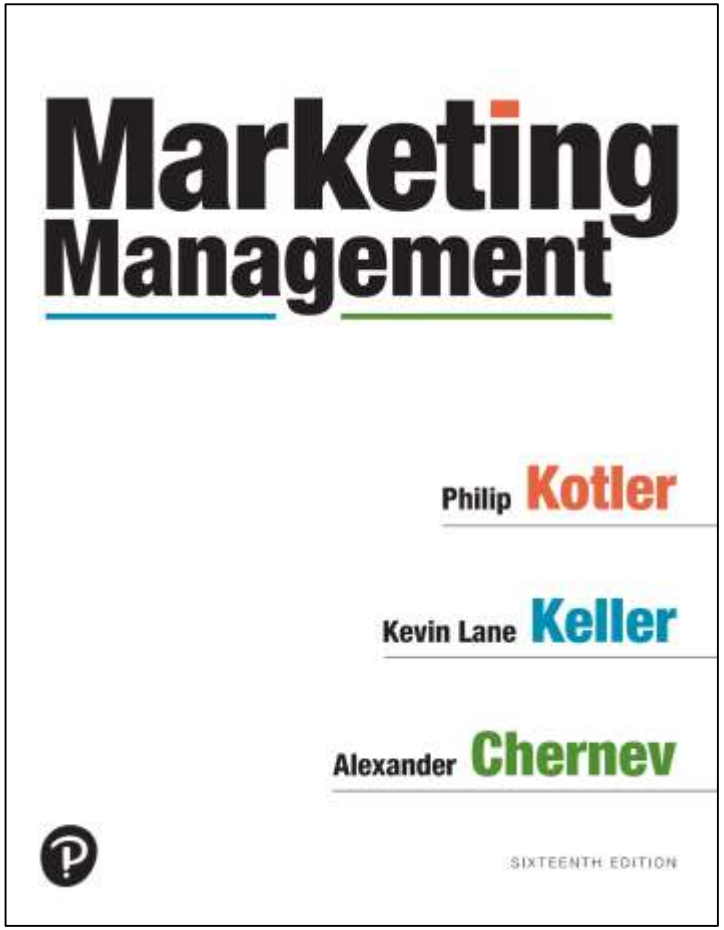
Marketing Management

Sixteenth Edition



Chapter 6

Identifying Market Segments and Target Customers

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Learning Objectives

6.1 Explain the essence of targeting.

6.2 Define the principles of strategic leadership.

6.3 Describe how to effectively communicate and deliver offerings to target customers.

6.4 Explain how to develop strategies to target multiple market segments.

6.5 Describe how to segment consumer markets.

6.6 Describe how to segment business markets.

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Identifying Target Customers

- **Targeting**
  - The process of identifying customers for whom the company will optimize its offering

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The Logic of Targeting (1 of 3)

- **Mass marketing**
  - the firm ignores segment differences and goes after the whole market with one offer

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The Logic of Targeting (2 of 3)

- Targeted marketing
  - Sell different products to all the different segments of the market
    - **One-to-one approach**

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The Logic of Targeting (3 of 3)

- **Mass customization**
  - The ability of a company to meet each customer's requirements—to prepare on a mass basis individually designed products, services, programs, and communications

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Strategic vs Tactical Targeting (1 of 2)

- **Strategic targeting**
  - Focuses on customers whose needs the company can fulfill by ensuring that its offerings are customized to their needs

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Strategic vs Tactical Targeting (2 of 2)

- **Tactical targeting**
  - identifies the ways in which the company can reach these strategically important customers

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Strategic Targeting

- Target compatibility
  - Can the company create superior value for target customers?
- Target attractiveness
  - Can these customers create superior value for the company?

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Target Compatibility (1 of 3)

- **Target compatibility**
  - A reflection of the company's ability to outdo the competition in fulfilling the needs of target customers

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Target Compatibility (2 of 3)

- Business infrastructure
- Access to scarce resources
- Skilled employees
- Technological expertise
- Strong brands
- Collaborator networks

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Target Compatibility (3 of 3)

- **Core competency**
  - A source of competitive advantage and makes a significant contribution to perceived customer benefits
  - Has applications in a wide variety of markets
  - Is difficult for competitors to imitate

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Target Attractiveness (1 of 3)

- Target attractiveness
  - The ability of a market segment to create superior value for the company
    - Monetary value
    - Strategic value

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Target Attractiveness (2 of 3)

- Monetary value
  - Customer **revenues**
  - **Costs** of serving customers

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Target Attractiveness (3 of 3)

- Strategic value
  - **Social value**
  - **Scale value**
  - **Information value**

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Tactical Targeting (1 of 3)

- Defining the customer profile
  - Demographic factors
  - Geographic factors
  - Behavioral factors
  - Psychographic factors

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Tactical Targeting (2 of 3)

- Aligning customer value and customer profile
  - Effectiveness
  - Efficiency

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Tactical Targeting (3 of 3)

- Bringing segments to life
  - **Personas**
    - Detailed profiles of one, or perhaps a few, hypothetical target consumers, imagined in terms of demographic, psychographic, geographic, or other descriptive attitudinal or behavioral information

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Single-Segment Targeting

- Niche marketing

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Targeting Multiple Segments

- Product specialization
- Market specialization

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Segmenting Consumer Markets

- **Market segmentation**
  - Divides a market into well-defined slices

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Demographic Segmentation (1 of 4)

- Age
- Life-cycle stage
- Gender
- Income
- Race and culture

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Demographic Segmentation (2 of 4)

- Age
  - Our wants and abilities change with age
- Life cycle stage
  - A person's major concern (e.g., divorce)

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Demographic Segmentation (3 of 4)

- Gender
  - Men and women have different attitudes and behave differently

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Demographic Segmentation (4 of 4)

- Income
  - Income segmentation is a long-standing practice
- Race and culture
  - Hispanic Americans
  - Asian Americans
  - African Americans

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Geographic Segmentation (1 of 2)

- **Geographical segmentation**
  - Divides the market into geographic units such as nations, states, regions, counties, cities, or neighborhoods

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Geographic Segmentation (2 of 2)

- Combining geographic data with demographic data
  - Nielsen Claritas' PRIZM
    - Education and affluence
    - Family life cycle
    - Urbanization
    - Race and ethnicity
    - Mobility

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Behavioral Segmentation

- Marketers divide buyers into groups on the basis of their actions
  - User status
  - Usage rate
  - Buyer-readiness stage
  - Loyalty status
  - Occasions

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Psychographic Segmentation

- Buyers are divided into groups on the basis of psychological traits, lifestyle, or values

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Segmenting Business Markets

- Demographic factors
- Operating variables
- Purchasing approaches
- Situational factors
- Personal characteristics

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Discussion Questions (1 of 2)

- Consider the choices you make when you buy an airline ticket.
  - Think about options such as boarding group, seat assignment, cabin class, baggage charges, and so on.
  - Why do airlines use a mass customization strategy rather than a mass marketing strategy?

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Discussion Questions (2 of 2)

- Grocery stores rely on market segmentation. Compare and contrast how and why different chains use segmentation as they target their customers.
  - How have Whole Foods and Trader Joe's used segmentation?
  - How does the approach used these companies compare to more traditional grocery chains like Kroger?

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