

SEGMENTATION

Chapter 4

Segmentation and Target Marketing

Segmentation	Target Marketing
<ul style="list-style-type: none">□ Dividing a market into distinct groups that<ul style="list-style-type: none">■ Have common needs■ Respond similarly to marketing actions	<ul style="list-style-type: none">□ Process by which companies develop different marketing strategies to satisfy different customer needs

Segmentation, Targeting, and Positioning Process

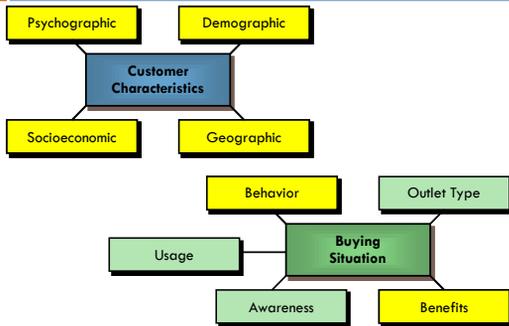
- Step 1: Strategy or Objectives
- Step 2: Segmentation Methods
- Step 3: Evaluate Segment Attractiveness
- Step 4: Select Target Markets
- Step 5: Identify and Develop Positioning Strategy

Why Segment Customers?

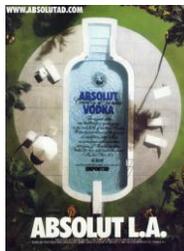
- Segmentation allows marketers to more precisely define and understand customer needs
- Segmentation helps establish relationships between customers and businesses



Bases for Segmentation



Geographic Segmentation



Geographic Segmentation

- Consumers often have different buying habits depending on where they live
- Some products are only appropriate in certain geographic regions
- Government regulations may force geographic segmentation

Demographic Segmentation



Demographic Segmentation

- Most common method of segmenting markets
- Like geographic segmentation, some products lend themselves to demographic segmentation
- Demographic segmentation often works best in combination with other segmentation characteristics

Psychographic Segmentation



Psychographic Segmentation

- Psychographic segmentation 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

Socioeconomic Segmentation



Socioeconomic Segmentation

- 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

Behavioral Segmentation



Behavioral Segmentation

- 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

Benefit Segmentation



Benefit Segmentation

- 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

Evaluate Segment Attractiveness

