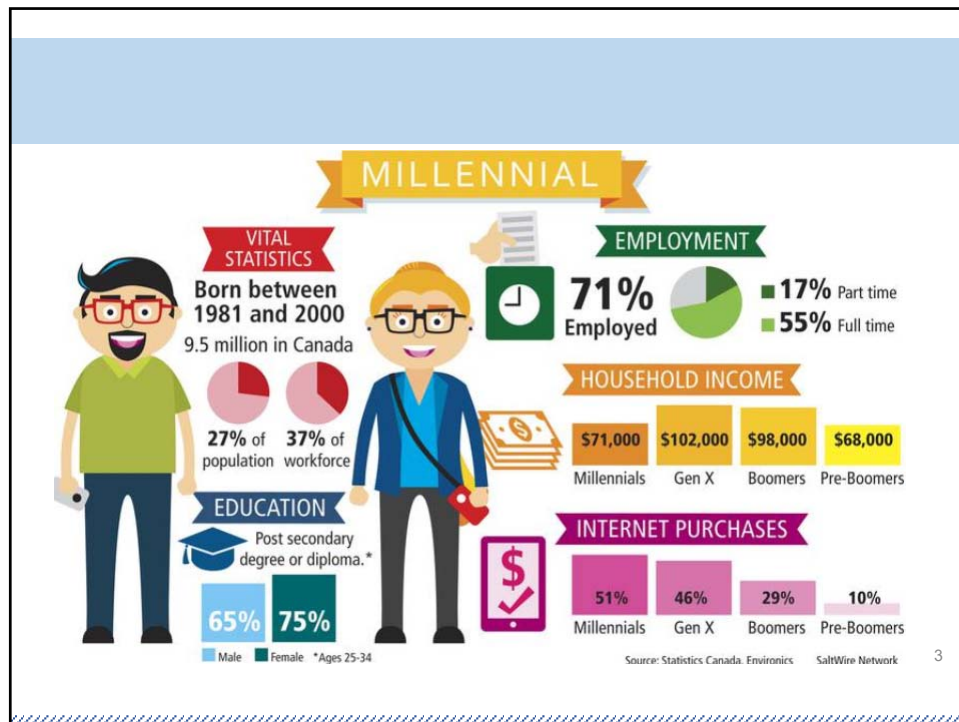


Ideal Customer

Who is the ideal customer for your business idea?

Ideal Customer Profile

2



Content

- Segmentation Overview – Mass versus Target
- Segmentation Variables
- Examples
- Trade offs of Segmentation strategies
- Meaningful market characteristics



Segmentation

- Segmentation is the process of dividing a company's target market into groups of potential customers with similar needs and behaviours.
- Why?
 - Assists company to develop products and market to each customer group using distinct strategies tailored to their needs
- Segments may include one or more of the following: consumers, other businesses, manufacturers, dealers, distributors, government departments, or educational institutions.
 - Can also break these down further

Segmentation is important in Steps 1, 2, 3, and 4, and Value Proposition

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Mass Market

- One big segment
- One option: ignore market segment differences and serves the whole market with one product and one undifferentiated marketing strategy
- Advantages and disadvantages?



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Target Market

- Segment within the total consumers in the industry that have the greatest potential to purchase the product or service.
 - Segment the mass market based upon common needs and characteristics



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Segmentation variables



Four Segmentation Variables



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Segmentation Variable: Geographic

- **Elements:** region, climate, population density, and population growth rate.
 - Based on idea that people who live in similar areas have similar needs
 - Useful for marketers as easy to conduct campaigns using direct mail, and local media
 - Internet access has blurred geographics



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Example: - Geographic

- McDonalds - sell burgers aimed at local markets
 - India - burgers are made from lamb in India rather than beef because of religious issues
 - Mexico - more chili sauce is added
 - Japan – Kobe Beef
 - Malaysia – Spicy chicken burgers



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Segmentation Variable: Demographic

- **Elements** Age, gender, family size, education, income, occupation, etc.
 - Idea that needs and interest change with age income etc.
 - Most popular variable. Why?
 - Very accessible, cost effective and easy to measure
 - Easy to obtain via secondary research
 - Start with this and then ..expand other variables that describe the attitudes and needs of the consumers



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Example - Demographic

- Wal-Mart versus Hols
- Price Smart vs Save on Foods
- Gender and clothing, hairdressing, magazines and toiletries and cosmetics
- Club Med for Kids and families
- Toothpaste for kids



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Example - Demographic



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Segmentation Variable: Psychographic

- **Elements:** attitudes, interests and opinion
 - Details obtained through primary research
 - Assumption that the types of products and brands an individual purchases will reflect that individual characteristics and patterns of living.
 - The "why" component of consumer buying patterns.



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Example Prius effect

“Conspicuous Conservation” and the Prius Effect

COLLIN CAMPBELL
04/21/2011 | 9:30 am

PRINT SHARE Like 546



The height of conspicuous conservation? (Photo: Toyota)

This month, Toyota sold its **one millionth Prius hybrid** in the U.S. In 10 years, this strange-looking vehicle with the revolutionary engine has claimed a spot among **the best-selling cars**. Pretty impressive. But are all those Prius owners thinking mainly about better mileage and a smaller carbon footprint, or is there another incentive at work? More broadly: when people make environmentally sound choices, how much are those choices driven by the consumers' desire to show off their green bona fides?

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Example: Green Consumers

- LOHAS (Lifestyles of Health and Sustainability) segments consumers into five separate buckets, based on their attitudes - See more at: <http://www.a-g.com/thinking/2009/11/how-green-are-your-customers/#sthash.v7qjkbYw.dpuf>

Customer Segment	Description
LOHAS	LOHAS consumers are highly concerned over both personal and planetary health. Key characteristics are, a. They make environmentally friendly purchases (Green Products) b. They support advocacy programs and actively take parts in Environment protection movements
NATURALITES	Main characteristic is that they are highly concerned over their personal health, strong health focus on food and beverages and consumers organic food. Unlike LOHAS there are not actively involved in environment protection movements
DRIFTERS	This segment has good intentions however; the key factor behind purchase decision is not environment. It could be price, quality and trend. Thus Drifters have number of reasons for not being green.

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Segmentation Variable: Behavioral (Benefit & Usage)

- **Elements:** Usage rate and patterns and benefits sought:
 - product usage rate - heavy lite nonusers
 - product end use
 - benefit wanted
- Marketers target heavy user or non brand loyalty used 80:20%
- Behavioral segmentation has the advantage of using variables that are closely related to the product itself.



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Example



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Example

- 80%
- 20%



Examples and who is the target?
Use the 4 segmentation variables



example



Example



Examples to unpack:

Meal kit:

- <https://www.youtube.com/watch?v=WtMK6QxrLm0>

Trucks:

- <https://www.youtube.com/watch?v=ntoxjuLcak>

Kit Kat:

- https://www.ispot.tv/ad/A_3k/kitkat-chance-the-wrapper-break-featuring-chance-the-rapper

Bandit Wine

- <http://www.youtube.com/watch?v=Ac0ZSsBsSmc>
- <http://banditwines.com/>



Determining the Best Segmentation Strategy for your Business Idea



Consider the Advantage & Disadvantage of Using a **Mass** Market

Advantage:

- Less cost and effort
- Easier to conduct
- Economies of scale in cost as produce one standard product

Disadvantage:

- Lack of appeal to anyone as too standard
- Puts all eggs in one basket
- Small shift in the population or consumer tastes can greatly affect the firm
- May have trouble expanding into new markets

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Consider the Advantage & Disadvantage of Using a **Target** Market

Advantage:

- Accurately define the unique selling proposition – and benefits
- Better use of limited resources
- Better understanding of customer needs
- Understand competition
- Accurate measurement of goals
- True marketing approach

Disadvantage:

- More costly
- More effort
- Availability of Information may be limited
- Changes to segments are large/merge over time

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- These are resources and money based decision – mass market versus segmentation.
 - Efficient use of resources
 - Max profits



Consider if the Target Market is Meaningful

Each segment needs to be a meaningful market segment to be successful

- Meaningful segments have these characteristics:
 - Measurable
 - Accessible by communication and distribution channels
 - Substantial - in profitability and number of people
 - Stable - they do not change too quickly
 - Identifiable
 - Homogeneity within the segment
 - Heterogeneity between segments

Meaningful

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