** - assessment and selection of one or more market segments to enter with your products.

**Third , positioning the product on the market** - ensuring the product has a competitive position in the market and developing a detailed marketing mix.

Target marketing activities are shown schematically in Table 1.

MARKET SEGMENTATION	SELECTION OF TARGET MARKET SEGMENTS	PRODUCT POSITIONING IN THE MARKET
1. Definition of principles market segmentation	3. Assessing the degree of attractiveness of the resulting segments	5. Deciding on product positioning in each target segment
2. Compilation of profiles of the received segments	4. Select one or more segments	6. Development of a marketing mix for each target segment

**Market segmentation** is the division of the market into distinct groups of buyers, each of which may require separate products and/or marketing mixes.

Markets are made up of buyers, and buyers differ from each other in a variety of ways. Needs, resources, geographic location , purchasing relationships and habits may vary . And any of these variables can be used as a basis for market segmentation.

Since each has unique needs and requirements, each could potentially represent a different market segment. Ideally, the seller would develop a separate marketing program for

each of them. Many manufacturers do not see the point in tailoring their products to meet the needs of each specific customer. Instead, they identify broad categories of buyers who differ from each other in their product requirements and their marketing responses. For example, a seller may find that needs vary depending on the income level of buyers. On the other hand, the seller may perceive significant differences between younger buyers and older buyers. Finally, both income level and age at the same time can significantly affect the buyer's attitude towards a product. By segmenting the market based on a larger number of parameters, the accuracy of each individual segment increases.

#### **Basic principles of consumer market segmentation**

There is no single method of market segmentation. The marketer needs to test segmentation options based on different variables. Let's look at the main geographic, demographic, psychographic and behavioral variables used to segment consumer markets (Table 2)

table 2

#### **Some Variables Used to Segment Consumer Markets**

<b>Variables</b>	<b>Typical breakdown</b>
<b>GEOGRAPHICAL PRINCIPLE</b>	
Region	Countries, continents
Counties (by size)	Regions, districts
City	By population (regional center, district center, etc.)
Population density	Cities, suburbs, countryside
Climate	Northern, temperate, southern
Characteristics of city districts	Sleeping, industrial, business center.
<b>PSYCHOGRAPHIC PRINCIPLE</b>	
Social class	Inferior superior inferior, inferior intermediate, superior intermediate, inferior superior, superior
Lifestyle	Traditionalists, lovers of life, aesthetes
Personality type	An enthusiastic nature, those who like to act "like everyone else," an authoritarian nature, an ambitious nature.
<b>BEHAVIORAL PRINCIPLE</b>	
Reason for making a purchase	Everyday purchase, special occasion
Benefits sought	Quality, service, savings
User status	Non-user, former user, potential user, new user, regular user
Consumption intensity	Weak consumer, moderate consumer, active consumer
Degree of commitment	None, medium, strong, absolute
The degree of buyer readiness to perceive the product	Uninformed, aware, informed, interested, willing, intending to buy
Attitude to the product	Enthusiastic, positive, indifferent, negative, hostile
<b>DEMOGRAPHIC PRINCIPLE</b>	
Age	Under 6 years old, 6–11 years old, 12–19 years old, 20–34 years old, 35–49 years old, 50–64 years old, over 65 years old
Floor	Men, women
Family size	1–2 people, 3–4 people, 5 people or more
Family life cycle stage	Young unmarried (unmarried), young family without children, young family with a

	youngest child under 6 years of age, young family with a youngest child aged 6 years or older, elderly spouses with children, elderly spouses without children, others.
Income level	Level below the subsistence level, average income,
Occupation	Knowledge workers and technical specialists; managers, officers and owners, sellers; workers, middle managers; skilled workers; farmers; pensioners; students; housewives; unemployed
Education	Primary or less, junior high school, high school graduate, junior high, college.
Religious Beliefs	Catholic, Orthodox, Muslim, others
Race	White, black, Asian
Nationality	Russians, Belarusians, Americans, British, French, Germans, Scandinavians, Poles, etc.

### Segmentation examples:

#### SEGMENTATION BY PSYCHOGRAPHIC PRINCIPLE .

In psychographic segmentation, buyers are divided into groups based on social class, lifestyle, and personality characteristics. Members of the same demographic group can have completely different psychographic profiles.

**Personality type.** Differences in personality types are sometimes found in a number of studies. For example, there are the following personality types of drug users.

Table 3

#### Segmentation of drug consumers by personality type

Consumer type	Personality type	Consumer habits
"Indifferent"	The state of health is unknown, has a vague understanding of medicines and medical products. Usually a young man.	He walks into a pharmacy by chance, takes, for example, "something for a cough," and quickly leaves
Does not use medications.	An absolutely healthy person who has a vague understanding of medicines and medical products. Usually a young man.	A person who knows how to control himself is confident. As a rule, it is limited to the purchase of ascorbic acid or activated carbon. If he comes to the pharmacy with someone, he usually stays outside. He believes that "the body must cope with the disease on its own."
Uses medications very rarely.	Generally healthy person with knowledge of medicines and medical products. Gender and age do not matter, but more often a man.	A person who knows how to control himself is confident, at least outwardly. Distances himself from the concepts of "medicine" and "disease". "Sick" by sneezing once. Does

		not buy medicines until he finds out detailed information about the drug, including from friends.
Frequently taking medications.	A generally healthy person, but with a weakened immune system or some kind of chronic disease. Gender and age do not matter, but more often a woman.	A person who knows how to control himself. He has come to terms with his illness and often has a detailed understanding of certain medications. Usually he lingers in the pharmacy, studying the display cases. Has no fear of the concepts of “medicine”, “pharmacy”, etc.
Taking medications too often.	Can be either a generally healthy person, or with a whole “bouquet” of diseases, chronic ones at that. Generally sympathetic to other people, sensitive to service, listens to advice pharmacist. Usually a woman.	A person who is not very good at controlling himself. He has come to terms with his illness and often has a detailed understanding of certain medications. Usually he lingers at the pharmacy to “discuss life” with the pharmacist. Purchases various medications, often regardless of costs - “health is more expensive.” Has a keen interest in new products in the pharmaceutical industry.

SEGMENTATION BY BEHAVIORAL PRINCIPLE.

Behavioral segmentation divides customers into groups based on their knowledge, attitudes, usage patterns, and reactions to the product.

**Benefit-based segmentation** requires identifying the core benefits that people expect from a particular product class, the types of consumers seeking each of those core benefits, and the core brands that provide some degree of those benefits. One of the most successful examples of benefit-based segmentation is presented in Table 4. Four segments can be identified based on types of benefits: savings, medicinal effects, cosmetic effects, taste. The audience of each segment had demographic, behavioral and psychographic characteristics unique to it. For example, consumers interested in preventing dental caries turned out to be people with large families, active consumers of toothpaste, and conservatives by nature. In addition, representatives of each segment had their own favorite brands of pasta. A toothpaste company can use these results to determine which benefit segments appeal to its product, determine the key characteristics of that segment, and identify key competing brands. The company may also look for some new benefit and launch a branded toothpaste that provides that benefit.

**Toothpaste Market Segmentation Based on Expected Benefits**

Segments by types of benefits	Demographic characteristics	Behavioral characteristics	Psychographic characteristics	Preferred brands of toothpaste
Savings (low price)	Men	Active consumers	High degree of independence, value orientation	Commercially available brand
Therapeutic effect (prevention of dentin decay)	People with large families	Active consumers	Conservatives	"Colgate total"
Cosmetic effect (white shiny teeth)	Teenagers, young adults	Smokers	Extremely sociable and active	All toothpastes with whitening effect
Taste (good taste)	Children	Chewing gum lovers	Increased desire to participate in everything yourself, lovers of life	"Colgate"

### Algorithm for the segmentation process

It is best to start segmenting by establishing general market boundaries, or adjusting them if they have already been established. Information obtained through a global analysis of the organization's external environment and its SWOT analysis will help in solving this problem. They will allow the organization to create an information base for more or less accurately identifying the boundaries of the market within which it can engage in business activities with an acceptable degree of risk and an acceptable level of income. The designation of market boundaries can be precise or approximate. The degree of accuracy here is obviously determined by the consumer properties of the product, some market characteristics, and the specific needs and requirements of buyers.

### Stages.

#### Stage 1. Identify the widest possible market.

If the work is carried out on any market in your city and there are no plans yet to cover neighboring regions, then, in principle, the widest possible market for it may look like this: “ **all organizations and individuals in the city and region that have a need for medicines.**”

#### Stage 2. List the needs of potential consumers.

At this stage you should not limit your imagination. In our example, such needs could be:

- ✓ have good health;
- ✓ have excellent medical care;
- ✓ at the same time, one tablet can solve many problems;
- ✓ solve your health problems quickly.

You can find more, but this is enough for now as an example. At the same time, it is important to take into account both very specific needs related specifically to your product (to have good health, to have excellent medical care), and the most general ones (at the same time, solve many problems with one tablet, solve your health problems quickly).

#### Stage 3. Identify “narrow” markets based on the listed needs.

Let's take the need to “ have good health . ” Who is it typical for? For **individuals**.

#### Stage 4. Name the resulting market segments.

For our example, the following names are suggested: “customers, organizations,” “clinics.”

**Stage 5. Find and describe the key (most important) needs for each segment.**

Segment	Key Needs
“One pill can solve many problems”	price-quality ratio of the offered medicines, the opportunity to consult on pharmaceutical care issues.
“solve your health problems quickly”	convenient location of pharmacies, availability of online consultations, information on drug prices

**Stage 6. Describe in detail the most important “consumer” characteristics of each segment.**

The assessment of each segment must be comprehensive, that is, take into account all the factors listed above. You cannot limit yourself only to the number of potential consumers, since the market with a large number of potential consumers will not always be the most profitable. This can easily be confirmed with the following example: what is more profitable - selling 100 packages of inexpensive Rutaskorbin daily with an income of 1050 rubles per package, or 1 package of the original drug with an income of 100,000 rubles? Everyone has their own answer to this question; ideally, of course, you need to sell both, but this is not always possible. Therefore, our real capabilities and the level of competition in this segment begin to play a big role. For example, if a pharmacy is located in the city center or in an office area where there are more people with high incomes, you should pay attention to the assortment for the “expensive medicines” segment, but if there are three more similar pharmacies nearby, with goods for the same category of consumers, in order to differentiate from competitors, it is better to focus on cheaper and more mass-produced goods, since prestigious offices employ not only the owners and managers of high-income companies, but also ordinary specialists who may just turn out to be our clients. In general, there are no strict recommendations, and everything will depend on many circumstances.

**As a result of market segmentation, we must conclude which segment or several segments you should target in order to make the most of the opportunities we have.**

The pharmaceutical market, like no other type of market, is characterized by very deep segmentation and heterogeneity, which is due to the many names of drugs, their selective ability to satisfy narrowly defined needs for the treatment and prevention of many types of pathologies, the variety of dosages and release forms. In this regard, pharmaceutical companies strive to cover as many of the most important segments (i.e. pharmacotherapeutic groups) of the market as possible.

**Segment Requirements**

The reaction of any segment in response to the organization’s marketing efforts can be positive and tangible for it only if the selected segments satisfy the following requirements: quantity, identity, availability, sustainability, reaction of the competitive environment, and efficiency in the selected segments.

- ✓ **Quantitative parameters.**
- ✓ **Identity.**
- ✓ **Availability.**
- ✓ **Segment stability.**
- ✓ **Reaction of the competitive environment.**
- ✓ **Efficiency of work in the selected segment**

Market segmentation can be carried out as a separate marketing research either to subsequently develop or adjust the organization's strategy, or to describe the structure of the target market in the appropriate section of the business plan, or to determine the possible sales volume (and sometimes to determine the maximum possible sales volume) in the marketing plan

. In any case, the essence of segmentation comes down to the fact that buyers within one segment tend to have homogeneous (or very similar) product consumption patterns that differ from similar characteristics of other segments. Identification of market segments and work on it, taking into account the differences in the requirements of the segments, provides the organization with greater commercial success than if segmentation is neglected, which can lead to the collapse of the organization.

**“Positioning is the way in which a consumer identifies a product by its most important characteristics, and position is the place a given product occupies in the consumer’s mind compared to similar competing products.”**

**Conditions for successful positioning.**

1. *Clarity.* The positioning idea must be clearly expressed in terms of both the target market and the differentiating advantage. The vast majority of consumers are unlikely to remember overly complex positioning formulas.

2. *Consistency.* Every day people are bombarded with an avalanche of all kinds of calls, promises, and advice. If you want to be noticed and heard above the background of this “noise”, act consistently.

3. *Plausibility.* The differentiating benefits you choose must be believable enough from the point of view of your target customers. The image of a brand (service) or company and reality must correspond.

4. *Competitiveness.* A distinctive advantage must have some competitive aspect. The product or service you offer must have some quality that is absent from the products or services of your competitors and represents a certain consumer value.