



LEARNING OUTCOMES

- 8-1 Describe the characteristics of markets and market segments
- 8-2 Explain the importance of market segmentation
- 8-3 Discuss the criteria for successful market segmentation
- 8-4 Describe the bases commonly used to segment consumer markets
- 8-5 Describe the bases for segmenting business markets

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LEARNING OUTCOMES

- 8-6 List the steps involved in segmenting markets
- 8-7 Discuss alternative strategies for selecting target markets
- 8-8 Explain how CRM can be used as a targeting tool
- 8-9 Explain how and why firms implement positioning strategies and how product differentiation plays a role

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8-1 Markets and Market Segments

Describe the characteristics of markets and market segments

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Characteristics of a Market

All markets share several characteristics:

1. They are composed of people or organizations.
2. These people or organizations have wants and needs that can be satisfied by particular product categories.
3. They have the ability to buy the products they seek.
4. They are willing to exchange their resources, usually money or credit, for desired products.

A group of people that lacks any one of these characteristics is NOT a market.

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Market Segmentation

Market	People or organizations with needs or wants and the ability and willingness to buy.
Market Segment	A subgroup of people or organizations sharing one or more characteristics that cause them to have similar product needs.
Market Segmentation	The process of dividing a market into meaningful, relatively similar, identifiable segments or groups.

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The Concept of Market Segmentation



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8-2

The Importance of Market Segmentation

Explain the importance of market segmentation

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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.

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8-3

Criteria for Successful Segmentation

Discuss criteria for successful market segmentation

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Criteria for Segmentation

Substantiality	Segment must be large enough to warrant a special marketing mix.
Identifiability and Measurability	Segments must be identifiable and their size measurable.
Accessibility	Members of targeted segments must be reachable with marketing mix.
Responsiveness	Unless segment responds to a marketing mix differently, no separate treatment is needed.

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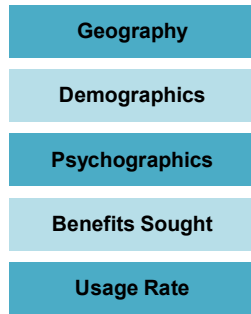
8-4

Bases for Segmenting Consumer Markets

Describe the bases commonly used to segment consumer markets

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Bases for Segmentation



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Geographic Segmentation

- ◆ Region of the country or world
- ◆ Market size
- ◆ Market density
- ◆ Climate

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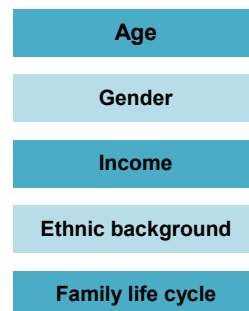
Benefits of Regional Segmentation

- ◆ New ways to generate sales in sluggish and competitive markets
- ◆ Scanner data allow assessment of best selling brands in region
- ◆ Regional brands appeal to local preferences
- ◆ Quicker reaction to competition

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Demographic Segmentation



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Age Segmentation

Marketers can segment markets by age using cohorts:

- Tweens
- Teens
- Millennials
- Generation X
- Baby Boomers
- The War Generation
- The Great Depression Generation

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Gender Segmentation

- Women make 85 percent of consumers goods purchases annually.
- Marketers of products such as clothing and cosmetics still segment markets by gender, and many of these marketers are going after the less-traditional male market.

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Income Segmentation

- Income level influences consumers' wants and determines their buying power.
- Retailers can appeal to:
 - Low-income
 - High-income
 - Both

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Ethnic Segmentation

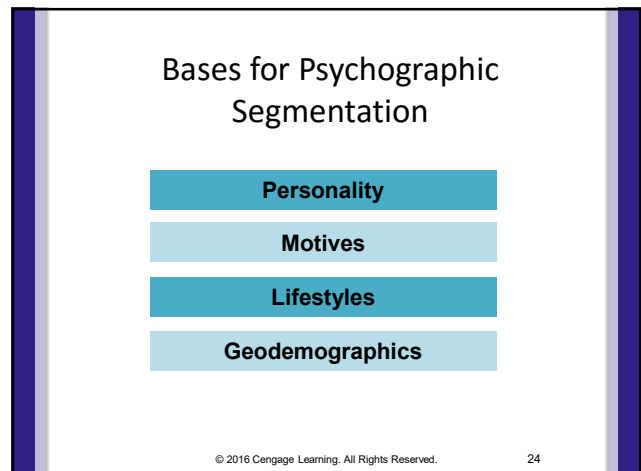
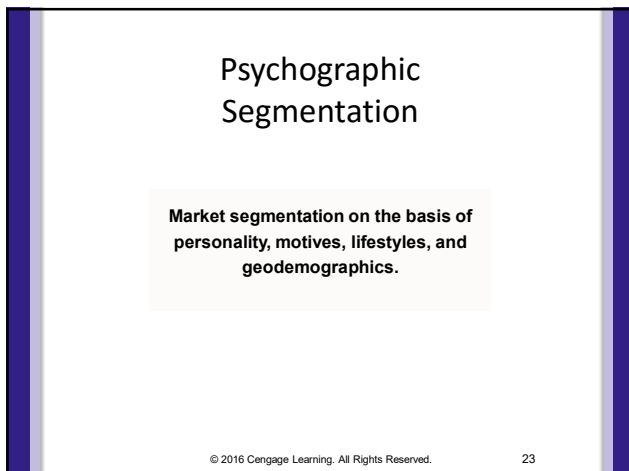
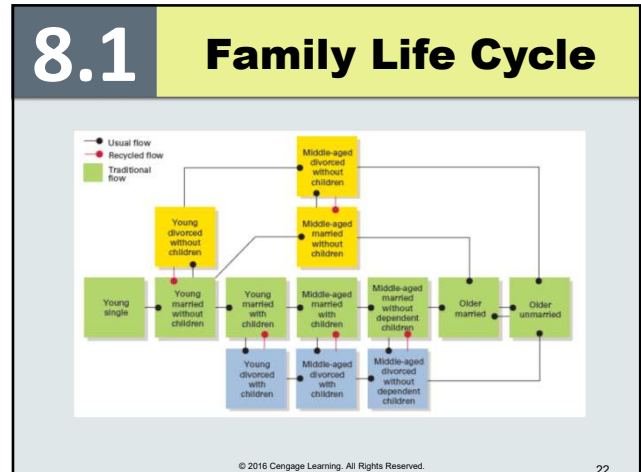
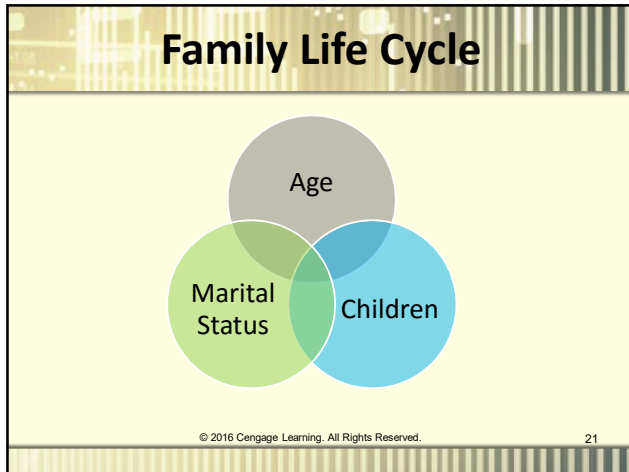
The three largest ethnic groups in the United States are:

- ◆ Hispanic Americans
- ◆ African Americans
- ◆ Asian Americans

To meet the needs and wants of expanding ethnic populations, some companies make products geared toward specific ethnic groups.

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Personality and Motive Segmentation

Personality

Reflects a person's traits, attitudes, and habits.

Motives

Marketers might appeal to emotional, rational, or status motives, among others.

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Lifestyle Segmentation

- ◆ How time is spent
- ◆ Importance of things around them
- ◆ Beliefs
- ◆ Socioeconomic characteristics

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Geodemographic Segmentation

Segmenting potential customers into neighborhood lifestyle categories.

Combines geographic, demographic, and lifestyle segmentation.

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Benefit Segmentation

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

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Usage-Rate Segmentation

Usage-Rate Segmentation

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

80/20 Principle

A principle holding that 20 percent of all customers generate 80 percent of the demand.

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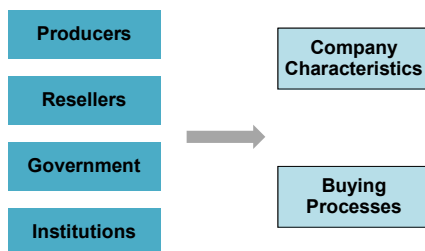
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Bases for Segmenting Business Markets

Describe the bases for segmenting business markets

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Bases for Segmenting Business Markets



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Company Characteristics

Important segmentation variables:

- ◆ Geographic location
- ◆ Type of company
- ◆ Company size
- ◆ Product use

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Buying Processes

Satisficers

Business customers who place an order with the first familiar supplier to satisfy product and delivery requirements.

Optimizers

Business customers who consider numerous suppliers, both familiar and unfamiliar, solicit bids, and study all proposals carefully before selecting one.

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Buyer Characteristics

Demographic characteristics

Decision style

Tolerance for risk

Confidence level

Job responsibilities

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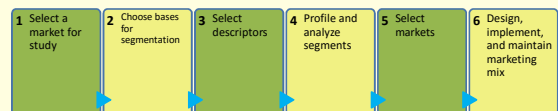
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Steps in Segmenting a Market

List the steps involved in segmenting markets

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Steps in Segmenting Markets



Markets are dynamic, so it is important that companies proactively monitor their segmentation strategies over time.

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8-7

Strategies for Selecting Target Markets

Discuss alternative strategies for selecting target markets

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Target Market

A group of people or organizations for which an organization designs, implements, and maintains a marketing mix intended to meet the needs of that group, resulting in mutually satisfying exchanges.

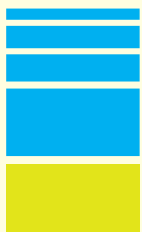
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Strategies for Selecting Target Markets



Undifferentiated Strategy



Concentrated Strategy



Multisegment Strategy

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Undifferentiated Targeting Strategy



A marketing approach that views the market as one big market with no individual segments and thus uses a single marketing mix.

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Undifferentiated Targeting Strategy



Advantage:

- ◆ Potential savings on production and marketing costs

Disadvantages:

- ◆ Unimaginative product offerings
- ◆ Company more susceptible to competition

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Concentrated Targeting Strategy

Concentrated Targeting Strategy

A strategy used to select one segment of a market for targeting marketing efforts.



Niche
One segment of a market.

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Concentrated Targeting Strategy



Advantage:

- ◆ Concentration of resources
- ◆ Meets narrowly defined segment
- ◆ Small firms can compete
- ◆ Strong positioning

Disadvantages:

- ◆ Segments too small, or changing
- ◆ Large competitors may market to niche segment

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Multisegment Targeting Strategy

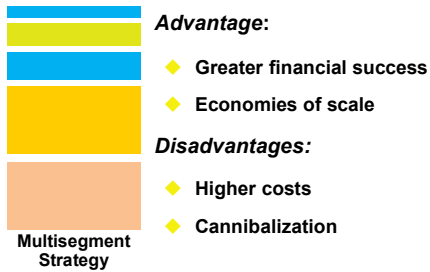
A strategy that chooses two or more well-defined market segments and develops a distinct marketing mix for each.



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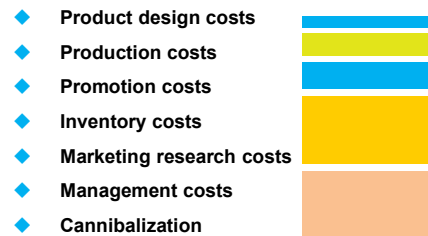
Multisegment Targeting Strategy



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Costs of Multisegment Targeting Strategy



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8-8

CRM as a Targeting Tool

Explain how CRM can be used as a targeting tool

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CRM

- Recall from Chapter 1 that CRM entails tracking interactions with customers to optimize customer satisfaction and long-term company profits.
- Companies that successfully implement CRM tend to customize the goods and services offered to their customers based on data generated through interactions between carefully defined groups of customers and the company.

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CRM Trends

- One-size-fits all marketing no longer relevant
- Direct and personal marketing efforts will grow to meet needs of busy consumers.
- Consumers will be loyal to companies that have earned—and reinforced—their loyalty.
- Mass-media approaches will decline as technology allows better customer tracking.

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8-9

Positioning

Explain how and why firms implement positioning strategies and how product differentiation plays a role

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Positioning

Developing a specific marketing mix to influence potential customers' overall perception of a brand, product line, or organization in general.

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Positioning of Procter & Gamble Detergents

Brand	Positioning
Tide	Tough, powerful cleaning
Cheer	Tough cleaning, color protection
Bold	Detergent plus fabric softener
Gain	Sunshine scent and odor-removing formula
Era	Stain treatment and stain removal
Dash	Value brand
Solo	Detergent and fabric softener in liquid form
Dreft	Outstanding cleaning for baby clothes, safe
Ivory	Fabric and skin safety on baby clothes
Ariel	Tough cleaner, aimed at Hispanic market

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Effective Positioning

1. Assess the positions occupied by competing products
2. Determine the dimensions underlying these positions
3. Choose a market position where marketing efforts will have the greatest impact

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Product Differentiation

A positioning strategy that some firms use to distinguish their products from those of competitors.

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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.

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Positioning Bases



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Repositioning

Changing consumers'
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relation to competing brands.

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Chapter 8 Video

Numi Organic Tea

Numi Organic Tea describes how its sampling program helps position the brand with its target markets. Its premium position ties naturally into the customer outlined in the film, but Numi is also interested in expanding outside of the major tea drinker into more casual tea drinkers.

[**CLICK TO PLAY**](#)

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