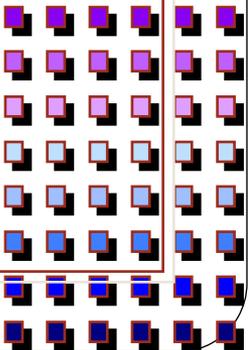
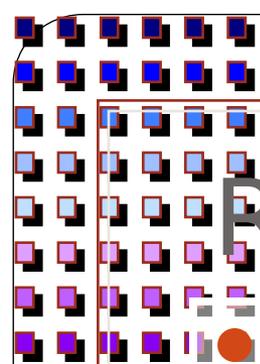


Chapter 7

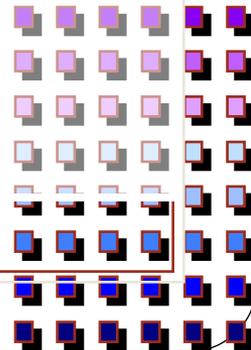
Segmenting and Targeting Markets





Role of Market Segmentation

- ***Market Segmentation:*** division of the total market into smaller, relatively homogeneous groups
- Why?
- **Levels - Mass, Segment, and Niche**



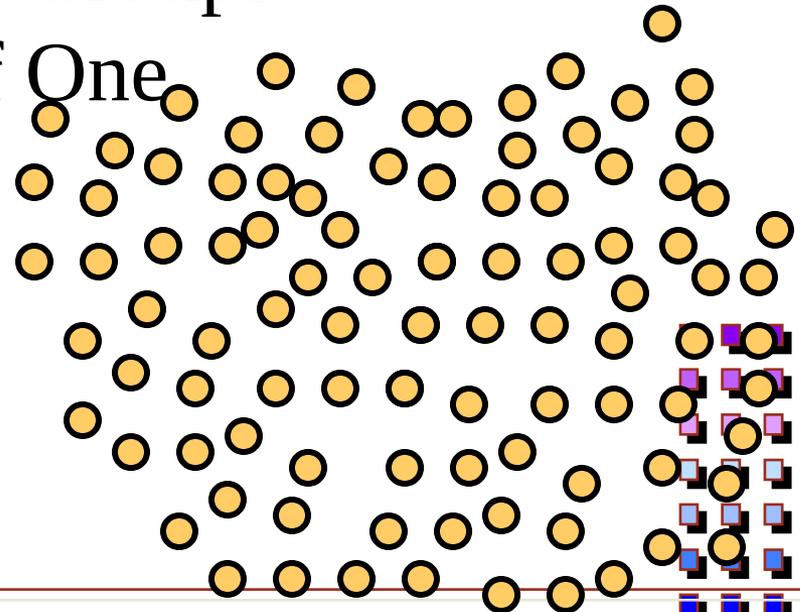
Why segment?

Most efficient

Most effective

One Mass Market

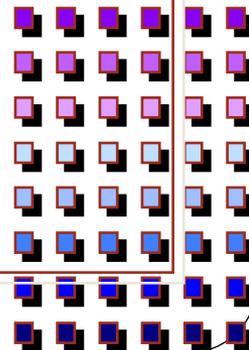
Many Groups
of One



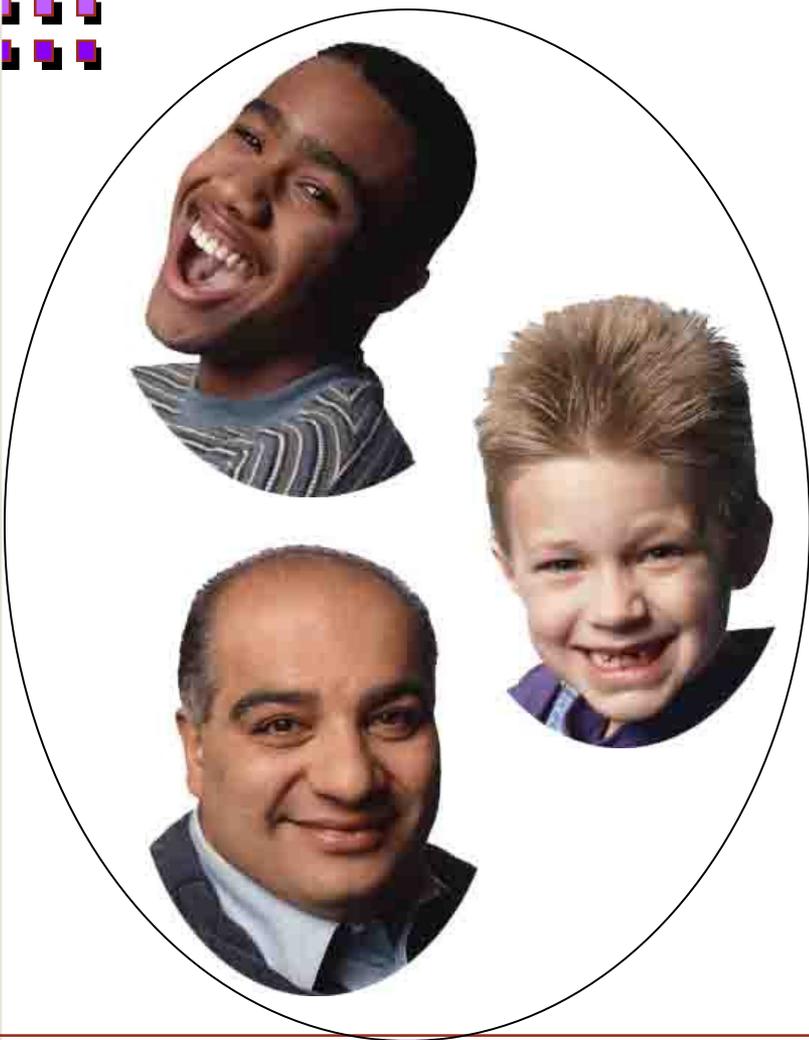
The Importance of Market Segmentation

- ◆ **Markets have a variety of product needs and preferences.**
- ◆ **Marketers can better define customer needs.**
- ◆ **Decision makers can define objectives and allocate resources more accurately.**

No Market Segmentation

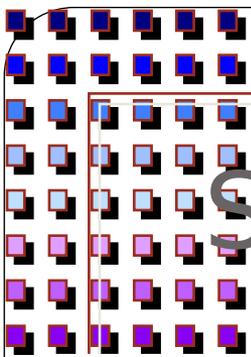


Segmented by Gender



Segmented by Age





Segmentation Process

- Marketers follow two methods to determine the bases on which to identify markets:
 - Segments are predefined by managers based on their observation of the behavioral and demographic characteristics of likely users
 - Segments are defined by asking customers which attributes are important and then clustering the responses
- 

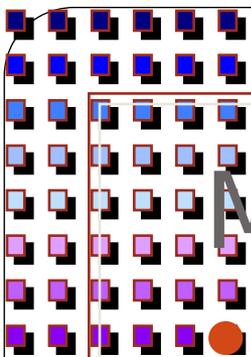
Criteria for Effective Segmentation

Responsiveness

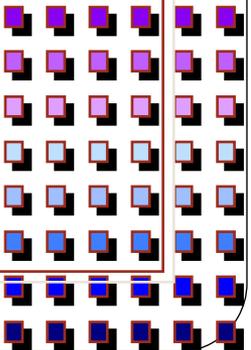
Accessibility

**Measurability /
Identifiability**

Substantiality



Most important point

- In relation to responsiveness to different marketing mixes, segments must be:
 - Homogeneous within
 - Heterogeneous between
- 

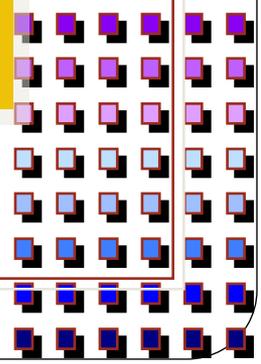


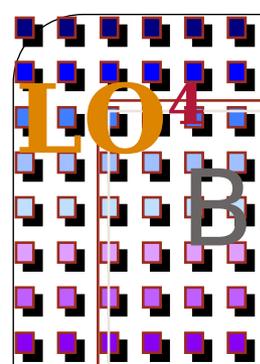
LO4

Bases for Segmenting Consumer Markets

Characteristics of individuals, groups, or organizations used to divide a total market into segments.

(variables)





LO4

Bases for Segmentation

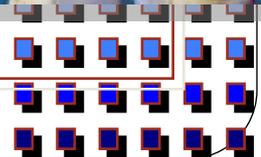
Geography

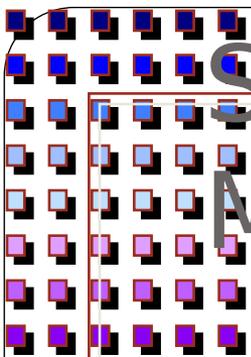
Demographics

Psychographics

Benefits Sought

Usage Rate



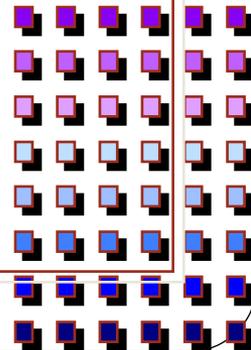


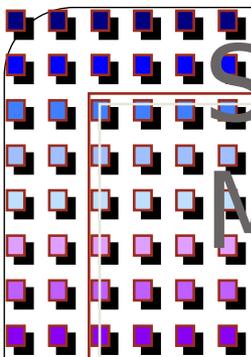
Segmenting Consumer Markets

- ***Geographic Segmentation:*** Dividing an overall market into homogeneous groups on the basis of their locations



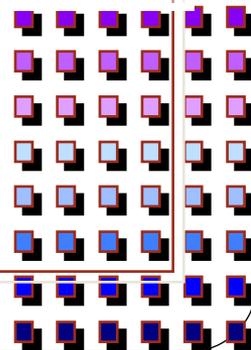
Metropolitan Statistical Area (MSA)



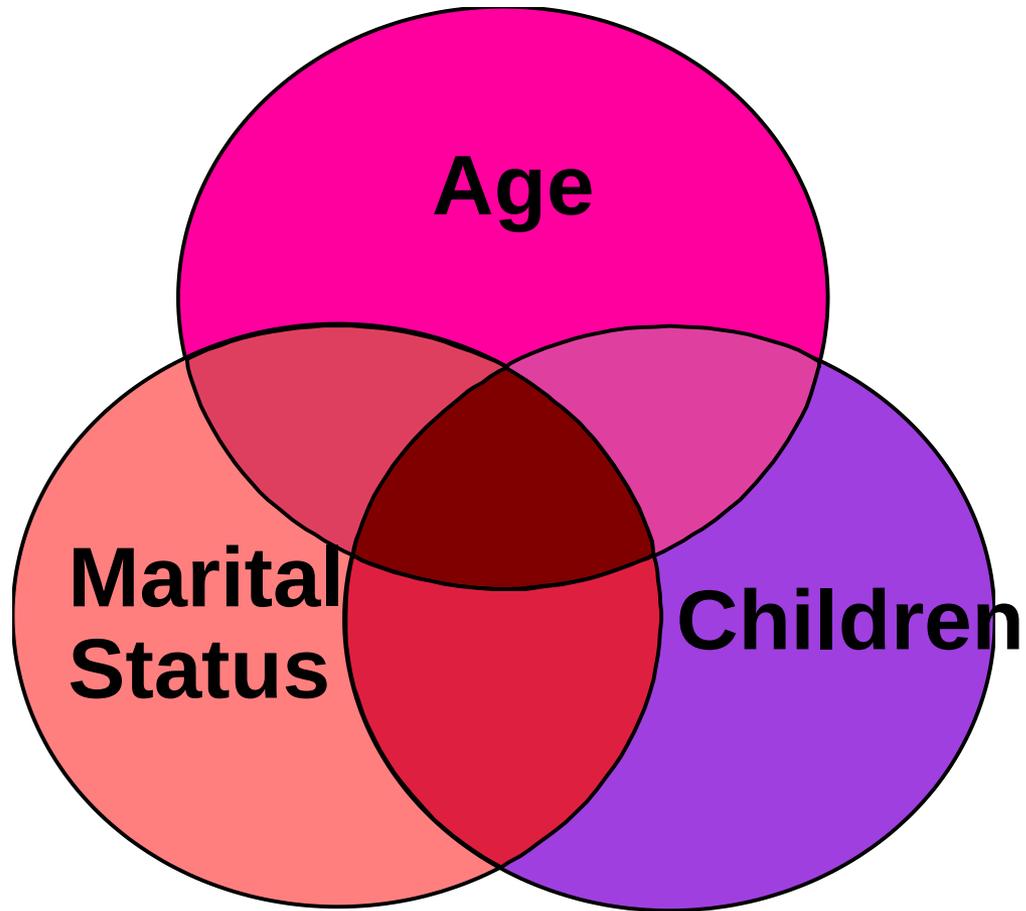


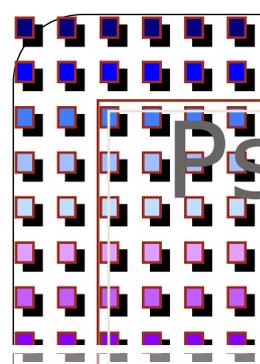
Segmenting Consumer Markets

- ***Demographic segmentation:*** dividing consumer groups according to characteristics such as gender, age, income, occupation, education, ethnicity, household size, and stage in the family life cycle.

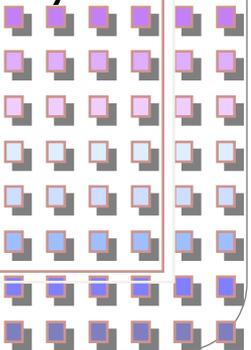


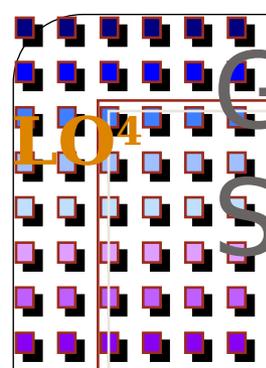
Family Life Cycle





Psychographic Segmentation

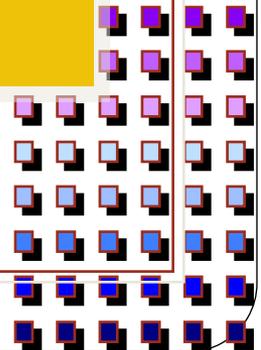
- ***Psychographic Segmentation:*** dividing a population into groups that have similar psychological characteristics, and lifestyles.
 - ***Lifestyle:*** people's decisions about how to live their daily lives, including family, job, social, and consumer activities
- 

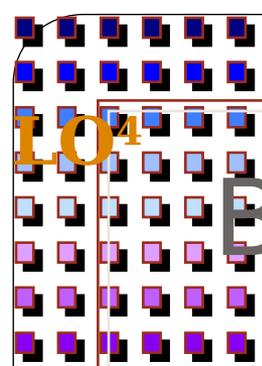


Geodemographic Segmentation

LO⁴

Segmenting potential customers into neighborhood lifestyle categories. Combines geographic, demographic, and psychographic segmentation.

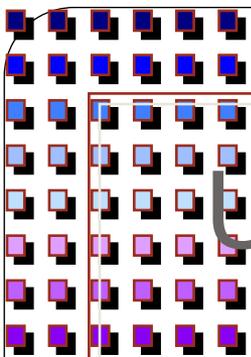




Benefit Segmentation

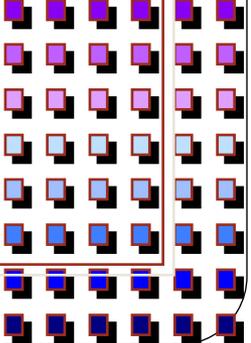
The process of grouping customers into market segments according to the benefits they seek from the product.





Usage Rate Segmentation

Dividing a market by the amount of product bought or consumed.



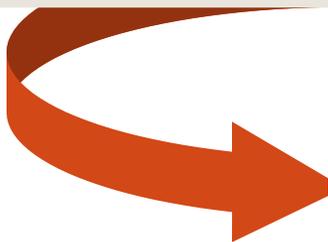
Bases for Segmenting Business Markets

Producers

Resellers

Government

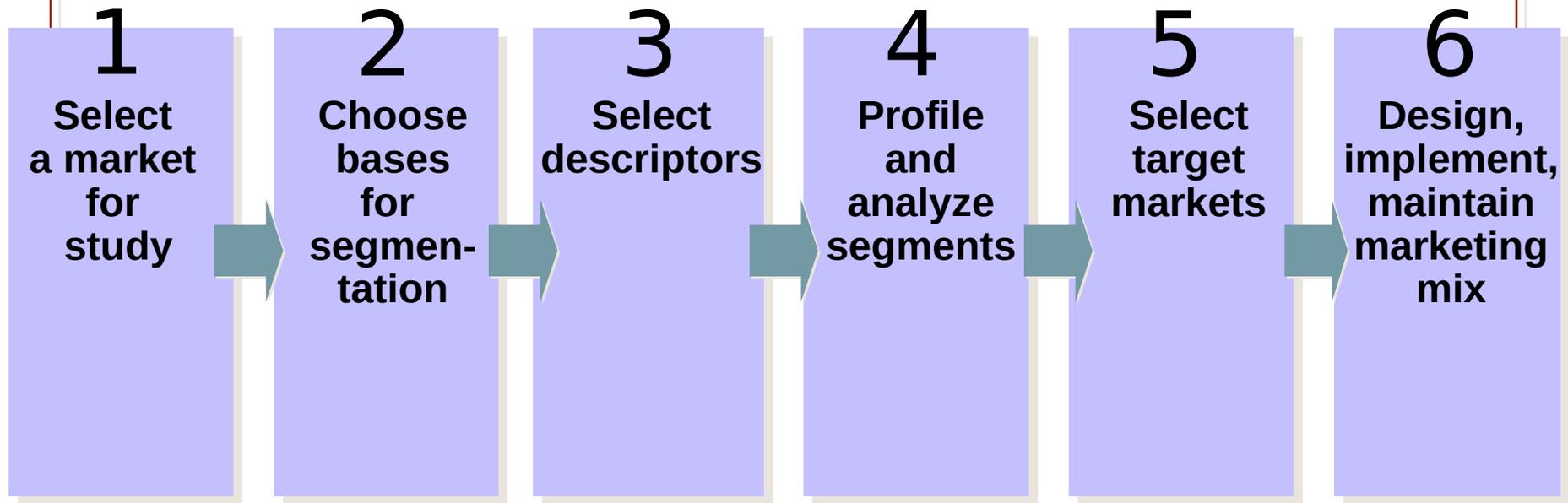
Institutions



**Company
Characteristics**

**Buying
Processes**

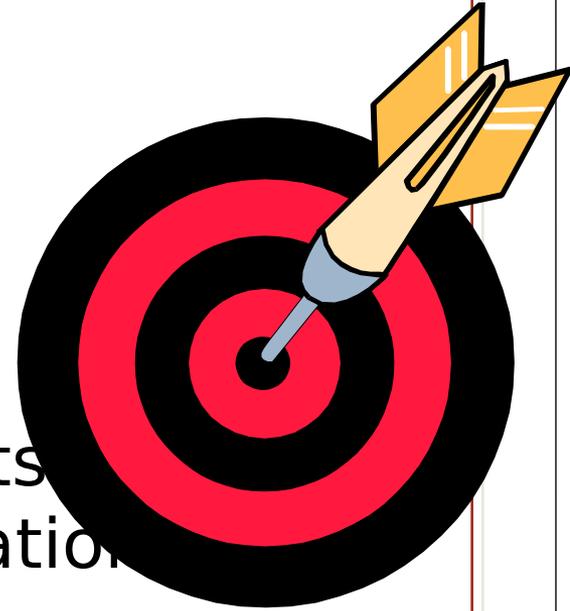
Steps in Segmenting Markets

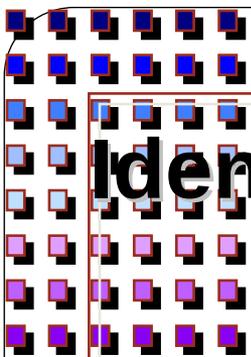


Note that steps 5 and 6 are actually marketing activities that follow market segmentation (steps 1 through 4).

T argeting

- Choosing one or more segments to design your marketing operation



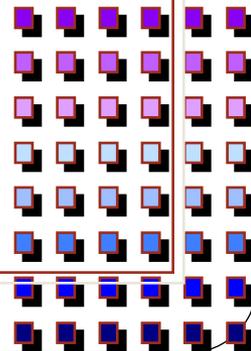


Identify the Appropriate Targeting Strategy

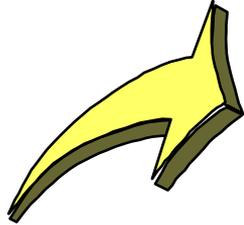
Undifferentiated Strategy

Differentiated

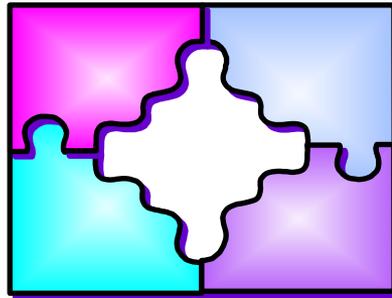
Concentrated



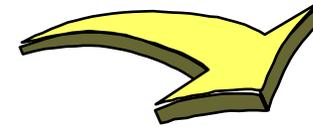
Undifferentiated Strategy



Organization



**Single
Marketing
Mix**



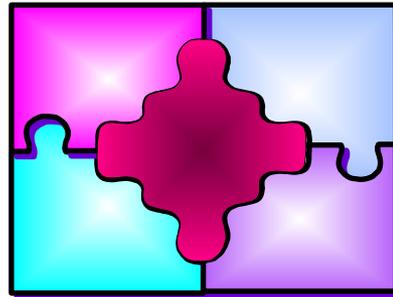
Target Market

Differentiated Strategy

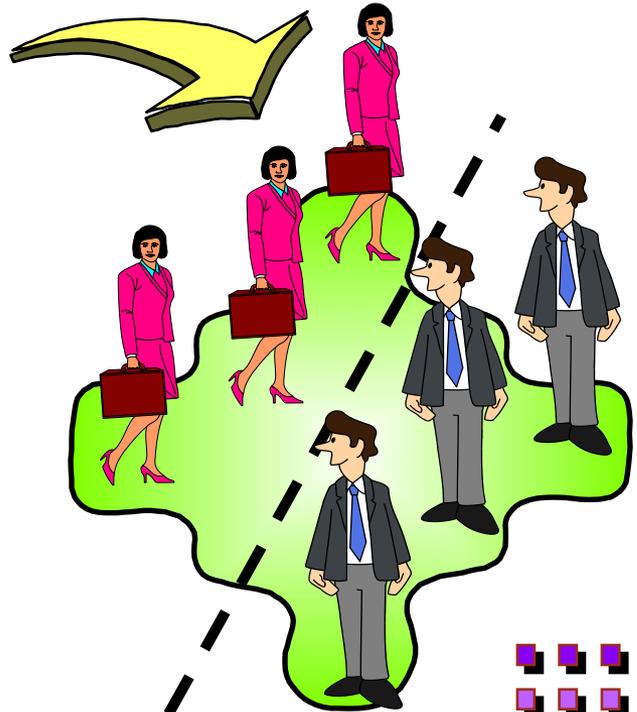
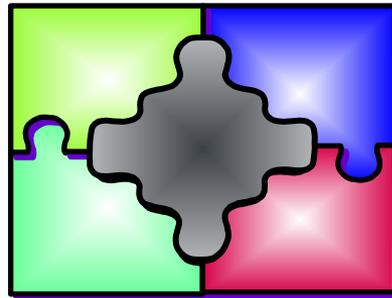


Organization

Marketing Mix 1

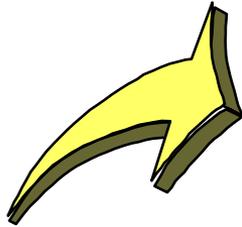


Marketing Mix 2

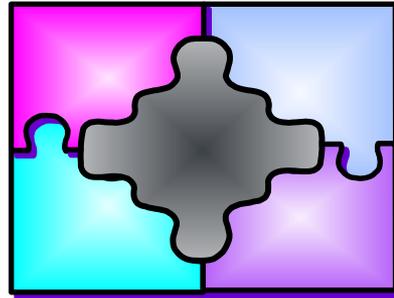


Target Market

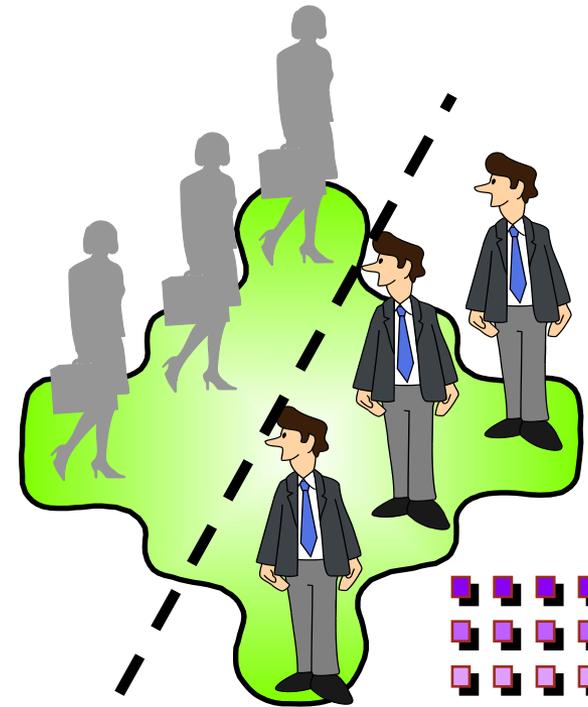
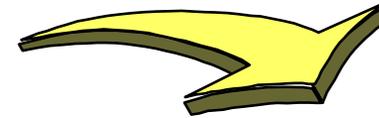
Concentrated Strategy



Organization



Single Marketing Mix

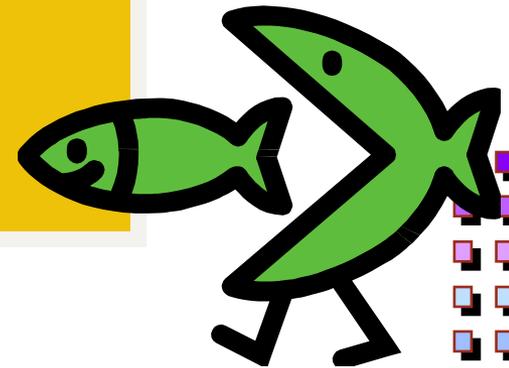


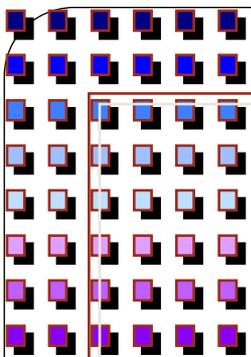
Target Market

Cannibalization

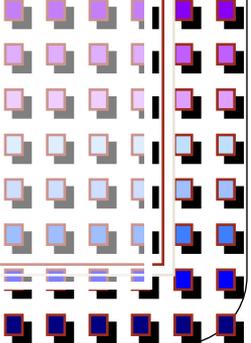
Cannibalization

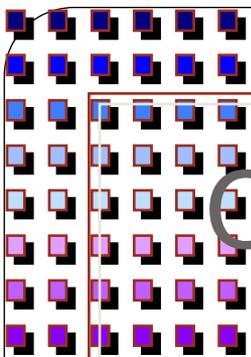
Situation that occurs when sales of a new product cut into sales of a firm's existing products.





STRATEGIES FOR REACHING TARGET MARKETS

- No single, best choice strategy suits all firms
 - Determinants of a market-specific strategy:
 - Company resources
 - Product homogeneity
 - Competitors' strategy
- 

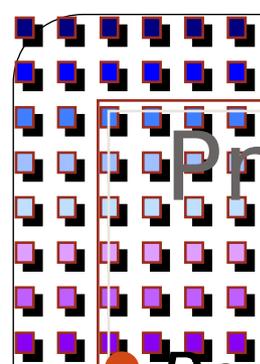


One-to-One Marketing

An individualized marketing method that utilizes customer information to build long-term, personalized, and profitable relationships with each customer.

- 'share of customer'

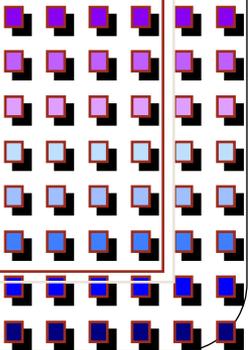




Product Positioning

- *Positioning starts with a product. A Piece of merchandise, a service, a company, an institution, or even a person... But positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect.*

Al Ries and Jack Trout (1981)



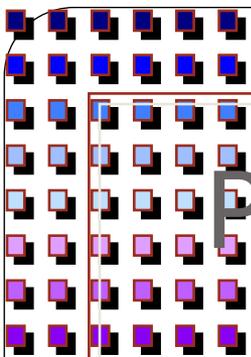
Positioning of Procter & Gamble Detergents

Brand	Positioning	Market Share
Tide	Tough, powerful cleaning	31.1%
Cheer	Tough cleaning, color protection	8.2%
Bold	Detergent plus fabric softener	2.9%
Gain	Sunshine scent and odor-removing formula	2.6%
Era	Stain treatment and stain removal	2.2%
Dash	Value brand	1.8%
Oxydol	Bleach-boosted formula, whitening	1.4%
Solo	Detergent and fabric softener in liquid form	1.2%
Dreft	Outstanding cleaning for baby clothes, safe	1.0%
Ivory Snow	Fabric & skin safety on baby clothes	0.7%
Ariel	Tough cleaner, aimed at Hispanic market	0.1%

Product Positioning

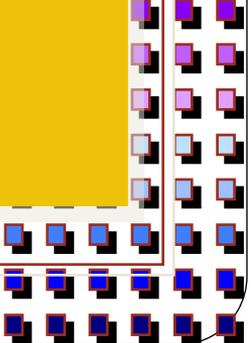
Dimensions

- Product Attributes / Differences / Benefits
- Product User / Usage
- By Association
- Problem Solution
- Against a Competitor / Away from Competitors



Perceptual Mapping

A means of displaying or graphing, in two or more dimensions, the location of products, brands, or groups of products in customers' minds.



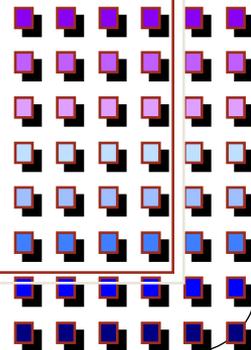
Perceptual Maps

Corolla **Celica** **Avalon** **Camry**
Expensive

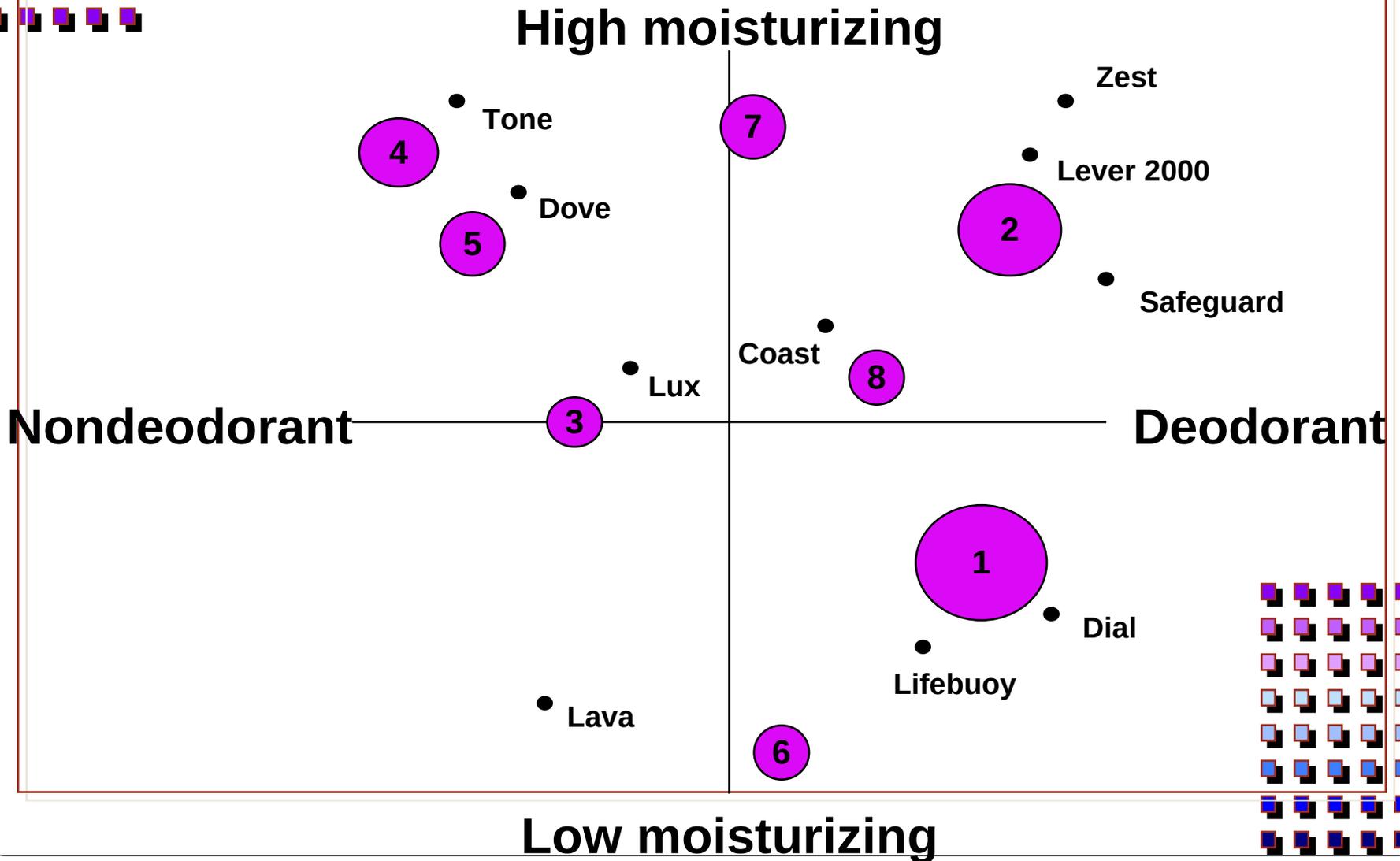
Sporty

Conservative

Inexpensive



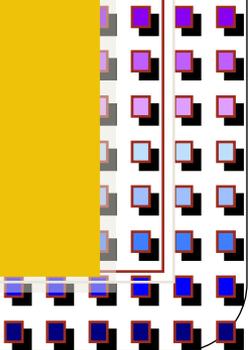
Product Positioning using perceptual maps





Repositioning

Changing consumers' perceptions of a brand in relation to competing brands.



Positioning and Product Differentiation

Each car occupies a position in consumers' minds. Cars can be positioned according to attribute (sporty, conservative, etc.), to price/quality (affordable, classy, etc.) or other bases. Cadillac has repositioned itself as a car for younger drivers with edgier ads.

