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**FACULTY OF BUSINESS, HUMANITIES &
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**BACHELOR OF COMMERCE
(HONS) IN
INTERNATIONAL BUSINESS**

Topic 4▶ Marketing

LEARNING OUTCOMES

By the end of this topic, you will be able to:

1. Explain at least 5 types of marketing;
2. Explain at least 5 differences between product and service marketing;
3. Explain the 4Ps of marketing;
4. Explain 5 steps used to define your target market; and
5. Explain 4 types of market segmentation.

▶ INTRODUCTION

Marketing is a form of communication between a business house and its customers with the goal of selling its products or services to them. Goods are not complete products until they are in the hands of customers. Marketing is that management process through which goods and services move from concept to the customer.

4.1 WHAT IS MARKETING?

Marketing refers to any actions a company takes to attract an audience to the company's product or services through high-quality messaging. Marketing aims to deliver standalone value for prospects and consumers through content, with the long-term goal of demonstrating product value, strengthening brand loyalty, and ultimately increasing sales.

The purpose of marketing is to research and analyze your consumers all the time, conduct focus groups, send out surveys, study online shopping habits, and ask one underlying question: "Where, when, and how does our consumer want to communicate with our business?"

Here, let's explore the purposes of marketing, along with types of marketing, and the difference between marketing and advertising.

4.1.1 Purpose of Marketing

Marketing is the process of getting people interested in your company's product or service. This happens through market research, analysis, and understanding your ideal customer's interests. Marketing pertains to all aspects of a business, including product development, distribution methods, sales, and advertising.

Modern marketing began in the 1950s when people started to use more than just print media to endorse a product. As TV -- and soon, the internet -- entered households, marketers could conduct entire campaigns across multiple platforms. And as you might expect, over the last 70 years, marketers have become increasingly important to fine-tuning how a business sells a product to consumers to optimize success.

In fact, the fundamental purpose of marketing is to attract consumers to your brand through messaging. Ideally, that messaging will be helpful and educational to your target audience so you can convert consumers into leads.

Today, there are literally dozens of places one can carry out a marketing campaign -- where does one do it in the 21st century?

4.1.2 Types of Marketing

Where your marketing campaigns live depends entirely on where your customers spend their time. It's up to you to conduct market research that determines which types of marketing -- and which mix of tools within each type -- is best for building your brand. Here are several types of marketing that are relevant today, some of which have stood the test of time:

Internet marketing:

Inspired by an Excedrin product campaign that took place online, the very idea of having a presence on the internet for business reasons is a type of marketing in and of itself.

Search engine optimization:

Abbreviated "SEO," this is the process of optimizing content on a website so that it appears in search engine results. It's used by marketers to attract people who perform searches that imply they're interested in learning about a particular industry.

Blog marketing:

Blogs are no longer exclusive to the individual writer. Brands now publish blogs to write about their industry and nurture the interest of potential customers who browse the internet for information.

Social media marketing:

Businesses can use Facebook, Instagram, Twitter, LinkedIn, and similar social networks to create impressions on their audience over time.

Print marketing:

As newspapers and magazines get better at understanding who subscribes to their print material, businesses continue to sponsor articles, photography, and similar content in the publications their customers are reading.

Search engine marketing:

This type of marketing is a bit different than SEO, which is described above. Businesses can now pay a search engine to place links on pages of its index that get high exposure to their audience. (It's a concept called "pay-per-click" -- I'll show you an example of this in the next section).

Video marketing:

While there were once just commercials, marketers now put money into creating and publishing all kinds of videos that entertain and educate their core customers.

4.1.3 Marketing and Advertising

If marketing is a wheel, advertising is one spoke of that wheel.

Marketing entails product development, market research, product distribution, sales strategy, public relations, and customer support. Marketing is necessary in all stages of a business's selling journey, and it can use numerous platforms, social media channels, and teams within their organization to identify their audience, communicate to it, amplify its voice, and build brand loyalty over time.

On the other hand, advertising is just one component of marketing. It's a strategic effort, usually paid for, to spread awareness of a product or service as a part of the more holistic goals outlined above. Put simply, it's not the only method used by marketers to sell a product.

Let's say a business is rolling out a brand new product and wants to create a campaign promoting that product to its customer base. This company's channels of choice are Facebook, Instagram, Google, and its company website. It uses all of these spaces to support its various campaigns every quarter and generate leads through those campaigns.

To broadcast its new product launch, it publishes a downloadable product guide to its website, posts a video to Instagram demonstrating its new product, and invests in a series of sponsored search results on Google directing traffic to a new product page on its website.

Now, which of the above decisions were marketing, and which were advertising?

The advertising took place on Instagram and Google. Instagram generally isn't an advertising channel, but when used for branding, you can develop a base of followers that's primed for a gentle product announcement every now and again. Google was definitely used for advertising in this example; the company paid for space on Google -- a program known as pay-per-click (PPC) -- on which to drive traffic to a specific page focused on its product. A classic online ad.

Where did the marketing take place? This was a bit of a trick question, as the marketing was the entire process. By aligning Instagram, Google, and its own website around a customer-focused initiative, the company ran a three-part marketing campaign that identified its audience, created a message for that audience, and delivered it across the industry to maximize its impact.



SELF CHECK 4.1

1. What types of marketing does your organization practice?

4.2 PRODUCTS VS SERVICES

The obvious difference between product and service marketing is that products are tangible, and services are intangible:

Products

Tangible products are often easier to market as they can be shown, demonstrated, touched, displayed and are easier for your audience to understand in terms of value or whether they are needed. Whether this is true or not can be difficult to say, especially when you consider the blurred lines of the B2B technology world, where products and services are becoming more and more entwined.

Regardless, the aim of your marketing strategy should include finding the right market for your product and promoting it in a way that gets the best response from your target audience. It's important to remember that your product stays the same regardless of who you are targeting and can often be returned if the customer is dissatisfied.

Services

Services, being intangible, is harder to show value. You can't see or touch a service. Often, then, the goal of marketing services is to create good relationships with your target audience, developing and building trust. You are essentially selling yourself.

4.2.1 Traditional Differences Between Product and Services

Customisation

While products are designed, built and delivered to a range of customers 'as standard', services can be tweaked and customised depending on the needs or wants of customers. Your service marketing strategy should reflect this by highlighting the personal touches you provide or how you listen to your customers' needs.

Delivery

When a business sells a product to a customer, the buyer takes it away with them. In the case of a service, the customer must go to the service provider if they want to enjoy or experience it. You cannot separate the service from the provider. For example, if you wanted to buy a DVD from Amazon, you click on the buy button and wait a couple of days for the product to arrive. However, if you want to enjoy the Amazon Prime streaming service, where movies are updated regularly, you need to head to the website and watch the film there.

Ownership

A product can be bought, used and then resold 'second-hand', while a service cannot - once it's been consumed. A product is also a separate entity to the business who creates/sells it. A service, on the other hand, is always connected to the business who provides it. Marketing for services should be all about building the brand and personality of the service provider.

Expiration

It's also important to understand that services are consumed immediately and cannot be returned once carried out. This is where the marketing goal of creating trust comes in. If you provide a bad service, your customers cannot return the service, but they may not return as customers. Once a buyer has bought a product, it doesn't mean they will buy from you again - but if they are happy with it, it's more likely that they will.

Time

Usually, services are provided at a specific time for a specific period. After this, the service agreement must be renewed or cancelled. A product can be bought and owned without any time constraints. Marketing differences here should centre around the value of low-cost monthly subscriptions in the case of services, or a 'buy once, use forever' message for a product.

See the table below for a comparison of the differences between product and service marketing:

	PRODUCT MARKETING	SERVICE MARKETING
Meaning	Product marketing refers to the process in which the marketing activities are aligned to promote and sell a specific product for a particular segment.	Service marketing implies the marketing of economic activities, offered by the business to its clients for adequate consideration.
Marketing mix	4 P's	7 P's
Sells	Value	Relationship
Who comes to whom?	Products come to customers.	Customers come to service.
Transfer	It can be owned and resold to another party.	It is neither owned nor transferred to another party.
Returnability	Products can be returned.	Services cannot be returned after they are rendered.

Tangibility	They are tangible, so the customer can see and touch it, before coming to the buying decision.	They are intangible, so it is difficult to promote services.
Separability	Product and the company producing it, are separable.	Service cannot be separated from its provider.
Customization	Products cannot be customized as per requirements.	Services vary from person to person and they can be customized.
Imagery	They are imagery and hence, receive quick response from customers.	They are non-imagery and do not receive quick response from customers.
Quality comparison	Quality of a product can be easily measured.	Quality of service is not always easily measurable.

4.3 MARKETING MIX (4P'S)

Marketing is all about putting the right product in the right place, at the right price, at the right time.

Sounds simple! You just need to create a product that a particular group of people want, put it on sale some place that those same people visit regularly, and price it at a level which matches the value they feel they get out of it; and do all that at a time they want to buy.

To achieve this effectively, however, a lot of hard work needs to go into finding out what customers want, and identifying where they do their shopping. Then you need to figure out how to produce the item at a price that represents value to them, and get it all to come together at the critical time.

But if you get just one element wrong, it can spell disaster. You could be left promoting a car with amazing fuel economy in a country where fuel is very cheap, or publishing a textbook after the start of the new school year, or selling an item at a price that's too high – or too low – to attract the people you're targeting.

The marketing mix and the 4Ps of marketing are great tools can help you to avoid these kinds of mistakes. In this article and in the video, below, we'll discover more about how you can use them to develop a successful marketing strategy.

4.3.1 What Are the 4Ps of Marketing?

The 4Ps of marketing is a model for enhancing the components of your "marketing mix" – the way in which you take a new product or service to market. It helps you to define your marketing options in terms of price, product, promotion, and place so that your offering meets a specific customer need or demand.

The marketing mix and the 4Ps of marketing are often used as synonyms for one another. In fact, they are not necessarily the same thing.

"Marketing mix" is a general phrase used to describe the different kinds of choices organizations have to make during the process of bringing a product or service to market. The 4Ps is one way – probably the best-known way – of defining the marketing mix, and was first expressed in 1960 by E. J. McCarthy in his book, "Basic Marketing – A Managerial Approach." [1]

The 4Ps are:

- Product (or Service).
- Place.
- Price.
- Promotion.

A good way to understand the 4Ps is by the questions that you need to ask to define your marketing mix. Here are some questions that will help you understand and define each of the four elements:

Product/Service

- What does the customer want from the product /service? What needs does it satisfy?
- What features does it have to meet these needs? Are there any features you've missed out? Are you including costly features that the customer won't actually use?
- How and where will the customer use it?
- What does it look like? How will customers experience it?
- What size(s), color(s), and so on, should it be?
- What is it to be called?
- How is it branded?

- How is it different from products by your competitors?
- What is the most it can cost to provide and still be sold sufficiently profitably? (See also Price, below.)

Place

- Where do buyers look for your product or service?
- If they look in a store, what kind? A specialist boutique or in a supermarket, or both? Online? Or direct, via a catalog?
- How can you access the right distribution channels?
- Do you need to use a sales force? Or attend trade fairs? Or make online submissions? Or send samples to catalog companies?
- What do your competitors do, and how can you learn from that and/or differentiate?

Price

- What is the value of the product or service to the buyer?
- Are there established price points for products or services in this area?
- Is the customer price sensitive? Will a small decrease in price gain you extra market share? Or will a small increase be indiscernible, and so gain you extra profit margin?
- What discounts should be offered to trade customers, or to other specific segments of your market?
- How will your price compare with your competitors?

Promotion

- Where and when can you get your marketing messages across to your target market?
- Will you reach your audience by advertising online, in the press, on TV, on radio, or on billboards? By using direct marketing mailshots? Through PR? On the internet?
- When is the best time to promote? Is there seasonality in the market? Are there any wider environmental issues that suggest or dictate the timing of your market launch or subsequent promotions?
- How do your competitors do their promotions? And how does that influence your choice of promotional activity?

4.3.2 Using the 4Ps of Marketing

The model can be used to help you to decide how to take a new offer to market. It can also be used to test your existing marketing strategy. Whether you are considering a new or existing offer, follow the steps below to help you to define and improve your marketing mix.

1. Start by identifying the product or service that you want to analyze.
2. Now go through and answer the 4Ps questions – as defined in detail above.
3. Try asking "why" and "what if" questions too, to challenge your offer. For example, ask why your target audience needs a particular feature. What if you drop your price by 5 percent? What if you offer more colors? Why sell through wholesalers rather than direct channels? What if you improve PR rather than rely on online advertising?
4. Once you have a well-defined marketing mix, try "testing" the overall offer from the customer's perspective, by asking customer focused questions: Does it meet their needs? (Product.) Will they find it where they shop? (Place.) Will they think that it's priced favorably? (Price.) Will the marketing communications reach them? (Promotion.)
5. Keep on asking questions and making changes to your mix until you are satisfied that you have optimized your marketing mix, given the information and facts and figures you have available.
6. Review your marketing mix regularly, as some elements will need to change as the product or service and its market grow, mature and adapt in an ever-changing competitive environment.



SELF CHECK 4.2

1. Are the 4Ps in marketing practiced in your workplace?

4.4 TARGET MARKETING

A target market is the specific group of people you want to reach with your marketing message. They are the people who are most likely to buy your products or services, and they are united by some common characteristics, like demographics and behaviors.

The more clearly you define your target market, the better you can understand how and where to reach your ideal potential customers. You can start with broad categories like millennials or single dads, but you need to get much more detailed than that to achieve the best possible conversion rates.

Don't be afraid to get highly specific. This is all about targeting your marketing efforts effectively, not stopping people from buying your product.

People who are not included in your targeted marketing can still buy from you—they're just not your top focus when crafting your marketing strategy. You can't target everyone, but you can sell to everyone.

Your target market should be based on research, not a gut feeling. You need to go after the people who really want to buy from you, even if they're not the customers you originally set out to reach.

4.4.1 What is target market segmentation?

Target market segmentation is the process of dividing your target market into smaller, more specific groups. It allows you to create a more relevant marketing message for each group.

Remember — you can't be all things to all people. But you can be different things to different groups of people.

For example, as a vegetarian, I've eaten plenty of Impossible Burgers. I'm definitely a target customer. But vegetarians are a surprisingly small target market segment for Impossible Foods: only 10% of their customer base.

Vegetarians and meat eaters have different reasons for eating plant-based burgers and want different things from the experience. Target market segmentation ensures the company reaches the right audience with the right message.

4.4.2 How to define your target market

Step 1. Compile data on your current customers

A great first step in figuring out who most wants to buy from you is to identify who is already using your products or services. Once you understand the defining characteristics of your existing customer base, you can go after more people like that.

Depending on how someone connects with your business, you might have only a little information about them, or a lot.

This doesn't mean you should add a lot of questions to your order or opt-in process just for audience research purposes — this can annoy customers and result in abandoned shopping carts.

But do be sure to use the information you naturally acquire to understand trends and averages.

Some data points you might want to consider are:

Age: You don't need to get too specific here. It won't likely make a difference whether your average customer is 24 or 27. But knowing which decade of life your customers are in can be very useful.

Location (and time zone): Where in the world do your existing customers live? In addition to understanding which geographic areas to target, this helps you figure out what hours are most important for your customer service and sales reps to be online, and what time you should schedule your social ads and posts to ensure best visibility.

Language: Don't assume your customers speak the same language you do. And don't assume they speak the dominant language of their (or your) current physical location.

Spending power and patterns: How much money do your current customers have to spend? How do they approach purchases in your price category?

Interests: What do your customers like to do, besides using your products or services? What TV shows do they watch? What other businesses do they interact with?

Challenges: What pain points are your customers facing? Do you understand how your product or service helps them address those challenges?

Stage of life: Are your customers likely to be college students? New parents? Parents of teens? Retirees?

If you're selling B2B products, your categories will look a little different. You might want to collect information about the size of businesses that buy from you, and information about the titles of the people who tend to make the buying decisions. Are you marketing to the CEO? The CTO? The social marketing manager?

Step 2. Incorporate social data

Social media analytics can be a great way of filling out the picture of your target market. They help you understand who's interacting with your social accounts, even if those people are not yet customers.

These people are interested in your brand. Social analytics can provide a lot of information that might help you understand why. You'll also learn about potential market segments you may not have thought to target before.

You can also use social listening to help identify the people who are talking about you and your product on social media, even if they don't follow you.

If you want to reach your target market with social ads, lookalike audiences are an easy way to reach more people who share characteristics with your best customers.

Step 3. Check out the competition

Now that you know who's already interacting with your business and buying your products or services, it's time to see who's engaging with the competition.

Knowing what your competitors are up to can help you answer some key questions:

Are your competitors going after the same target market segments as you are?

Are they reaching segments you hadn't thought to consider?

How are they positioning themselves?

Our guide on how to do competitor research on social media walks you through the best ways to use social tools to gather competitor insights.

You won't be able to get detailed audience information about the people interacting with your competitors, but you'll be able to get a general sense of the approach they're taking and whether it's allowing them to create engagement online.

This analysis will help you understand which markets competitors are targeting and whether their efforts appear to be effective for those segments.

Step 4. Clarify the value of your product or service

This comes down to the key distinction all marketers must understand between features and benefits. You can list the features of your product all day long, but no one will be convinced to buy from you unless you can explain the benefits.

Features are what your product is or does. The benefits are the results. How does your product make someone's life easier, or better, or just more interesting?

If you don't already have a clear list of the benefits of your product, it's time to start brainstorming now. As you create your benefit statements, you'll also by default be stating some basic information about your target audience.

For example, if your service helps people find someone to look after their pets while they're away, you can be pretty confident that your market will have two main segments: (1) pet owners and (2) existing or potential pet-sitters.

If you're not sure exactly how customers benefit from using your products, why not ask them in a survey, or even a social media poll?

You might find that people use your products or services for purposes you haven't even thought of. That might, in turn, change how you perceive your target market for future sales.

Step 5. Create a target market statement

Now it's time to boil everything you've discovered so far into one simple statement that defines your target market. This is actually the first step in creating a brand positioning statement, but that's a project for another day. For now, let's stick to creating a statement that clearly defines your target market.

For example, here's Zipcar's brand positioning statement, as cited in the classic marketing text Kellogg on Marketing. We're interested in the first part of the statement, which defines the target market:

“To urban-dwelling, educated, techno-savvy consumers who worry about the environment that future generations will inherit, Zipcar is the car-sharing service that lets you save money and reduce your carbon footprint, making you feel you’ve made a smart, responsible choice that demonstrates your commitment to protecting the environment.”

Zipcar is not targeting all residents of a particular city. They’re not even targeting all the people in a given city who don’t own a car. They’re specifically targeting people who:

- live in an urban area
- have a certain degree of education
- are comfortable with technology
- are concerned about the environment

These are all interests and behaviors that Zipcar can specifically target using social content and social ads. They also help to guide the company’s overall approach to its service, as evidenced by the rest of the positioning statement.

When crafting your target market statement, try to incorporate the most important demographic and behavior characteristics you’ve identified. For example:

Our target market is [gender(s)] aged [age range], who live in [place or type of place], and like to [activity].

Don’t feel like you need to stick to these particular identifiers. Maybe gender is irrelevant for your market, but you have three or four key behaviors to incorporate in your statement.

If you offer multiple products or services, you might need to create a target market statement for each market segment. In this case, it’s useful to define buyer personas.

4.5 Market Segmentation

Market segmentation is the practice of dividing your target market into approachable groups. Market segmentation creates subsets of a market based on demographics, needs, priorities, common interests, and other psychographic or behavioural criteria used to better understand the target audience.

By understanding your market segments, you can leverage this targeting in product, sales, and marketing strategies. Market segments can power your product development cycles by informing how you create product offerings for different segments like men vs. women or high income vs. low income.

4.5.1 The benefits of market segmentation

Companies who properly segment their market enjoy significant advantages. According to a study by Bain & Company, 81% of executives found that segmentation was crucial for growing profits. Bain also found that organisations with great market segmentation strategies enjoyed a 10% higher profit than companies whose segmentation wasn't as effective over a 5-year period.

Other benefits include:

1. Stronger marketing messages: You no longer have to be generic and vague – you can speak directly to a specific group of people in ways they can relate to, because you understand their characteristics, wants, and needs.
2. Targeted digital advertising: Market segmentation helps you understand and define your audience's characteristics, so you can direct your marketing efforts to specific ages, locations, buying habits, interests etc.
3. Developing effective marketing strategies: Knowing your target audience gives you a head start about what methods, tactics and solutions they will be most responsive to.
4. Better response rates and lower acquisition costs: These will result from creating your marketing communications both in ad messaging and advanced targeting on digital platforms like Facebook and Google using your segmentation.

5. Attracting the right customers: Market segmentation helps you create targeted, clear and direct messaging that attracts the people you want to buy from you.
6. Increasing brand loyalty: when customers feel understood, uniquely well served and trusting, they are more likely to stick with your brand.
7. Differentiating your brand from the competition: More specific, personal messaging makes your brand stand out.
8. Identifying niche markets: segmentation can uncover not only underserved markets, but also new ways of serving existing markets – opportunities which can be used to grow your brand.
9. Staying on message: As segmentation is so linear, it's easy to stay on track with your marketing strategies, and not get distracted into less effective areas.
10. Driving growth: You can encourage customers to buy from you again, or trade up from a lower-priced product or service.
11. Enhanced profits: Different customers have different disposable incomes; prices can be set according to how much they are willing to spend. Knowing this can ensure you don't over (or under) sell yourself.
12. Product development: You'll be able to design with the needs of your customers top of mind, and develop different products that cater to your different customer base areas.

Companies like American Express, Mercedes Benz, and Best Buy have all used segmentation strategies to increase sales, build better products, and engage better with their prospects and customers.



SELF CHECK 4.3

1. Explain how market segmentation is done at your workplace.

4.5.2 The benefits of market segmentation

Understanding segmentation starts with learning about the various ways you can segment your market. There are four primary categories of segmentation, illustrated below.

	DEMOGRAPHIC (B2C)	FIRMOGRAPHIC (B2B)	PSYCHOGRAPHIC (B2B/B2C)	BEHAVIOURAL (B2B/B2C)
Definition	Classification based on individual attributes	Classification based on company or organisation attributes	Classification based on attitudes, aspirations, values, and other criteria	Classification based on behaviours like product usage, technology laggards, etc.
Examples	Geography Gender Education Level Income Level	Industry Location Number of Employees Revenue	Lifestyle Personality Traits Values Opinions	Usage Rate Benefit Types Occasion Purchase Decision
Decision Criteria	You are a smaller business or you are running your first project	You are a smaller business or you are running your first project	You want to target customers based on values or lifestyle	You want to target customers based on purchase behaviours
Difficulty	Simpler>	Simpler	More advanced	More advanced

4.5.3 Types of market segmentation

With segmentation and targeting, you want to understand how your market will respond in a given situation, like purchasing your products. In many cases, a predictive model may be incorporated into the study so that you can group individuals within identified segments based on specific answers to survey questions.

Demographic segmentation

Demographic segmentation sorts a market by elements such as age, education, income, family size, race, gender, occupation, and nationality. Demographic is one of the simplest and most commonly used forms of segmentation because the products and services we buy, how we use those products, and how much we are willing to spend on them is most often based on demographic factors.

Geographic segmentation

Geographic segmentation can be a subset of demographic segmentation, although it can also be a type of segmentation in its own right. It creates different target customer groups based on geographical boundaries. Because potential customers have needs, preferences, and interests that differ according to their geographies, understanding the climates and geographic regions of customer groups can help determine where to sell and advertise, as well as where to expand your business.

Firmographic Segmentation

Firmographic Segmentation is similar to demographic segmentation, except that demographics look at individuals while firmographics look at organisations. Firmographic segmentation would consider things like company size, number of employees and would illustrate how addressing a small business would differ from addressing an enterprise corporation.

Behavioural Segmentation

Behavioural Segmentation divides markets by behaviours and decision-making patterns such as purchase, consumption, lifestyle, and usage. For instance, younger buyers may tend to purchase bottled body wash, while older consumer groups may lean towards soap bars. Segmenting markets based on purchase behaviours enables marketers to develop a more targeted approach because you can focus on what you know they, and are therefore more likely to buy.

Psychographic segmentation

Psychographic segmentation considers the psychological aspects of consumer behaviour by dividing markets according to lifestyle, personality traits, values, opinions, and interests of consumers. Large markets like the fitness market use psychographic segmentation when they sort their customers into categories of people who care about healthy living and exercise.

4.5.4 How to get started with segmentation

There are five primary steps to segmentation:

Define your market:

Is there a need for your products and services? Is the market large or small? Where does your brand sit in the current marketplace?

Segment your market:

Decide which of the five criteria (demographic/firmographic, psychographic, geographic or behaviour) you want to use to segment your market. You don't need to stick to just one – in fact, most brands use a combination – so experiment with each one and find what works best.

Understand your market:

You do this by conducting preliminary research surveys, focus groups, polls, etc. Ask questions that relate to the segments you have chosen, and use a combination of quantitative (tickable/selectable boxes) and qualitative (open-ended for open text responses) questions.

Create your customer segments:

Analyse the responses from your research to highlight which customer segments are most relevant to your brand.

Test your marketing strategy:

Once you have interpreted your responses, test your findings on your target market, using conversion tracking to see how effective it is. And keep testing. If uptake is disappointing, relook at your segments or your research methods.

4.5.5 Market segmentation strategy

Why should market segmentation be considered a strategy? A Customer Experience Strategy is a considered plan that takes you from point A to point B in an effective and useful way.

Market segmentation is similar, as there will be times you need to revisit your market segments, such as:

In times of rapid change:

A great example is how the Covid-19 pandemic forced a lot of businesses to rethink how they sell to customers. Businesses with physical stores looked at online ordering, while restaurant owners considered curbside pickups.

If your customers change, then your market segmentation should as well, so you can understand clearly what your new customers need and want from you.

On a yearly basis:

Market segments can change year on year as customers are affected by external factors that could alter their behaviour and responses.

For example, natural disasters caused by global warming may impact whether a family chooses to stay living in an area prone to more of these events. On a larger scale, if your target customer segment moves away from one of your sales regions, you may want to consider re-focussing your sales activities in more populated areas.

At periodic times during the year:

If you've explored your market and created market segments in the Spring, the same market segments may have different characteristics at a different time of the year.

For example, Winter has several holidays, with Christmas being a huge influence on families. This holiday impacts your market segments' buying habits, how they'll behave (spending more than normal at this time than any other) and where they will travel too (back home for the holidays). Knowing this information can help you predict and prepare for this period.

When considering updating your market segmentation strategy, consider these three areas:

Acknowledge what has changed:

Find out what has happened between one time period to another, and what have been the driving forces for that change. By understanding the reasons why your market is different, you can make key decisions on whether you want to change your approach or stay the course.

Don't wait to start planning:

Businesses are always adapting to long-term trends, so refreshing market segmentation research puts you in a proactive place to tackle these changes head-on. When you have your market segments, a good idea is to consider the long-term complications or risks associated with each segment, and forward-plan some time to discuss problem-solving if those issues arise.

Go from what to why:

Why did those driving forces come about? Why are there risks with your target market? At Qualtrics, we partner with companies to understand the different aspects of the target markets that drive or slow success. You'll have the internal data to understand what's happening; we help unleash insight into why with advanced modelling techniques. This helps

you get smart market segmentation that is predictive and actionable, making it easier for future research and long-term segment reporting.

4.5.6 Where can you use market segmentation in your business?

We've collected some use case scenarios to help you see how market segmentation can be built in across several departments and activities:

Market and opportunity assessments

When your business wants to enter into a new market or look for growth opportunities, market segmentation can help you understand the sales potential. It can assist in breaking down your research, by aligning your findings to your target audience groups.

For example, When you've identified the threats and opportunities within a new market, you can apply your customer segment knowledge to the information to understand how target customers might respond to new ideas, products, or services.

Segmentation and targeting

If you have your entire market separated into different customer segments, then you have defined them by set criteria, like demographics, needs, priorities, common interests, or behaviour preferences.

With this information, you can target your products and services towards these market segments, making marketing messages and collateral that will resonate with the segment's criteria.

Customer needs research

When you know a lot about your customers, you can understand where your business is connecting well with them and where there can be improvements.

Market segmentation can help with customer needs research (also known as habits and practices research) to deliver information about customer needs, preferences, and product or service usage. This helps you identify and understand gaps in your offerings that can be scheduled for development or follow-up.

Product development

If the product or service you've developed doesn't solve the problem of your target audience or isn't useful, then that product will have difficulty selling. When you know what each of your market segments cares about and how they live their lives, it's easier to know what products will enrich or enhance their day to day.

Use market segmentation to understand your customers clearly, so that you can save time and money developing products and services that your customers will want to purchase.

Campaign optimisation

Marketing and content teams will value having detailed information on each segment, as this allows them to personalise their campaigns and strategies at scale. This may lead to variations in messaging that they know will connect with audiences better, making their campaign results more effective.

If the campaigns are combined with strong calls to action, the marketing campaigns will be a powerful tool that drives your target market segments towards your sales channels.

4.5.7 Ensuring effective segments

After you determine your segments, you want to ensure they'll be useful. A good segmentation analysis should pass the following tests:

Measurable:

Measurable means that your segmentation variables are directly related to purchasing a product. You should be able to calculate or estimate how much your segment will spend on your product. For example, one of your segments may be those who are more likely to shop during a promotion or sale.

Accessible:

Understanding your customers and being able to reach them are two different things. Your segments' characteristics and behaviour should help you identify the best way to meet them. For example, you may find that a key segment is resistant to technology and relies on newspaper or radio ads to hear about store promotions, while another segment is best reached on your mobile app. One of your segments might be a male retiree who is less likely to use a mobile app or read email, but responds well to printed ads.

Substantial:

The market segment must have the ability to purchase. For example, if you are a high-end retailer, your store visitors may want to purchase your goods but realistically can't afford them. Make sure an identified segment is not just interested in you, but can be expected to purchase from you. In this instance, your market might include environmental enthusiasts who are willing to pay a premium for eco-friendly products, leisurely retirees who can afford your goods, and successful entrepreneurs who want to show off their wealth.

Actionable:

The market segment must produce the differential response when exposed to the market offering. This means that each of your segments must be different and unique from each other. Let's say that your segmentation reveals that people who love their pets and people who care about the environment have the same purchasing habits. Rather than have two separate segments, you should consider grouping both together in a single segment.

Market segmentation is not an exact science. As you go through the process, you may realise that segmenting based on behaviours doesn't give you actionable segments, but behaviour does. You'll want to iterate on your findings to ensure you've found the best fit for the needs of your marketing, sales and product organisations.

Points to Ponder/Takeaways

- There are at least 5 types of marketing;
- There are at least 5 differences between product and service marketing;
- You should be able to explain the 4Ps of marketing;
- You should be able to explain 5 steps used to define your target market; and
- There are 4 types of market segmentation.

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