

LECTURE 4

Market Segmentation, Targeting, and Positioning

Ing. Martin Krištof

spring 2005

2 Basic Types of Markets (products)

- **Consumer products:** goods or services purchased by an ultimate consumer for personal use
- **Business products:** goods or services purchased for use either directly or indirectly in the production of other goods and services for resale
- The key to classification is to identify the purchaser and the reasons for buying the goods.



The Role of Market Segmentation

- **Market Segmentation:** division of the total market into smaller, relatively homogeneous groups
- No single marketing mix can satisfy everyone. Therefore, separate marketing mixes should be used for different market segments.

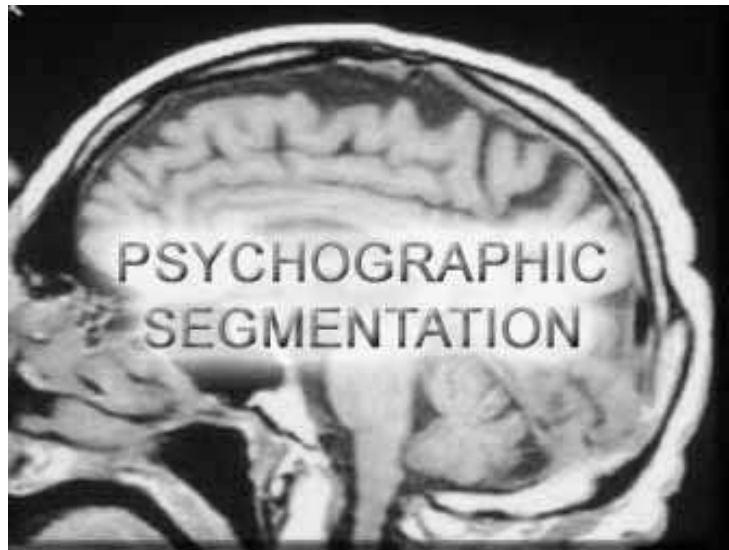
EXAMPLE:

- ✓ Targeting a Specific Marketing Segment
- ✓ Which segment?

Criteria for Effective Segmentation

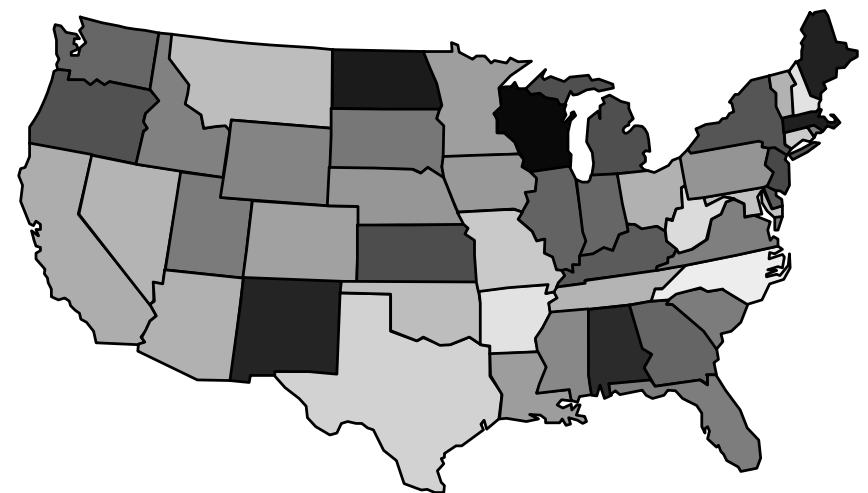
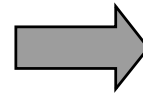
- Market segmentation cannot be used in all cases. To be effective, segmentation must meet the following basic requirements.
 - The market segments must be measurable in terms of both purchasing power and size.
 - Marketers must be able to effectively promote to and serve a market segment.
 - Market segments must be sufficiently large to be potentially profitable.
 - The number of segments must match the firm's capabilities.

Segmenting Consumer Markets



Segmenting Consumer Markets

- **Geographic Segmentation:** Dividing an overall market into homogeneous groups on the basis of their locations
 - Does not ensure that all consumers in a location will make the same buying decision.
 - Help in identifying some general patterns.



- **EXAMPLE:**
Pampers

- This ad is an example of geographic segmentation.
- When visiting the web site look for the different countries Pampers markets to.

A black and white advertisement for Pampers. The background is a close-up of a baby's face, wearing a winter hat and jacket, with snowflakes falling around them. The text is overlaid on the right side of the image.

*What's the winter forecast?
Snow, sleet and diaper rash.*

*It's rash season.
When more babies get more diaper rash
than any other time of year,
Why now? Colds, flu and antibiotics,
for starters. So be prepared with the first
and only diaper specially designed to
help treat and protect against diaper rash.*

Two packages of Pampers diapers, one larger and one smaller, are shown at the bottom of the advertisement.

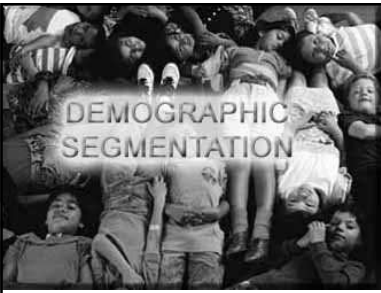
Pampers

Pampers

Pampers the winter skin they're in.

www.pampers.com

© 2005 P&G



Segmenting Consumer Markets

Demographic segmentation:

dividing consumer groups according to characteristics such as:

- *sex (gender),*
- *age,*
- *income,*
- *occupation,*
- *education,*
- *household size,*
- *stage in the family life cycle, etc.*

1) Segmenting by gender

- ✓ Marketers must ensure that traditional assumptions are not false
- ✓ Other firms start by targeting one gender and then switch to both
- ✓ To some companies market successfully to both genders

2) Segmenting by age

- ✓ Many firms identify market segments on the basis of age
- ✓ Products are often designed to meet the specific needs of certain age groups

■ Segmenting by age

✓ Sociologists attribute different consumer needs and wants among various age groups to the ***cohort effect***

✓ ***Cohort effect*** is a tendency among members of a generation to be influenced and drawn together by significant events occurring during their key formative years, roughly 17 to 22 years of age

Typical products for „young generation“:

- Soft drinks
- Mobile phones
- Alcohol



- **Seniors**— By 2025, seniors will make up considerable percentage of the population and control significant portion of country's total financial assets.



They've got two loving daughters,
Five adoring grandchildren

And long term care insurance from a company they trust.

Preserve your independence and help protect your life savings, with the leader in long term care insurance.
When it comes to long term care, there are two things you should know: Two out of five people aged 65 will need it during their lifetime.¹ And, more people than ever before are turning to the GE Financial Assurance family of companies for long term care insurance. See how we can help you afford quality at-home and nursing home care while helping to protect your life savings. For more information from a licensed representative,² call 1-800-404-2956 or visit our web site at www.ge.com/longtermcare. For every step you take in life, you can trust GE to help.

We bring good things to life.

¹ Management Accounting (USA), February 1994.
² Offer not available in all states.
Insurance products underwritten by General Electric Capital Assurance Company and, in New York, by GE Capital Life Assurance Company of New York, members of the GE Financial Assurance family of companies. Assets of the issuing insurance companies back the policies.
#81584

EXAMPLE – segmenting by age and gender (CLARINS MEN)

Dorlot à l'aiss apporte chaque jour à votre peau toute l'énergie des grands espaces.

1. Votre peau ClarinsMen est agée de moins de 30 ans, elle est jeune et brillante. Elle aime être soignée plus énergiquement, elle aime être hydratée avec des ingrédients de pointe. Elle aime être soignée avec ClarinsMen, elle aime être soignée avec ClarinsMen.

2. Dorlot à l'aiss est le gel qui agit en douceur et puissance, elle agit en douceur. Elle ClarinsMen, les hommes ont cette douceur à propos de ce soin. Elle aime être soignée. Elle aime être soignée avec ClarinsMen, elle aime être soignée avec ClarinsMen.

3. Retrouvez le maximum d'énergie ClarinsMen. Il apporte toute la puissance de ClarinsMen.

CLARINSMEN Longue vie à la peau des hommes.

Chaque matin, Dorlot à l'aiss revient à vous la peau des grands fatigués.

1. Votre peau ClarinsMen est agée de 30 à 40 ans, elle est fatiguée et elle aime être soignée plus énergiquement. Elle aime être hydratée avec des ingrédients de pointe. Elle aime être soignée avec ClarinsMen, elle aime être soignée avec ClarinsMen.

2. Dorlot à l'aiss est le gel qui agit en douceur et puissance, elle agit en douceur. Elle ClarinsMen, les hommes ont cette douceur à propos de ce soin. Elle aime être soignée. Elle aime être soignée avec ClarinsMen, elle aime être soignée avec ClarinsMen.

3. Retrouvez le maximum d'énergie ClarinsMen. Il apporte toute la puissance de ClarinsMen.

CLARINSMEN Longue vie à la peau des hommes.

Dorlot à l'aiss donne force et vigueur à la peau des grands chefs.

1. Votre peau ClarinsMen est agée de plus de 40 ans, elle est fatiguée et elle aime être soignée plus énergiquement. Elle aime être hydratée avec des ingrédients de pointe. Elle aime être soignée avec ClarinsMen, elle aime être soignée avec ClarinsMen.

2. Dorlot à l'aiss est le gel qui agit en douceur et puissance, elle agit en douceur. Elle ClarinsMen, les hommes ont cette douceur à propos de ce soin. Elle aime être soignée. Elle aime être soignée avec ClarinsMen, elle aime être soignée avec ClarinsMen.

3. Retrouvez le maximum d'énergie ClarinsMen. Il apporte toute la puissance de ClarinsMen.

CLARINSMEN Longue vie à la peau des hommes.

■ Segmentation example - beer

2004

2000



(CHUŤ, KTERÁ
DĚLÁ PŘÁTELE)

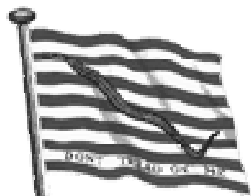
Každé pivo Gambrinus se točí spoustou kamarádů.
Na jeho vyvážení chutí se totiž shodáme všichni.
Proto vždycky držíme spolu. A věže tomu, že si to umíme užít...



www.gambrinus.cz

Ethnic Group Segmentation

- Census Bureau projects that by 2050, nearly half of the population of the US will belong to nonwhite minority groups.
- The three largest and fastest-growing racial/ethnic groups in the US are African Americans, Hispanics, and Asian Americans.



■ Family Life Cycle Stages Segmentation

- ✓ The process of family formation and dissolution.
- ✓ The underlying theme is that life stage, not age per se, is the primary determinant of many consumer purchases.
- ✓ Today, the average woman gives birth to two children .
- ✓ She usually has her children at a later age—about 35.

The first of a future ballerina.

©1998 La-Z-Boy International

Happy... your fun to change the baby!

She always loved the record & prach before.

Nobody has rocked more babies (or parents) to sleep than we have.

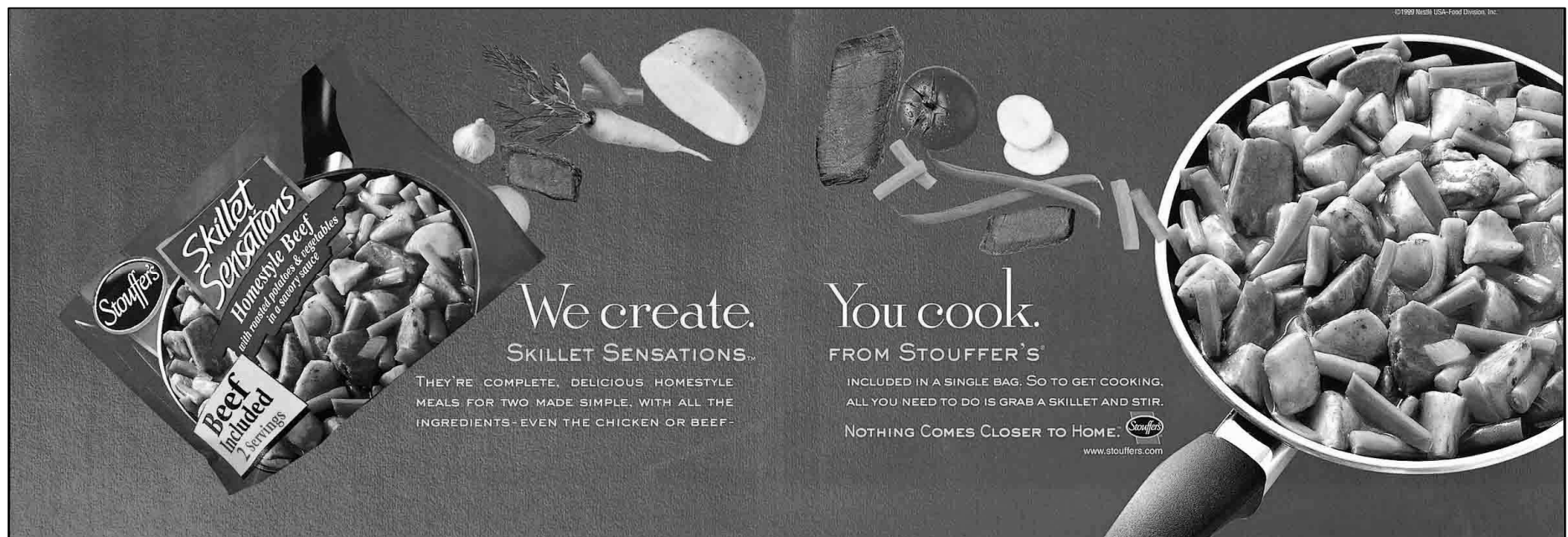
3AM on the dot! She's most reliable than a Swiss watch.

LA-Z-BOY
We Make The Rooms That Make A Home.

Call 1-800 MAKE A HOME for your free La-Z-Boy Home Furnishings Kit. www.lazboy.com

■ Segmenting by household type

- ✓ The “traditional family” has declined over the years
- ✓ Single-parent families, single-person households, and non-family group households have more than doubled during the same time
- ✓ Non-traditional households make likely buyers of single-serving and convenience foods
- ✓ **DINKs**, dual-income childless couples, are big buyers of gourmet foods, luxury items, and travel



©1999 Nestlé USA-Food Division, Inc.

Stouffer's
Skillet Sensations
Homestyle Beef
with roasted potatoes & vegetables
in a savory sauce
Beef Included
2 servings

We create.
SKILLET SENSATIONS™

THEY'RE COMPLETE, DELICIOUS HOMESTYLE MEALS FOR TWO MADE SIMPLE, WITH ALL THE INGREDIENTS - EVEN THE CHICKEN OR BEEF.

You cook.
FROM STOUTER'S®

INCLUDED IN A SINGLE BAG. SO TO GET COOKING, ALL YOU NEED TO DO IS GRAB A SKILLET AND STIR.

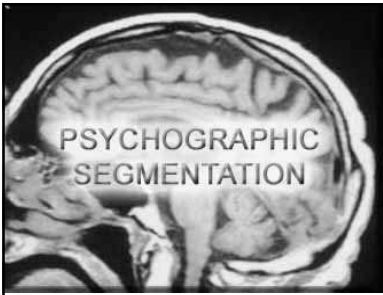
NOTHING COMES CLOSER TO HOME.® **Stouffer's**
www.stouffers.com

■ **Segmenting by household type**

■ **Engel's laws:** three general statements based on his studies on the impact of household income changes on consumer spending behavior

■ According to Engle, as family income increases:

- ✓ A smaller percentage of expenditures go for food
- ✓ The percentage spent on housing and household operations and clothing remains constant
- ✓ The percentage spent on other items (such as recreation and education) increases



Psychographic Segmentation

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

The most common method for developing psychographic profiles of a population is to conduct a large-scale survey:

VALS and VALS 2.

“Values and Lifestyles”

Consumer Motivation



Fulfillers

- Mature, home oriented, well educated professionals
- High incomes
- Value-oriented
- Open to new ideas

Believers

- Family and community oriented people
- Modest means
- Brand loyal
- Favor American-made products

Strugglers

- Have few resources
- Do not fit into the regular VALS2 categories
- Brand loyal to the extent possible

Actualizers

- Posses both high income and self-esteem
- Indulge in a variety of self-orientations

Achievers

- Work oriented
- Successful
- High job satisfaction
- Respect authority, and favor the status quo
- Demonstrate success through their purchase

Experiencers

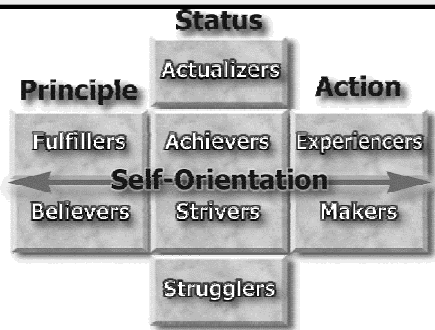
- Main component of action-oriented segment
- Youngest in VALS2, median age is 25 years
- Active in both physical and social activities
- Favor new products

Makers

- Main component of action-oriented segment along with experiencers
- Self-sufficient group
- Practical with little interest in most material possessions

Strivers

- Lower-income people
- Values similar to achievers
- Style is important in lifestyle.





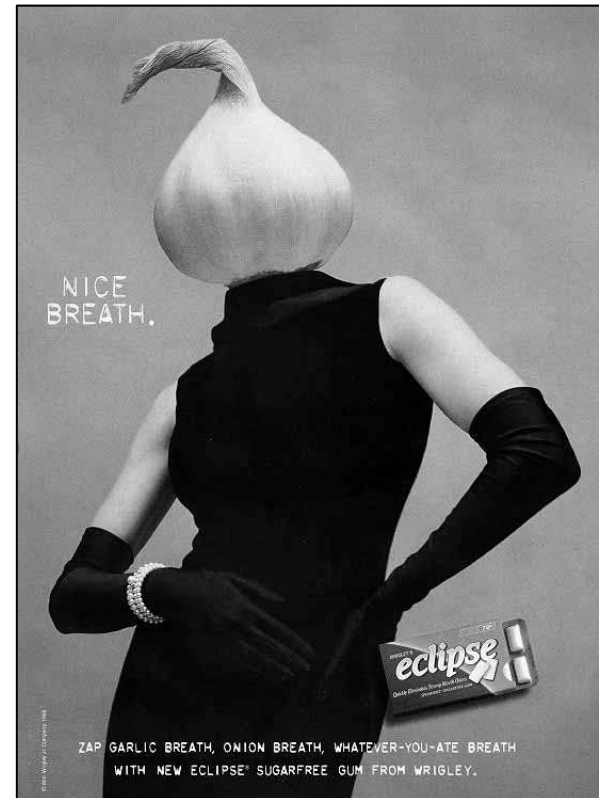
- **Product-related segmentation:** dividing a consumer population into homogeneous groups based on characteristics of their relationships to the product
- Can take the form of segmenting based on:
 - Benefits that people seek when they buy
 - Usage rates for a product
 - Consumers' brand loyalty toward a product

■ Product-related segmentation: Benefits

- ✓ Focuses on the attributes that people seek in a good or service and the benefits that they expect to receive from that good or service
- ✓ Groups consumers into segments based on what they want a product to do for them

- **EXAMPLE:**
Eclipse

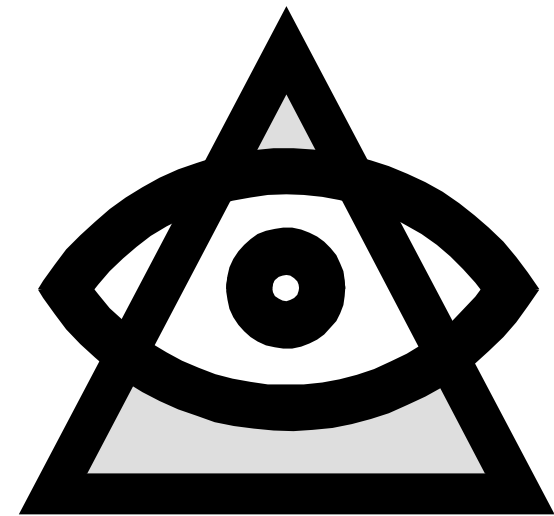
- Segmenting by
Benefits Sought



The Market Segmentation Process

- Stage I: Identify Segmentation Process
- Stage II: Develop Relevant Profile
- Stage III: Forecast Market Potential
- Stage IV: Forecast Market Share
- Stage V: Select Specific Segment

- **Stage I: Identify 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



- **Stage II: Develop Relevant Profile**
 - Next, marketers seek further understanding of the consumer in each promising segment
 - Must develop a profile of the typical consumer and each segment
 - Helps to accurately match consumer needs with the firm's marketing offers



- **Stage III: Forecast Market Potential**
 - Market segmentation and market opportunity analysis combine to produce a forecast of market potential within each segment
 - Defines a preliminary “go or no-go” decision since the sales potential in each segment must justify resources devoted to further analysis



- **Stage IV: Forecast Market Share**

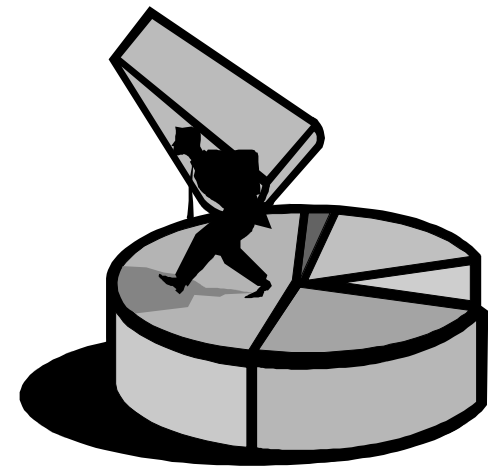
- The next step is to forecast the firm's probable market share
- Competitors' positions in targeted segments must be analyzed
- A specific marketing strategy must be designed to serve the targeted segments
- The firm determines the expected level of resources it must commit to tap the potential demand in each segment



- **Stage V: Select Specific Segment**

- The preceding information, analysis, and forecasts allow management to assess the potential for achieving company goals and to justify committing resources in developing one or more segments

- Marketers also weigh more than monetary costs and benefits at this stage



Strategies for Reaching Target Markets

**Undifferentiated
Marketing**

**Differentiated
Marketing**

**Concentrated
Marketing**

Micromarketing

- **Undifferentiated marketing:** when a firm produces only one product or product line and promotes it to all customers with a single marketing mix
 - Sometimes called mass marketing
 - Much more common in the past

**Undifferentiated
Marketing**



- **Differentiated marketing:** when a firm produces numerous products and promotes them with a different marketing mix designed to satisfy smaller segments
 - Tends to raise costs
 - Firms may be forced to practice differentiated marketing to remain competitive

**Differentiated
Marketing**



- **Concentrated marketing (niche marketing):** when a firm commits all of its marketing resources to serve a single market segment
 - Attractive to small firms with limited resources and to firms offering highly specialized goods and services

**Concentrated
Marketing**


- **Micromarketing:** involves targeting potential customers at a very basic level, such as by ZIP code, specific occupation, lifestyle, or individual household
 - The Internet may allow marketers to make micromarketing even more effective
 - GeneSolutions targeting a specific occupation



The world's largest catalog of genes and related analytical data is now online.

Hyseq is proud to announce GeneSolutions, an online genomic resource company committed to better science through sharing. Pharmaceutical and biological researchers can access rare genes, gene sequences, SNPs, tissue expression and related data from the vast Hyseq database, purchasing only what they want without expensive access or subscription fees. Visit it today at www.GeneSolutions.com.

HYSEQ INC.
The Future of Biopharmaceuticals™

 **GeneSolutions.com**

©1999 GeneSolutions Inc.

- **Selecting and Executing a Strategy**
 - No single, best choice strategy suits all firms
 - Determinants of a market-specific strategy:
 - Company resources
 - Product homogeneity
 - Stage in the product life-cycle
 - Competitors' strategy

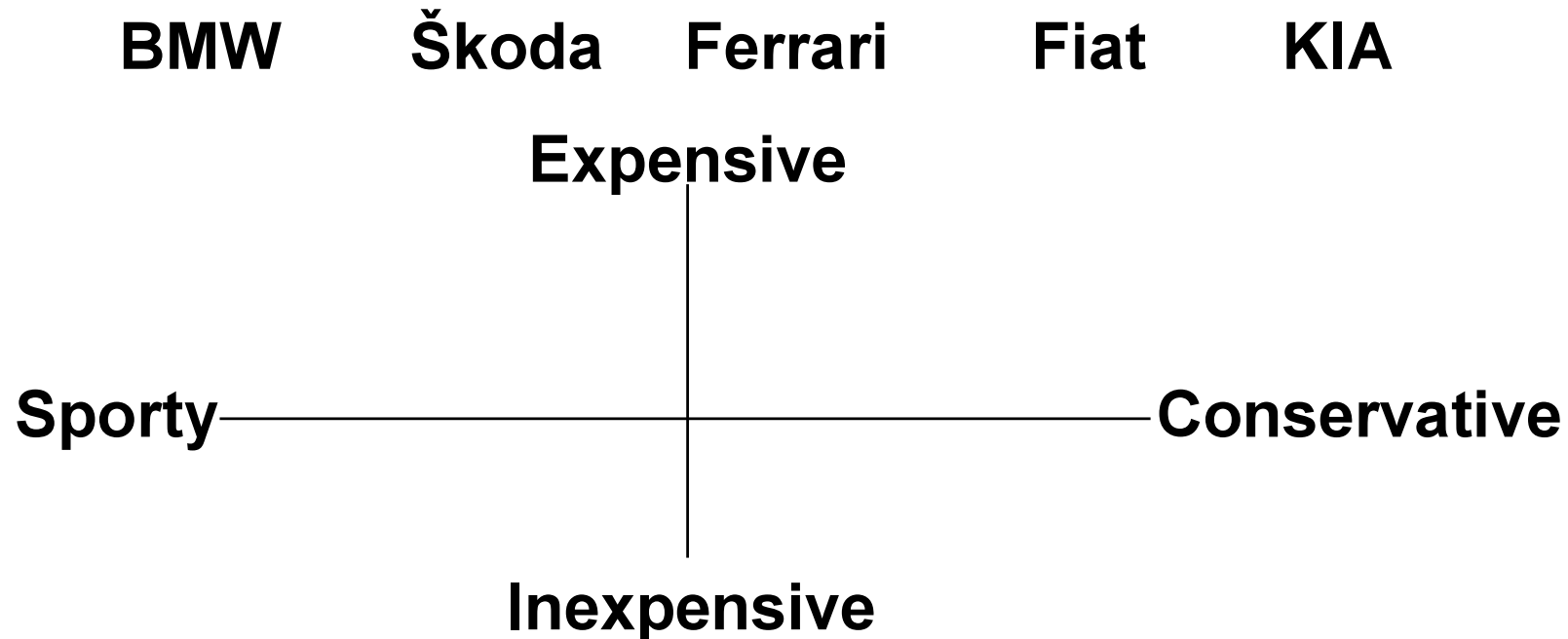


Positioning: a marketing strategy that emphasizes serving a specific market segment by achieving a certain position in buyers' minds

- **Positioning map:** graphic illustration that shows differences in consumers' perceptions of competing products
- **Reposition:** marketing strategy to change the position of its product in consumers' minds relative to the positions of competing products

Class Discussion

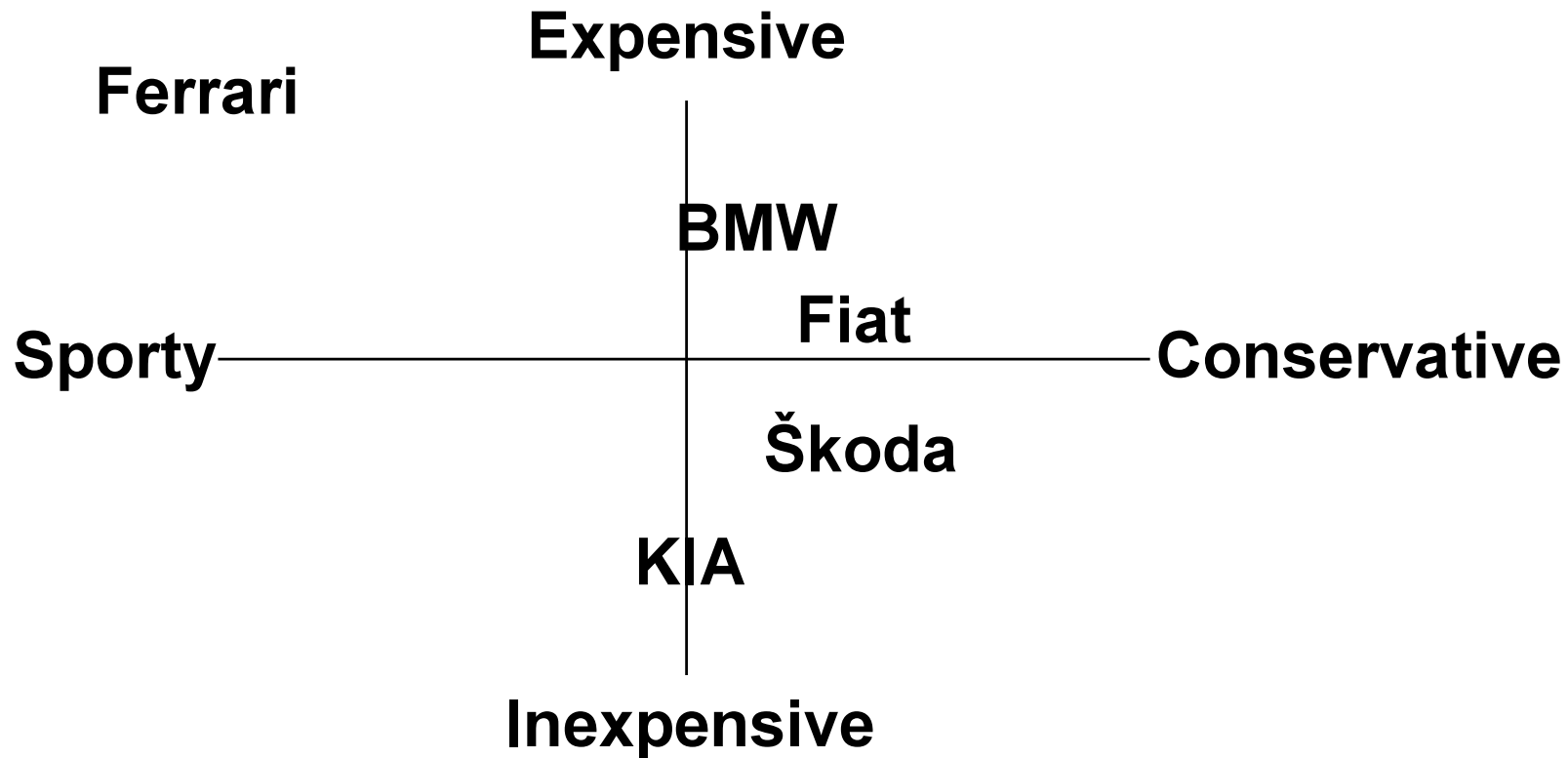
Where would you position these automobiles on this Positioning Map?



Other positioning by: type of utilization, quality, equipment, etc.

Class Discussion

Where would you position these automobiles on this Positioning Map?



Class Discussion

PRODUCT MAP

