Measuring the Effectiveness of Segmentation, Targeting and Positioning Strategy of L’Oreal Products in Kingdom of Saudi Arabia

Aisha Dilshad Ahmed Jan
MBA Student, College of Administrative and Financial Sciences, AMA International University, Bldg 829. Road 1213, Blk 712, Salmabad, P.O. Box 18041, Bahrain

Dr Surjit Victor
Assistant Professor, College of Administrative and Financial Sciences, AMA International University, Bldg 829. Road 1213, Blk 712, Salmabad, P.O. Box 18041, Bahrain

Abstract
The study aims to assess the effectiveness of STP (Segmentation, Targeting and Positioning) of L’Oreal products in Saudi Arabia in terms of the effectiveness of the Market Segmentation, Targeting and Positioning applied by L’Oreal and the most influencing factor among STP strategies of L’Oreal Products. In this research, to adequately address the research questions a variety of data collection methods and instruments were used. The purpose of the study was to Effectiveness of Segmentation, Targeting and Positioning Strategy of L’Oreal Products in Kingdom of Saudi Arabia. The effectiveness of the STP strategy was undertaken using a survey. The research was conducted through a survey, using the questionnaire as the research instrument. The respondents of the study are saloon employees in the eastern province of Saudi Arabia. The used research instrument uses the five-points Likert scale. The statistical tools used in the study are multiple regression analysis and weighted mean. From the study, the researcher concluded that there STP marketing strategy of L’Oreal is effective. The study provides recommendations by the researcher in assessing those questions around effectiveness of STP Strategy of L’Oreal in Kingdom of Saudi Arabia.

Keywords: Segmentation, Positioning, Targeting, Marketing Strategy Effectiveness,

1. Introduction
Segmentation, Targeting and Positioning (STP) are the three pillars of modern marketing strategy. There are few markets these days where undifferentiated approach will pay dividends. The approach today is to accept that a product or service needs to be tailored specifically to meet the different demands in the market place if it needs to be successful. The first step is to identify and segment the market into buying groups that are significantly different from one another. Nest is to analyze which of these segments are financially viable and it is the role of targeting that will help the organization achieve its objective. Lastly it is vital to position oneself in minds of the target segments so that the product or service is different from those of the competitors (Proctor, 2014)

Saudi Arabia is the largest market for cosmetic products in the Middle East and Africa. The country has one of the world’s highest consumption rate of cosmetics and is the leading country in the consumption of skin and hair care products in the MEA region. Consumers in Saudi Arabia tend to spend a lot of money on their personal appearance supplementing the cosmetic market in the country. Jeddah and Riyadh are the two cities that constitute a major share of a younger population, indicating larger consumption patterns for the cosmetic products market. The demographic variety of consumers also helps companies to introduce variety and new products (Mordor Intelligence, 2018).

Specifically, the Saudi hair salon market is now worth billions of Riyals. It is exploding with salons showing annual growth rate of double digits. As Saudi women are entering the work force in large numbers they are spending more on their personal appearance. Moreover, girls who are continuing their under graduation are also spending more on their appearances. Salons in Jeddah and Riyadh report that university students and graduates now account for the largest consumer segment, second only to working women. There is a very strict dress code for women in the kingdom but the desire for a new image peaks seasonally i.e during Islamic festivities or life-changing events such as starting a job or starting college. Hair coloring accounts for little less than 50 percent of salons’ income. The salons in Saudi Arabia and are divided into three categories: luxury salons, premium hair salons and neighborhood salons. The company distributes its
products across all of these professional networks with its three brands that meet the diversity of Saudi consumers’ expectations (Diagonal Reports, 2014).

L’Oreal is a big player in this market. It supplies different items to different Salons in Saudi Arabia. The organization offers one of kind arrangements and the most recent patterns in hair styles, hair shading, care and styling for an all outlook. Imaginative L’Oreal Professional items, for provisions going from star keratin medicines to perpetual hair shading, all the expert items to accomplish the best in vogue hair styles and search for the hair. The region is going through a very robust growth rate and the company’s focus is to bring top L’Oreal products concepts to leading local salons. Marketing Strategy objectives include Increase category sales by offering great innovative products at good prices with "first-to-market" claim. Increase product image, quality, and consumer relevance. Attract new customers and increase penetration of existing customers (Tambo, Almeer, & Alshamrani, 2016).

L’Oreal as a brand has good sales in Kingdom of Saudi Arabia. Sales of L’Oreal products are good especially during peak season. But during summer season sales tend to go down. Moreover, dermocosmetics is emerging in the Saudi market, appearing in almost all beauty and personal care categories, including baby and child-specific products, colour cosmetics, and even sun care products. The leading dermocosmetics brands such as Bioderma, Mustela and Uriage provide consumers with enhanced degree of product quality and advanced ingredients(Euromonitor International, 2018).

Therefore, L’Oreal is facing tough times during the last two to three years. Many saloons use L’Oreal products. Their survival depends on the survival of L’Oreal brand in both the countries. L’Oreal Sales grew by -1.1 % in middle east in last quarter of 2018. Moreover, Saudi being a huge market, the sales team are unable to market the products widely across all the salons in the Kingdom (L’Oreal Finances, 2018)

Therefore, the study wants to understand if the current L’Oreal marketing strategy based on segmenting, targeting and positioning of L’Oreal is effective or not effective. The study aims to assess the effectiveness of STP (Segmentation, Targeting and Positioning) of L’Oreal products in Saudi Arabia.

Research Questions
In view of the problem statement, this research endeavors to answer the following questions

- What is the effectiveness of the Marketing strategy of L’Oreal in relation to Segmentation, Targeting and Positioning in and Kingdom of Saudi Arabia?
- What is the most influencing factor among STP which is affecting the overall effectiveness of the Marketing strategy of L’Oreal Products?

Research Objectives
Based on the above-mentioned questions, this study establishes the following objectives.

- To analyze the effectiveness of segmentation, positioning and targeting of L’Oreal in Kingdom of Saudi.
- To analyze the relationship between overall effectiveness of L’Oreal Marketing strategy Viz., segmentation, positioning and targeting.
- To identify the most important factor that influences the effectiveness of L’Oreal Marketing Strategy.

Research Hypothesis

$H_0$: There are no significant relationship between the STP marketing strategy and overall effectiveness of STP marketing strategy of L’Oreal.

$H_1$: Market segmentation, targeting and positioning equally influence the overall effectiveness of the STP Strategy.

2. Related Literature

The procedure of segmentation, targeting and positioning (STP) is basic to successful key advertising (Tanford and Malek, 2015). Kotler, Bowen, and Makens (1999) express that Segmentation includes a three-
advance procedure of market portioning, advertise focusing on, and market situating. Hsu and Powers (2002) contended that market division not just encourages us comprehend what individuals need in an item, it additionally gives a smart thought of the value they are eager to pay and where they need to be served. Consequently, division offers a chance to utilize limited time media by distinguishing those that can achieve the objective markets viably (Chen and Yuan, 2015). Morton et al (2017) defined concept of marketing as “Identifying, anticipating & satisfying the market”. Since then segmentation has often been perceived to be most fundamental and dominant concept in marketing (Piercy & Morgan, 1993, Cited in Thoeni, 2014) and time after time the need to identify and define a business’s market has been underlined (Swinyard, 2017). ‘A market segment is simply a collection of customers who have something in common which makes them share broadly similar product needs & buying behaviour’ (Dibb& Simkins, 2016). They may share characteristics as similar wants, purchasing power, and geographical location, buying attitudes or buying habits (Kotler, 2011) and hence researcher proposes that segmentation can be defined as is the process of identifying, dividing and profiling the existing or potential buyers based on differences and/or similarities amongst them which relate them in a sensible way for the business. A study carried out by Ezeh (2015) provides a major example; the study shows that hotel guests in Awka, Anambra state, Federal Republic of Nigeria are a lot curious about “steady electrical power offer, steady water supply, accessibility of night clubs/program, closeness to different hotels, and accessibility of economic sex workers” that is are distinctive concerns compared to those of additional developed areas. Therefore, hotel managers in Awka, Anambra state, Federal Republic of Nigeria ought to segment based on those known variables so as to compete effectively. Venter et. al. (2015) address the question on how does a market segmentation process emerge in an organization and what causes it to materialize in this way. They undertook a longitudinal study by constructing market segmentation as performative. Their study helped to draw insight into the relationships that marketing theories, models, ideas and techniques have with marketing practice. Their findings was that while adopting segmentation targeting or positioning marketing strategy managers have to overcome pragmatic if they have to successfully adopt and adapt concepts, models or approaches drawn from academic theory. Sartiet. al. (2018) studied the segmentation process of health-related products. Their research focused on developing a consumer segmentation based on consumers' actual purchases of sustainability and health-related products and at the same time differentiating product labels based on the benefits they offer to public, private or both. The daily consumption of the health-related products were studied. They undertook this study on 132 Italian consumers over 30 months and more than 370,000 transactions. Cluster analysis was used, and it was found that people could be segmented on three levels i.e. collectivists, individualists and indifferenters. The findings also showed that consumer segments are affected differently depending on whether a product label promises either public benefits, private benefits or both. Alnsour (2018) focused on determining and measuring the effect of targeting degree of Saudi women on the buying decision process of Saudi family. Samples of 387 Saudi families were surveyed in the capital city of Riyadh. The results indicated significant statistical effect of targeting degree of Saudi women on the buying decision of Saudi family. However, the buying was influenced by factors like years of marriage and number of children in the Saudi family. The role of women was highly significant factor in the purchase decision making. process. The study found that women tend to be initiator, influencer, decider, buyer and consumers. The study emphasized more on targeting the women segment as a whole rather than segmenting them into different groups.

Marketing begins and ends with customer. It evolved into a discipline in 1960s decade introducing hospitality to promotions. Obviously fundamental and self-evident concept of identifying, developing and deploying resources to gain competitive advantage by classifying customer base. Hospitality industry has been known to employ the concept of positioning before targeting, focusing upon the offering available rather than customer requirements in past. The concept has changed in recent years (Tabacchi, 2010, Dibb& Simkin, 2016) Hospitality industry has been said to be inseparable from segmentation (Swinyard, 2017). And as concept identification above has confirmed that positioning depends heavily on targeting which itself depends on segmentation, hence the inter-dependability of these three concepts is evident.
To sum it up, segmenting the market gives marketer a clear idea of business he caters to or could possibly attract, targeting is used to choose the optimum set of segments to achieve maximum benefit, and positioning will clarify the image and differentiation to marketer later advertising it to the customer. Hence these three concepts go hand in hand and as fundamental marketing concept are essential to marketing of any business. The literature has also helped identify few summations as possible corrections which will be discussed in detail in findings. In brief if the identified faults of STP can be overcome with use of appropriate model. Some studies suggested that overall effectiveness of STP strategy would be better of it the companies focused more on segmentation. While other studies suggested that targeting would be more important for having an effective marketing strategy for the cosmetics industry.

3. Theoretical framework
The theoretical framework is based on the definitions of marketing strategy by researchers (Chandra & Menezes, 2001). They stated that: “Marketing strategy consists of the following interrelated tasks: 1). Setting marketing goals; 2). Segmenting the market and selecting one more target markets; 3). Positioning the product/service; 4). Developing the appropriate marketing mix”. From the definition is meant that the components of marketing strategy consists of Segmenting, Targeting, Positioning and marketing mix are the variables that can be controlled by market participants to affect marketing performance. Recently Annmarie Hanlon (2018) stated that market segmentation helps to recognize specialties with explicit requirements, develop markets to discover new clients, convey increasingly engaged and compelling marketing messages. The necessities of each segment are the equivalent, so marketing messages ought to be intended for each segment to underscore applicable advantages and highlights required instead of one size fits just for all client types. This methodology is increasingly proficient, conveying the correct blend to a similar gathering of individuals, instead of a scattergun approach. Further he states that market targeting must be sufficiently substantial to legitimize segmenting. Also measurable contrasts must exist between segments. Targeting must be diverse as different segments might need diverse needs. He states that on market positioning there is a need two factors to outline the market diagram. This is a crowd of people instead of item centered way to deal with interchanges which conveys increasingly applicable messages to economically engaging groups of onlookers. The figure below shows the marketing strategy stream based on segmentation, targeting and positioning.

![Figure 1. 2 Linking the STP Marketing Strategy](Source: Annmarie Hanlon)
4. Conceptual framework
The conceptual framework of the study is developed based on the theoretical framework and the statement of problem to be addressed. The study has developed a conceptual framework based on the identified factors of STP strategies. The conceptual framework measures the influence of independent variables on dependent variable. The dependent variable is the overall effectiveness of STP strategy and the Independent variables are the market segmentation, targeting, and positioning. It is shown in the diagram below:

![Conceptual framework diagram]

Figure 1.3: Conceptual framework
The framework illustrates the variables in which the overall effectiveness of L’Oreal Marketing strategy is measured. The process focuses on, how the independent variables will affect the dependent variable.

5. Research Methodology
The research design to be used is cross sectional study. This is because it investigates a section of the population under study. Moreover, cross sectional study is carried out at a single moment in time thus the applicability is most relevant for a specific period. The research type is both descriptive and causal research. The major purpose of descriptive research is description of the state of affairs as it exists at present. The result of descriptive research is valid only for the time period the research is undertaken. The research is also causal because the study wants to know the effect of independent variables on the dependent variable. Under this study, owners of the salons in Eastern Province of Kingdom of Saudi Arabia are taken as respondents. The study is using non-probability-based sampling technique. In this convenience and judgemental sampling methods are used. The study uses convenience sampling method as collection of data is time consuming and respondents’ availability is also a concern. Moreover, there is no clear-cut method is available to identify if the salons use L’Oreal products or not, the researcher has considered judgment sampling is the most appropriate method for the present study. The sample size or the number of respondents to be is 97. Determination of sample size for estimating the population proportion is done by using the following arithmetical equation as proposed by Cochran1.

\[ n = \frac{Z^2pq}{e^2} \]

The population cannot be exactly defined, so we take a proportion of the population.
Where,
\( z = \) t value at 95% confidence level.
\( P = \) population proportion who have been using L’Oreal Products.
\( V = \) population proportion who have not been Using L’Oreal Products
\( E = \) margin of error.

---

Actual data collected were from 102 respondents. But only 90 Questionnaires were having all the information. This study is survey based and the research instrument is the questionnaire. The total number of questionnaires distributed was 120. The total number of questionnaires received was 102. The total numbers of questionnaires with proper answers were 90 (See Also: Abrar ul haq et al., 2012, 2015, 2016, 2017a&b, 2018a,b, 2019). The study uses multiple regression analysis to identify the effectiveness of STP strategy and also the most influencing factors among STP strategy (See Also: Akram et al., 2019; Akram, F. 2017; Akram, F., Murugiah, L., & Arfan, A. 2017; Ashraf et al., 2017; Khan et al., 2015; Mehtab et al., 2012; Qamri et al, 2015; Qasim et al., 2018; Raza et al., 2018; Ullah et al., (2016).

6. Results and Discussion
The findings of the demographic pattern of respondents are shown in the tables below. From the table 1.1 it is seen that the majority of the participants were females as the percentage of the female respondents scored 83.3%, while the men’s participant percentage was 16.2%. The table 1.2 presented the frequency distribution of age. It is evident from the results that out of 90 respondents participated in the study, 17.5% were from the age group of less than 25 years where as 73.8% respondents belongs to the age group of 25 to 35 years and 7.5% were of 36 to 45 years and only 1.3% were of 45 and above of age. The majority of respondents were from the age group of 25-35, which indicates that they have gained enough experience and knowledge in the saloon to give their reviews about the analysis. From the table 1.3 it is seen that most of the participants were Saudi nationals as the percentage of the Saudi nationals was 78.8%, while the non-Saudi national participant percentage was 22.2%. The table 1.4 presented the frequency distribution of years of experience. It is evident from the results that out of 90 respondents participated in the study, 5.6% have less than 1-year experience, whereas 33.3% have 10 to 15 years’ experience in the hospital. 27.8% have between 5 to 10 years’ experience and only 11.1% have 15 years and above experience.

Table 1.1: Gender Classification of the Respondents

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>77</td>
<td>83.8</td>
</tr>
<tr>
<td>Male</td>
<td>13</td>
<td>16.2</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey data

Table 1.2: Age Group of the Respondents

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 25</td>
<td>24</td>
<td>17.5</td>
</tr>
<tr>
<td>25 to 35</td>
<td>59</td>
<td>73.8</td>
</tr>
<tr>
<td>36 to 45</td>
<td>6</td>
<td>7.5</td>
</tr>
<tr>
<td>45 &amp; above</td>
<td>1</td>
<td>1.2</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey data

Table 1.3: Nationality of the Respondents

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi</td>
<td>63</td>
<td>78.8</td>
</tr>
<tr>
<td>Non Saudi</td>
<td>27</td>
<td>22.2</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey data
Table 1.4: Experience of the Respondents

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 yr</td>
<td>5</td>
<td>5.6</td>
</tr>
<tr>
<td>1 to 5 yrs</td>
<td>20</td>
<td>22.2</td>
</tr>
<tr>
<td>5 to 10 yrs</td>
<td>25</td>
<td>27.8</td>
</tr>
<tr>
<td>10 to 15 yrs</td>
<td>30</td>
<td>33.3</td>
</tr>
<tr>
<td>Above 15 yrs</td>
<td>10</td>
<td>11.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Survey data

Testing the relationship between Independent and dependent variables

A correlation and regression analysis is undertaken to measure the relationship between the segmentation, targeting and positioning and their influence on the overall effectiveness of STP Marketing Strategy. The independent variables are Segmentation (SG), Targeting (TG) and Positioning (PG) and the dependent variable is Overall Effectiveness of Marketing Strategy (OEMS). Here the responses of all the 90 Saloons using different products and L'Oreal products were used.

The model of the regression would be in the form of:

Overall Effectiveness of Marketing Strategy (OEMS) = α + β Segmentation (SG) + β Targeting (TG) + β Positioning (PG)

Table 1.5: Correlation Values

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>R</strong></td>
<td><strong>R Square</strong></td>
</tr>
<tr>
<td>.680</td>
<td>.462</td>
</tr>
</tbody>
</table>

The above table displays the values for R, and R squared. The estimated R-value (correlation coefficient) is 0.680. The R2 value for the estimated equation is 0.462, which is significant at 1 per cent level of probability. It shows that 25.7 per cent of the variation in the creditworthiness is explained by the independent variables identified by the researcher.

Table 1.6: ANOVA

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>27.965</td>
<td>3</td>
<td>9.322</td>
<td>24.649</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>32.523</td>
<td>86</td>
<td>.378</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>60.489</td>
<td>89</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the table 1.6 it is seen that the significant value of f statistic is 0.000. It indicates that the independent variables do a good job explaining the variation in opinion of overall library sources.

Table 1.7: Regression coefficients

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.798</td>
<td>.105</td>
</tr>
<tr>
<td>Targeting</td>
<td>.685</td>
<td>.001</td>
</tr>
<tr>
<td>Positioning</td>
<td>.042</td>
<td>.049</td>
</tr>
<tr>
<td>Segmentation</td>
<td>.216</td>
<td>.022</td>
</tr>
</tbody>
</table>
The above table shows the estimated regression coefficients of the regression model fitted. Here the estimated model is:

\[ \text{OEMS} = 0.798 + 0.685 \times (\text{SG}) + 0.042 \times (\text{TG}) + 0.216 \times (\text{PG}) \]

Where:
- OEMS = Overall Effectiveness of Marketing Strategy
- SG = Segmentation
- TG = Targeting
- PG = Positioning

The regression results indicate that all the independent factors positively influence the overall effectiveness of marketing strategy. This is evident from the positive signs of the estimated coefficients of the independent factors. This means that if any of the factors increase, the effectiveness of STP marketing strategy will also increase. The regression shows that among all the factors influencing the effectiveness, the targeting variable (0.798) have the highest beta value indicating that it is the most influencing factor which influence the effectiveness of STP marketing strategy. Also, this factor is significant at one percent level. The results of this research show that the factor that affects STP marketing strategy the most is targeting factor and this has an influence on the decisions to be taken.

The above results indicate that H01 and H02 are rejected:
- H01: There are no significant relationship between the STP marketing strategy and overall effectiveness of STP marketing strategy of L'Oreal.
- H02: Market segmentation, targeting and positioning equally influence the overall effectiveness of the STP Strategy

This means that there is relationship between the independent factors and dependent factor. Also, it is evident that targeting (0.966) is the most important factor that influence the STP marketing strategy. This finding is correlated with the finding showing by the researcher Alnsour (2018). The study found that the role of women was highly significant factor in the purchase decision making process. The study found that women tend to be initiator, influencer, decider, buyer and consumers and indicated that companies should target women in general to get more market share in Kingdom of Saudi.

7. Conclusion

The study is undertaken to analyze the influence of the segmentation, targeting and positioning (STP) in the Saloons in Saudi Arabia. Based on the analysis and hypothesis testing it was found that there is relationship between the independent factors and dependent factor. Also, it is evident that targeting (0.966) is the most important factor that influences the STP marketing strategy. To conclude, the results indicated that Hypothesis (H01), (H02), are rejected by the researcher. The researcher has proven that there is relationship between all independent variables and dependent variable and that they don’t equally influence the dependent variable. Experiencing this process allows an entrepreneur and showcasing specialists or workers to define a promoting methodology that ties organization, brand and item advantages to explicit client advertise fragments. That is the reason the researcher expressed before that appropriate portioning, targeting, and situating help the organization achievement alone side with the unmistakable STP systems.

Reference


