



Identifying market segments and targets

Chapter 7



The logic of Market Segmentation

- Companies cannot connect with all customers in large, broad, or diverse markets.
- But they can divide such markets into groups of consumers or segments with distinct needs and wants.
- A company then needs to identify which market segments it can serve effectively. This decision requires a keen understanding of consumer behavior and careful strategic thinking.
- To develop the best marketing plans, managers need to understand what makes each segment unique and different.
- Identifying and satisfying the right market segments is often the key to marketing success.



Advantages of segmentation

- **Increased Focus of the Company** leads to focused communications, competitiveness, brand recall, brand equity, customer retention, profitability
- **Market expansion** with similar products into other segments
- **Product expansion** with different products in the same segment



Mass Marketing

- The starting point for discussing segmentation is mass marketing.
- In mass marketing, the seller engages in the mass production, mass distribution, and mass promotion of one product for all buyers.
- The argument for mass marketing is that it creates the largest potential market, which leads, to the lowest costs that in turn can lead to lower prices or higher margins.



Segment Marketing

- A market segment consists of a group of customers who share a similar set of needs and wants.
- The marketer does not create the segments.
- The marketer's task is to identify the segments and decide which one(s) to target.

Table 8.1 Major Segment Variables for Consumer Markets

Geographic	
Region	Municipalities, Provinces, Special Administrative Regions, etc. (China)
City or metro size	Under 5,000; 5,000–19,000; 20,000–49,000; 50,000–99,000; 100,000–249,000; 250,000–499,000; 500,000–999,000; 1,000,000–3,999,000; 4,000,000 or over
Density	Urban, suburban, rural
Climate	Tropical; subtropical; temperate
Demographic	
Age	Under 6, 6–11, 12–19, 20–34, 35–49, 50–64, 65+
Family size	1-2, 3-4, 5+
Family life cycle	Nuclear; small extended; large extended
Gender	Male, female
Annual Income	Under \$5,000, \$5,000–9,000; \$10,000–\$14,000; \$15,000–\$19,000; \$20,000–\$29,000; \$30,000–\$49,000; \$50,000–\$99,000; \$100,000 and over
Occupation	Professionals, managers, executives, and businesspeople (PMEBs); craftspeople; forepersons; operatives; farmers; retired; students; homemakers; unemployed
Education	None; elementary education; secondary education; diploma level; undergraduate; postgraduate
Religion	Buddhist; Catholic; Hindu; Muslim; Protestant; Taoist; other; none
Race	Mongolian, Manchu, Tartar, Zhuang, Hui, Tibetan, Miao, Yi, etc. (China)
Nationality	Chinese; Indian; Indonesian; Japanese; Malaysian; Filipino; Korean; Vietnamese; Singaporean; Thai; other
Social class	Lower lowers, upper lowers, working class, middle class, upper middles, lower uppers, upper uppers

(cont'd)



Major segmentation variables for consumer markets

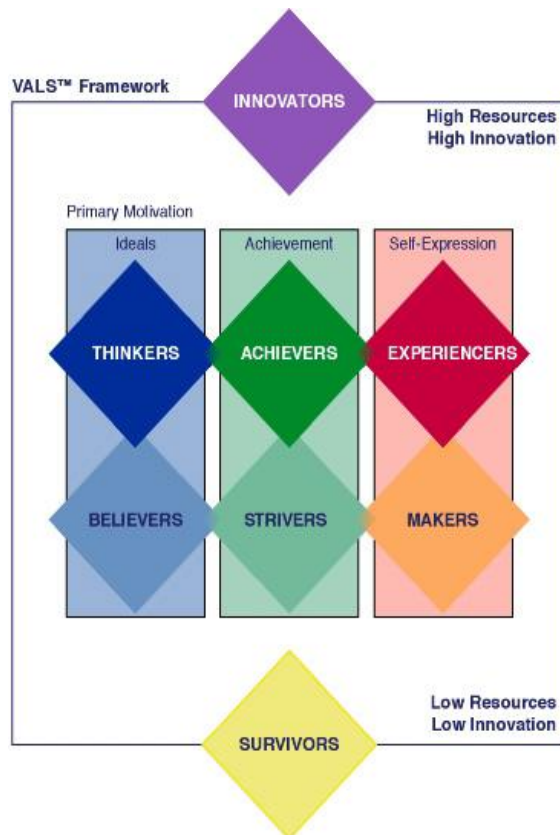
Psychographic	
Lifestyle	Culture-oriented, sports-oriented, outdoor-oriented
Personality	
Behavioral	Compulsive, gregarious, authoritarian, ambitious
Occasions	Regular occasion, special occasion
Benefits	Quality, service, economy, speed
User status	Non-user, ex-user, potential user, first-time user, 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



Psychographic Segmentation

- Psychographics is the science of using psychology and demographics to better understand consumers.
- In psychographic segmentation, buyers are divided into different groups on the basis of lifestyle or personality or values.
- By using psychology to analyze and predict consumer preferences and choices, the current VALS system (**SRI Consulting Business Intelligence's VALS framework**) creates an explicit link between personality traits and purchase behavior.

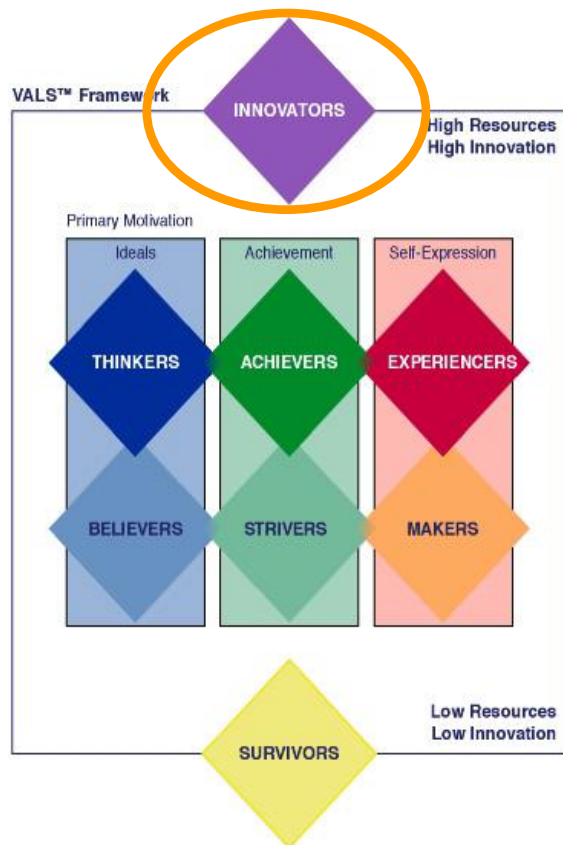
VALS segments



Description

- VALS™ places U.S. adult consumers into one of **eight segments** based on their responses to the **VALS questionnaire**. The main **dimensions** of the segmentation framework are **primary motivation** (the horizontal dimension) and **resources** (the vertical dimension).
- Consumers are inspired by one of three primary motivations: ideals, achievement and self-expression
- Those motivated by ideals are guided by knowledge and principles. Those motivated by achievement look to demonstrate success to their peers. Consumers whose motivation is self-expression desire social or physical activity, variety and risk.

VALS segments



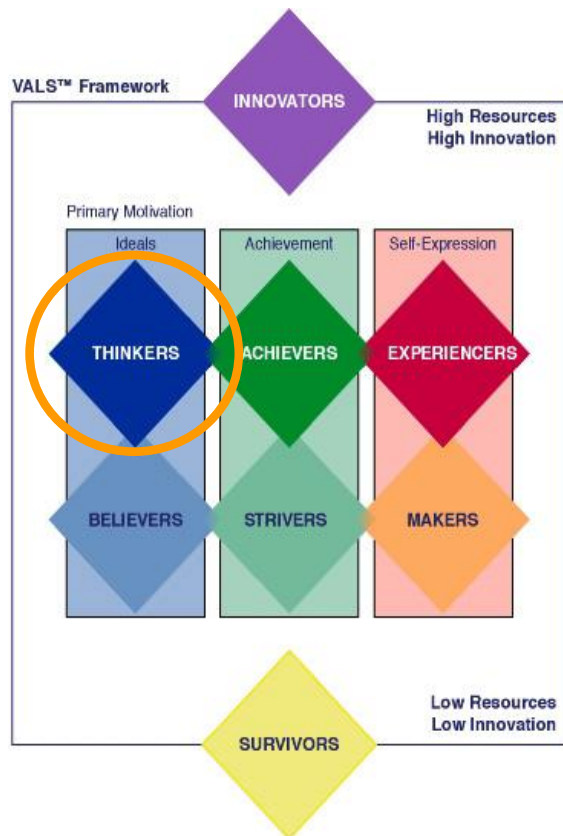
VALS types description

■ Innovators

Innovators are **successful, sophisticated, take-charge people with high self-esteem**. Because they have such abundant resources, they exhibit all three primary motivations in varying degrees. They are change leaders and are the most receptive to new ideas and technologies. Innovators are very active consumers, and their purchases reflect cultivated tastes for upscale, niche products and services.

Image is important to Innovators, not as evidence of status or power but as an expression of their taste, independence, and personality. Innovators are among the established and emerging leaders in business and government, yet they continue to seek challenges. Their lives are characterized by variety. Their possessions and recreation reflect a cultivated taste for the finer things in life.

VALS segments



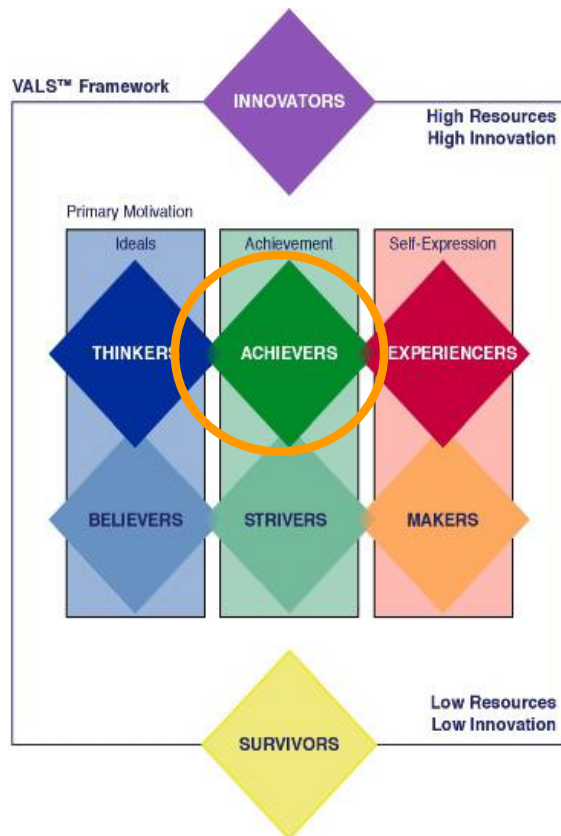
VALS types description

■ Thinkers

Thinkers are **motivated by ideals**. They are **mature, satisfied, comfortable, and reflective people who value order, knowledge, and responsibility**. They tend to be well educated and actively seek out information in the decision-making process. They are well-informed about world and national events and are alert to opportunities to broaden their knowledge.

Thinkers have a moderate respect for the status quo institutions of authority and social decorum, but are open to consider new ideas. Although their incomes allow them many choices, Thinkers are conservative, practical consumers; they look for durability, functionality, and value in the products they buy.

VALS segments



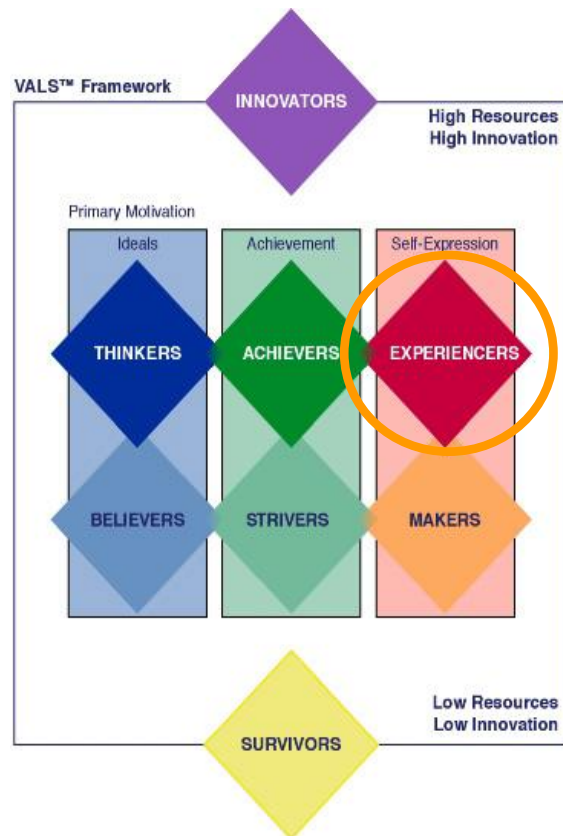
VALS types description

■ Achievers

Motivated by the desire for achievement, Achievers have **goal-oriented lifestyles** and a **deep commitment to career and family**. Their social lives reflect this focus and are structured around family, their place of worship, and work. Achievers live conventional lives, are politically conservative, and respect authority and the status quo. They value consensus, predictability, and stability over risk, intimacy, and self-discovery.

With many wants and needs, Achievers are active in the consumer marketplace. Image is important to Achievers; they favor established, prestige products and services that demonstrate success to their peers. Because of their busy lives, they are often interested in a variety of time-saving devices.

VALS segments



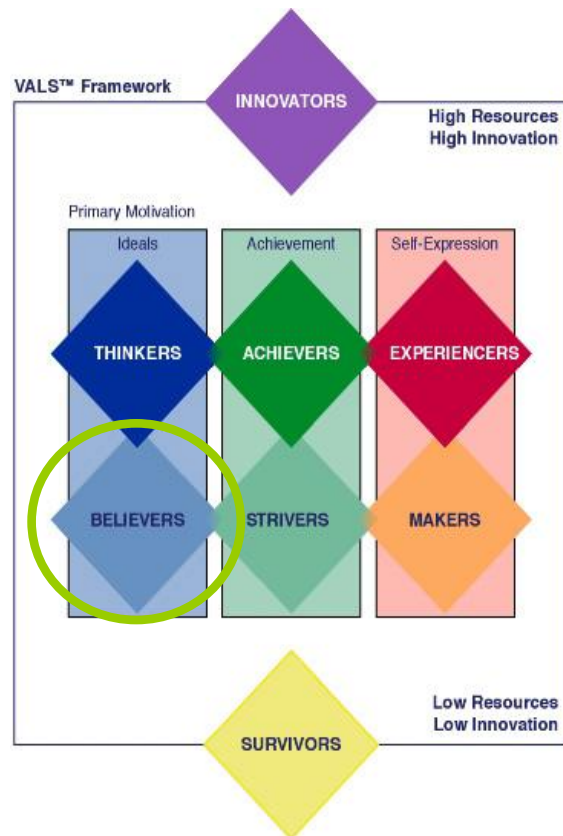
VALS types description

■ Experiencers

Experiencers are **motivated by self-expression**. As **young, enthusiastic, and impulsive consumers**, Experiencers quickly become enthusiastic about new possibilities but are equally quick to cool. They seek variety and excitement, savoring the new, the offbeat, and the risky. Their energy finds an outlet in exercise, sports, outdoor recreation, and social activities.

Experiencers are avid consumers and spend a comparatively high proportion of their income on fashion, entertainment, and socializing. Their purchases reflect the emphasis they place on looking good and having "cool" stuff.

VALS segments



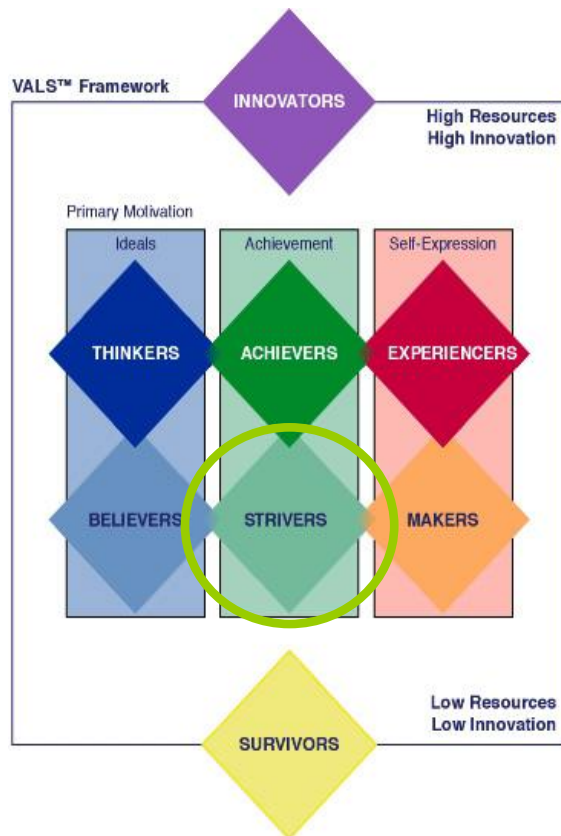
VALS types description

■ Believers

Like Thinkers, **Believers are motivated by ideals**. They are **conservative, conventional people** with concrete beliefs based on traditional, **established codes**: family, religion, community, and the nation. Many Believers express moral codes that are deeply rooted and literally interpreted. They follow established routines, organized in large part around home, family, community, and social or religious organizations to which they belong.

As consumers, Believers are predictable; they choose familiar products and established brands. They favor American products and are generally loyal customers.

VALS segments



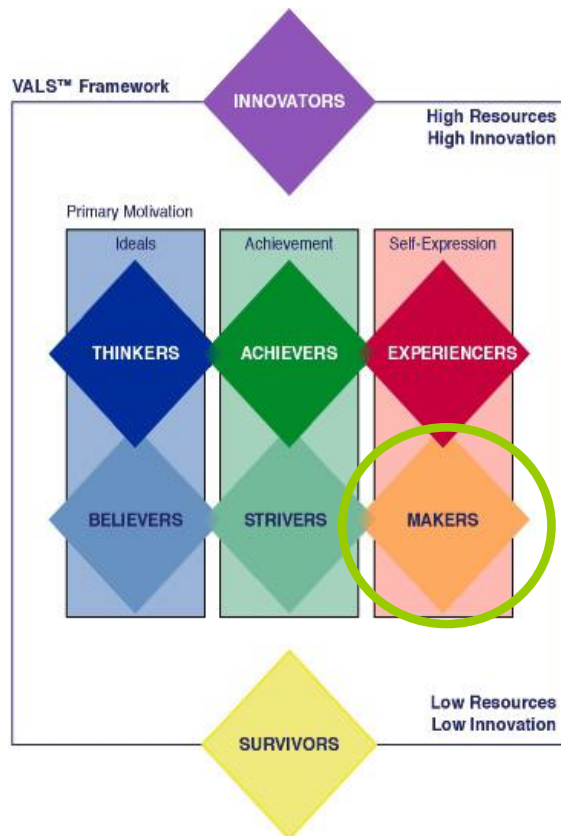
VALS types description

■ Strivers

Strivers are trendy and fun loving. Because they are **motivated by achievement**, Strivers are **concerned about the opinions and approval of others**. Money defines success for Strivers, who don't have enough of it to meet their desires. They favor stylish products that emulate the purchases of people with greater material wealth. Many see themselves as having a job rather than a career, and a lack of skills and focus often prevents them from moving ahead.

Strivers are active consumers because shopping is both a social activity and an opportunity to demonstrate to peers their ability to buy. As consumers, they are as impulsive as their financial circumstance will allow.

VALS segments



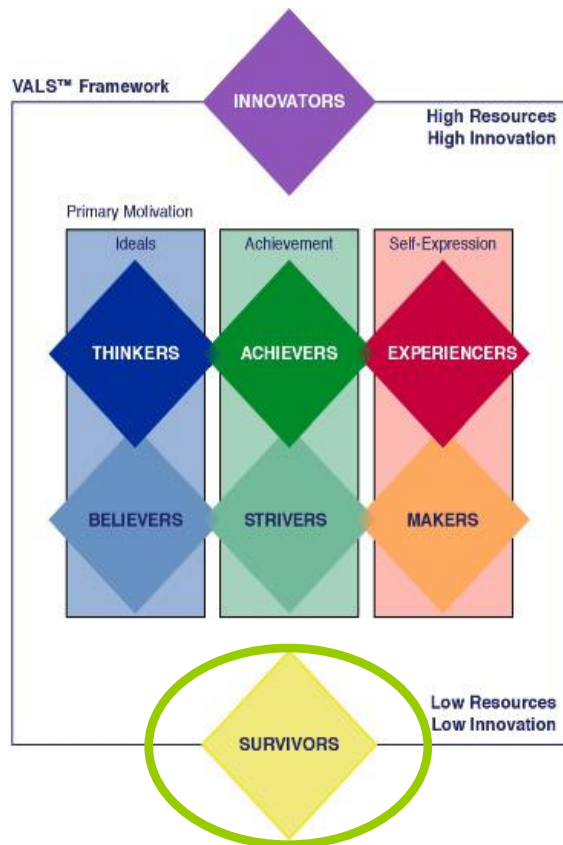
VALS types description

■ Makers

Like Experiencers, Makers are motivated by **self-expression**. They express themselves and experience the world by working on it—building a house, raising children, fixing a car, or canning vegetables—and have enough skill and energy to carry out their projects successfully. Makers are practical people who have **constructive skills** and **value self-sufficiency**. They live within a traditional context of family, practical work, and physical recreation and have little interest in what lies outside that context.

Makers are suspicious of new ideas and large institutions such as big business. They are respectful of government authority and organized labor, but resentful of government intrusion on individual rights. They are unimpressed by material possessions other than those with a practical or functional purpose. Because they prefer value to luxury, they buy basic products.

VALS segments



VALS types description

■ Survivors

Survivors live narrowly **focused lives**. With **few resources with which to cope**, they often believe that the world is changing too quickly. They are comfortable with the familiar and are primarily **concerned with safety and security**. Because they must focus on meeting needs rather than fulfilling desires, Survivors do not show a strong primary motivation.

Survivors are cautious consumers. They represent a very modest market for most products and services. They are loyal to favorite brands, especially if they can purchase them at a discount.



Behavioral Segmentation

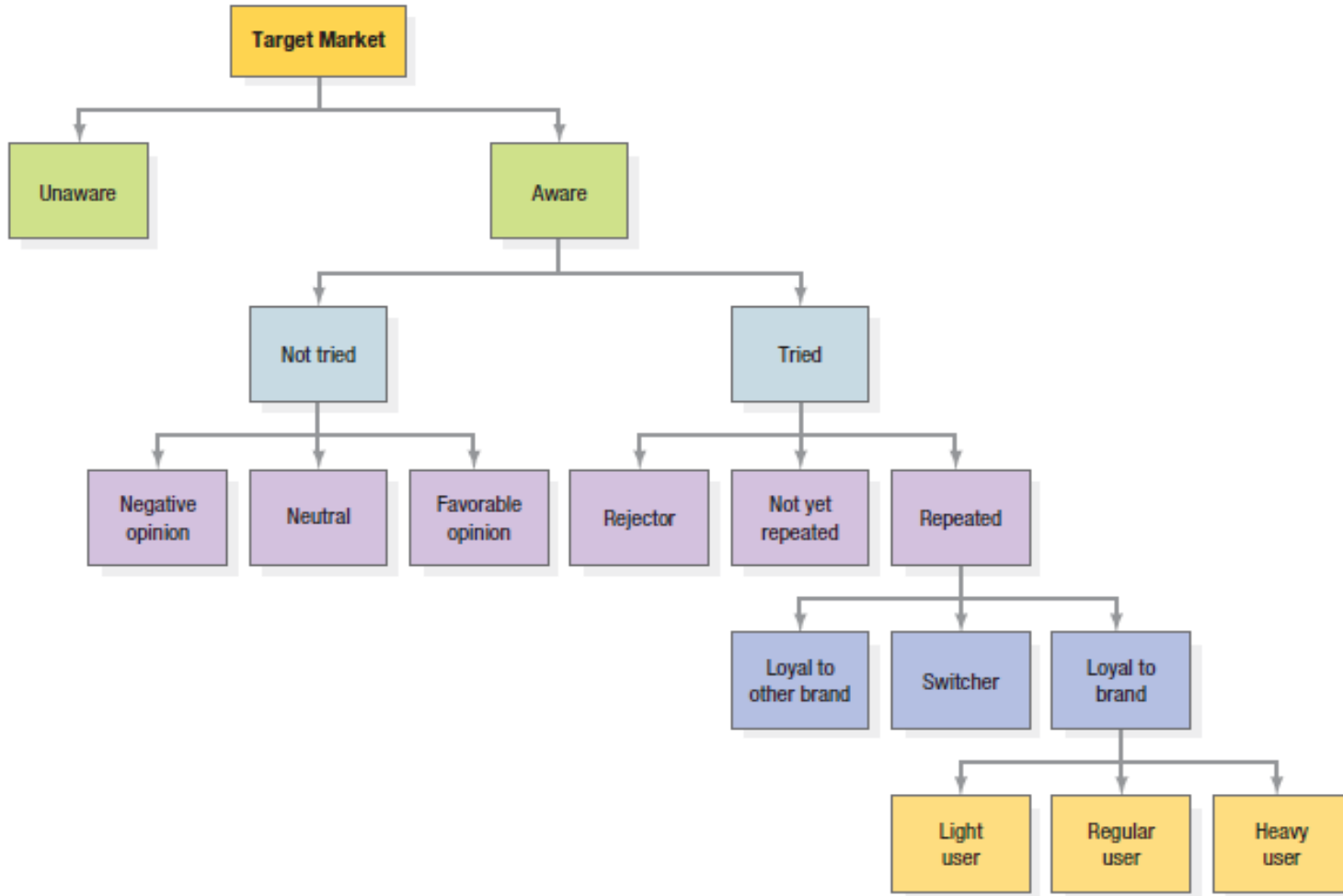
- Many marketers believe behavioral variables are the best starting points for constructing market segments.

Variables include:

- **Occasions**
- **Benefits**
- **User Status**
- **Usage Rate**
- **Buyer-Readiness**
- **Loyalty Status**
- **Attitude**



Figure 7.3 Behavioral Segmentation Breakdown





Market Targeting

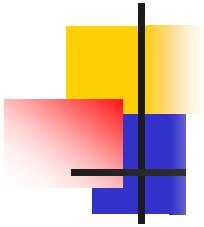
- Once a firm has identified its market-segment opportunities, it must decide how many and which ones to target.
- This has lead some researchers to advocate a needs-based market segmentation approach.

Effective Segmentation

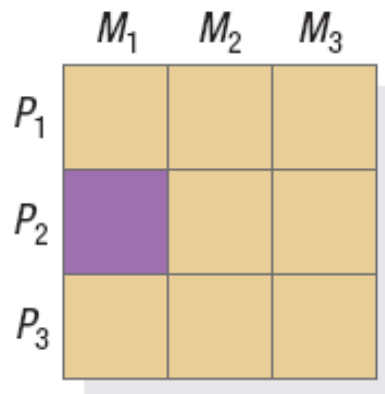
Criteria:

- **Measurable** — The size, purchasing power, and characteristics of the segments can be measured.
- **Substantial** — The segments are large and profitable enough to serve, with largest possible homogeneous group worth going after with a tailored marketing program.
- **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.
- **Actionable** — Effective programs can be formulated for attracting and serving the segments.

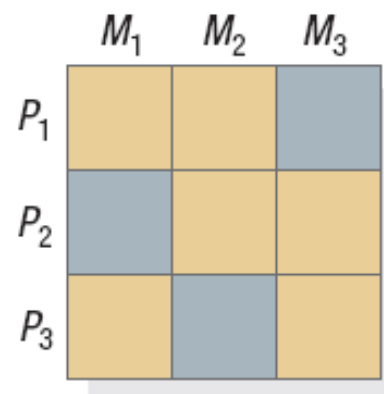
Five Patterns of Target Market Selection



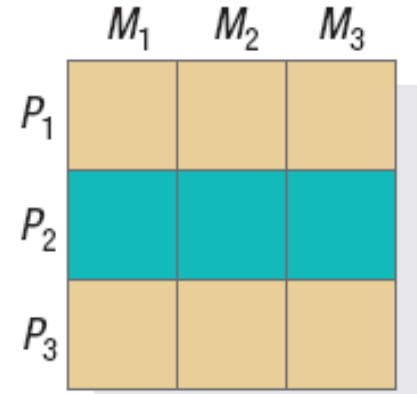
Single-segment Concentration



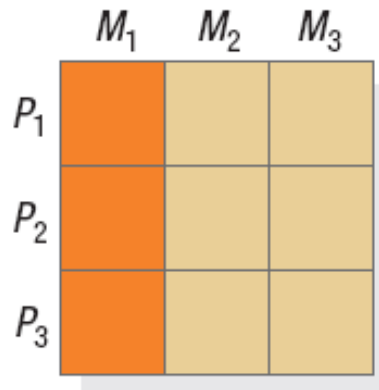
Selective Specialization



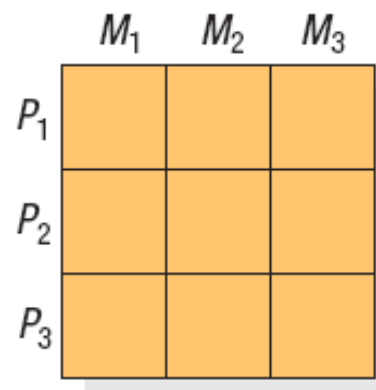
Product Specialization



Market Specialization



Full Market Coverage



P = Product M = Market

Product and Market Specialization

Product Specialization

- Makes & sells - different market segments
- Risk: Product replaced by new technology

Market Specialization

- Serve many needs of a group
- Strong reputation - channel for other products
- Downside risks
 - 1) Group suffer budget cuts or
 - 2) Shrink in size

Product Specialization

	M_1	M_2	M_3
P_1			
P_2			
P_3			

Market Specialization

	M_1	M_2	M_3
P_1			
P_2			
P_3			

Selective Specialization

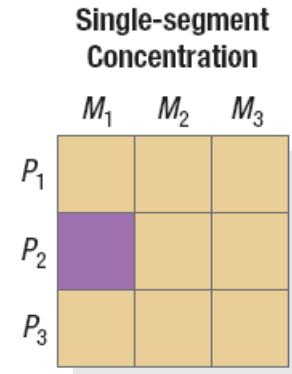
- The firm selects a number of segments, each objectively attractive and appropriate.
- This multi-segment strategy has the advantage of diversifying the firm's risk

Selective Specialization

	M_1	M_2	M_3
P_1			
P_2			
P_3			

Single Segment Concentration

- Through concentrated marketing, the firm gains a strong knowledge of the segment's needs and achieves a strong market presence.
- However, there are risks, a market segment can turn sour, or a competitor may invade the segment.
- For these reasons, many companies prefer to operate in more than one segment.
- Companies can try to operate in super-segments rather than in isolated segments.





Niche Marketing

- A niche is a more narrowly defined customer group seeking a distinctive mix of benefits.
- Marketers usually identify niches by dividing a segment into sub-segments.
 - A. Niche marketers presumably understand their customers' needs so well that the customers willingly pay a premium.
 - B. Globalization has facilitated niche marketing.
 - C. The low cost of setting up shop on the Internet has led to many small business start-ups aimed at niches



Niche Marketing

- An attractive niche:

- *Distinct set of needs*
- *Pay premium for it*
- *Do not attract competitors*
- *Economies through specialization*
- *Size, profit & growth potential*



Local Marketing

- Target marketing is leading to marketing programs tailored to the needs and wants of local customer groups.
- Local marketing reflects a growing trend called grassroots marketing.
 - Getting as close to customers as possible - *experiential marketing* – connect to unique experiences



Individual Marketing

- The ultimate level of segmentation leads to “segments of one”, “customized marketing”, or “one-to-one marketing”
- Today customers are taking more individual initiative in determining what and how to buy.

Figure 7.4 Possible Levels of Segmentation

