CHAPTER EIGHT

MARKET SEGMENTATION, TARGETING, AND POSITIONING
CHAPTER OBJECTIVES

- Identify the essential components of a market
- Outline the role of market segmentation in developing a marketing strategy
- Describe the criteria necessary for effective segmentation
- Explain each of the four basis for segmenting consumer markets
- Identify the steps in the market segmentation process
- Discuss four alternative strategies for reaching target markets
- Summarize the types of positioning strategies and the purposes of positioning and repositioning products
TYPES OF MARKETS

- **Market**: people or institutions with sufficient purchasing power, authority, and willingness to buy
TYPES OF MARKETS

- **Consumer products**: goods or services purchased by an ultimate consumer for personal use

- **Business products**: goods or services purchased for use either directly or indirectly in the production of other goods and services for resale
**TYPES OF MARKETS**

- *Market Segmentation*: division of the total market into smaller, relatively homogeneous groups

- *Target market*: specific segment of consumers most likely to purchase a particular product
No Market Segmentation
Segmented by Sex
Segmented by Age
Geographic Segmentation

- *Geographic Segmentation:* Dividing an overall market into homogeneous groups on the basis of their locations
Using Geographic Segmentation

- Demand for some goods and services can vary according to the geographic region.
- Most major brands get 80 percent of their sales from what are called core regions.
- Climate is another important segmentation factor:
  - Northern consumers, for example, eat more soup than Southerners.
  - Southerners use more chlorine for their swimming pools than Northern residents.
- Pampers
  - This ad is an example of geographic segmentation.
  - When visiting the web site look for the different countries Pampers markets to.
Demographic Segmentation

- *Demographic segmentation*: dividing consumer groups according to characteristics such as sex, age, income, occupation, education, household size, and stage in the family life cycle.

- A primary source for demographic data and United States is the Bureau of Census.
Segmenting by gender

Marketers must ensure that traditional assumptions are not false. Other firms start by targeting one gender and then switch to both. To some companies, market successfully to both genders.
Segmenting by age

- Sociologists attribute different consumer needs and wants among various age groups to the *cohort effect*

- *Cohort effect* is a tendency among members of a generation to be influenced and drawn together by significant events occurring during their key formative years, roughly 17 to 22 years of age
Segmenting by Age

**Boomers**—People born from 1946 until 1965. Nearly 42 percent of U.S. adults were born in this period. Values of this age group were influenced both by the Vietnam War and the career-driven era. Baby boomers over the age of 50 will have a total disposable income of $1 trillion.
Family Life Cycle Stages Segmentation

- The process of family formation and dissolution.
- The underlying theme is that life stage, not age per se, is the primary determinant of many consumer purchases.
- Today, the average woman gives birth to two children.
- She usually has her children at a later age—about 35.
Psychographic Segmentation

- **Psychographic Segmentation**: dividing a population into groups that have similar psychological characteristics, values, and lifestyles.

- **Lifestyle**: people’s decisions about how to live their daily lives, including family, job, social, and consumer activities

- **AIO Statements**: statements in a psychographic survey, choices reflect a respondent’s activities, interests, and opinions
**Product-Related Segmentation**

<table>
<thead>
<tr>
<th>Product</th>
<th>Benefits</th>
<th>Usage Rates</th>
<th>Brand Loyalty</th>
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- *Product-related segmentation:* dividing a consumer population into homogeneous groups based on characteristics of their relationships to the product.

- Can take the form of segmenting based on:
  - *Benefits* that people seek when they buy
  - *Usage rates* for a product (80/20 Rule)
  - Consumers’ *brand loyalty* toward a product (Frequent Flyer Programs)
- **Eclipse**
  - Segmenting by Benefits Sought

*Nice Breath.*

*Zap garlic breath, onion breath, whatever-you-ate breath with new Eclipse sugarfree gum from Wrigley.*

![Image of person with garlic for a head holding Eclipse gum]
Criteria for Effective Segmentation

- Segment must present measurable purchasing power and size
- Marketers must be able to effectively promote to and serve the segment
- Segment must be sufficiently large enough for good profit potential
- Segment must match the firm’s marketing capabilities
STRATEGIES FOR REACHING TARGET MARKETS

- Undifferentiated marketing
- Differentiated marketing
- Concentrated marketing (niche marketing)
- Micromarketing
STRATEGIES FOR REACHING TARGET MARKETS: Selecting and Executing a Strategy

- **Positioning**: a marketing strategy that emphasizes serving a specific market segment by achieving a certain position in buyers’ minds.

- **Positioning map**: graphic illustration that shows differences in consumers’ perceptions of competing products.

- **Reposition**: marketing strategy to change the position of its product in consumers’ minds relative to the positions of competing products.
Hypothetical Competitive Positioning Map for Selected Retailers

- Saks Fifth Avenue
- Nordstrom
- Neiman Marcus
- Dillard’s
- Sears
- J.C. Penney
- Target
- Wal-Mart
- Kmart
- Dollar General
- Family Dollar
- Perceived Quality