Lecture 4

Market Segmentation

4 segment variables

- Demographic
    - Use demographic segmentation variables to separate people into groups of marketable groups. (Age, gender, family, race, marital status, income)
- Geographic
    - Seperated by region, city, density, climate e.t.c.
    - Believes that people who live in the same area have similar needs and wants.
- Behavioral
    - Benefit Sought or Benefit Segmentation
    - People who are looking for a specific solution or product.
    - Uses usage rate, occasion, loyalty status, and Benefits sought

- Psychographic
    - Personality, values and lifestyle
    - Can project a customers needs and wants the best.

Demographic / Geographic - Low cost, easy to use
Behavioural / Psychographic - Harder to use, closer to consumers needs and wants.

Segment profitability - how to determine?

- Segment size In million
- Adoption percentage %
- Purchase behavior %
- Profit margin %
- Fixed cost In million

Profitability = [size * adoption * behavior * margin] - [fixed cost]

Responsive consumer:

- React positively to firms offering
- Move toward the firm's products/services
- Accept the firm's value proposition.

Targeting and Positioning

How do you choose your target market

Based on SWOT analysis
- Assess the attractiveness of the opportunity
- Considers the organization's comptemptness

Targeting strategies

Undifferentiated targeting

- Target as amass market
- Example: iPhone
- Advantages
    - Savings on productions and marketing costs
- Disadvantages
    - Not marketing oriented

- More susceptible to competition

Niche marketing

- Single segment
- Example: suit shops
- Advantages
    - Concentrations of resources and Small firms can compete
    - Strong positioning
- Disadvantages
    - Segments too small or could decline
    - Large competitors may enter easily

Differentiate marketing

- Two or more distinct markets
- Example: Gap inc (owns Old navy, gap, and banana republic)
- Advantages
    - Greater financial success
    - Economies of scale
- Disadvantages
    - High marketing costs
    - Cannibalization concerns - Lose consumers to own brand

Micro-marketing

- Target each customer
    - 1:1 marketing
    - Example: Custom m&m's with custom messages
    - Advantages
        - Strong positioning
        - Consumers are happy
    - Disadvantages
        - Costs too much for either marketers or consumers

Head to Head marketing:

Differentiation:

- What you do to the product or service to make it different from the competitor

Position steps

1. Determine consumers perception and evaluations in relation to competitors
2. Identity competitors positions
3. Determine consumer preferences
4. Select the position
5. Monitor the position.

Create a perceptual map:

- A graphical representation of the consumers perceptions of our brand versus our competitors
- Typically price vs rating

S. T. P.

Segment your market [Step 1-2]
Target the market [Step 3-4]
Position your product [Step 5]
Step 1.
- Establish overall strategy or objectives
- Consistent with mission statement

Step 2.
- Select how to segment your market (4 market basis [Geo, Demo, Psycho, Behav]

Step 3.
- Evaluate attractiveness
  - identifiable
  - Reachable
  - Substantial
  - responsive.

Step 4.
- Select the target market segment

Step 5.
- Identify and develop position strategies
- Position markets
  - Value
  - Attributes
  - Benefits & symbol
  - Competition
  - Market leadership

Midterm Info (25%):

- CH 1.4 and 6
- Skip chapter 5
- 75 minutes

First part is short answer
- 3 Questions, [E.g. "What is marketing", "what is segmentation"]
- Use your own answer

Second part is case
- 2 stories
- Both stories will have 3-4 questions
- If you want to get used to it:
    - Go to end of chapter, case analysis questions