



# MARKET SEMENTATION

Chapter 2.2

# LEARNING OUTCOMES

- Explain the concept of market segmentation.
- Analyze a target market.
- Differentiate between mass marketing and market segmentation.



# KNOWING YOUR MARKET

- The surest way for a business to make a connection with customers is to know these people well.
  - Where They Live
  - Income Level
  - Age
  - Ethnic Background
  - Activities
  - Values
  - Interests



# MARKET SEGMENTATION

- Classifying people who form a given market into even smaller groups
- See page 43 about jeans
- Gathering Data:
  - Companies study data generated by governments, private research firms, trade associations, and their own research.
  - US. Census data
    - = **Determine their own target market**
- Enough teenagers to create a clothing/jean line for them (Example)
  - Research adds buying behavior, values, status, etc.
  - Use to create a customer profile



## DEMOGRAPHICS-STATISTICS THAT DESCRIBE A POPULATION IN TERMS OF AGE, GENDER, INCOME, MARITAL STATUS, ETHNIC BACKGROUND, EDUCATION, AND OCCUPATION.

### ○ Age

- Baby Boomers (76 Million) – born 1946-1964
  - Income & Spending Power Increase
- Generation X (Baby Bust) 1965-1976 – follow baby Boomers
  - Children of dual-career households/divorced parents.
  - Been bombarded with media from an early age.
  - Savvy purchases & skeptical consumers.
  - Must use interesting images, hip music, sense of humor
- Generation Y (Millennium) 1977-1995 – children of Late Boomer
  - More racially & ethnically diverse with spending power.
  - Fashions and info get passed along via the internet.
- Generation Z, iGen, or Centennials 1996 or later



# DEMOGRAPHICS

- Gender-Products geared to gender. Jockey underwear, razors, transportation.
- Income
  - Disposable Income – money left over after taxes
  - Businesses who sell basic necessity items focus on this group. Walmart, Dollar Tree
  - Discretionary Income – left over after paying basic living expenses (shelter, food, clothing)
  - Businesses that sell luxury items focus on this group.
  - Von-Maur and expensive cars
- Marital Status-Currently a lower percentage of married couples. People are older when they marry, live longer, divorce, remarry less. Products are made for single adults in smaller sizes (furniture and food). Couples and those with kids need larger portions.
- Ethnic Background-The Caucasian population is declining compared to African-American, Hispanic, and Asian-American populations. Multi-cultural food, hair care, and make-up are needed.



# GEOGRAPHICS

- Segmentation of the market based on where people live.
- Local, State, & Regional
  - Local: Restaurants = know great detail about customers.
  - State/Regional = political views, religious background, average age, specific needs.
  - Regional = population of certain areas, names of products (pop v. soda)
- National & Global
  - Divisions within a corporation to help segment a market.
  - Language & Cultural Influences



# PSYCHOGRAPHICS

- Involves grouping people with similar:
  - Attitudes
  - Interests
  - Beliefs
  - Lifestyles & Share Values
    - How people spend their time & money.
    - Create a detailed customer profile. What motivates them to spend? Research and focus groups are used.
- Require marketers to use special research techniques in order to learn personality traits & motivations of customers.
  - Hiring Marketing Research firms
  - Focus Groups
  - Allows for in-depth analysis





# ATTITUDES & OPINIONS

- Created by changing times & personal experiences.
  - Marketers study **Trends** (Ex: Clothing)
  - Going “Green” Environmentally conscious packaging
  - Taking responsibility for one’s HEALTH-low calorie options
- It can be difficult to predict new trends, opinions, and interests
  - Must be careful of short-lived fads
  - Markets must be SURE of the market



# INTERESTS & ACTIVITIES

- People who share common interests & activities often purchase similar products/services. Magazine aisle of a store. Fashion magazines have ads for clothing, cosmetics, and accessories.
  - Athletes
  - Musicians
  - Video Gamers
  - Fashion
- Personalities
  - Maslow's Hierarchy of Needs
    - Survival, Safety, Love & Belonging, Esteem, Self-Actualization
    - Financial Institutions Hit Higher v. Food/Clothing
    - Greeting Cards Hit Love/Belonging



# PERSONALITIES

- VALS – identifies types of consumers based on their
  - Motivations
    - Thinkers, achievers, experiencers, believers, strivers, and makers.
  - Resources
    - Innovators & Survivors
- Helps a business create consumer profiles.



# COMMON BASES OF MARKET SEGMENTATION

Demographic	Psychographic	Geographic	Behavioristic
Age	Personality attributes	Region	Volume usage
Gender	Motives	Urban, suburban, rural	End use
Race	Lifestyles	Market density	Benefit expectations
Ethnicity		Climate	Brand loyalty
Income		Terrain	Price sensitivity
Education		City size	
Occupation		County size	
Family size		State size	
Family life cycle			
Religion			
Social class			

Source: William M. Pride and O. C. Ferrell, *Marketing: Concepts and Strategies*, 16th ed. (Mason, Ohio: South-Western/Cengage Learning, 2012). Adapted with permission.



# BEHAVIORAL CHARACTERISTICS

- Segmenting the market based on purchasing-related behavior involves analyzing customers with regard to:
  - Sales Generated
  - Shopping Patterns
  - Purchase Decision-making Processes
- 80/20 Rule
  - 80% of sales are generated by 20% of its loyal customers.
  - Helps allocate resources to a market segment.
  - Loyalty Programs
- Shopping Behavior
  - Teenagers spend \$50 a month on entertainment.
- Internet Usage for Shopping and research
  - Social Media
  - Trip Advisor & Reviews



# MASS MARKETING

- Involves using ONE single marketing strategy to reach all customers. The product must appeal to everyone. Chewing Gum like Orbit.
- **Advantage** – economies of Scale
  - Companies can produce more products @ lower costs because their marketing mix (4p's) does not change.
  - Plan is simplified.
- **Disadvantage** – Competitors can identify specific unmet needs
  - It may reach all segments but may not be as affected.
  - Many think Mass Marketing is obsolete.



# NICHE MARKETING

- Advantage-identify and target a specific audience
- Narrows and defines market with extreme precision.
  - Increases the change of product's success.
  - Disadvantage-Very costly.
  - Research is needed to identify target markets & develop different marketing strategies.
    - GOT MILK – target many different segments.
    - Various advertising outlets (media, print, TV, Internet)

