Market Segmentation and Targeting

SEGMENTATION
IDENTIFYING MEANINGFULLY DIFFERENT GROUPS OF CUSTOMERS

TARGETING
SELECTING WHICH SEGMENT(S) TO SERVE

PROUDCT

PRICE

POSITIONING
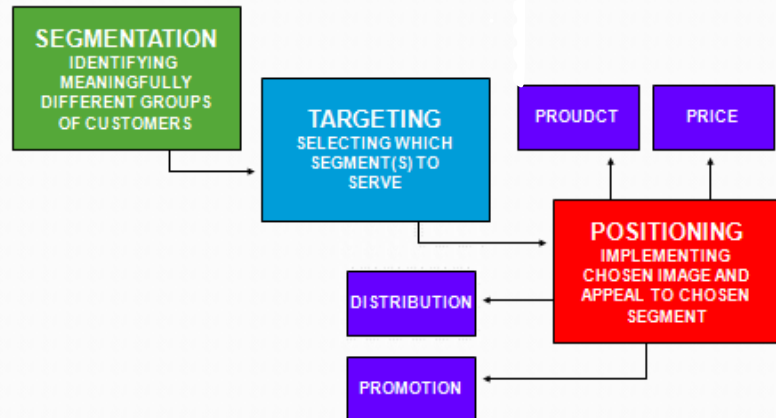IMPLEMENTING CHOSEN IMAGE AND APPEAL TO CHOSEN SEGMENT

DISTRIBUTION

PROMOTION

Chapter Outline

- **What Is Market Segmentation?**
- **Bases for Segmentation**
- **Criteria for Effective Targeting of Segments**
- **Implementing Segmentation Strategies**

Market Segmentation

The process of dividing a potential market into distinct subsets of consumers and selecting one or more segments as a target market to be reached with a distinct marketing mix.

Three Phases of Marketing Strategy

Phase 3
Product/Brand Positioning

Phase 2
Target Market and Marketing Mix Selection

Phase 1
Market Segmentation

Segmentation Studies

- **Discover the needs and wants of groups of consumers to develop specialized products to satisfy group needs**
- **Used to identify the most appropriate media for advertising**

Bases for Segmentation

- **Geographic**
- **Demographic**
- **Psychological**
- **Psychographic**
- **Sociocultural**
- **Use-Related**
- **Usage-Situation**
- **Benefit Sought**
- **Hybrid**

Table 3.1 Market Segmentation

SEGMENTATION BASE	SELECTED SEGMENTATION VARIABLES
Geographic Segmentation	
Region	Southwest, Mountain States, Alaska, Hawaii
City Size	Major metropolitan areas, small cities, towns
Density of area	Urban, suburban, exurban, rural
Climate	Temperate, hot, humid, rainy
Demographic Segmentation	
Age	Under 12, 12-17, 18-34, 35-49, 50-64, 65-74, 75-99, 100+
Sex	Male, female
Marital status	Single, married, divorced, living together, widowed
Income	Under $25,000, $25,000-$34,999, $35,000-$49,999, $50,000-$74,999, $75,000-$99,999, $100,000 and over
Education	Some high school, high school graduate, some college, college graduate, postgraduate
Occupation	Professional, blue-collar, white-collar, agricultural, military

Table 3.1, continued

SEGMENTATION BASE	SELECTED SEGMENTATION VARIABLES
Psychological Segmentation	
Needs-motivation	Shelter, safety, security, affection, sense of self-worth
Personality	Extroverts, novelty seeker, aggressives, innovators
Perception	Low-risk, moderate-risk, high-risk
Learning-involvement	Low-involvement, high-involvement
Attitudes	Positive attitude, negative attitude
Psychographic	
(Lifestyle) Segmentation	Economy-minded, couch potatoes, outdoors enthusiasts, status seekers
Sociocultural Segmentation	
Cultures	American, Italian, Chinese, Mexican, French, Pakistani
Religion	Catholic, Protestant, Jewish, Moslem, other
Subcultures (Race/ethnic)	African American, Caucasian, Asian, Hispanic
Social class	Lower, middle, upper
Family life cycle	Bachelors, young married, full nesters, empty nesters

Table 3.1, continued

SEGMENTATION BASE	SELECTED SEGMENTATION VARIABLES
Use-Related Segmentation	
Usage rate	Heavy users, medium users, light users, non users
Awareness status	Unaware, aware, interested, enthusiastic
Brand loyalty	None, some, strong
Use-Situation Segmentation	
Time	Leisure, work, rush, morning, night
Objective	Personal, gift, snack, fun, achievement
Location	Home, work, friend's home, in-store
Person	Self, family members, friends, boss, peers
Benefit Segmentation	Convenience, social acceptance, long lasting, economy, value-for-the-money
Hybrid Segmentation	
Demographic/ Psychographics	Combination of demographic and psychographic profiles of consumer segments profiles
PRIZM NE Geodemographics	"Movers & Shakers," "New Empty Nests," "Boomtown Singles," "Bedrock America"
SRI VALS™	Innovators, Thinkers, Believer, Achievers, Strivers, Experiencer, Makers, Survivors

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Geographic Segmentation

The division of a total potential market into smaller subgroups on the basis of geographic variables (e.g., region, state, or city)

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Demographic Segmentation

- Age
- Sex
- Marital Status
- Income, Education, and Occupation
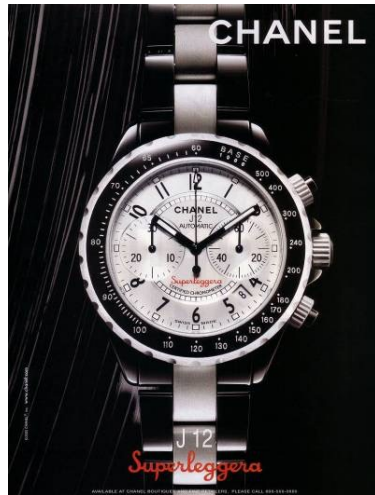
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Psychological Segmentation

- Motivations
- Personality
- Perceptions
- Learning
- Attitudes

Harley-Davidson Video

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Two High-End Watches for Different Psychological Segments

Psychographic Segmentation

- **Also known as Lifestyle Analysis**
- **Psychographic variables include attitudes, interests, and opinions (AIOs)**

Table 3.6 Excerpts from AIO Inventory

Instructions: *Please read each statement and place an "x" in the box that **best** indicates how strongly you "**agree**" or "**disagree**" with the statement.*

|	Agree Completely					Disagree Completely	
I feel that my life is moving faster and faster, sometimes just too fast.	[1]	[2]	[3]	[4]	[5]	[6]	[7]
If I could consider the "pluses" and "minuses," technology has been good for me.	[1]	[2]	[3]	[4]	[5]	[6]	[7]
I find that I have to pull myself away from e-mail.	[1]	[2]	[3]	[4]	[5]	[6]	[7]
Given my lifestyle, I have more of a shortage of time than money.	[1]	[2]	[3]	[4]	[5]	[6]	[7]
I like the benefits of the Internet, but I often don't have the time to take advantage of them.	[1]	[2]	[3]	[4]	[5]	[6]	[7]

Sociocultural Segmentation

- **Family Life Cycle**
- **Social Class**
- **Culture, Subculture, and Cross-Culture**

Family Life Cycle Advertising

Video cameras are often purchased by young couples with children.
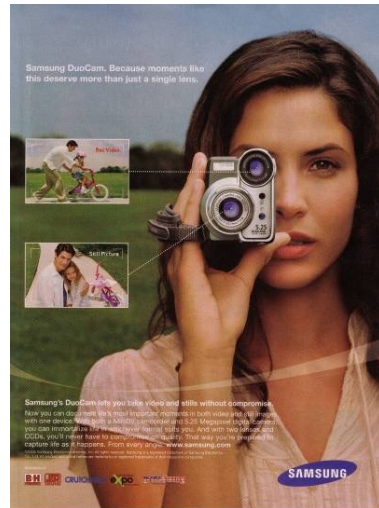
Use-Related Segmentation

- **Rate of Usage**
  - **Heavy vs. Light**
- **Awareness Status**
  - **Aware vs. Unaware**
- **Brand Loyalty**
  - **Brand Loyal vs. Brand Switchers**

Usage-Situation Segmentation

- **Segmenting on the basis of special occasions or situations**
- **Example Statements:**
  - **Whenever our daughter Jamie gets a raise, we always take her out to dinner.**
  - **When I'm away on business, I try to stay at a suites hotel.**
  - **I always buy my wife flowers on Valentine's Day.**

Benefit Segmentation

Segmenting on the basis of the most important and meaningful benefit

Band-aid offers "flex" as a benefit to consumers.

VALS Framework
Figure 3-7