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The World of Marketing

1
PART

WHAT'S INSIDE

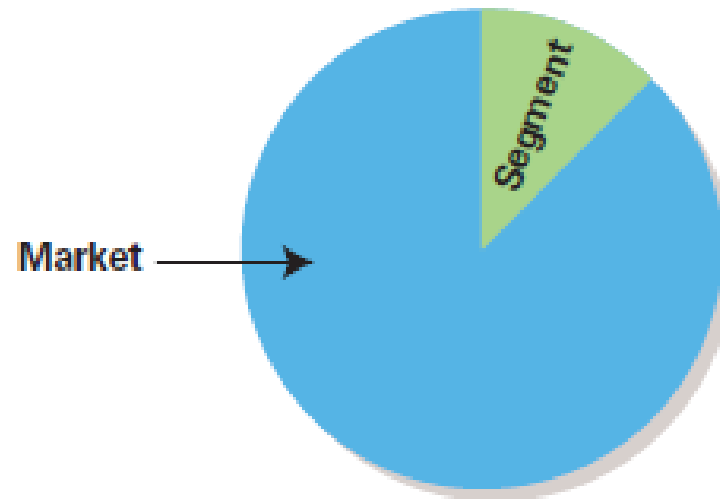
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MARKET SEGMENTATION



Describe the characteristics of markets and market segments





No market segmentation



Fully segmented market



Market segmentation
by gender: M, F



Market segmentation
by age group: 1, 2, 3



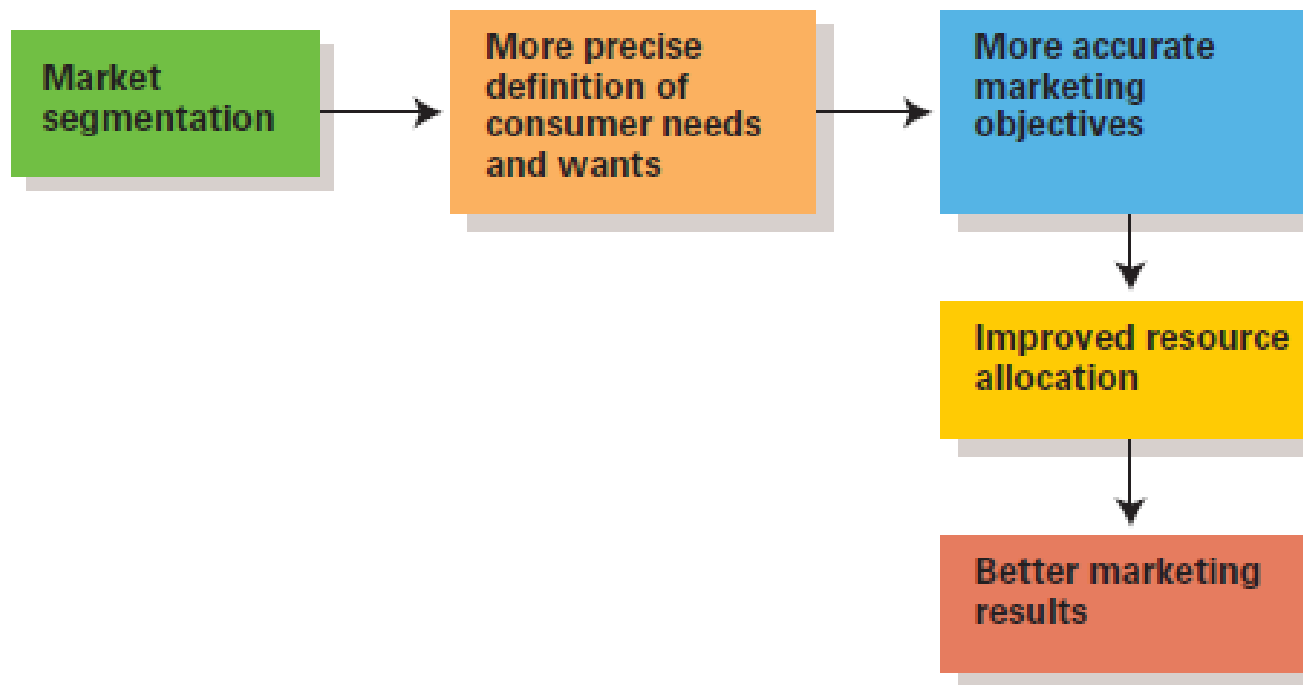
Market segmentation
by gender and age group

2

THE IMPORTANCE OF MARKET SEGMENTATION

2

Explain the importance of market segmentation

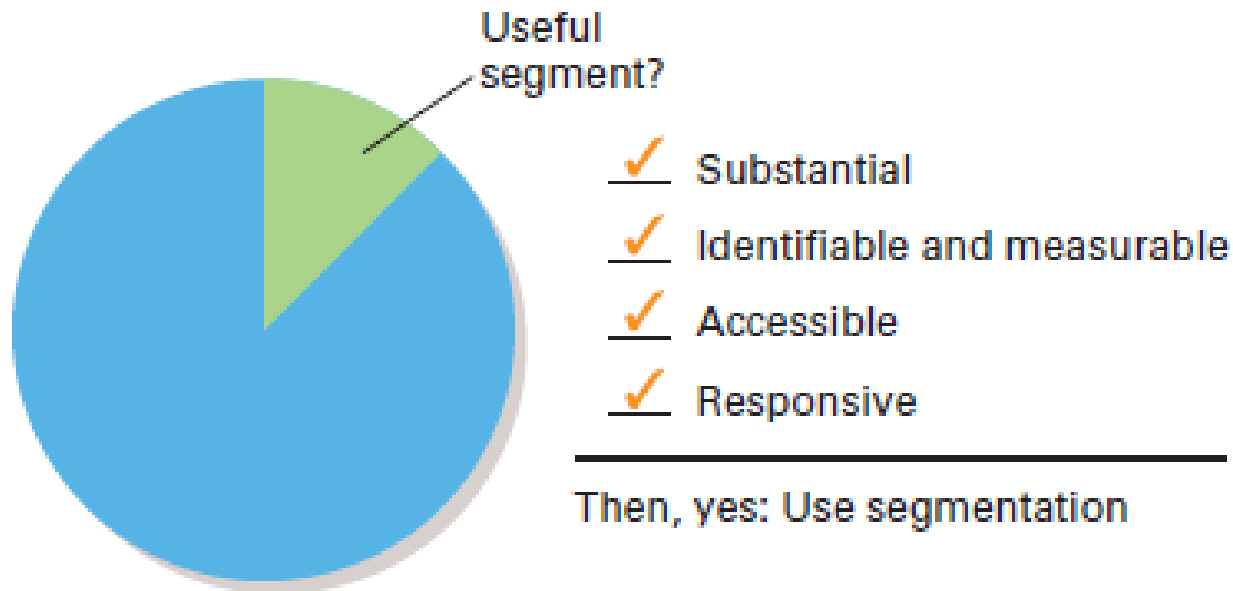


3

CRITERIA FOR SUCCESSFUL SEGMENTATION

3

Discuss criteria for successful market segmentation



4

BASES FOR SEGMENTING CONSUMER MARKETS

Geographic Segmentation

Geographic segmentation refers to segmenting markets by region of a country or the world, market size, market density, or climate. Market density means the number of people within a unit of land, such as a census tract. Climate is commonly used for geographic segmentation because of its dramatic impact on residents'

Demographic Segmentation

Marketers often segment markets on the basis of demographic information because it is widely available and often related to consumers' buying and consuming behavior. Some common bases of **demographic segmentation** are age, gender, income, ethnic background, and family life cycle.

Psychographic Segmentation

Age, gender, income, ethnicity, family life-cycle stage, and other demographic variables are usually helpful in developing segmentation strategies, but often they don't paint the entire picture. Demographics provide the skeleton, but psychographics add meat to the bones. **Psychographic segmentation** is market segmentation on the basis of the following variables:

- *Personality:* Personality reflects a person's traits, attitudes, and habits. According to a national survey by Roper, almost half of Americans believe their cars match their personalities. For example, SUVs deliver the heady feeling of being independent and above it all. Convertibles epitomize wind-in-the-hair freedom, and off-roaders convey outdoor adventure. About 25 percent of people surveyed say that their cars make them feel powerful.³⁷
 - *Motives:* Marketers of baby products and life insurance appeal to consumers' emotional motives—namely, to care for their loved ones. Using appeals to economy, reliability, and dependability, carmakers like Subaru and Suzuki target customers with rational motives. Carmakers like Mercedes-Benz, Jaguar, and Cadillac appeal to customers with status-related motives.
 - *Lifestyles:* Lifestyle segmentation divides people into groups according to the way they spend their time, the importance of the things around them, their beliefs, and socioeconomic characteristics such as income and education. For example, the companies behind the sport Nordic walking are targeting couch potatoes and other nonathletic types. They hope to make the activity appealing to those for whom regular exercise has been a challenge.³⁸ Pepsi-Cola is promoting its low-calorie, vitamin-enhanced water, Aquafina Alive, to consumers who are health conscious.³⁹
 - *Geodemographics:* **Geodemographic segmentation** clusters potential customers into neighborhood lifestyle categories. It combines geographic, demographic, and lifestyle segmentations. Geodemographic segmentation helps marketers develop marketing programs tailored to prospective buyers who live in small geographic regions, such as neighborhoods, or who have very specific lifestyle and demographic characteristics. H-E-B Grocery Company, a 304-store,
-

- This is the first of three lessons based upon **SEGMENT - TARGET – POSITION**
- To get a product or service to the right person or company, a marketer would firstly segment the market, then target a single segment or series of segments and finally position within the segment.
- Market segmentation is the process of placing of subsets of buyers within a market that share similar need and demonstrate similar buyer behavior. The world is made up of billions of buyers with their own sets of need and behavior.
- Segmentation aims to match groups of purchasers with the same set of needs and buyer behaviour. Such a group is known as a “segment”
- Segmentations identify customer groups within a product-market, each containing buyers with similar value requirements concerning specific product/brand attributes

- A segment is a possible market target for an organization **competing in the market**. Segmentation offers a company an opportunity to **better match its products and its capabilities** to buyer's **value requirements**
- Customer **satisfaction** providing a value offering that **matches** the **value proposition** considered important by the buyers in a segment.
- Segmentation is form of critical evaluation rather than a prescribed process or system, and hence no two markets are defined and segmented in the same way.
- However there are a number of underpinning criteria that assists us with segmentation:
 - ✓ Is the segment viable? Can we make a profit from it?
 - ✓ Is the segment accessible? How easy is it for us to get into the segment?
 - ✓ Is the segment measurable? Can we obtain realistic data to consider its potential?

- There are many ways that a segment can be considered. For example the auto market could be segmented by: drive age, engine size, modal type cost, and so on. However the more general bases include:
 - ✓ By geography – such as where in the world was the product bought
 - ✓ By psychographics – such as lifestyle or beliefs
 - ✓ By socio-cultural factors – such as class
 - ✓ By demography – such as age, sex and so on

A company will evaluate each segment based upon potential business success. Opportunities will depend upon factors such as: the potential growth of the segment the state of competitive rivalry within the segment how much profit the segment will deliver how big the segment is how the segment fits with the current direction of the company and its vision.

Market Driven strategy

Firm's policy or strategy guided by market trends and customer needs instead of the firm's productive capacity or current products.

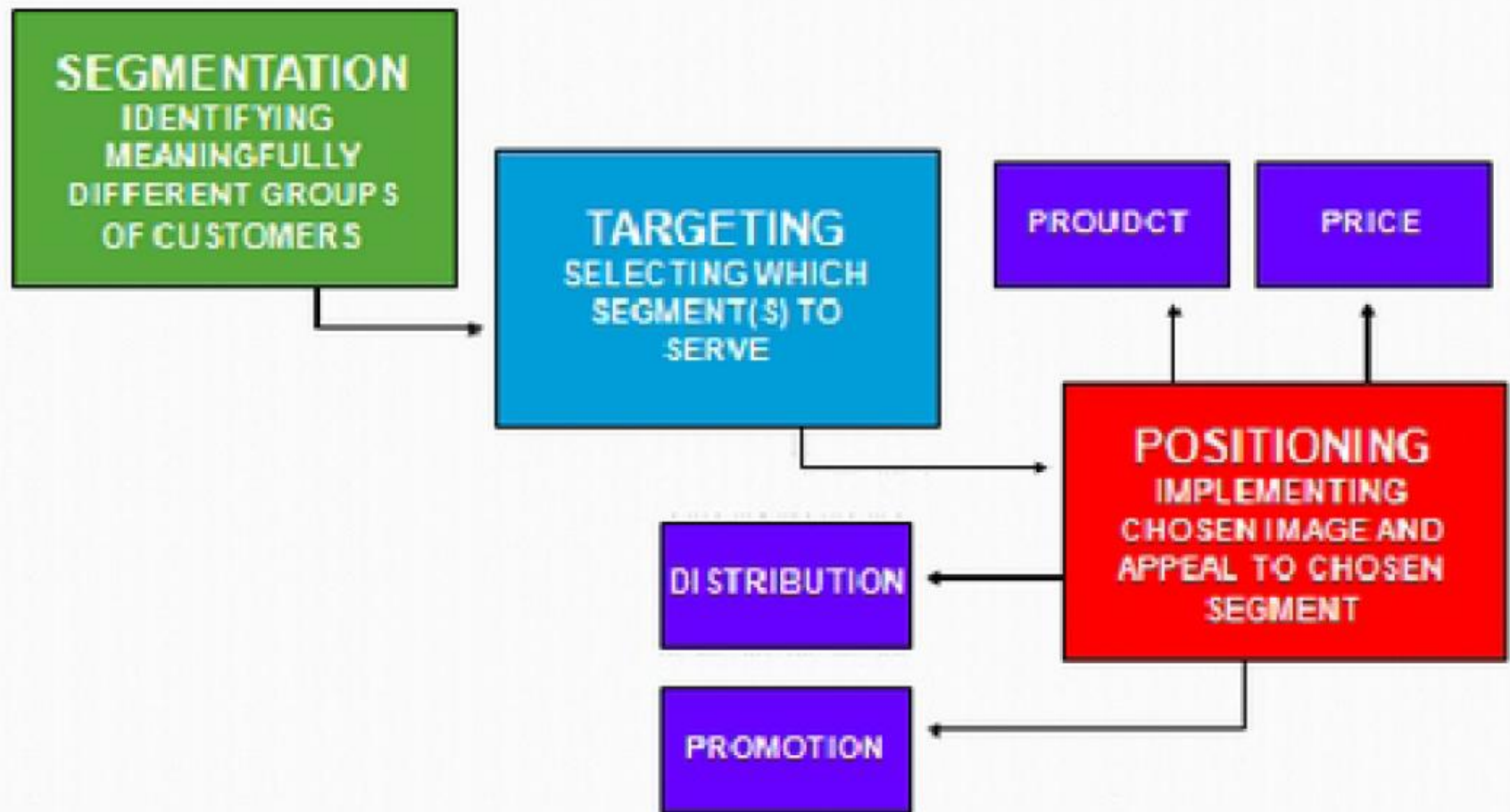
Process:-

1. Segments
2. Value opportunities
3. Capabilities/segment match
4. Target
5. Positioning

- **Target Market** Is a business term meaning the market segment to which a particular good or service is marketed.
- It is mainly defined by age, gender, geography socio-economic grouping, or any other combination of demographics. It is generally studied and mapped by an organization through lists and reports containing demographic information that may have an effect on the marketing of key products or services
- **Target Marketing** involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments

Segment & Market Driven Strategy

- Strategy
- Market Driven Strategy :
 1. Segment
 2. Value Opportunities
 3. Capabilities/Segment match
 4. Target
 5. Positioning
- Creating New Market Space
- Matching Value Opportunities and Capabilities
- Market Targeting and Strategic Positioning
 1. Target Market
 2. Strategic Positioning
- Selecting the Market to be Segmented
- Market segmentation activities and decisions



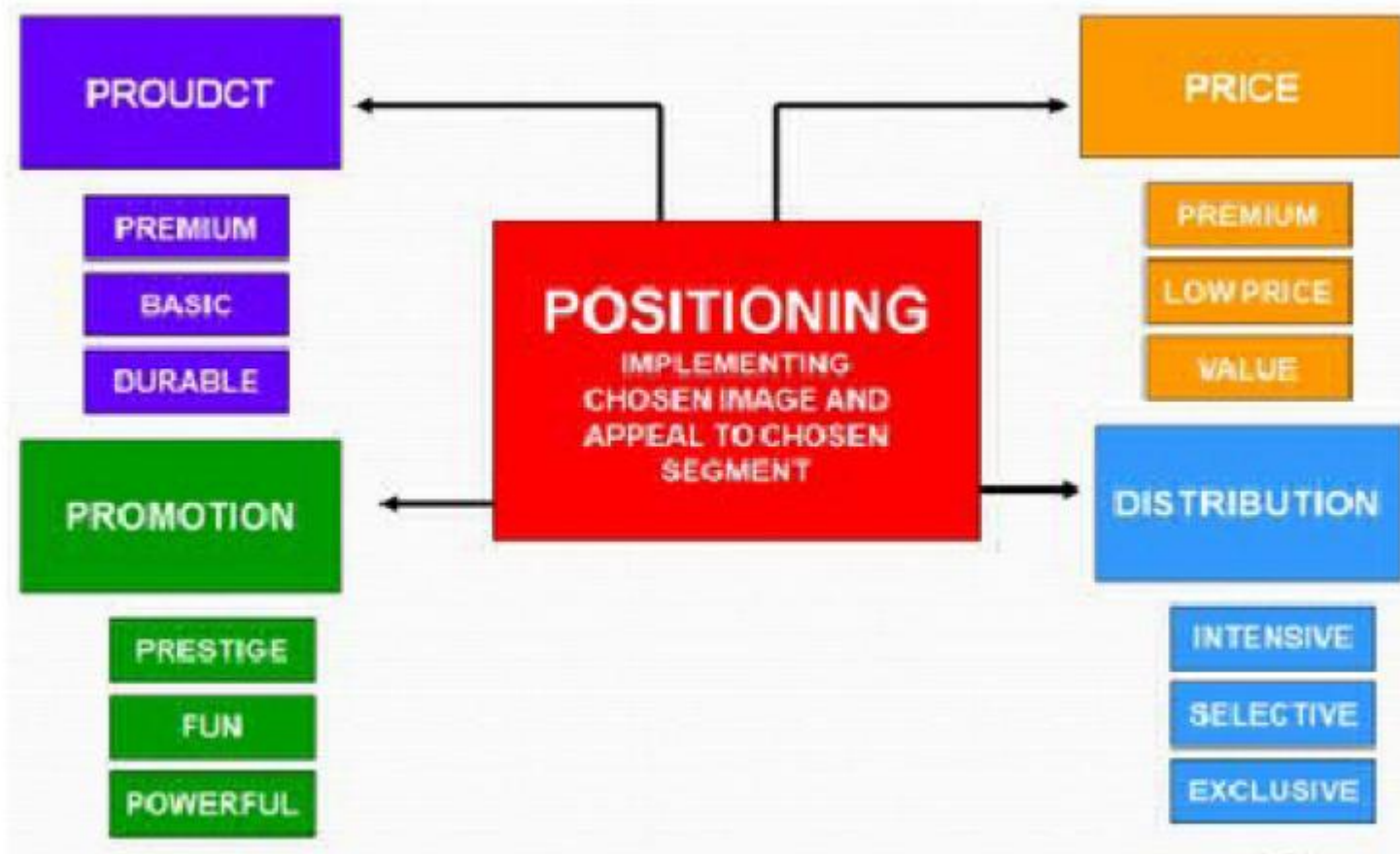
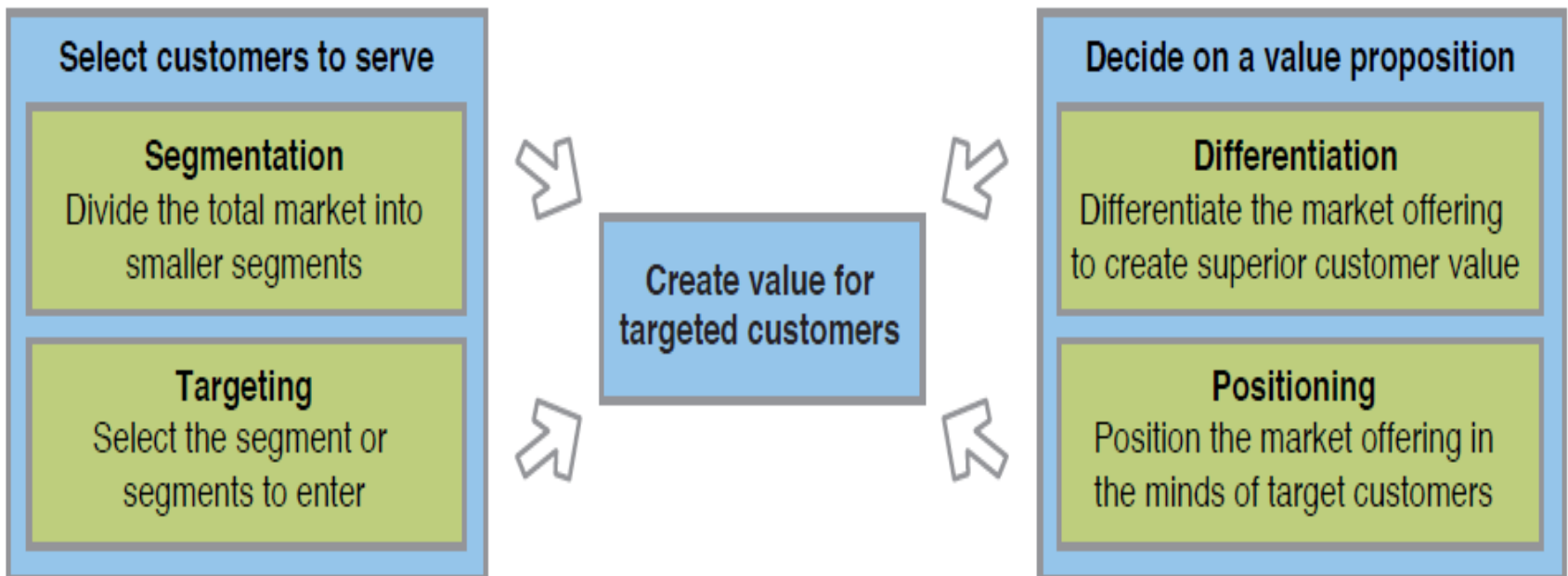


FIGURE 7.1 Steps in market segmentation, targeting, and positioning



Market segmentation

Dividing a market into smaller groups with distinct needs, characteristics, or behaviors who might require separate products or marketing mixes.

Differentiation

Actually differentiating the firm's market offering to create superior customer value.

Market targeting

The process of evaluating each market segment's attractiveness and selecting one or more segments to enter.

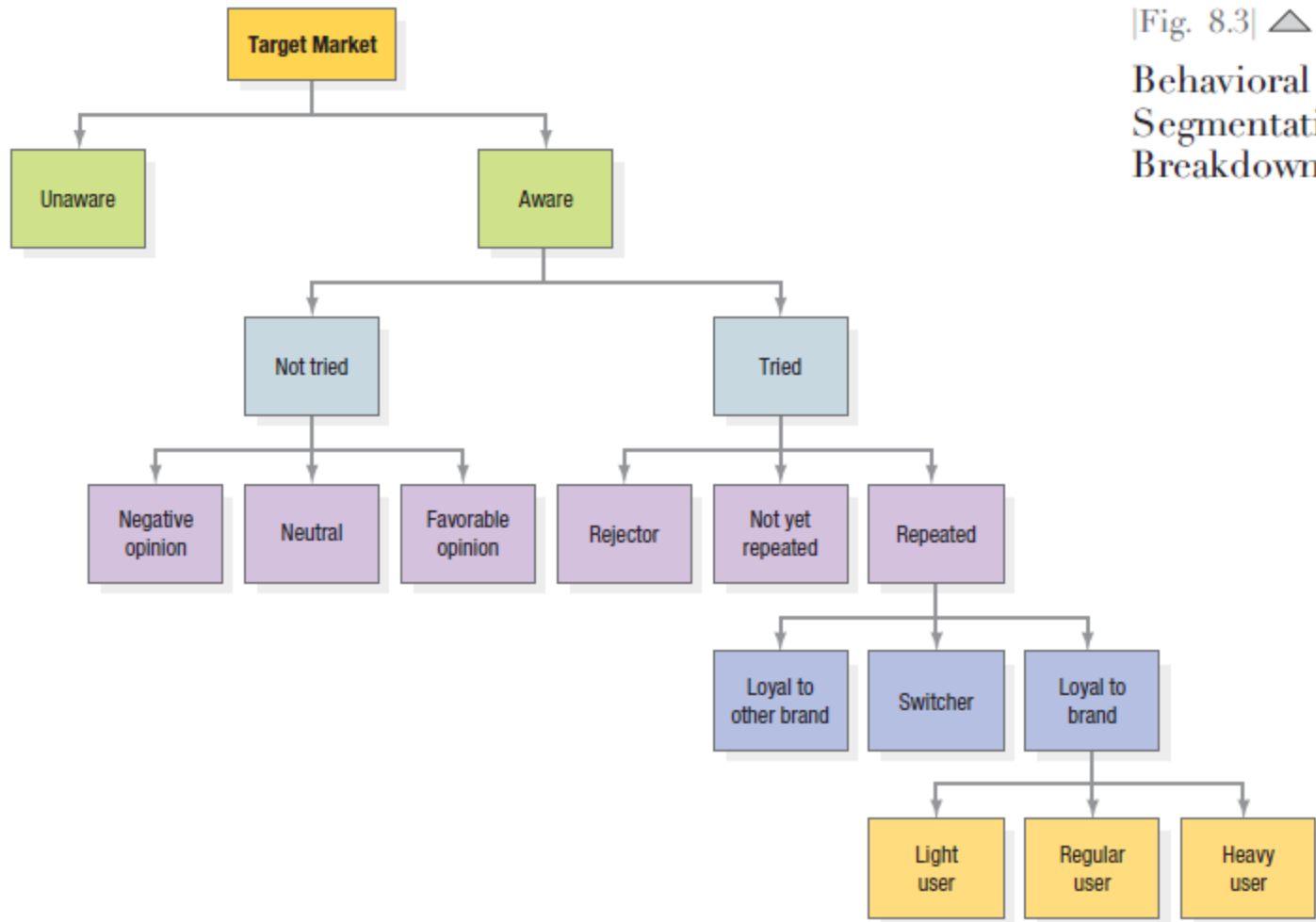
TABLE 7.1 Major Segmentation Variables for Consumer Markets

<i>Geographic</i>	
World region or country	North America, Western Europe, Middle East, Pacific Rim, China, India, Canada, Mexico
Country region	Pacific, Mountain, West North Central, West South Central, East North Central, East South Central, South Atlantic, Middle Atlantic, New England
City or metro size	Under 5,000; 5,000–20,000; 20,000–50,000; 50,000–100,000; 100,000–250,000; 250,000–500,000; 500,000–1,000,000; 1,000,000–4,000,000; over 4,000,000
Density	Urban, suburban, rural
Climate	Northern, southern
<i>Demographic</i>	
Age	Under 6, 6–11, 12–19, 20–34, 35–49, 50–64, 65+
Gender	Male, female
Family size	1–2, 3–4, 5+
Family life cycle	Young, single; young, married, no children; young, married with children; older, married with children; older, married, no children; under 18; older, single; other
Income	Under \$10,000; \$10,000–\$20,000; \$20,000–\$30,000; \$30,000–\$50,000; \$50,000–\$100,000; \$100,000 and over
Occupation	Professional and technical; managers, officials, and proprietors; clerical; sales; craftspeople; supervisors; operatives; farmers; retired; students; homemakers; unemployed
Education	Grade school or less; some high school; high school graduate; some college; college graduate
Religion	Catholic, Protestant, Jewish, Muslim, Hindu, other
Race	Asian, Hispanic, Black, White
Generation	Baby boomer, Generation X, Generation Y
Nationality	North American, South American, British, French, German, Italian, Japanese
<i>Psychographic</i>	
Social class	Lower lowers, upper lowers, working class, middle class, upper middles, lower uppers, upper uppers
Lifestyle	Achievers, strivers, survivors
Personality	Compulsive, gregarious, authoritarian, ambitious
<i>Behavioral</i>	
Occasions	Regular occasion; special occasion
Benefits	Quality, service, economy, convenience, speed
User status	Nonuser, ex-user, potential user, first-time user, regular user
User rates	Light user, medium user, heavy user
Loyalty status	None, medium, strong, absolute
Readiness stage	Unaware, aware, informed, interested, desirous, intending to buy
Attitude toward product	Enthusiastic, positive, indifferent, negative, hostile

TABLE 8.1

Major Segmentation Variables for Consumer Markets

Geographic region	Pacific Mountain, West North Central, West South Central, East North Central, East South Central, South Atlantic, Middle Atlantic, New England
City or metro size	Under 5,000; 5,000–20,000; 20,000–50,000; 50,000–100,000; 100,000–250,000; 250,000–500,000; 500,000–1,000,000; 1,000,000–4,000,000; 4,000,000+
Density	Urban, suburban, rural
Climate	Northern, southern
Demographic age	Under 6, 6–11, 12–17, 18–34, 35–49, 50–64, 64+
Family size	1–2, 3–4, 5+
Family life cycle	Young, single; young, married, no children; young, married, youngest child under 6; young, married, youngest child 6 or older; older, married, with children; older, married, no children under 18; older, single; other
Gender	Male, female
Income	Under \$10,000; \$10,000–\$15,000; \$15,000–\$20,000; \$20,000–\$30,000; \$30,000–\$50,000; \$50,000–\$100,000; \$100,000+
Occupation	Professional and technical; managers, officials, and proprietors; clerical sales; craftspeople; forepersons; operatives; farmers; retired; students; homemakers; unemployed
Education	Grade school or less; some high school; high school graduate; some college; college graduate
Religion	Catholic, Protestant, Jewish, Muslim, Hindu, other
Race	White, Black, Asian, Hispanic
Generation	Silent Generation, Baby boomers, Gen X, Gen Y
Nationality	North American, Latin American, British, French, German, Italian, Chinese, Indian, Japanese
Social class	Lower lowers, upper lowers, working class, middle class, upper middles, lower uppers, upper uppers
Psychographic lifestyle	Culture-oriented, sports-oriented, outdoor-oriented
Personality	Compulsive, gregarious, authoritarian, ambitious
Behavioral occasions	Regular occasion, special occasion
Benefits	Quality, service, economy, speed
User status	Nonuser, ex-user, potential user, first-time user, regular user
Usage rate	Light user, medium user, heavy user
Loyalty status	None, medium, strong, absolute
Readiness stage	Unaware, aware, informed interested, desirous, intending to buy
Attitude toward product	Enthusiastic, positive, indifferent, negative, hostile



|Fig. 8.3| ▲

Behavioral Segmentation Breakdown

TABLE 8.5**Major Segmentation Variables for Business Markets*****Demographic***

1. *Industry:* Which industries should we serve?
2. *Company size:* What size companies should we serve?
3. *Location:* What geographical areas should we serve?

Operating Variables

4. *Technology:* What customer technologies should we focus on?
5. *User or nonuser status:* Should we serve heavy users, medium users, light users, or nonusers?
6. *Customer capabilities:* Should we serve customers needing many or few services?

Purchasing Approaches

7. *Purchasing-function organization:* Should we serve companies with a highly centralized or decentralized purchasing organization?
8. *Power structure:* Should we serve companies that are engineering dominated, financially dominated, and so on?
9. *Nature of existing relationship:* Should we serve companies with which we have strong relationships or simply go after the most desirable companies?
10. *General purchasing policies:* Should we serve companies that prefer leasing? Service contract? Systems purchases? Sealed bidding?
11. *Purchasing criteria:* Should we serve companies that are seeking quality? Service? Price?


Situational Factors

12. *Urgency:* Should we serve companies that need quick and sudden delivery or service?
13. *Specific application:* Should we focus on a certain application of our product rather than all applications?
14. *Size or order:* Should we focus on large or small orders?

Personal Characteristics

15. *Buyer-seller similarity:* Should we serve companies whose people and values are similar to ours?
16. *Attitude toward risk:* Should we serve risk-taking or risk-avoiding customers?
17. *Loyalty:* Should we serve companies that show high loyalty to their suppliers?

Market Targeting

There are many statistical techniques for developing market segments.⁵³ Once the firm has identified its market-segment opportunities, it must decide how many and which ones to target. Marketers are increasingly combining several variables in an effort to identify smaller, better-defined target groups. Thus, a bank may not only identify a group of wealthy retired adults but within that group distinguish several segments depending on current income, assets, savings, and risk preferences. This has led some market researchers to advocate a *needs-based market segmentation approach*, as introduced previously. Roger Best proposed the seven-step approach shown in  Table 8.6.

Effective Segmentation Criteria

Not all segmentation schemes are useful. We could divide buyers of table salt into blond and brunette customers, but hair color is undoubtedly irrelevant to the purchase of salt. Furthermore, if all salt buyers buy the same amount of salt each month, believe all salt is the same, and would pay only one price for salt, this market is minimally segmentable from a marketing point of view.

To be useful, market segments must rate favorably on five key criteria:

- **Measurable.** The size, purchasing power, and characteristics of the segments can be measured.
- **Substantial.** The segments are large and profitable enough to serve. A segment should be the largest possible homogeneous group worth going after with a tailored marketing program. It would not pay, for example, for an automobile manufacturer to develop cars for people who are less than four feet tall.
- **Accessible.** The segments can be effectively reached and served.
- **Differentiable.** The segments are conceptually distinguishable and respond differently to different marketing-mix elements and programs. If married and unmarried women respond similarly to a sale on perfume, they do not constitute separate segments.
- **Actionable.** Effective programs can be formulated for attracting and serving the segments.

TABLE 8.6


Steps in the Segmentation Process

	Description
1. Needs-Based Segmentation	Group customers into segments based on similar needs and benefits sought by customers in solving a particular consumption problem.
2. Segment Identification	For each needs-based segment, determine which demographics, lifestyles, and usage behaviors make the segment distinct and identifiable (actionable).
3. Segment Attractiveness	Using predetermined segment attractiveness criteria (such as market growth, competitive intensity, and market access), determine the overall attractiveness of each segment.
4. Segment Profitability	Determine segment profitability.
5. Segment Positioning	For each segment, create a "value proposition" and product-price positioning strategy based on that segment's unique customer needs and characteristics.
6. Segment "Acid Test"	Create "segment storyboard" to test the attractiveness of each segment's positioning strategy.
7. Marketing-Mix Strategy	Expand segment positioning strategy to include all aspects of the marketing mix: product, price, promotion, and place.

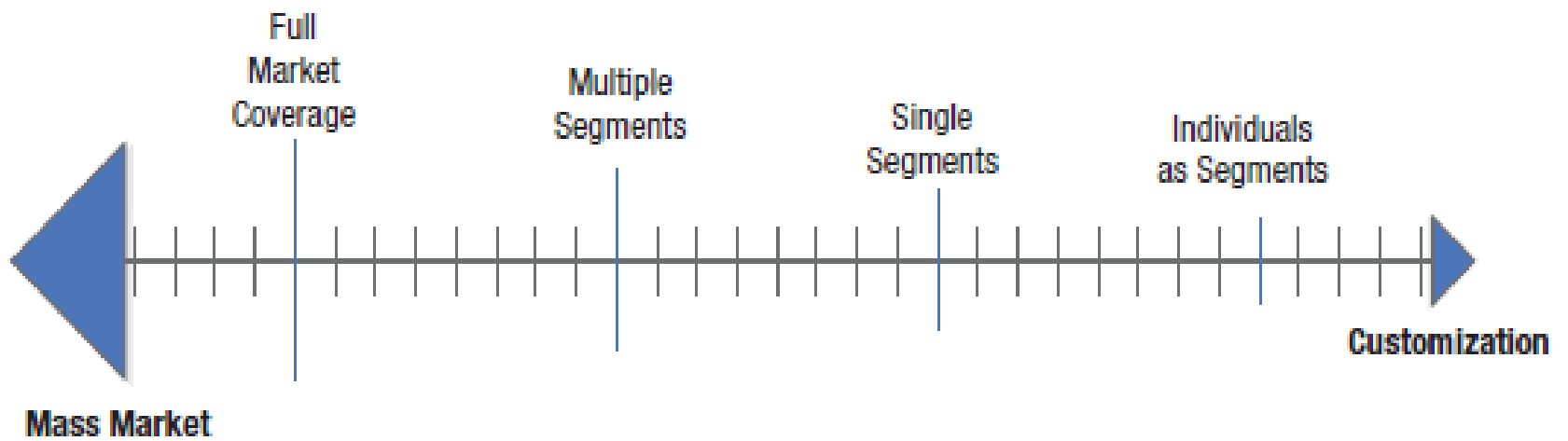
Source: Adapted from Roger J. Best, *Market-Based Management*, 5th ed. (Upper Saddle River NJ: Prentice Hall, 2009). ©2009. Printed and electronically reproduced by permission of Pearson Education, Inc. Upper Saddle River, New Jersey.

Evaluating and Selecting the Market Segments

In evaluating different market segments, the firm must look at two factors: the segment's overall attractiveness and the company's objectives and resources. How well does a potential segment score on the five criteria? Does it have characteristics that make it generally attractive, such as size, growth, profitability, scale economies, and low risk? Does investing in the segment make sense given the firm's objectives, competencies, and resources? Some attractive segments may not mesh with the company's long-run objectives, or the company may lack one or more necessary competencies to offer superior value.

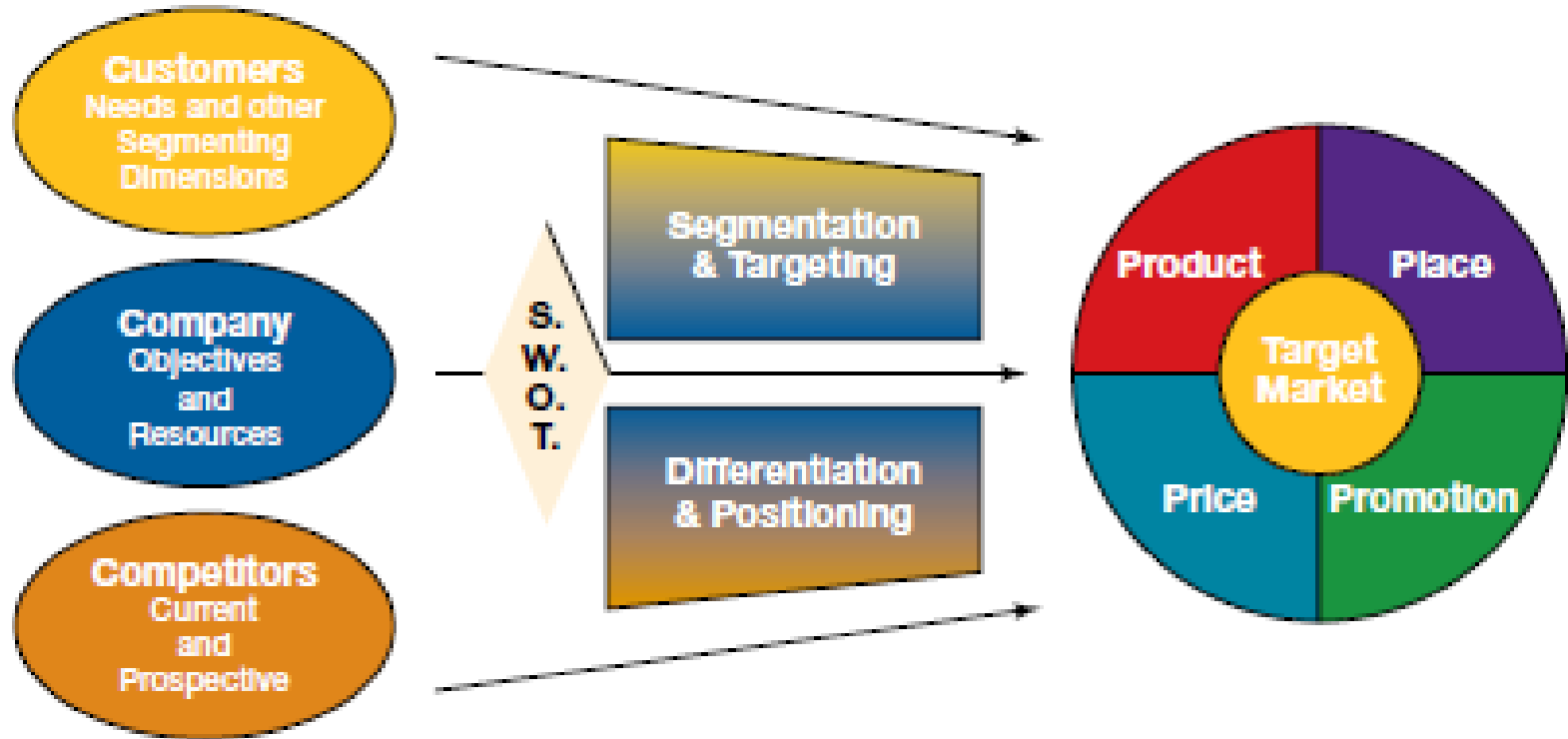
Marketers have a range or continuum of possible levels of segmentation that can guide their target market decisions. As  Figure 8.4 shows, at one end is a mass market of essentially one segment; at the other are individuals or segments of one person. Between lie multiple segments and single segments. We describe each of the four approaches next.

FULL MARKET COVERAGE With full market coverage, a firm attempts to serve all customer groups with all the products they might need. Only very large firms such as Microsoft (software





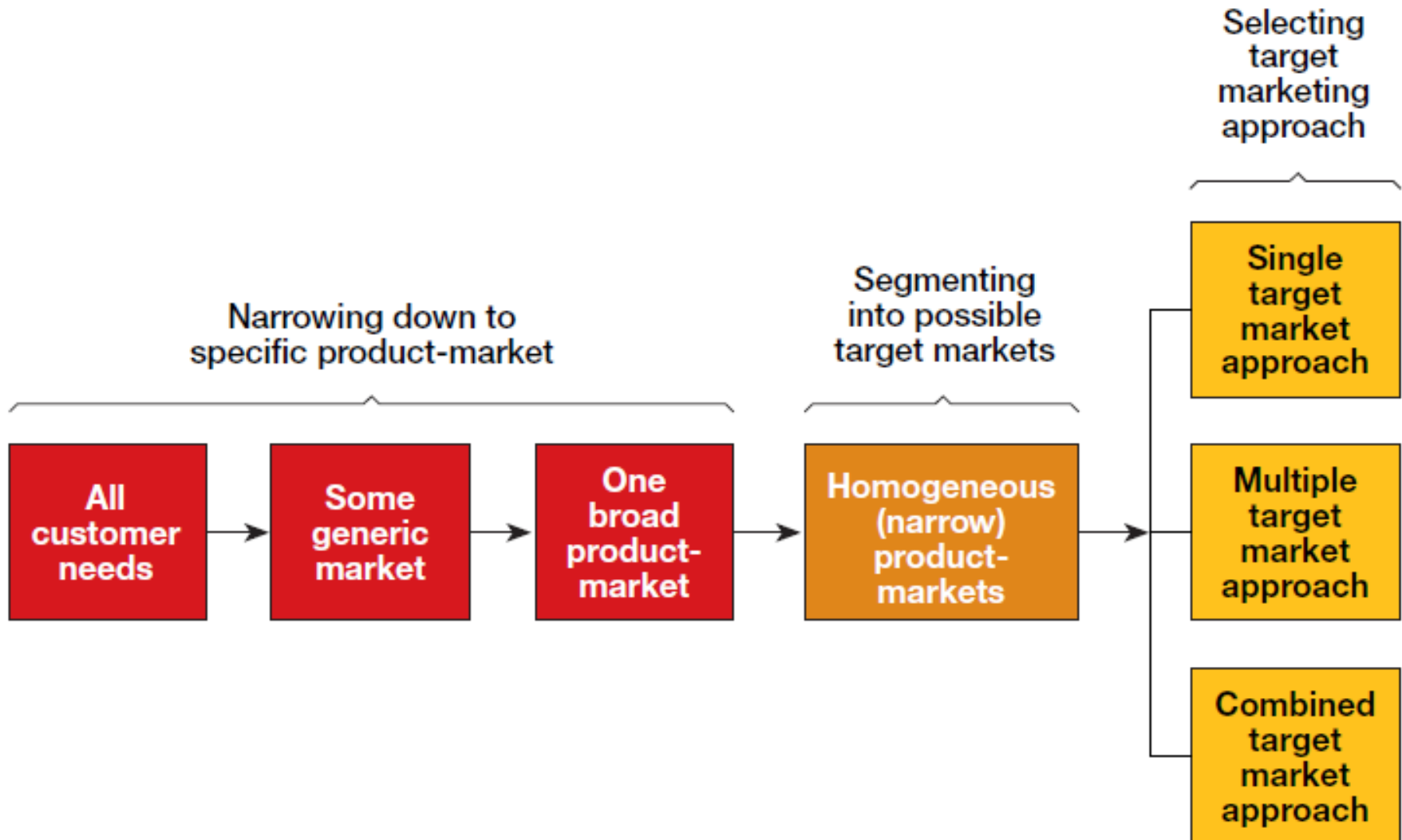
Narrowing down to focused strategy with quantitative and qualitative screening criteria



External Market Environment

Technological | Political and Legal | Cultural and Social | Economic

Narrowing Down to Target Markets



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