



Segmentation, Targeting, and Positioning



Consumer Behavior

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Chapter 2 Learning Objectives



- 2.1 To understand the interrelationship among market segmentation, targeting, and positioning and how to select the best target markets.
- 2.2 To understand the bases used to segment consumers, including demographics, psychographics, product benefits sought, and product usage-related factors.
- 2.3 To understand behavioral targeting and its key role in today's marketing.
- 2.4 To understand how to position, differentiate, and reposition products.

Learning Objective 2.1

2.1 To understand the interrelationship among market segmentation, targeting, and positioning and how to select the best target markets.

How does Qantas position its offering for different market segments?



First Class



Business Class



Economy Premium



Economy

FIGURE 2.1 Qantas Market Segments

To be an effective target...

a market segment must be:

- Identifiable
- Sizeable
- Stable and growing
- Reachable
- Congruent with the marketer's objectives and resources

TABLE 2.1 Readers' Profiles of Selected Media

PUBLICATION	AUDIENCE & MEDIAN HOUSEHOLD INCOME	GENDER	MEDIAN AGE	EDUCATION	OCCUPATION
<i>Scientific American</i>	2.8 million \$90,000	70% men 30% women	47	62% college + 31% postgraduate 7% unreported	52% managerial 19% decision makers, high tech 13% owner, partner 16% unreported
<i>National Geographic Traveller</i>	7.3 million \$72,000	55% men 45% women	42	69% college +	31% professional, managerial
<i>National Geographic</i>	6.7 million worldwide 5.2 million US \$68,000	56% men 44% women	45.6	66% college	27% professional, managerial
<i>The Wall Street Journal</i>	911,000 \$285,000	63% men 37% women	45	100% college +	Majority are impressive earners and investors

Segmentation: An Application

TABLE 2.2 An Illustration of Effective Targeting

	THE WEALTH MARKET	BUSINESS CLASS
The segment is identifiable by its demographics	Millions in assets, median household income \$137,000, 55+ years old, have graduate and postgraduate education. Kids are grown and have their own families.	Wealthy, median household income \$101,000, 45–64 years old, have graduate and postgraduate education. Kids are away from home studying.
Is the segment large enough to be profitable?	2.28% of the 2,659,000 U.S. households. Use many brokers and financial advisers.	1.97% of the U.S. households. Trade financial instruments frequently.
Is the segment stable?	Yes. Members invest regularly in a mix of short- and long-term instruments.	Yes. Members are still working and wish to accumulate more wealth before retiring.
How can the segment be reached?	Live in wealthy suburbs or in the wealthiest areas of large cities. Belong to country clubs and read financial magazines.	Live in wealthy suburbs or in the wealthiest areas of large cities. Attend horse races and read financial magazines.
Members' financial aspirations and objectives	Although they hold diversified financial portfolios, are reluctant to invest in risky instruments. Their home(s) are paid for, as is their children's education. Somewhat receptive to making risky investments as part of trust funds they have set up for their grandchildren.	Kids are in expensive schools. Expect to pay for kids' graduate and postgraduate education. Some are looking to buy a second home. Have made successful, risky financial decisions in the past. Feel that they are still young enough to make up for bad investment decisions, if necessary.

Learning Objective 2.2

2.2 To understand the bases used to segment consumers, including demographics, psychographics, product benefits sought, and product usage-related factors.

Two Types of Shared Characteristics

- Behavioral data
 - Consumer-intrinsic
 - Consumption-based
- Cognitive factors
 - Consumer-intrinsic
 - Consumption-specific

Demographic Segmentation

Age

Gender

Marital Status

Household
type and Size

Income and
Wealth;
Occupation

Geographical
location

Who is the target of this ad?



SMART CAR CARE

You can help keep your car
safe and on the road.



Cars are complex, and it's easy to feel overwhelmed when you look under the hood. But there are plenty of basic things you can do yourself to keep your car safe, economical and dependable. From checking the oil to keeping your tires inflated to the proper pressure, preventive maintenance can extend the life of your car and help save you money. Learn how to keep your vehicle safe and on the road with the new "Smart Car Care" booklet. It's free from Shell. Pick one up at your nearest Shell station, visit countonshell.com or call 1-800-876-0200.



Count on Shell

Geodemographic Segmentation

TABLE 2.3 Nielsen's Segmentation Frameworks

NAME	DESCRIPTION
PRIZM	Household segmentation model that groups consumers into 66 PRIZM segments based on socioeconomic ranking, consumer behavior, and media exposure patterns. Each segment is assigned into an SER (socioeconomic rank) based on neighborhood data for income, education, occupation, and home value.
Urbanization Classes	Assigns the 66 segments into 4 types of population density: Urban, Suburban, Second City, and Town & Rural
Social Groups	Each of the 66 segments is classified according to its levels of affluence and urbanization.
Lifestage Classes	Each of the 66 segments is classified into one of the following classes: <i>Younger Years</i> (2 types): 35 years old or younger without kids; middle age without kids at home. <i>Family Life</i> : households with kids living at home. <i>Mature Years</i> (2 types): over 55 years old; ages 45-64 without children living at home.
Lifestage Groups	Each of the 66 segments is classified according to its levels of affluence and Lifestage Classes.
P\$YCLE	Every U.S. household is classified into one of 58 consumer segments based on the household's finances and wealth.
Income-Producing Assets (IPA)	Each of the 58 consumer segments is classified into one of seven IPA groups based on retirement accounts, cash, demand deposits, stocks, money market funds, and other assets that can be liquidated easily. Then, each of the 58 segments is classified according to the Lifestage Classes.
ConneXions Groups	Fifty-three segments based on the household's willingness to adopt new technologies early in their introduction (i.e., early in the product life cycle). The segments are: High Tech, Mid Tech, Low Tech, and No Tech. The segments are then classified according to the Lifestage Classes.

Segmenting Green Consumers

TABLE 2.4 Segmenting Green Consumers Along the Spectrum of Green

SEGMENT	ENVIRONMENTAL ATTITUDES	ENVIRONMENTAL BEHAVIORS	MARKETING STRATEGIES
<i>ALPHA-ECOS</i> (darkest green), 43 million U.S. adults	Deeply committed to green causes, saving the planet, and concerned about global warming.	Early adopters of environmentally responsible products (i.e., hybrid autos, organic foods, eco-friendly cleaning products) and willing to buy them at a premium.	In appealing to this group, promote the company's corporate social responsibility in order to gain their trust and reinforce their behaviors.
<i>Eco-Centrics</i> (second most green), 34 million U.S. adults	More concerned about how environmentally responsible products benefit them personally and immediately; view environmental issues abstractly.	Willing to pay more for green products if they believe those products are better for their own health and wellbeing.	Messages that show Eco-Centrics how people's green consumption behaviors benefit the global environment.
<i>Eco-Chics</i> 57 million adults, the largest segment	Not particularly concerned about environmental issues, but undertake efforts to be perceived as green by others.	Buy few green products, if any. Likely to buy green products that are very conspicuous.	Messages that associate environmentally responsible brands with influential public figures and symbols. Encourage the Eco-Chics to use social media as a forum to show their friends and family just how green they are.
<i>Economically Ecos</i> 53 million U.S. adults	Less concerned about saving the planet, but very concerned about saving money. Willing to pay more for green products if convinced it will save them money in the long run.	Hate to waste anything; their behaviors are driven by practicality (i.e., conserving water and energy, recycling).	Promote products by emphasizing their economic, long-lasting, and reusability benefits.
<i>Eco-Moms</i> about 33% of U.S. mothers with children under 18	Interested in cost-effective and socially responsible practices that also play a role in ensuring their families' well-being.	Buy products made in environmentally conscious ways, such as organic foods and green cleaners.	Demonstrate how their green behaviors benefit their families and also help save the earth for future generations to enjoy.

Personality Traits

TABLE 2.5 The Personality Traits of Three Segments of Online Shoppers

CHARACTERISTIC	FIRST SEGMENT	SECOND SEGMENT	THIRD SEGMENT
	Consumers who feel that online shopping is risky	Consumers who are open-minded about online shopping	Consumers who feel cautious about online shopping and seek more information about it
Extraversion: interact with a lot of people	Reserved, keep to themselves, not extraverted	Very extraverted	Reserved, keep to themselves, not extraverted
Trust: feel that online shopping is accurate and reliable	Skeptical and do not trust online shopping	Trust online shopping fully	Trust online shopping reasonably
Attitude about online shopping	Unfavorable	Favorable, believe that online shopping is pleasant	Favorable but do not find online shopping pleasant
Perceived risk: the degree of risk associated with online shopping	High	Low	High
Willingness to shop online	Unwilling	Very willing	Somewhat willing



Psychographics

Consumers' lifestyles, which include consumers' *activities, interests, and opinions*

Psychographic Segmentation

TABLE 2.6 Samples of Psychographic Measures

PSYCHOGRAPHIC FACTOR	SAMPLE STATEMENTS
Values and goals*	<ul style="list-style-type: none"> • Sense of belonging • Fun and enjoyment in life • Warm relationship with others • Self-fulfillment • Being well respected
Attitudes toward Life**	<ul style="list-style-type: none"> • Financial security is important to me • My greatest achievements are ahead of me • I am more conventional than experimental • I would rather spend a quiet evening at home than go to a party • My social status is an important part of my life
Apparel and Fashion**	<ul style="list-style-type: none"> • I buy clothes I like regardless of current fashion • My friends often ask me for advice on fashion • Men do not notice women who do not dress well
Gift Giving**	<ul style="list-style-type: none"> • I generally give gifts because people expect me to • I try to give gifts that carry personal messages to recipients • Gifts always communicate love and friendship
Control of Life**	<ul style="list-style-type: none"> • I find it hard to speak in front of a group • When I make friends I always try to make the relationships work • I enjoy making my own decisions • Others usually know what's best for me
Buying Online**	<ul style="list-style-type: none"> • It requires too much time to set up accounts with online stores • The look of a website is an important factor in my buying decisions • I tell others about my experiences in buying online
Leisure Activities***	<ul style="list-style-type: none"> • Played adult games (e.g., cards or mahjong) • Visited art gallery or museum • Went hunting or shooting • Went to the movies • Attended a sporting event

* Responses using an "extremely important" to "extremely unimportant" scale

** Responses using a "strongly agree" to "strongly disagree" scale

*** Responses using a "frequently" to "never" scale

Discussion Question

Which segmentation bases could be used to describe the target audience for the ad?



VALS™

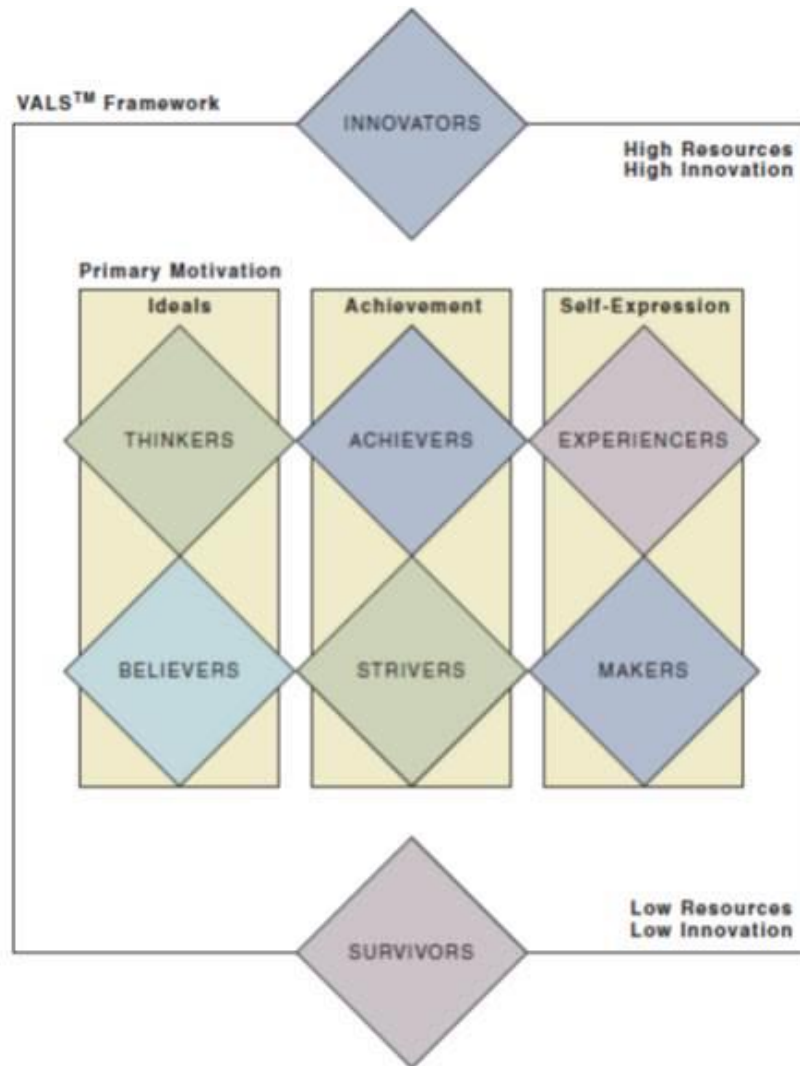


FIGURE 2.5 Diagram of the VALS™ Segments

Provide an example: how could this information be used?

TABLE 2.7 Descriptions of the VALS™ Segments

SEGMENT NAME	MOTIVATION AND RESOURCES	SELECTED DEMOGRAPHICS	VALUES AND CONSUMPTION PATTERNS
Innovators	Abundant resources; motivated by ideals, achievement, self-expression, and self-esteem.	10% of the U.S. population. Median age 45. 65% are married and 72% work full time.	Successful, sophisticated, and curious. Receptive to new ideas and technologies, and buy niche products and services. Concerned about how their purchases express their tastes and personalities. Cultivate tastes for the finer things in life.
Thinkers	Motivated by ideals and have solid resources.	11% of the U.S. population. Median age 56. 75% are married and 55% work full time.	Mature, satisfied, and comfortable; value order and responsibility. Well educated and informed about world, wish to broaden their horizons and open to new ideas. Practical consumers, who look for durability, functionality, and value in products.
Believers	Motivated by ideals and have moderate resources.	16.5% of the U.S. population. Median age 52. 63% are married and 47% work full time.	Conservative, conventional with traditional beliefs, whose priorities are family, religion, and community. Follow routines focused on their homes, families, and social or religious organizations. Predictable consumers who buy established brands, favor U.S. products, and are brand loyal.
Achievers	Motivated by desire for achievement and have solid resources.	14% of the U.S. population. Median age 41. 72% are married and 70% work full time.	Goal-oriented and committed to career and family. Their lives are focused on family, religion, and work. Live conventionally, are politically conservative, and seek predictability and stability. As consumers, they favor products that demonstrate success to their peers.
Strivers	Motivated by achievement and have moderate resources.	11.5% of the U.S. population. Median age 28. 34% are married and 52% work full time.	Trendy, fun loving, and seek approval from others. Don't have enough resources to meet their desires and impulsively buy stylish products that emulate the purchases of people with greater material wealth. Lack the skills they need to move ahead.
Experiencers	Motivated by self-expression and have solid resources.	13% of the U.S. population. Median age 24. 25% are married and 52% work full time.	Young, enthusiastic, and impulsive consumers who seek variety and excitement and savor the new, offbeat, and risky. Favor exercise, sports, outdoor recreation, and social activities. Spend a lot on fashion and entertaining and concerned about appearing "cool."
Makers	Motivated by self-expression and have moderate resources.	12% of the U.S. population. Median age 46. 68% are married and 59% work full time.	Express themselves by building houses, raising children, and fixing cars. Practical people, who value self-sufficiency, live traditionally, and have little interest in what lies beyond their family lives. Prefer value to luxury and buy practical products.
Survivors	No strong primary motivation and low resources.	12% of the U.S. population. Median age 70. 45% are married and 13% work full time.	Live narrowly focused lives and often believe that the world is changing too quickly. Comfortable with the familiar and concerned with safety and security. Brand loyal and seek discounts. As a group, they are a modest market for most products and services.

Benefit Segmentation

- Benefits sought represent consumer needs
- Important for positioning

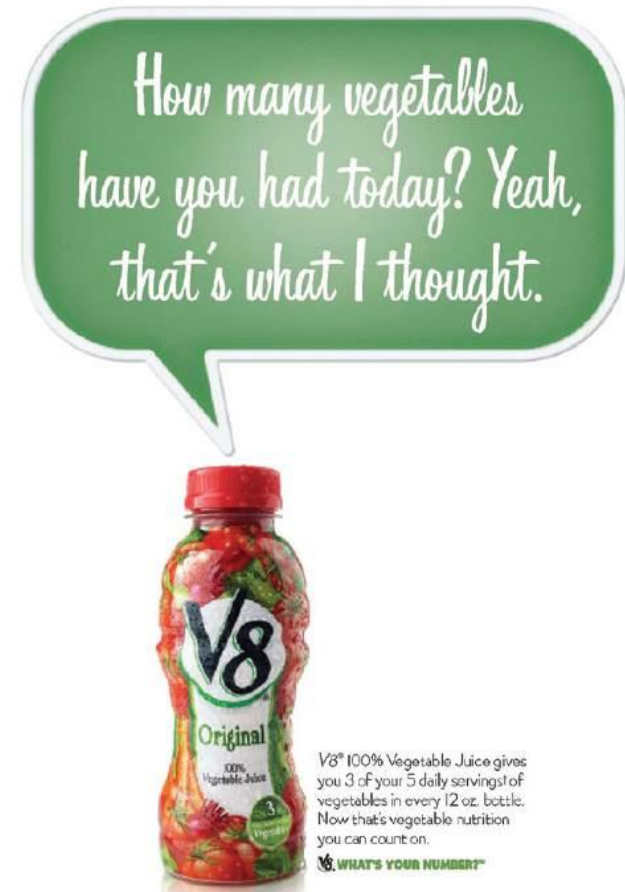


FIGURE 2.6 V8's Benefit: Consuming Vegetables

What segmentation base is used?



Learning Objective 2.3

2.3 To understand behavioral targeting and its key role in today's marketing.

Behavioral Targeting

sending consumers personalized and prompt offers and promotional messages designed to reach the right consumers and deliver to them highly relevant messages at the right time and more accurately than when using conventional segmentation techniques

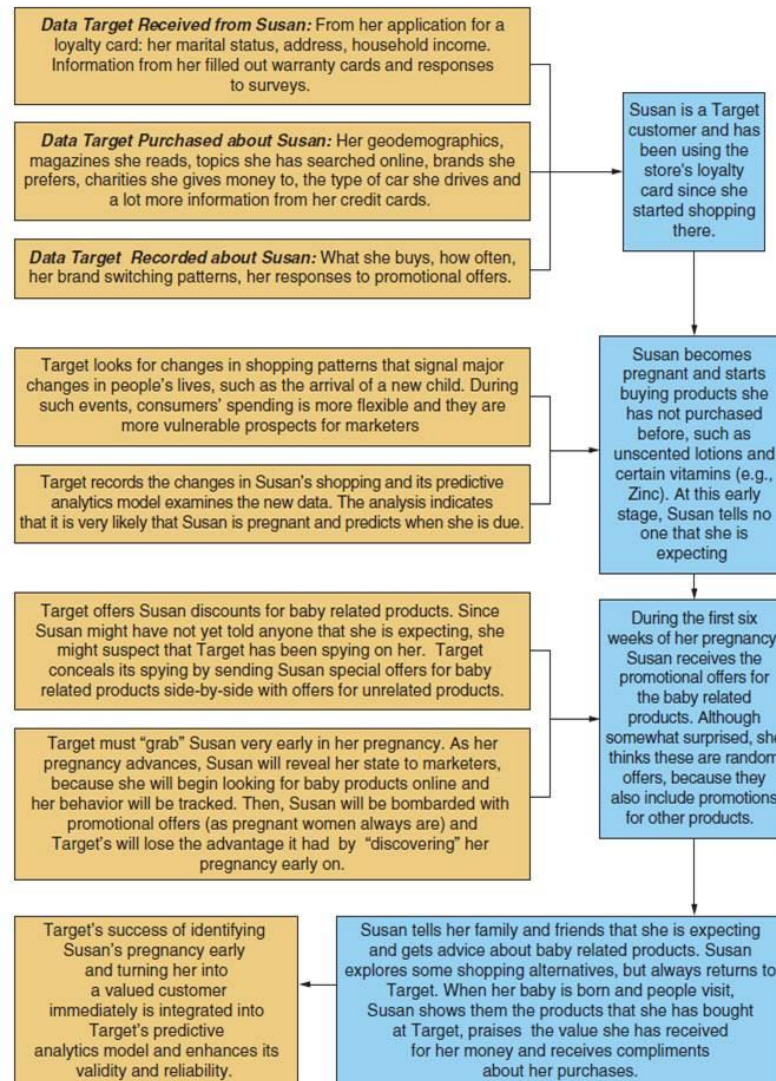
Tracking Online Navigation Includes:

- Websites visited
- Engagement on sites
- Lifestyles and personalities
- Purchases, almost purchases, returns, exchanges

Predictive Analytics

Measures that predict consumers' future purchases on the bases of past buying information and other data, and also evaluate the impact of personalized promotions stemming from the predictions.

Application: Target



Learning Objective 2.4

2.4 To understand how to position, differentiate, and reposition products.

Positioning

The process by which a company creates a distinct image and identity for its products, services, or brands in consumers' minds.

Positioning Process

1. Define the market, buyers and competition.
2. Identify key attributes and research consumers' perceptions
3. Research consumers' perceptions on competing offerings.
4. Determine preferred combination of attributes.
5. Develop positioning concept that communicates attributes as benefits.
6. Create a positioning statement and use it to communicate with the target audiences.

Positioning Application

TABLE 2.12 Positioning, Advertised Benefits, and Prices of Bottled Water Brands

BRAND	DESCRIPTION	POSITIONING, UNIQUE BENEFIT	PACKAGING	PRICE*
Tŷ Nant,	From Wales. Award winning. Served at top hotels and restaurants.	Style. Status. Attention-grabbing bottle.	Cobalt or red glass, elegant bottle	\$2.50
Voss	From Norway. From a virgin aquifer that was shielded by ice and rock for centuries.	Purity.	Cylindrical, frosted glass, modern, engraved font	\$3.50
Fiji	From the rain forest. The company is committed to conservation.	Environmental—"drink with a clear conscience."	Conventional glass bottle, printed label	\$2.50
Jana	From Croatia. Artesian water from deep beneath the surface. Pure and balanced.	The perfect pH**	Conventional tall bottle, printed label	\$2.25
GOTA	From the Guarani Aquifer in Argentina, which is one of the purest reserves of underground water on earth, consists of sandstones deposited 200 million years ago, and is overlaid with igneous basalt of low permeability, which provides a high degree of containment.	Perfectly selected by nature. Provides minerals that help one's body remain young, healthy, and lively.	Clear glass, unconventional clear glass bottle with elegant, dark print	\$3.80

Notes:

* Price of 1 liter bottle

** pH is a measure of a liquid's acidity level.

Umbrella Positioning



Source: John Fox Collection, Imagestate

FIGURE 2.9 An illustration of a mobile user demonstrating the mobile network operator, Mobinil's brand philosophy – “*Dayman maa baad*” or “always together”

Other Types of Positioning

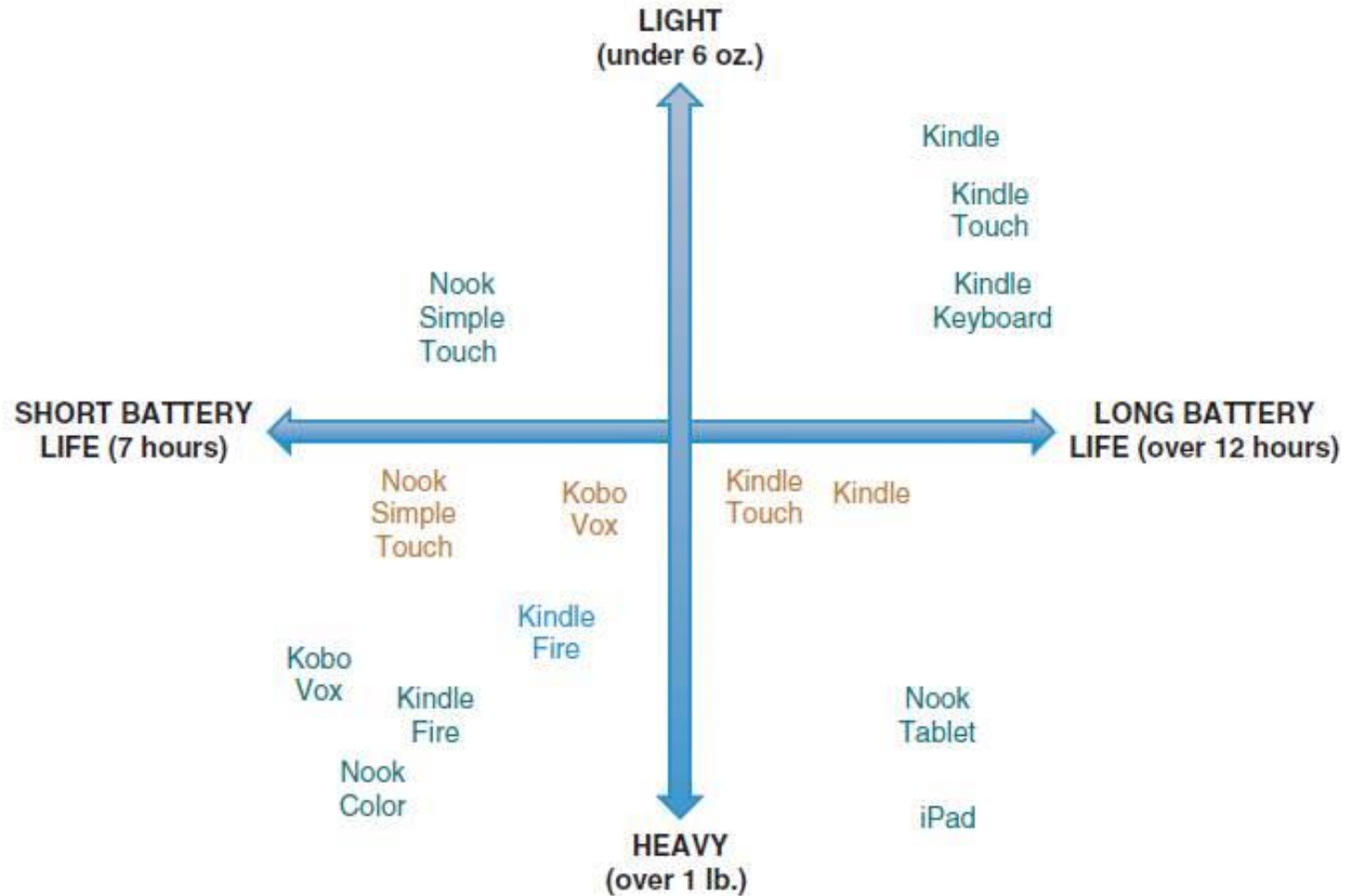
- Premier positioning
- Positioning against the competition
- Key attribute
- Un-owned positioning

Repositioning

TABLE 2.13 Examples of Repositioning

COMPANY	PREVIOUS POSITIONING	UMBRELLA REPOSITIONING
Hard Rock Café International	"You know who you are" appealed to the inner rebel in young adults, the company's primary target audiences, by referring to them as "rockers" and making them feel "young at heart."	"See the show" is focused on getting customers to believe that there is always something fun happening at Hard Rock restaurants, hotels, and hotel-casino combinations.
New York Lottery	"You got to be in it to win it." "You never know." "Good things happen in an instant."	"Be Ready" tells players that they are likely to win immediately and experience instant gratification. The "Good things happen in an instant" phrase is used as a tagline.
Yellow Tail, a line of wines imported from Australia	"Open for everything" and "Tails, you win" conveyed that the wine an unpretentious choice for those who do not know much about vintages and pairings.	"The go to" slogan reinforces the previous one and tells consumers that this wine is the default choice for everyday wine and suitable for most occasions.
Condominiums in New York City	High-flying slogans that expressed glamour, such as a condo being "not just an address but also an attitude."	Glitzy pitches and images have been replaced by slogans such as "clean styling and attractive prices." Private roof cabanas were converted into a common roof deck.
Banks	Before the financial crisis in the fall of 2008, banks aggressively promoted home equity loans with such lines "Need Cash? Use Your Home," and "The smartest place to borrow? Your place."	Less than a year after the financial crisis, which many angrily attributed to the banks' aggressive promotion of irresponsible spending (among other factors), the common theme in the banks' ads became "Can't we just move on?," illustrated by such semi-apologetic slogans as "We make money with you, not off you."
Chili's restaurant chain	Product-driven. Featured extreme close-ups of food, slow-motion food being prepared.	Focus on Chili's personality, but also romance the food and its strong value. Engaging: "Get out of the office more often, with Chili's \$6 Lunch Break combos."

Perceptual Map



What type of positioning is used?





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