Chapter 7
Identifying Market Segments and Targets

Marketing Management Process

1. Situation Analysis
   - Customer Analysis
   - Competitor Analysis
   - Company Analysis

2. Establish Strategic Direction
   - Segmentation and Targeting
   - Positioning
   - Differentiation

3. Formulate Marketing Strategy (The Marketing Mix)
   - Product
   - Price
   - Place (Distribution)
   - Promotion (Communication)

4. Implementation and Review
   - Operational Objectives
   - Benchmarks
   - Performance Monitoring and Evaluation
Chapter Questions

- Why segmentation?
- Preference Patterns
- Steps in segmentation process
- Criteria of effective segmentation
- Bases of Consumer Market Segments:
- Bases of Business Market Segments:
- Patterns of Target Market Selection
- Targeting multiple segments

Target Marketing Requires That Marketers...

- Identify and profile distinct groups of buyers who differ in their needs and preferences (market segmentation).
- Select one or more segments to enter (market targeting).
- Establish and communicate the offering's distinctive benefit(s) to each target segment (marketing positioning).

Levels of Market Segmentation

- Segment marketing:
- Niche marketing: 1Up.com
- Local marketing: banks do it
- Individual marketing
Effective Segmentation Criteria

- Measurable
- Substantial
- Accessible
- Differentiable
- Actionable

Steps in Market Segmentation, Targeting, and Positioning

1. Identify segmentation variables and segment the market
2. Develop profiles of resulting segments
3. Evaluate attractiveness of each segment
4. Select the target segment(s)
5. Identify possible positioning concepts for each target segment
6. Select, develop, and communicate the chosen positioning concept

Bases for Segmenting Consumer Markets

- Geographic: Region, City or Metro, Size, Density, Climate
- Demographic: Age, Gender, Family size, and Life cycle, Race, Occupation, or Income...
- Psychographic: Lifestyle or Personality
- Behavioral: Occasions, Benefits, Uses, or Attitudes
VALS2™ classifies U.S. adults into eight psychographic groups

<table>
<thead>
<tr>
<th>Primary Motivation</th>
<th>Actualizers (Innovators)</th>
<th>Abundant resources</th>
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<tbody>
<tr>
<td>Principle oriented</td>
<td>Status oriented (Achievement)</td>
<td>Action oriented (Self-Expression)</td>
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<td>Fullfilleds (Thinkers)</td>
<td>Achievers</td>
<td>Experiencers</td>
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<td>Believers</td>
<td>Strivers</td>
<td>Makers</td>
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<td>Strugglers (Survivors)</td>
<td>Quality/values</td>
<td>Brand Names</td>
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</tbody>
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Segmenting Business Markets:

Bases for Segmentation

- Operating variables: technology, user or non-user status, customer capabilities
- Situational factors: urgency, specific application, size of order
- Personal characteristics: buyer-seller similarity, risk attitude, loyalty
- Demographic variables: industry, company size, location

Evaluating and Selecting Market Segments

- Must look at two factors:
  - Segment’s overall attractiveness
  - Company’s objectives and resources
Market Targeting Strategies: Patterns of Target Market Selection

<table>
<thead>
<tr>
<th>Single-segment concentration</th>
<th>Selective specialization</th>
<th>Product specialization</th>
<th>Market specialization</th>
<th>Full-market coverage</th>
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<tbody>
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Why multiple segments?

Full Market Coverage

- Undifferentiated marketing—firm goes after the whole market with one market offering.
- Differentiated marketing—operate in several market segments and design different programs for each segment.