**Week 2: Segmentation Techniques**

Nate Bachmeier

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Segmentation Techniques

An important element of marketing is the identification and application of market segmentations (Kotler & Keller, 2016). Market segmentations are groups of potential customers which share one or more commonalities (Films\_Media\_Group, 2009). For example, a segment could be: 25 to 35 year old adults, with a household income above 50,000$ annually, and have 1 to 2 children. Once the audience has been placed into a group, that group can be treated as a manageable unit to focus advertising onto.

# Summarize the Results

To learn about market segmentations the material required that a personality test be taken for ourselves, through VALS. Then a second research tool was used to identify segmentations of our neighborhood. This allowed us to compare our personal segmentation with the surrounding area.

## VALS Survey

The first survey asked a series of questions which focus around fashion, degree of being in charge, religion, mechanical versus artistic talents, and preference toward consistency. The answer to these questions set the context for the social, religious, and aspirational goals; all of which are key indicators of the relevant market segments (Kotler & Keller, 2016).

My results came back as primarily an innovator and secondary type of achiever. On the lower end of the scale was the survivalist. This made sense as I tend to focus more attention on results and learning, and less on fashion and trying to please others.

## Nielsen Prizm

The second survey took a zip code as the input and produced broad marketing segmentation information. The results suggested that Kirkland, Washington is predominately wealthy white families; many of which have zero to one child. This was not surprising as that sums up the entire area in general. Most people that live here are professionals that focus on careers and not as much on families. Due to having good paying jobs and fewer family expenses they tend to have more disposable income.

The tool also showed information around the connectivity of the community, which showed that people tend to be more introverted. This made sense as Kirkland has more a city feeling than a rural area, where everyone knows everyone. To a marketing team this would be useful to determine costs associated with bring people together. If people are already open and friendly then there is less work required of the planners.

# Summarize what you learned about these segmentation methodologies

The surveys were informative as they were able to quickly take broad facts and disseminate them into targetable facts. For example, a new business might see that Kirkland is full of high paid professionals. This would encourage them to open a nicer restaurant than a dirty dive bar. There is a larger audience that would find value at the restaurant, which means it would be easier to keep full. The owner of that restaurant might also notice that people in Kirkland have more disposable income than the neighboring town of Kenmore. This further encourages them to build their business in Kirkland, knowing that they can charge more per customer.

Another observation from the VALS study is there are several questions which directly tie back to religious and social attachment. For many people their primary and secondary groups have a large influence on their behavior (Kotler & Keller, 2016). If their friends wear dress shirts, they are more likely to also wear dress shirts. By identifying the forces which influence the decisions, the marketing strategy can more quickly target the desired audience.

# Compare Consumer and Organizational Buying Patterns

Consumers and businesses both need to purchase goods and services, though the process around these purchases is often very different. For example, when a business makes a purchase they tend to do it infrequently and in higher volume (Kotler & Keller, 2016). Part of making that purchase will involve presenting the idea to management and gaining approval. After the items are acquired the business will also want warrants and support for the product, until it is eventually decommissioned.

In contrast retail consumers tend to be more fickle and purchase items because it looked cool. They do not have budget approval worksheets or need to present a PowerPoint deck to their spouse before completing the transaction. This could suggest that they are more swain to emotional and psychological investments, even those with like actual value.

# Compare Your Buying Behavior with Organizational Buying Behavior

My buying behavior tends to be more like an organization than more retail customers. Similar to their workflow I will: identifying the problem, researching the solutions, compare the pros/cons of each, purchase the best product, and then perform a post mortem later on. This is in a large part because I greatly dislike spending money, and would rather channel it into long term savings. Though that is not too say I will not buy a 5$ DVD from the bin by the checkout. The movie will often be something silly and sit in the packaging for weeks.

Many organizations behavior in a similar manner, where they focus deeply on the big purchases and make lots of small silly purchases that do not provide a lot of direct value. A common example would be pizza for a moral event. The manager will put about 15 minutes thought into the purchase and feel that is sufficient.

# Examine the Dimensions of Consumer and Organizational Segments

Retail consumers make purchasing decisions based on their group memberships, while organizations decide based on business justification (Kotler & Keller, 2016). For instance the consumer will make purchasing decisions which align with their family and religious affiliations. A business will purchase 10,000 yards of cloth as they need to produce 2,000 dresses.

Both parties need to consider the impact of their decisions on how their peers will look at the behavior. When the business purchases the cloth, it cannot be made by illegal child workers or they’re reputation will be ruined. Similarly the consumer cannot buy racist tee-shirts or they risk being shunned by the community.

Consumers tend to also have more emotion in their purchases than businesses. For example, elderly individuals are more likely to buy goods which make them feel young (Kotler & Keller, 2016). The business would look at the purchase in terms of expected cash flow and value generated to the shareholders (Ross, Westerfield, Jaffe, & Jordan, 2016).

Businesses tend to have more capital available which makes purchasing decisions easier to make. In contrast consumers need to consider the impact of purchase on their existing responsibilities. This is more pronounced in developing countries as there are fewer resources to start with.

Another tenant of business purchasing is how the supplier fits within their existing ecosystem. Managing supply chains is a complex task which is more difficult as it spans different distributors (Jacons & Chase, 2016). This leads businesses to prefer fewer anomalies in their homogenous environment, even if the costs are slightly higher. Retail customers are more likely to mix and match so they have the best customized solution for their lifestyle.

# Conclusion

Market segmentations are in important concept as they provide the ability to target a group instead of an individual. This can reduce the costs associated with targeting those same people as the strategy focuses on their broader commonality.

These segmentations act differently for organizations and retail consumers, each with different core believes and dimensions toward their decisions. Organizations tend to have more capital, purchase in bulk, and make more informed decisions. In contrast retail consumers focus on their social, religious, and economic affiliation for purchases. This leads to more emotional decisions which are also less informed. This means that marketing campaigns need to work differently and pay attention to different goals.

To drive this point home the survey tools allowed the user to see their results and their immediate neighborhood. This was useful to highlighting some of the dimensions that were of greater importance to the individual and the community.

# References

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