Identifying Market Segments and Targets

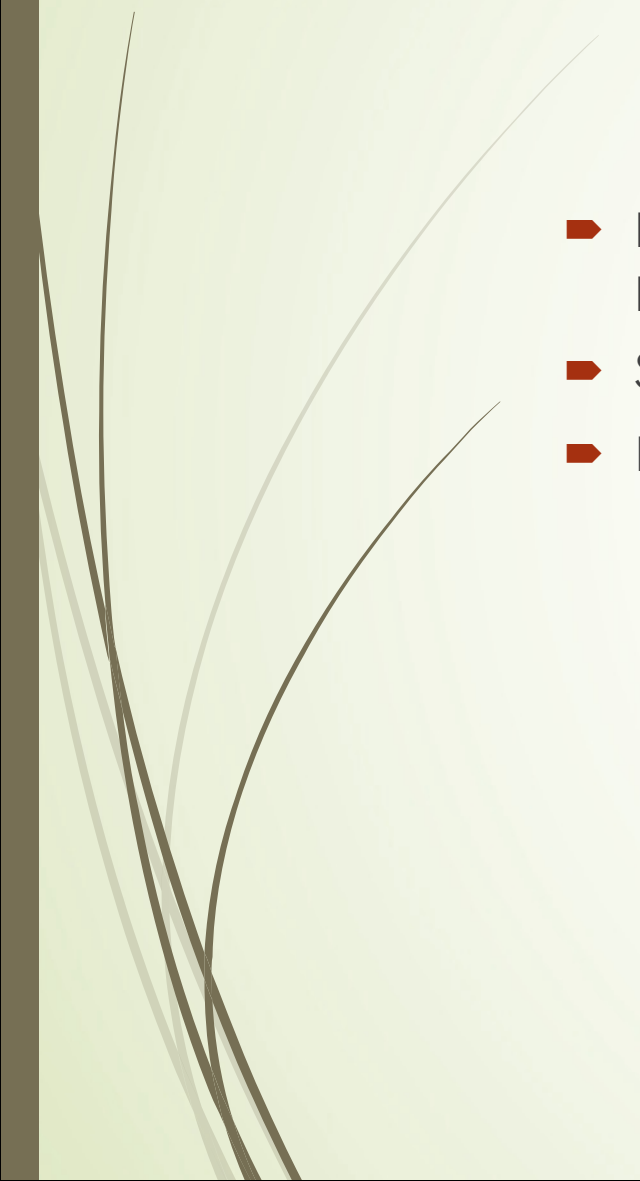*Balachandar Kaliappan*
Head of Research
Plant-A Insights Group

Chapter Questions

- What are the different levels of market segmentation?
- How can a company divide a market into segments?
- How should a company choose the most attractive target markets?
- What are the requirements for effective segmentation?

Effective Targeting Requires…

- Identify and profile distinct groups of buyers who differ in their needs and preferences

- Select one or more market segments to enter

- Establish and communicate the distinctive benefits of the market offering

Ford's Model T Followed a Mass Market Approach

Four levels of Micromarketing

Segments

Niches

Local areas

Individuals

What is a Market Segment?

A **market segment** consists of a group of customers who share a similar set of needs and wants.

Gather.com: A Niche Social Networking Site

Flexible Marketing Offerings

▶**Naked solution**: Product and service elements that all segment members value

▶**Discretionary options**: Some segment members value options but not all

Preference Segments

- **Homogeneous preferences** exist when consumers want the same things
- **Diffused preferences** exist when consumers want very different things
- **Clustered preferences** reveal natural segments from groups with shared preferences

Niche Marketers

Enterprise Rent-A-Car targets the insurance-replacement market

Baskin Robbins Focuses on Local Marketing

The Long Tail

- Chris Anderson explains the long tail equation:

  - The lower the cost of distribution, the more you can economically offer without having to predict demand;

  - The more you can offer, the greater the chance that you will be able to tap latent demand for minority tastes; and

  - Aggregate enough minority taste, and you may find a new market.

What is Customerization?

Customerization combines operationally driven mass customization with customized marketing in a way that empowers consumers to design the product and service offering of their choice.

Segmenting Consumer Markets

Geographic

Demographic

Psychographic

Behavioral

Claritas' Prizm

- Education and affluence
- Family life cycle
- Urbanization
- Race and ethnicity
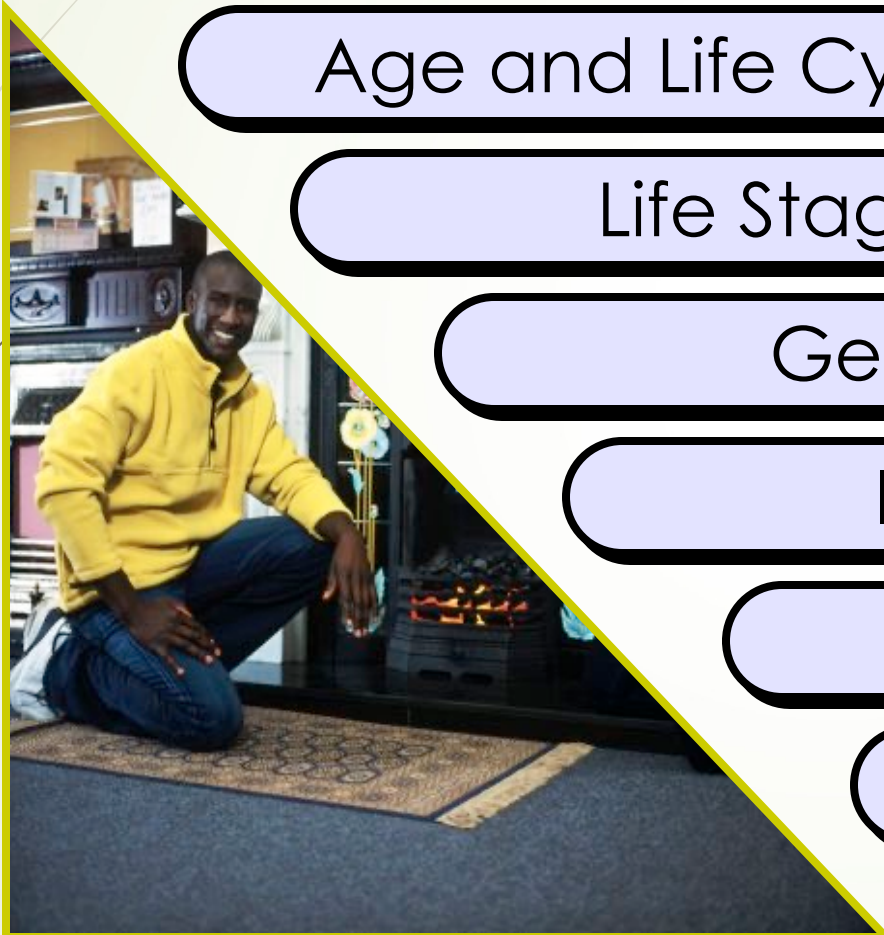- Mobility

Demographic Segmentation

- Age and Life Cycle
- Life Stage
- Gender
- Income
- Generation
- Social Class

Toyota Scion
Targets Gen Y Consumers

Dove Targets Women

Figure 8.1
The VALS Segmentation System
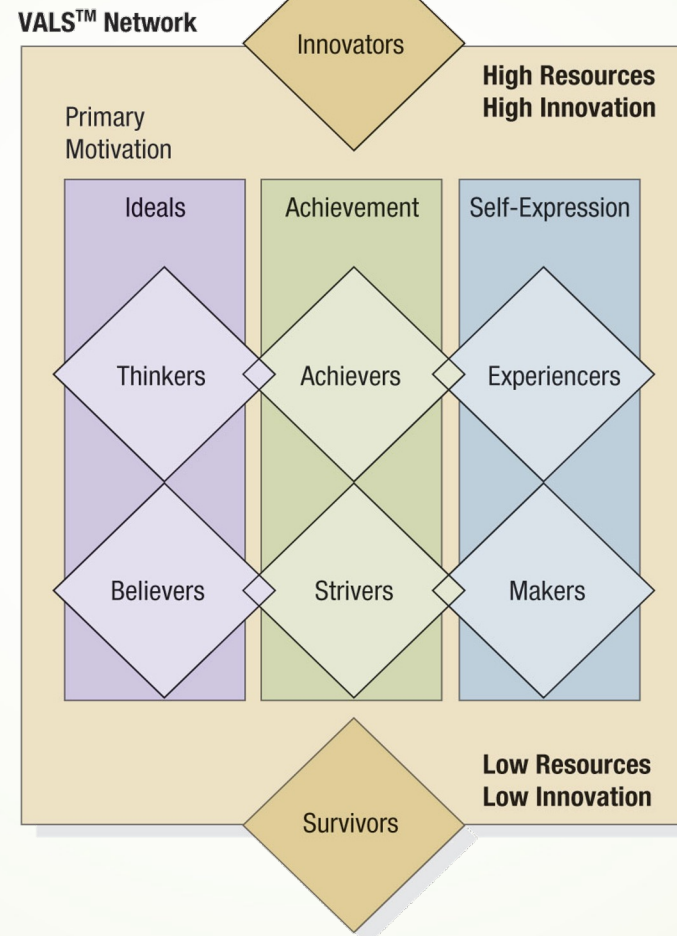
Behavioral Segmentation

Decision Roles

- Initiator
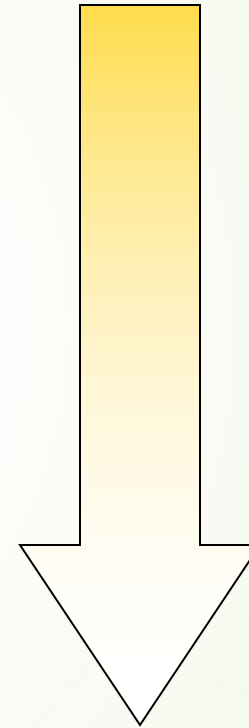- Influencer
- Decider
- Buyer
- User

Behavioral Variables

- Occasions
- Benefits
- User Status
- Usage Rate
- Buyer-Readiness
- Loyalty Status
- Attitude

The Brand Funnel Illustrates Variations in the Buyer-Readiness Stage

- Aware
- Ever tried
- Recent trial
- Occasional user
- Regular user
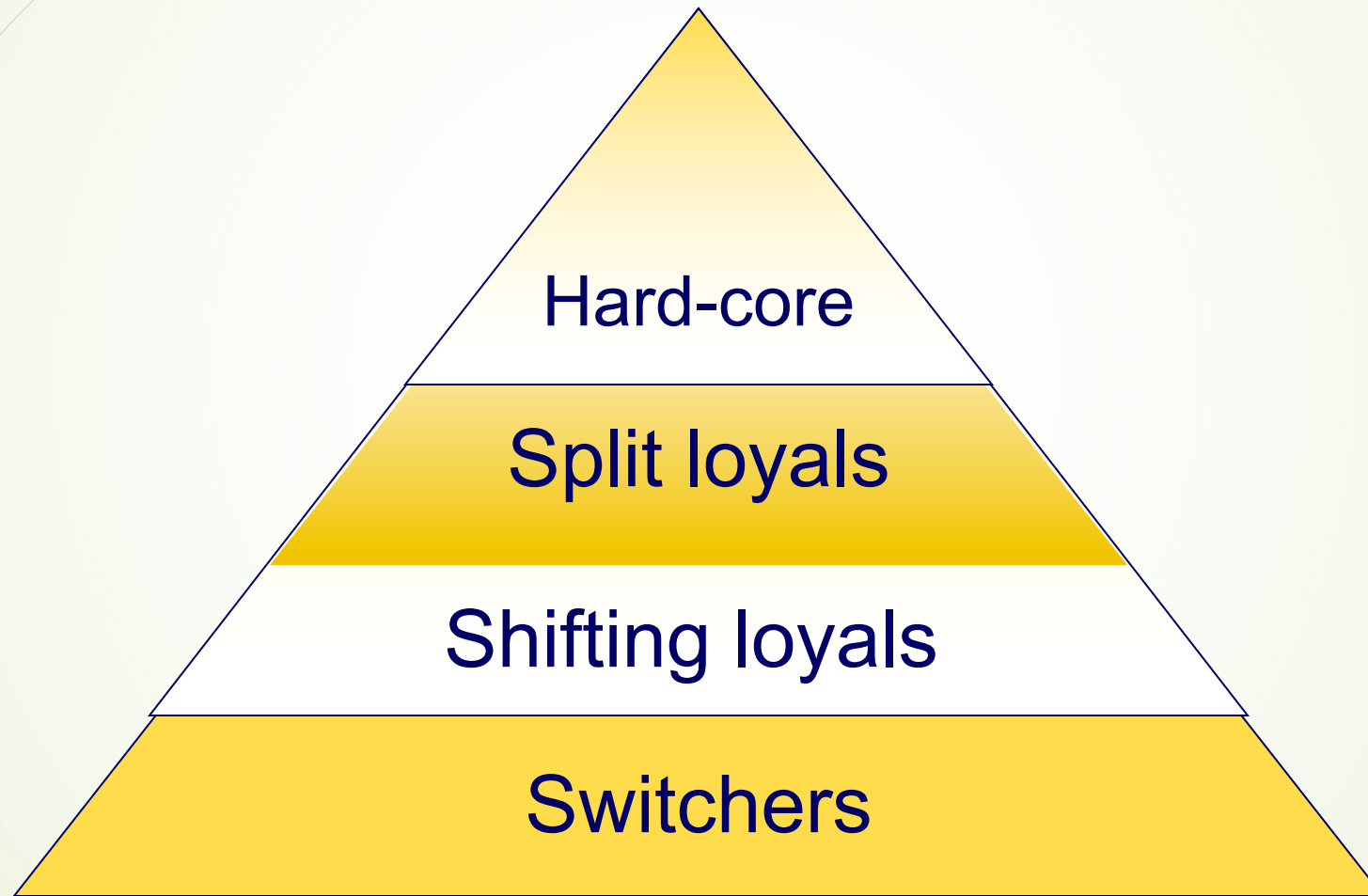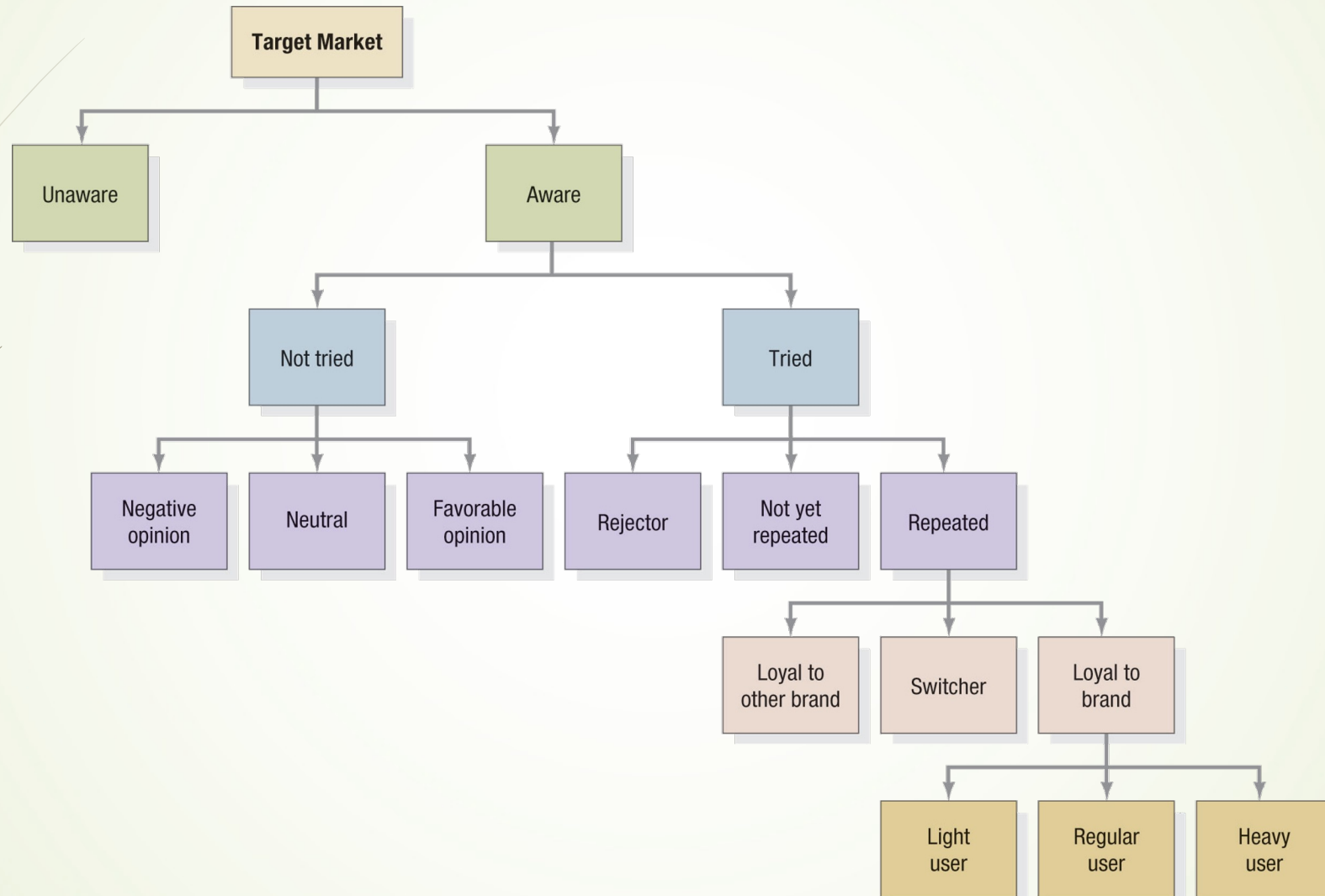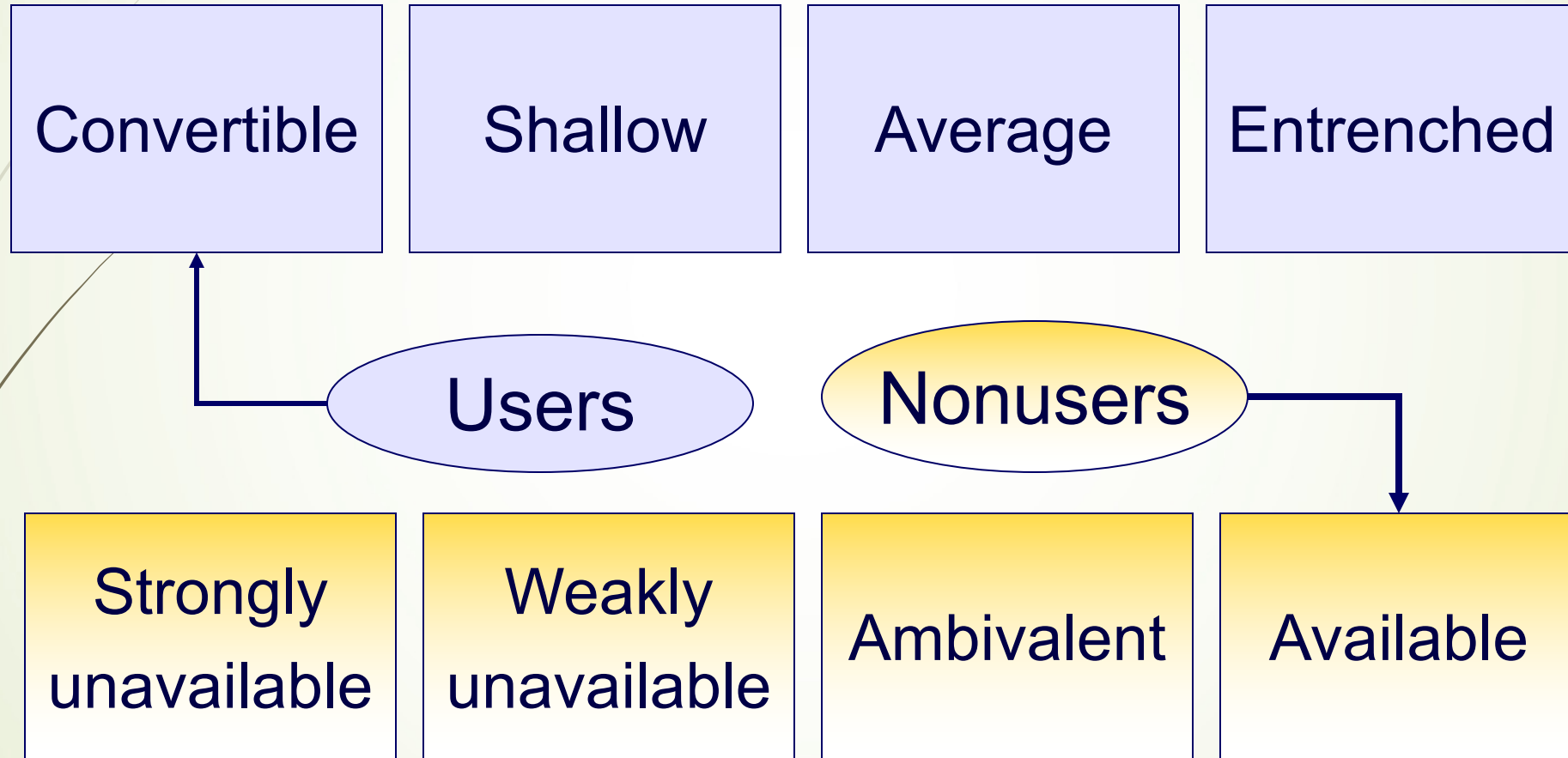- Most often used

Loyalty Status

Figure 8.3 Behavioral Segmentation Breakdown

The Conversion Model

Segmenting for Business Markets

- Demographic
- Operating Variable
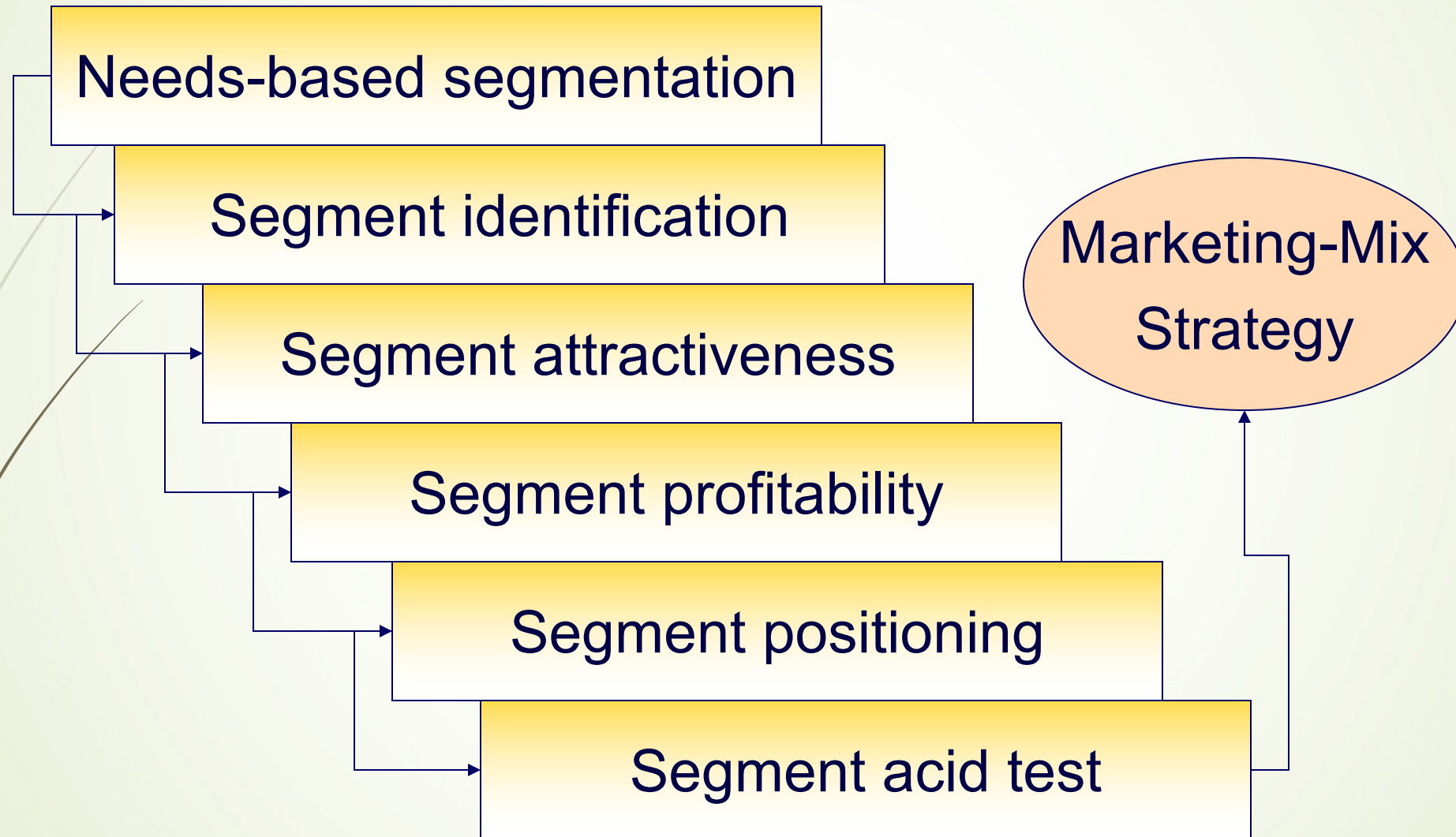- Purchasing Approaches
- Situational Factors
- Personal Characteristics

Steps in Segmentation Process

Needs-based segmentation

Segment identification

Segment attractiveness

Segment profitability

Segment positioning

Segment acid test

Marketing-Mix Strategy

Effective Segmentation Criteria

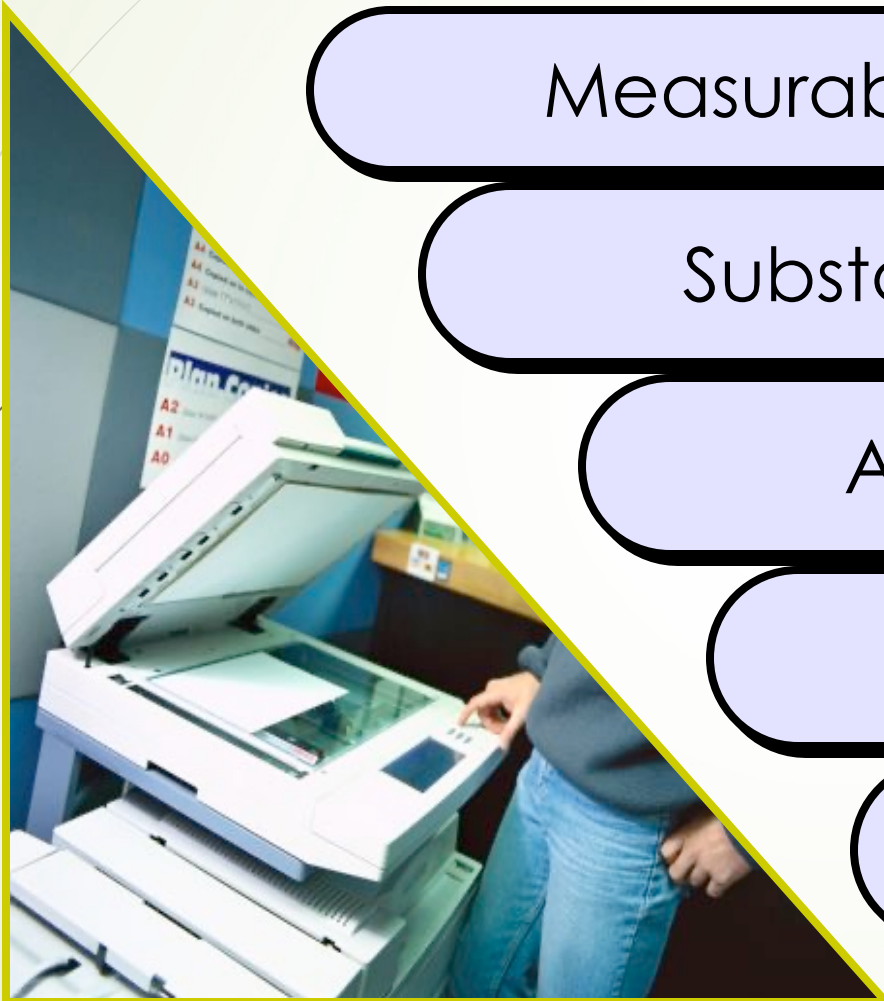- Measurable
- Substantial
- Accessible
- Differentiable
- Actionable

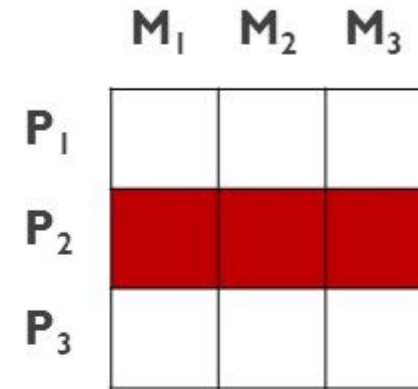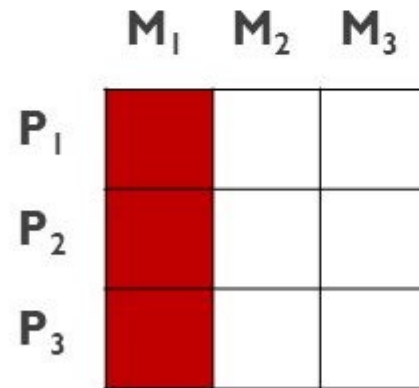# Figure 8.4 Patterns of Target Market Selection
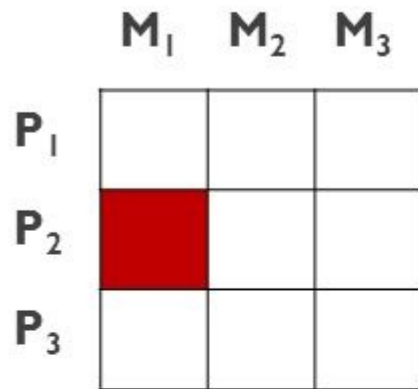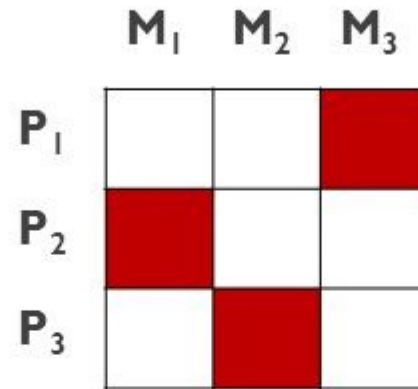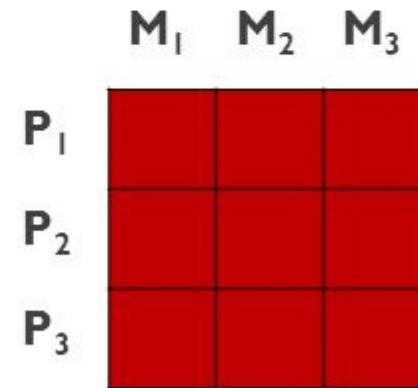
Crest Whitestrips Follows a Multisegment Strategy

Figure 8.5 Segment-by-Segment Invasion Plan
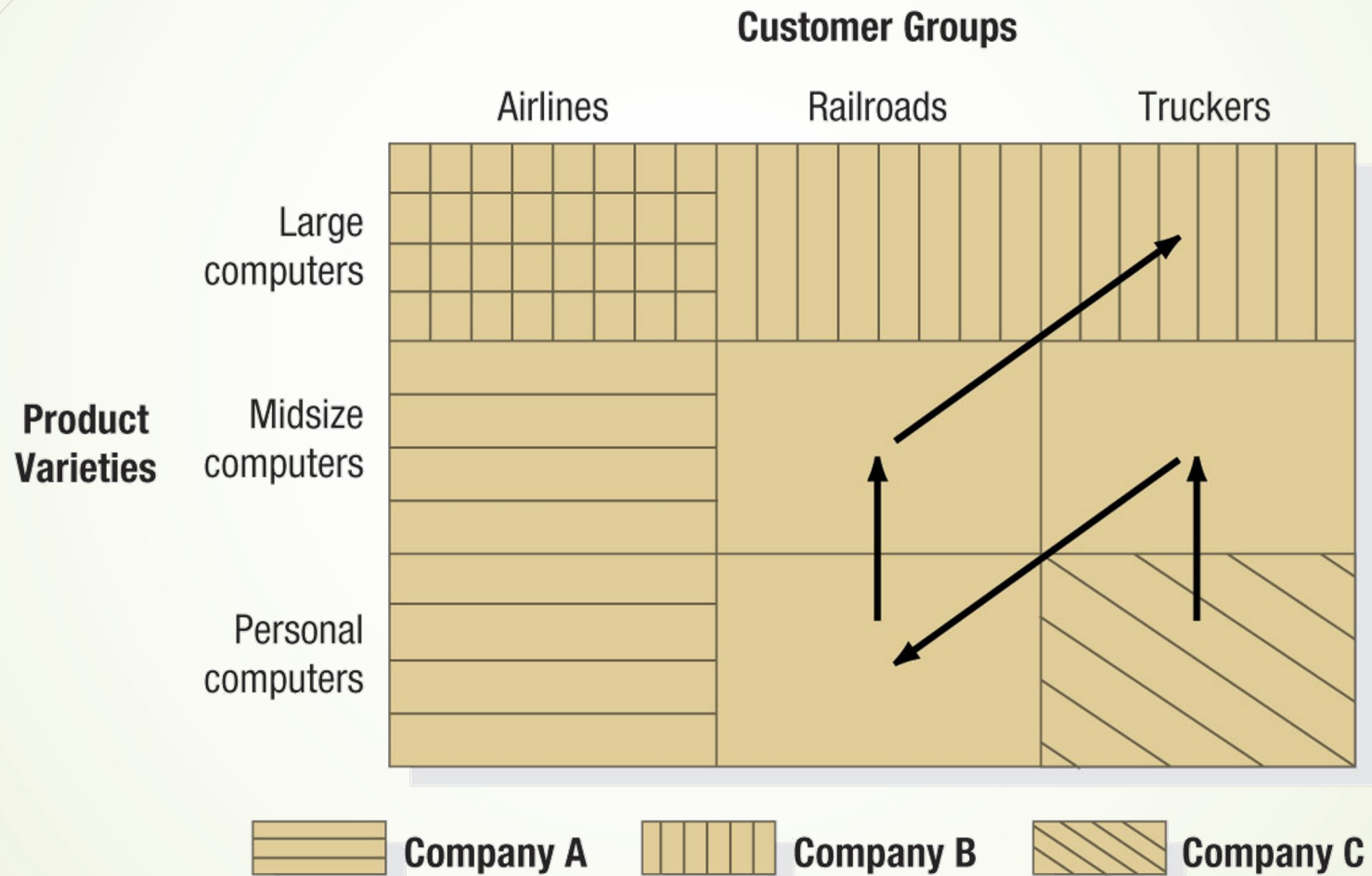
Pepsi used Megamarketing in India

Marketing strategy: Positioning

- Positioning defines where your product (item or service) stands in relation to others offering similar products and services in the marketplace as well as the mind of the consumer.

- Simply, it is the image that your create in the minds of your consumer.

➡ **Steps of the positioning process:**

1. Confirm your understanding of market dynamics

2. Identify your competitive advantages (price, features, and benefits)

3. Choose competitive advantages that define your market "niche" (perceptual map)

4. Define your positioning strategy (vs. competitors)

5. Communicate and deliver on the positioning strategy (positioning statement, sharing internally and externally)