

LESSON 6: MARKET SEGMENTATION, AND TARGETING

6.1: BASES FOR SEGMENTING CONSUMER MARKETS

Market segmentation divides a market into well-defined slices. A market segment consists of a group of customers who share a similar set of needs and wants. The marketer's task is to identify the appropriate number and nature of market segments and decide which one(s) to target.

The major segmentation variables—geographic, demographic, psychographic, and behavioral segmentation.

Geographic Segmentation

Geographic segmentation divides the market into geographical units such as nations, states, regions, counties, cities, or neighborhoods. The company can operate in one or a few areas, or it can operate in all but pay attention to local variations. In that way it can tailor marketing programs to the needs and wants of local customer groups in trading areas, neighborhoods, even individual stores. In a growing trend called grassroots marketing, such activities concentrate on getting as close and personally relevant to individual customers as possible.

Demographic Segmentation

In demographic segmentation, we divide the market on variables such as age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality, and social class. One reason demographic variables are so popular with marketers is that they're often associated with consumer needs and wants. Another is that they're easy to measure. Even when we describe the target market in non-demographic terms (say, by personality type), we may need the link back to demographic characteristics in order to estimate the size of the market and the media we should use to reach it efficiently.

Age and Life-Cycle Stage – Consumer wants and abilities change with age. Toothpaste brands such as Crest and Colgate offer three main lines of products to target kids, adults, and older consumers. Age segmentation can be even more refined. Pampers divides its market into prenatal, new baby (0–5 months), baby (6–12 months), toddler (13–23 months), and preschooler (24 months+).

Life Stage – People in the same part of the life cycle may still differ in their life stage. Life stage defines a person's major concern, such as going through a divorce, going into a second marriage, taking care of an older parent, deciding to cohabit with another person, deciding to buy a new home, and so on. These life stages present opportunities for marketers who can help people cope with their major concerns.

Gender – Men and women have different attitudes and behave differently, based partly on genetic makeup and partly on socialization. Women tend to be more communal-minded and men more self-expressive and goal-directed; women tend to take in more of the data in their immediate environment and men to focus on the part of the environment that helps them achieve a goal. A research study examining how men and women shop found that men often need to be invited to touch a product, whereas women are likely to pick it up without prompting. Men often like to read product information; women may relate to a product on a more personal level.

Income – Income segmentation is a long-standing practice in such categories as automobiles, clothing, cosmetics, financial services, and travel. However, income does not always predict the best

customers for a given product. Blue-collar workers were among the first purchasers of color television sets; it was cheaper for them to buy these sets than to go to movies and restaurants.

Generation – Each generation or cohort is profoundly influenced by the times in which it grows up—the music, movies, politics, and defining events of that period. Members share the same major cultural, political, and economic experiences and have similar outlooks and values. Marketers often advertise to a cohort by using the icons and images prominent in its experiences. They also try to develop products and services that uniquely meet the particular interests or needs of a generational target.

Race and Culture – Multicultural marketing is an approach recognizing that different ethnic and cultural segments have sufficiently different needs and wants to require targeted marketing activities, and that a mass market approach is not refined enough for the diversity of the marketplace. The norms, language nuances, buying habits, and business practices of multicultural markets need to be factored into the initial formulation of a marketing strategy, rather than added as an afterthought. All this diversity also has implications for marketing research; it takes careful sampling to adequately profile target markets. Multicultural marketing can result in different marketing messages, media, channels, and so on. Specialized media exists to reach virtually any cultural segment or minority group, though some companies have struggled to provide financial and management support for fully realized programs.

Psychographic Segmentation

Psychographics is the science of using psychology and demographics to better understand consumers. In psychographic segmentation, buyers are divided into different groups on the basis of psychological/personality traits, lifestyle, or values. People within the same demographic group can exhibit very different psychographic profiles.

One of the most popular commercially available classification systems based on psychographic measurements is Strategic Business Insight's (SBI) VALS™ framework. VALS, signifying values and lifestyles, classifies adults into eight primary groups based on responses to a questionnaire featuring 4 demographic and 35 attitudinal questions (see Figure 6.1).

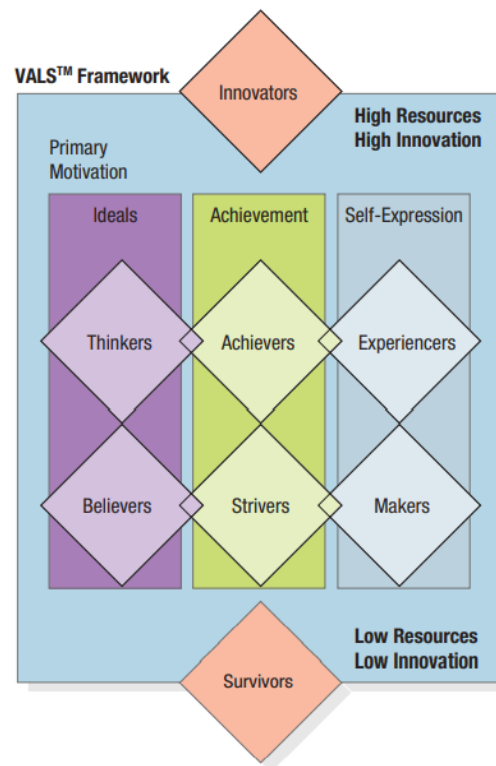


Figure 6.1: The VALS Segmentation System: An Eight-Part Typology

The main dimensions of the VALS segmentation framework are consumer motivation (the horizontal dimension) and consumer resources (the vertical dimension). Consumers are inspired by one of three primary motivations: ideals, achievement, and self-expression. Those primarily motivated by ideals are guided by knowledge and principles. Those motivated by achievement look for products and services that demonstrate success to their peers. Consumers whose motivation is self-expression desire social or physical activity, variety, and risk. Personality traits such as energy, self-confidence, intellectualism, novelty seeking, innovativeness, impulsiveness, leadership, and vanity—in conjunction with key demographics—determine an individual's resources. Different levels of resources enhance or constrain a person's expression of his or her primary motivation.

The four groups with higher resources are:

1. Innovators—Successful, sophisticated, active, “take-charge” people with high self-esteem. Purchases often reflect cultivated tastes for relatively upscale, niche-oriented products and services.
2. Thinkers—Mature, satisfied, and reflective people motivated by ideals and who value order, knowledge, and responsibility. They seek durability, functionality, and value in products.
3. Achievers—Successful, goal-oriented people who focus on career and family. They favor premium products that demonstrate success to their peers.
4. Experiencers—Young, enthusiastic, impulsive people who seek variety and excitement. They spend a comparatively high proportion of income on fashion, entertainment, and socializing.

The four groups with lower resources are:

1. Believers—Conservative, conventional, and traditional people with concrete beliefs. They prefer familiar, U.S.-made products and are loyal to established brands.

2. Strivers—Trendy and fun-loving people who are resource-constrained. They favor stylish products that emulate the purchases of those with greater material wealth.
3. Makers—Practical, down-to-earth, self-sufficient people who like to work with their hands. They seek U.S.-made products with a practical or functional purpose.
4. Survivors—Elderly, passive people concerned about change and loyal to their favorite brands.

Behavioral Segmentation

In behavioral segmentation, marketers divide buyers into groups on the basis of their knowledge of, attitude toward, use of, or response to a product.

Benefits sought – Consumers are divided based on the motivation they derive from their purchases. It is related to the perceived benefits they seek from product use.

Decision roles – people can be divided based on the five roles they play in a buying decision:

- Initiator, e.g. teachers or managers
- Influencer, e.g. friends or classmates
- Decider, e.g. parents or guardian
- Buyer, e.g. father or mother
- User, e.g. students

Occasions – Consumer purchases can occasionally be defined in terms of:

- The time of day, week, month, or year, or;
- Other well-defined temporal aspects of a consumer's life

User status – people can be segmented into: non-users, ex-users, potential users, first time users, and regular users of a product.

Usage Rate – Consumers can be segment into light, medium, and heavy product users. Heavy users are often a small slice but account for a high percentage of total consumption.

Buyer-Readiness Stage – Some people are unaware of the product, some are aware, some are informed, some are interested, some desire the product, and some intend to buy. To help characterize how many people are at different stages and how well they have converted people from one stage to another, marketers can employ a marketing funnel to break down the market into different buyer-readiness stages.

Loyalty Status Marketers usually envision four groups based on brand loyalty status:

- Hard-core loyals—Consumers who buy only one brand all the time
- Split loyals—Consumers who are loyal to two or three brands
- Shifting loyals—Consumers who shift loyalty from one brand to another
- Switchers—Consumers who show no loyalty to any brand

Attitude – Five consumer attitudes about products are enthusiastic, positive, indifferent, negative, and hostile.

6.2: MARKET TARGETING

Effective Segmentation Criteria

To be useful, market segments must rate favorably on five key criteria:

- **Measurable.** The size, purchasing power, and characteristics of the segments can be measured.
- **Substantial.** The segments are large and profitable enough to serve. A segment should be the largest possible homogeneous group worth going after with a tailored marketing program. It would not pay, for example, for an automobile manufacturer to develop cars for people who are less than four feet tall.
- **Accessible.** The segments can be effectively reached and served.
- **Differentiable.** The segments are conceptually distinguishable and respond differently to different marketing-mix elements and programs. If married and unmarried women respond similarly to a sale on perfume, they do not constitute separate segments.
- **Actionable.** Effective programs can be formulated for attracting and serving the segments.

POINTS TO PONDER

1. Target marketing includes three activities: market segmentation, market targeting, and market positioning. Market segments are large, identifiable groups within a market.
2. Two bases for segmenting consumer markets are consumer characteristics and consumer responses. The major segmentation variables for consumer markets are geographic, demographic, psychographic, and behavioral. Marketers use them singly or in combination.
3. To be useful, market segments must be measurable, substantial, accessible, differentiable, and actionable.

REFERENCES

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