Segmentation and Targeting

**Segmentation**: Represents an effort to identify and categorize groups of customers and countries according to common characteristics within the segment (differences between segments).

**Targeting**: The process of evaluating segments and focusing marketing efforts on a country, region, or group of people that has significant potential to respond.

Contrasting views of global segmentation

**Conventional Wisdom**
- Assumes heterogeneity between countries
- Assumes homogeneity within a country
- Focuses on macro level cultural differences
- Relies on clustering of national markets
- Less emphasis on within-country segments

**Unconventional Wisdom**
- Assumes emergence of segments that transcend national boundaries
- Recognizes existence of within-country differences
- Emphasizes micro-level differences
- Segments micro markets within and between countries
Global Market Segmentation

- Demographics
- Psychographics
- Behavioral Characteristics
- Benefits sought

Demographic Segmentation

- Income
- Populations
- Age distribution
- Gender
- Education
- Occupation

What are the trends?

Demographic facts and trends

- A widening age gap exists between the older populations in the West and the large working-age populations in developing countries
- In the European Union, the number of consumers aged 16 and under is rapidly approaching the number of consumers aged 60-plus
- Asia is home to 500 million consumers aged 16 and under
- Half of Japan’s population will be age 50 or older by 2025
Demographic facts and trends
- America’s three main ethnic groups—African/Black Americans, Hispanic Americans, and Asian Americans—represent a combined annual buying power of $1 trillion
- The United States is home to 28.4 million foreign-born residents with a combined income of $233 billion
- By 2030, 20 percent of the U.S. population—70 million Americans—will be 65 or older versus 13 percent (36 million) today
- India has the youngest demographic profile among the world’s large nations: More than half its population is under the age of 25

Segmenting by Income and Population
- Income is a valuable segmentation variable
  - 75% of world GNP is generated in the Triad
  - 13% of the world’s population is in the Triad
- Do not read into the numbers
  - Some services are free in developing nations so there is more purchasing power
- For products whose price is low enough population is a more important variable

Per Capita Income

<table>
<thead>
<tr>
<th>2003 Per Capita Income</th>
<th>2003 Income Adjusted for Purchasing Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Japan</td>
<td>$40,986</td>
</tr>
<tr>
<td>2. Luxembourg</td>
<td>$40,947</td>
</tr>
<tr>
<td>3. Norway</td>
<td>$39,768</td>
</tr>
<tr>
<td>4. Switzerland</td>
<td>$36,947</td>
</tr>
<tr>
<td>5. United States</td>
<td>$36,693</td>
</tr>
<tr>
<td>6. Denmark</td>
<td>$32,119</td>
</tr>
<tr>
<td>7. Ireland</td>
<td>$31,163</td>
</tr>
<tr>
<td>8. Sweden</td>
<td>$26,615</td>
</tr>
<tr>
<td>9. Singapore</td>
<td>$26,362</td>
</tr>
<tr>
<td>10. Hong Kong, China</td>
<td>$24,421</td>
</tr>
<tr>
<td>11. Canada</td>
<td>$26,647</td>
</tr>
<tr>
<td>12. Ireland</td>
<td>$30,367</td>
</tr>
<tr>
<td>13. Belgium</td>
<td>$29,166</td>
</tr>
<tr>
<td>14. Switzerland</td>
<td>$27,950</td>
</tr>
<tr>
<td>15. Japan</td>
<td>$27,738</td>
</tr>
<tr>
<td>16. Canada</td>
<td>$26,647</td>
</tr>
<tr>
<td>17. Ireland</td>
<td>$26,647</td>
</tr>
</tbody>
</table>
10 Most Populous Countries

<table>
<thead>
<tr>
<th>#</th>
<th>Country</th>
<th>2000 Population</th>
<th>Percent of World Population</th>
<th>Projected Population 2050</th>
<th>Per Capita GDP</th>
<th>Percent of World GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>1,370,416</td>
<td>18.00</td>
<td>1,609,589</td>
<td>8,997</td>
<td>14.83</td>
</tr>
<tr>
<td>2</td>
<td>India</td>
<td>1,250,000</td>
<td>17.64</td>
<td>1,323,500</td>
<td>489</td>
<td>11.15</td>
</tr>
<tr>
<td>3</td>
<td>USA</td>
<td>286,869</td>
<td>4.00</td>
<td>311,270</td>
<td>36,541</td>
<td>8.31</td>
</tr>
<tr>
<td>4</td>
<td>Indonesia</td>
<td>235,013</td>
<td>3.34</td>
<td>297,543</td>
<td>2,268</td>
<td>2.49</td>
</tr>
<tr>
<td>5</td>
<td>Brazil</td>
<td>178,119</td>
<td>2.57</td>
<td>210,667</td>
<td>4,343</td>
<td>1.14</td>
</tr>
<tr>
<td>6</td>
<td>Russia</td>
<td>152,817</td>
<td>2.16</td>
<td>171,337</td>
<td>6,766</td>
<td>1.10</td>
</tr>
<tr>
<td>7</td>
<td>Japan</td>
<td>147,509</td>
<td>2.07</td>
<td>151,485</td>
<td>25,037</td>
<td>3.04</td>
</tr>
<tr>
<td>8</td>
<td>Bangladesh</td>
<td>126,467</td>
<td>1.77</td>
<td>136,550</td>
<td>200</td>
<td>0.35</td>
</tr>
<tr>
<td>9</td>
<td>Nigeria</td>
<td>117,672</td>
<td>1.65</td>
<td>127,270</td>
<td>41,193</td>
<td>1.04</td>
</tr>
<tr>
<td>10</td>
<td>Japan</td>
<td>128,304</td>
<td>1.81</td>
<td>132,011</td>
<td>26,677</td>
<td>1.54</td>
</tr>
</tbody>
</table>

Age Segmentation

- Global Teens – young people between the ages of 12 and 19
  - A group of teenagers randomly chosen from different parts of the world will share many of the same tastes
- Global Elite – affluent consumers who are well traveled and have the money to spend on prestigious products with an image of exclusivity

Psychographic Segmentation

- Grouping people according to attitudes, value, and lifestyles
  - SRI International and VALS 2
- Porsche example
  - Top Guns (27%): Ambition, power, control
  - Elitists (24%): Old money, car is just a car
  - Proud Patrons (23%): Car is reward for hard work
  - Bon Vivants (17%): Car is for excitement, adventure
  - Fantasists (9%): Car is form of escape
Psychographic Segmentation

- The Euroconsumer:
  - Successful Idealist – Comprises from 5% to 20% of the population, consists of persons who have achieved professional and material success while maintaining commitment to abstract or socially responsible ideals
  - Affluent Materialist – Status-conscious ‘up-and-comers’ – many of whom are business professionals – use conspicuous consumption to communicate their success to others
  - Comfortable Belongers – Comprising from 25% to 50% of a country’s population, they are conservative and most comfortable with the familiar. They are content with the comfort of home, family, friends, and community
  - Disaffected Survivors – Lacking power and affluence, this segment harbors little hope for upward mobility and tends to be either resentful or resigned. They are concentrated in high-crime urban inner city neighborhoods. Despite a lack of social status, their attitudes nevertheless tend to affect the rest of society

<table>
<thead>
<tr>
<th>Segment</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affluent</td>
<td>High-income consumers</td>
</tr>
<tr>
<td>CE Alphas</td>
<td>Early adopters of high-tech consumer electronics product, irrespective of age</td>
</tr>
<tr>
<td>Zoomers</td>
<td>Age 55+</td>
</tr>
<tr>
<td>Solos</td>
<td>Small office/home office</td>
</tr>
<tr>
<td>Families</td>
<td>Ages 35 to 54</td>
</tr>
<tr>
<td>Young professionals/D.U.N.K.S.</td>
<td>Young income no kids, ages 25 to 34</td>
</tr>
<tr>
<td>Gen Y</td>
<td>Under 25 (includes teens, teens, college students)</td>
</tr>
</tbody>
</table>

Behavior Segmentation

- How much they use it
- How often they use it
- User status
- Law of disproportionality/Pareto’s Law – 80% of a company’s revenues are accounted for by 20% of the customers
Benefit Segmentation

- Benefit segmentation focuses on the value equation
  - Value = Benefits / Price
- Based on understanding the problem a product solves, the benefit it offers, or the issue it addresses

Ethnic Segmentation

- The population of many countries includes ethnic groups of significant size
- 3 main groups in the US include: African-Americans, Asian-Americans, and Hispanic Americans
  - Mexican households in California have after-tax income of $100 billion, half the total of all Mexican Americans.
  - The number of Hispanic teens is projected to swell from 12 percent of the U.S. teen population to 18 percent in the next decade.

Assessing Market Potential

- Be mindful of the pitfalls
  - Tendency to overstate the size and short-term attractiveness of individual country markets
  - The company doesn’t want to ‘miss-out’ on a strategic opportunity
  - Management’s network of contacts will emerge as a primary criterion for targeting
Assessing Market Potential

- Three basic criteria
  - Current size and growth potential
  - Competition’s strengths and vulnerability
  - Compatibility with the company’s overall objectives/feasibility of reaching a designated target: adaptation, trade barriers, currency fluctuation, raw materials

Framework for Selecting Target Markets

- Demographic information is a starting point but not the decision factor
- Product-Market must be considered
  - Market defined by product category
- Marketing model drivers must be considered
  - Factors required for a business to take root and grow
- Are there any enabling conditions present?
  - Conditions whose presence or absence will determine success of the marketing model

9 Questions

- Who buys our product?
- Who does not buy it?
- What need or function does it serve?
- Is there a market need that is not being met by current product/brand offerings?
- What problem does our product solve?
- What are customers buying to satisfy the need for which our product is targeted?
- What price are they paying?
- When is the product purchased?
- Where is it purchased?
Target Market Strategy Options

- Standardized global marketing
  - Mass marketing on a global scale
  - Undifferentiated target marketing
- Concentrated global marketing
  - Niche marketing
  - Single segment of global market
- Differentiated global marketing
  - Multi-segment targeting
  - Two or more distinct markets

Positioning

- Locating a brand in consumers’ minds over and against competitors in terms of attributes and benefits that the brand does and does not offer
  - Attribute or Benefit
  - Quality and Price
  - Use or User
  - Competition

Positioning Strategies

- Global consumer culture positioning
  - Identifies the brand as a symbol of a particular global culture or segment
- Foreign consumer culture positioning
  - Associates the brand’s users, use occasions, or product origins with a foreign country or culture