

## Exam 2 Outline (9, 10, 11, 12, and 14)

### Chapter 9: Segmentation and Target Marketing:

#### The Segmentation, Targeting, and Positioning Process:

STP Process:

**Segmentation:** Identifying and serving homogenous groups of consumers

- Segments: Naturally existing groups of consumers with similar needs/wants and responses.
- Target Market: The segment your firm chooses to serve
- Segmentation has THREE parts
- Step One: Strategy or Objectives
- Derived from mission and current state
  - This step is used to articulate the vision or objectives of the company's marketing strategy clearly.
  - The segmentation strategy must be consistent with and derived from the firm's mission and objectives as well as its current situation (SWOT)
  - EX: Coca-Cola's objective is to increase sales in a mature industry. (SWOT) --
    - Strengths: are its brand name and ability to place new products on retailers' shelves
    - Weakness: is that it may not have a product line for newer market segments.
    - Opportunity: identifying the potentially large and profitable market segment, before their competition.
    - Threats: Competitive retaliation
- Step Two: Segmentation Methods
- This step develops descriptions of the different segments, which helps firms better understand the customer profiles in each segment.
- Marketers use geographic, demographic, psychographic, benefits, and behavioral segmentation methods.
- EX: Soft drink marketers divide the carbonated beverage landscape into caffeinated and decaffeinated, regular (with sugar) or diet, and cola versus something else.
- This segmentation method is based on the benefits that customers derive from the products.

#### 1. Geographic Segmentation:

- Organizes customers into groups depending on where they live.
- Markets can be grouped by: country, region (northeast, southeast), or areas within the region (state, city, zip code).
- Better marketers make adjustments to meet the needs of smaller geographic groups.
- EX: Grocery stores like Kroger or Safeway have stores all over the US, but a percentage of the assortment of goods will vary by region, city or even neighborhood depending on the different needs of the customers who surround each location.

#### 2. Demographic Segmentation:

- \*Most common segmentation strategy

- Groups consumers according to easily measured, objective characteristics such as age, gender, income, and education. These variables represent the most common means to define segments because they are easy to reach.
- EX: Kellogg's uses age segmentation for its breakfast cereals: Cocoa Krispies and Fruit Loops for kids, Special K and All-Bran are for adults.
- Gender plays an important role in how firms market products and services. EX: TV viewing habits vary a lot between men and women. Men tend to channel surf, and women tend to watch shows they can personally relate to the plot.
- Demographics may not be useful for defining the target segments for other companies. They are poor predictors of the users of active wear.

### 3. Psychographic Segmentation:

- The one that searches how consumers actually describe themselves.
- Usually marketers determine (through demographics, buying patterns, or usage) into which segment an individual consumer falls.
- Psychographics studies how people self-select, as it were, based on the characteristics of how they choose to occupy their time (behavior) and what underlying psychological reasons determine those choices.
- EX: A person may have a strong need for inclusion or belonging, which motivates him or her to seek out activities that involve others, which in turn influences the products he or she buys to fit in with the group.
- Determining psychographics involves knowing and understanding three components: self-values, self-concept, and lifestyles.
  - Self-Values:** Goals for life. Overriding desires that drive how someone lives their life.
    - EX: The need for self-respect, self-fulfillment, or a specific sense of belonging
    - From a marketing point of view, self-values help determine the benefits the target market may be looking for in a product.
  - Self-Concept:** the image people ideally have of themselves.
    - EX: A person who has a goal to belong may see, or want to see, himself as a fun loving person people want to be around.
    - Marketers often make use of this self-concept through communications that show their products being used by groups of laughing people who are having a good time. Hoping the consumer will see a lifestyle they are seeking.
  - Lifestyles:** The way a person lives their life to achieve goals
    - EX: Most famous is the "Harley way of life." The open road, wind in your hair, rebelling against conventions.
    - Because people perceive that image differently Harley has shifted their STP methods into four main target

markets: core (white men over 35), young adults (both genders, 18-34), women (white and older than 35), and diverse (men and women, African American and Hispanic, over 35).

-**Value and Lifestyle Survey (VALS):** the most widely used tool to support psychographic segmentation efforts. Owned and operated by Strategic Business Insights (SBI).

#### **4. Benefit Segmentation:**

-Different customers are seeking different benefits from same product category.

-Dividing the market into segments whose needs and wants are best satisfied by the product benefits can be a very powerful tool.

-Hollywood is a constant and effective practitioner of benefit segmentation.

-EX: Universities, Banks and Restaurants

#### **5. Behavioral Segmentation:**

-Divides customers into groups on the basis of how they use the product or service. Some common behavioral measures include occasion and loyalty.

-**Occasion:** Behavioral segmentation based on when a product or service is purchased or consumer. (special or everyday?)

-EX: Men's warehouse uses occasion segmentation to develop merchandise selection and promotions. Depending on if a man needs a suit for everyday work or a special occasion.

-**Loyalty:** Strategy of investing in loyalty initiatives to retain the firm's most profitable customers.

-Loyal customers are those who feel so strongly that the firm can meet their relevant needs best that any competitors are virtually excluded from their consideration.

-**Geodemographic Segmentation:** uses a combination of geographic, demographic, and lifestyle characteristics to classify consumers. ("birds of a feather flock together")

### **Targeting**

#### **-Step Three: Evaluate Segment Attractiveness:**

-Involves evaluating the attractiveness of the various segments.

-**Identifiable:** Who is in the market? Are the segments unique? Does each segment require a unique marketing mix?

-Firms must be able to identify who is within their market to be able to design products or services to meet their needs.

-Important to make sure segments are distinct from one another because too much overlap between segments means that distinct marketing strategies aren't necessary to meet segment members' needs.

-**Substantial:**