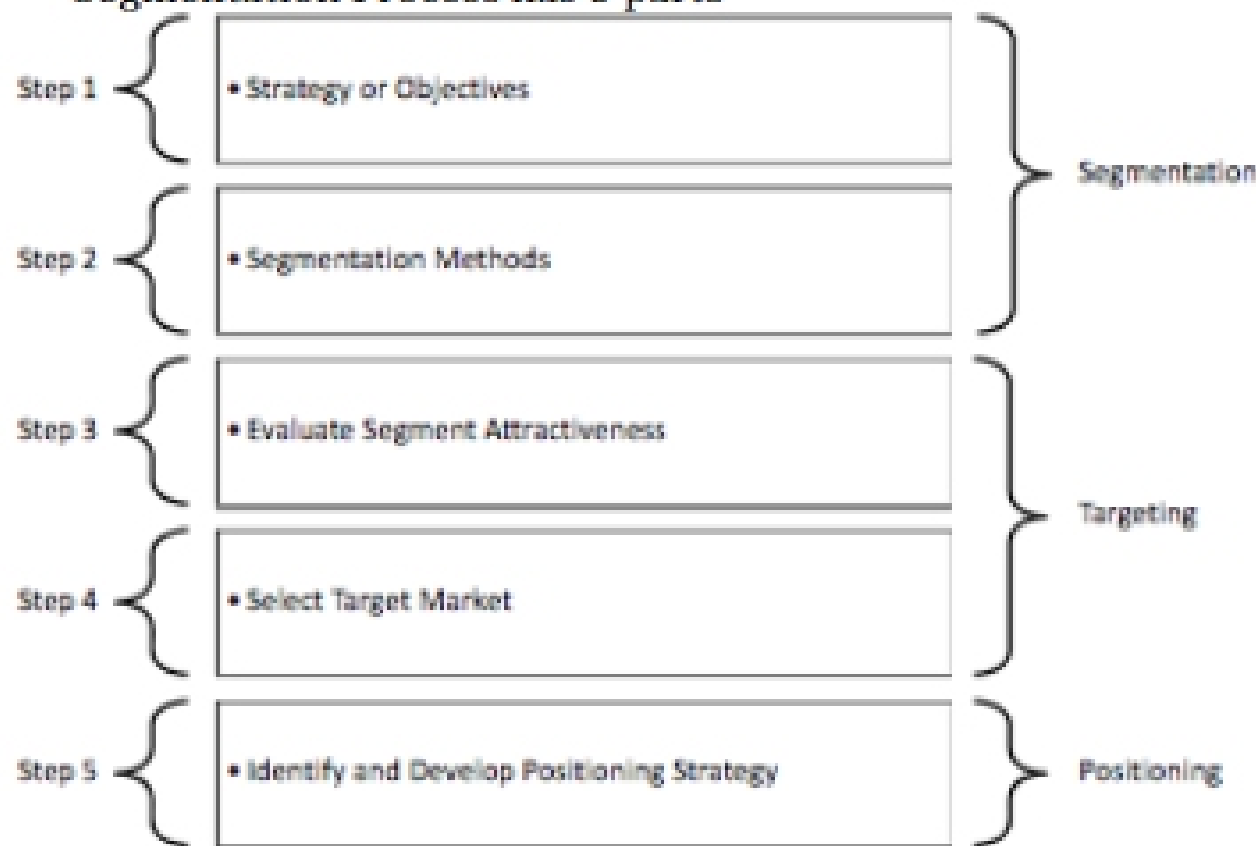


Chapter 9: Segmentation And Target Marketing

Segmentation

- Identifying and serving homogenous groups of consumers
- Segments = naturally existing groups of consumers with similar needs/wants and responses
- Target market = the segment you firm chooses to serve
- Segmentation Process has 3 parts



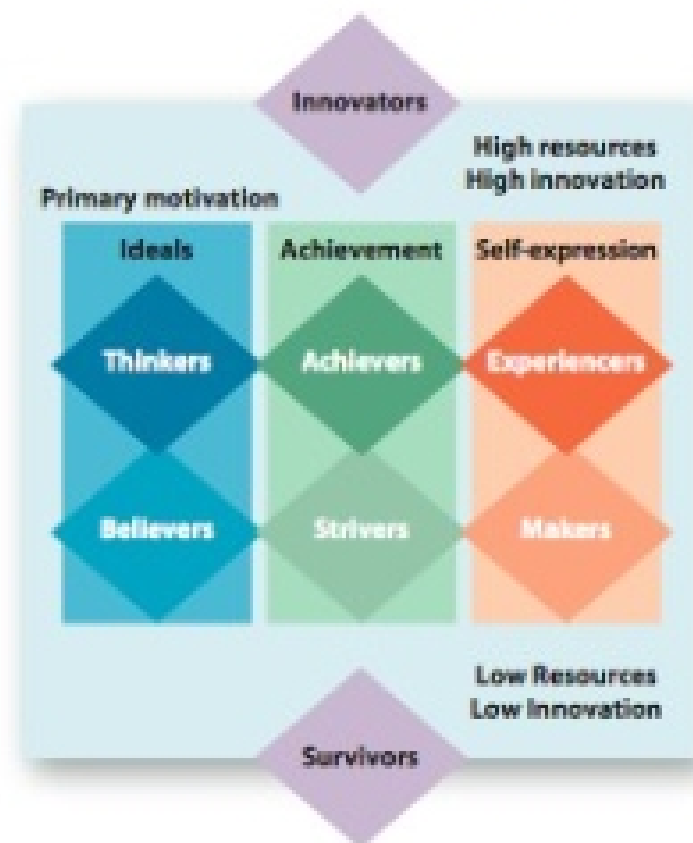
Step 1: Establish Overall Strategy or Objectives

- Derived from mission and current state
 - Strength, weaknesses, opportunities, and threat (SWOT)

Step 2: Segmentation Methods or Segmentation Variables

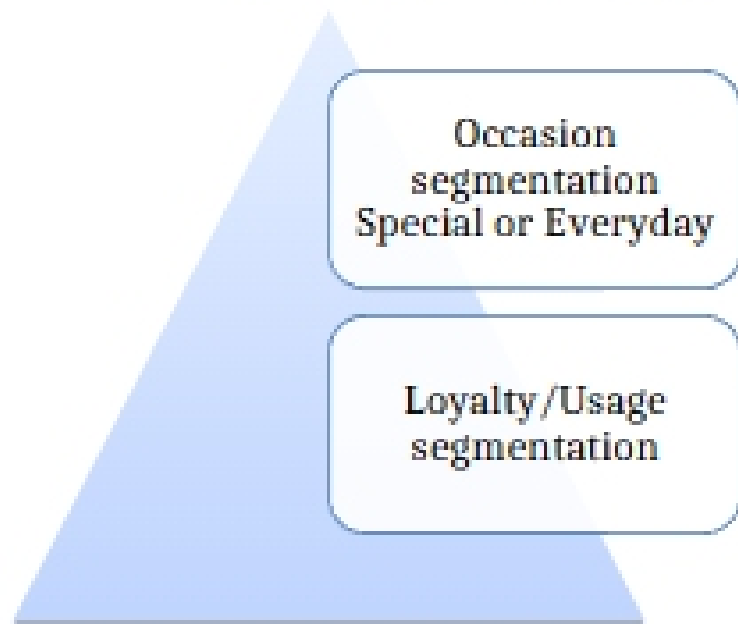
- Use particular method or combination of methods to segment the market
- Develops descriptions of the different segments,
 - Helps firms better understand the customer profiles in each segment
- **Geographic Segmentation**
 - Organizes customers into groups on the basis of where they live
 - A market could be grouped by country, region, or area within a region
 - Most useful for companies whose products satisfy need that vary by region
- **Demographic Segmentation**
 - Groups consumers according to easily measured, objective characteristic such as age, gender, income, and education
 - Most common segmentation strategy
- **Psychographic Segmentation**
 - Delves into how consumers actually describe themselves.

- Studies how people self-select, as it were, based on the characteristics of how they choose to occupy their time
- Self-value
 - Goals for life, not just the goals one wants to accomplish in a day
 - Overriding desires that drive how a person lives his or her life
- Self-concept
 - Image people ideally have of themselves.
- Lifestyle
- **Values and Lifestyle Survey**
 - A commonly used psychographic segmentation scheme
 - VALS survey
 - Vertical dimension indicates level of resources, including income, education, health, energy level, and degree of innovativeness.
 - Horizontal dimension shows the segments' primary psychological motivation for buying



- **Benefit Segmentation**
 - Group of consumers on the basis of the benefits they derived from products or services
 - Different customers are seeking different benefits from same product category
 - Universities
 - Banks
 - Restaurants
- **Behavioral Segmentation**
 - Divides customers into groups on the basis of how they use the product or service
 - Occasion:

- Based on when a product or service is purchased or consumed
- Loyalty
 - Long known that it pays to retain loyal customers



- **Combination:**
 - Geodemographic Segmentation
 - A combination of geographic, demographic, and lifestyle characteristics to classify consumers
 - PRIZM (potential rating index by zip market)
 - Can identify 66 Geodemographic segments or neighborhoods
 - Particularly useful for retailers because customers typically patronize stores close to their neighborhood.

Step 3: Evaluate Segment Attractiveness

