Chapter 5
Segmentation, targeting, and positioning strategies

Lecture 4
# Market Segmentation

<table>
<thead>
<tr>
<th>SEGMENTATION BASE</th>
<th>SELECTED SEGMENTATION VARIABLES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Geographic Segmentation</strong></td>
<td></td>
</tr>
<tr>
<td>Region</td>
<td>Southwest, Mountain States, Alaska, Hawaii</td>
</tr>
<tr>
<td>City Size</td>
<td>Major metropolitan areas, small cities, towns</td>
</tr>
<tr>
<td>Density of area</td>
<td>Urban, suburban, rural</td>
</tr>
<tr>
<td>Climate</td>
<td>Temperate, hot, humid, rainy</td>
</tr>
<tr>
<td><strong>Demographic Segmentation</strong></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>Under 12, 12-17, 18-34, 35-49, 50-64, 65-74, 75-99, 100+</td>
</tr>
<tr>
<td>Sex</td>
<td>Male, female</td>
</tr>
<tr>
<td>Marital status</td>
<td>Single, married, divorced, living together, widowed</td>
</tr>
<tr>
<td>Income</td>
<td>Under $25,000, $25,000-$34,999, $35,000-$49,999, $50,000-$74,999, $75,000-$99,999, $100,000 and over</td>
</tr>
<tr>
<td>Education</td>
<td>Some high school, high school graduate, some college, college graduate, postgraduate</td>
</tr>
<tr>
<td>Occupation</td>
<td>blue-collar, white-collar, agricultural, military</td>
</tr>
<tr>
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<td>SELECTED SEGMENTATION VARIABLES</td>
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<tr>
<td><strong>Psychographic</strong></td>
<td></td>
</tr>
<tr>
<td>(Lifestyle) Segmentation</td>
<td>Economy-minded, couch potatoes, outdoors enthusiasts, status seekers</td>
</tr>
<tr>
<td><strong>Sociocultural Segmentation</strong></td>
<td></td>
</tr>
<tr>
<td>Cultures</td>
<td>American, Italian, Chinese, Mexican, French, Pakistani</td>
</tr>
<tr>
<td>Religion</td>
<td>Catholic, Protestant, Jewish, Moslem, other</td>
</tr>
<tr>
<td>Subcultures (Race/ethnic)</td>
<td>African American, Caucasian, Asian, Hispanic</td>
</tr>
<tr>
<td>Social class</td>
<td>Lower, middle, upper</td>
</tr>
<tr>
<td>Family life cycle</td>
<td>Bachelors, young married, full nesters, empty nesters</td>
</tr>
<tr>
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<td>SELECTED SEGMENTATION VARIABLES</td>
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</tr>
<tr>
<td><strong>Use-Related Segmentation</strong></td>
<td></td>
</tr>
<tr>
<td>Usage rate</td>
<td>Heavy users, medium users, light users, non users</td>
</tr>
<tr>
<td>Awareness status</td>
<td>Unaware, aware, interested, enthusiastic</td>
</tr>
<tr>
<td>Brand loyalty</td>
<td>None, some, strong</td>
</tr>
<tr>
<td><strong>Use-Situation Segmentation</strong></td>
<td></td>
</tr>
<tr>
<td>Time</td>
<td>Leisure, work, rush, morning, night</td>
</tr>
<tr>
<td>Objective</td>
<td>Personal, gift, snack, fun, achievement</td>
</tr>
<tr>
<td>Location</td>
<td>Home, work, friend’s home, in-store</td>
</tr>
<tr>
<td>Person</td>
<td>Self, family members, friends, boss, peers</td>
</tr>
<tr>
<td><strong>Benefit Segmentation</strong></td>
<td>Convenience, social acceptance, long lasting, economy, value-for-the-money</td>
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Foundations for effective segmentation

• It is unlikely for any company to appeal to an entire market
• Identify segments of consumers
• Tailor offerings to meet the wants & needs of that particular group of consumers
• Market segmentation involves the identification of subgroups of consumers with similar wants and buying requirements
• This helps the firm configure its marketing mix
Criteria for identifying segments

- Behaviouristic
- Psychographic
- Demographic
- Geography
Criteria for identifying segments

Geography

- Focuses on the *where* issue
- Local segmentation often used by small firms
- Keeps the market confined to a manageable area
- Global segmentation: The company sees the entire world as its appropriate playing field
  - Potential for cultural inappropriateness
- Need to also consider topography
  - Costs of overcoming physical obstacles
Demographic

- Using a series of demographic variables
  - Gender
  - Age
  - Cohorts of society
    - Moments and events in late adolescence / early adulthood (17-23 yrs)
    - This may not work globally
  - Level of Education
  - Level of Income
  - Occupation
  - Religion
  - Ethnicity
  - Family size
  - Family life cycle stage
    - Life conditions that have a potential impact of product/service purchase decisions
  - Social class/status
Psychographic Bases

• Perceptual issues
• Combining individuals who are psychologically similar in their orientation
• Excellent potential for effective targeting segments, understanding how the segments live their daily lives
• Lifestyle
  – The ways in which individuals choose to live their lives
• Personality
  – Similar personality types
  – Kotler (2003) lists four main variations of personality: compulsive, gregarious, authoritarian and ambitious
• Core Values
  – Match its core values with those of the segments, building positive associations
VALS Typology

- A multi-based approach to segmentation incorporating both psychological & demographics is developed by SRI International
- For the US market SRI identified eight separate groups for segmentation purposes
  - Actualizers/ Innovators (10% of population)
  - Thinkers (11% of population)
  - Experiencers (13% of population)
  - Achievers (14% of population)
  - Believers (17% of population)
  - Strivers (12% of population)
  - Makers (12% of population)
  - Strugglers/ survivors (12% of population)
• Ideals: Guided by Knowledge and Principle
• Achievers: Look for product or service that demonstrate success to their peers
• Self expression: Desire social and physical activity, variety and risk
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.
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 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 that they buy.
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 have deep roots and literal interpretation. 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 U.S. products and are generally loyal customers.
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.
Striver

- 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 Strivers 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.
Experiencer

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

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

 Survivors live **narrowly focused lives**. Because they have 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**.
Criteria for identifying segments

**Behaviouristic**

- Grouping consumers having similar uses for, and responses to particular products or services
  - Usage rate
  - Loyalty level
    - Brand insistence, brand loyalty, split loyalty, shifting loyalty, no loyalty
  - Creation of special events
  - Benefits segmentation
    - In terms of key benefits that consumers seek from the use of some product/service
Cross-border segmentation and international challenges

- A variety of new challenges faced by companies going outside their country borders
  - Culture is single biggest challenge
  - Study individual segments to determine choice drivers
  - Combine secondary data with on-the-ground observations
  - Phenomenology – studying consumers as they go through daily activities
  - Localization often depends on how similar are the uses of the product in the new context to the home uses
  - Diaspora marketing – using immigrants from the home country as targets in new international markets
Targeting

• This involves deciding on the segment to serve and the best action plans to reach the identified segment
• Undifferentiated
• Differentiated
• Concentrated
• Micro
  • Local
  • individual
Targeting

- Undifferentiated marketing targets the whole market with one offer
  - Mass marketing
  - Focuses on common needs rather than what’s different
Differentiated

- Targeting several segments with individual marketing mix
- Mainly for companies having better financial condition/stability
- Soft drinks, detergents
Concentrated Marketing

- Target one segment with unique marketing mix
- Primarily for small or new companies
- Also appropriate for final stage PLC products when the products are fading out from the market
Targeting

- Microtargeting
  - the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations.
    - Local marketing
    - Individual marketing
Local marketing involves tailoring brands and promotion to the needs and wants of local customer groups

- Cities
- Neighborhoods
- Stores

e.g: Your neighborhood grocery store
Individual marketing involves tailoring products and marketing programs to the needs and preferences of individual customers.

- Also known as:
  - One-to-one marketing
  - Customized marketing or mass customization
  - Markets-of-one marketing
  - Example: Nike ID
As per Derek F Abell (1980) the firm faces the following choices
- Single segment concentration
- Selective specialization
- Market specialization
- Product specialization
- Full market coverage
Company focuses only on a particular market segment
- When iphone was launched, it focused only on the smartphone industry
Selective specialization

- This is known as multistage coverage because different segments are sought to be captured by the company.
- The company selects a number of segments each of which is attractive, potential and appropriate.
- There may be little or no synergy among the segments, but this strategy has the advantage of diversifying the firm’s risk.
  - In our example, if the company X produces plasma TV as well as Walkman, the two different types of products obviously for two different types of markets, then it can be cited as an example of Selective Segment Specialisation strategy.
Market specialization

- The firm concentrates on serving many needs of a particular customer group or market
Product specialization

Product specialization is the approach that places the most emphasis on product quality in targeting multiple customer types. Harley-Davidson specializes in motorcycles, but the company develops a wide array of models and styles to fit all types of bikers.

- Fatboy
- Sportster
- Street glide
- Chopper
- Bobber
- Ape hanger
Full market coverage

- The company attempts to serve all customer groups with all the products they might need.
- Only very large firms can undertake a full market coverage strategy.
- can be done in 2 ways:
  - i. Undifferentiated marketing or convergence: The company ignores market segment differences and goes after the whole market with one market offer: Google search engine
  - ii. Differentiated marketing or divergence: The company operates in several market segments and designs different programmes for each segment: Pepsi
Measuring effectiveness of target segments

• As per Kotler (2003) segments must be
  – Measurable
  – Accessible
  – Substantial
  – Differentiable
  – Actionable

• Trade off - production and marketing
  – Unrestrained marketing
  – Production mentality
Positioning

• Perceptual position within the mind of the consumer
• Target consumer has a clear & distinctive image in mind
• Keep the brand name at the top of the choice
• Al Reis and Jack Trout - ladder inside every consumers head for each and every product & service
• Get to the top rung
• Being on the top of the ladder allows the firm to enjoy consumer franchise
Consumer Franchise

- The ability for the firm to keep its product/brand/company name foremost in the mind of the target consumer
- It is considered as bankable asset
- Consumer franchise has two components
  - Behavioral
  - Attitudinal
Figure 5.3 - The 4 C’s of Positioning

- **Clarity**: in terms of target market and differential advantage
- **Consistency**: maintain a consistent message
- **Credibility**: in the minds of the target customer--they must believe the claim
- **Competitiveness**: the differential advantage should offer the customer something of value competitors cannot provide (competitors should be named if possible)
**Apple** offers .... the best personal computing experience to students, educators, creative professionals and consumers around the world through its innovative hardware, software and Internet offerings.

**The Chrysler PT Cruiser** is an inexpensive, small car, that is versatile, fun to drive, and will appeal to active singles and young couples with children who otherwise would have bought an SUV or a minivan.