

Chapter 4 Notes

Segmentation

Segmentation and Target Marketing:

- Segmentation
Dividing market into distinct groups that:
 - Have common needs
 - Respond similarly to marketing actions
- Target Marketing
Process by which companies develop marketing strategies to satisfy different customer needs and involves four basic steps:
 - Identify markets with unfulfilled needs
 - Segment the market
 - Target specific segments
 - Position one's product through marketing strategies and activities

Segmentation and Positioning Process:

- Strategy or objectives: mission statement/potential opportunities
- Segmentation methods
- Evaluate segment attractiveness
- Select target markets
- Identify and develop positioning strategy

Why segment?

- Allows marketers to more precisely define and understand customer needs
- Helps establish relationships between customers and businesses

Bases for Segmentation:

- Customer characteristics
 - Geographic: nations, states, regions, cities
 - Consumers often have different buying habits depending upon where they live
 - Some products are only appropriate in certain geographic regions
 - Government regulations may force geographic segmentation
 - Demographic: gender, age, ethnicity
 - Most common method of segmenting markets
 - Some products lend themselves to demographic segmentation (e.g. gender or age specific products such as personal hygiene items)
 - It often works best in combination with other segmentation characteristics
 - Socioeconomic: income, education, occupation
 - Should be used primarily with luxury goods and high quality items
 - Segmenting on economic factors is often fast and convenient for marketers
 - Socioeconomic segmentation can (but not always) serve as an indicator of lifestyle

- Psychographic: personality values, life styles
 - It transcends purely descriptive characteristics to help explain personal motives, attitudes, and emotions
 - Lifestyle is often viewed as the most effective criterion for segmentation
 - To effectively segment based on psychographics, it is critical for the marketer to interact with their customers
- Buying situation
 - Behavioral: level of involvement, purchase behavior
 - The most powerful type of usage segmentation because it is based on why consumers buy
 - The “80-20 rule” underlies behavioral segmentation
 - Behavioral segmentation is often quite difficult to execute
 - Outlet types: type of store
 - Benefits: specific benefits or outcomes from a product or service
 - Provides the ability to use multiple positioning strategies
 - Helps identify which channels may be most effective to use in marketing communications
 - Can potentially suggest negative product characteristics
 - Awareness: product knowledge of consumer
 - Usage: their level of use

Evaluate Segment Attractiveness:

- Sustainable – large and/or significant buying power
- Identifiable – able to classify our target market
- Reachable – can use various communication tools to engage target market
- Profitable – both now and in the future
- Responsive – customers actually care