

ASSIGNMENT 2

Read this introduction. Then read Chapter 2, “Segmentation, Targeting, and Positioning” pages 39–69, in your textbook, *Consumer Behavior*.

Mass Marketing

The Model-T automobile was efficiently and economically produced in a standardized version, available in just one color. History shows, though, that the eventual failure of Henry Ford’s Model-T can largely be attributed to his employment of a mass-market strategy, which assumed a homogenous marketplace made up of consumers sharing virtually identical needs and preferences.

Many firms quickly learned and have come to acknowledge as a reality that consumers want choice and flexibility in purchasing goods and services. The marketplace, in fact, is highly diverse, comprised of many smaller subgroups, or *segments*, each with a distinctive set of needs and wants.

To succeed in such a diverse marketplace, most firms employ a three-step market-matching strategy, as illustrated in Exhibit 2.1 on page 42. The first step is *segmentation*, which is dividing the general marketplace into a variety of smaller submarkets, made up of consumers who want or need different marketing mixes of products and/or services. The second step is *targeting*, which means examining specific submarkets and determining which of them to pursue. The final step is *positioning*, which consists of developing, in the mind of the consumer, a distinctive and attractive image for the product or service.

Market Segmentation

Market segmentation is a process of defining or describing different submarkets, or niches, through identifying common needs and wants within a segment, as well as of distinguishing between different segments. Your textbook provides examples. Commercial airlines, for instance, typically separate segments into business and leisure travelers. Forrester Research, a technology consultant firm, has identified 10 segments according to various criteria.

As illustrated in Exhibit 2.2 on page 43, there are five basic variables commonly used to segment consumer markets: geographic, demographic, geodemographic, psychographic, and behavioral.

Geographic Segmentation

Geographic segmentation is segmentation by location, such as by region, county, city, or town. Geography represents a significant variable because differences in climate, location, distance, and landscape can all influence attitudes and behaviors, and people in different regions therefore want or need different types of products or services and tend to respond differently to marketing programs. To make the most of these differences, many firms employ specifically regionalized or localized marketing strategies to appeal to consumers in different geographical locations.

Demographic Segmentation

Demographic segmentation uses variables such as age, gender, family life cycle, income, occupation, education, and ethnicity. For example, toy manufacturers typically market to children. Certain breakfast food companies develop and market some brands and products geared for children and others tailored to appeal to adults. Likewise, Harley Davidson, which manufactures motorcycles, discovered through research that it could extend its market share by introducing new product lines that appealed to a demographic younger than its traditional demographic.

The *family life cycle*—the series of stages through which families typically progress—is also a key determinant in understanding and marketing to families as they undergo changes in needs, resources, and spending habits. Hotel chains are prime examples of firms that develop and market services that appeal to families in different stages of the family life cycle—for example offering weekend discounts for families with young children and offering special amenities, such as children’s menus, cribs, and video games.

Gender is another important demographic factor, influencing the decision to produce *products* and services specifically tailored for women and for men. *Race* and ethnicity are also significant variables, especially given the growth of Hispanic-American, African-American, and Asian-American populations. Each of these demographic subsegments has nuanced needs and preferences, and firms have developed products and services to appeal to them.

Although *education*, *income*, and *occupation* are seen by many researchers to be interconnected, many firms have identified occupation as a significant demographic factor on its own. Accordingly, many firms develop and market products especially aimed at members of a particular profession. As your textbook notes, many pharmaceutical companies target doctors in their marketing strategy.

Geodemographic Segmentation

Through integrating geographic and demographic variables, marketers identify an even more-focused description of a segment than either of the two characteristics considered separately. *Geodemographic segmentation* means segmenting a market by honing in on data on neighborhoods, ZIP codes, or census reports, under the assumption that consumers in particular cluster systems will behave similarly. This type of segmentation is especially valuable for highly directed, precise marketing.

Over the years, several geodemographic analysis systems have been developed. One of the earliest, known as *Potential Rating Index by Zip Market (PRIZM)*, combines data from census records, past purchasing behavior, media preferences and other factors, along with zip codes to identify extremely precise segments. Other systems include CACI, ACORN, ESRI Tapestry, and PersoniX.

Psychographic Segmentation

Psychographic segmentation divides a market into groups according to factors such as self-values, self-concept, and lifestyle. Psychographic profiles are most commonly identified through large-scale surveys aimed at determining people's

activities, interests, and opinions, which are commonly referred to as *AIO inventories*. A more recently developed technique, known as *attitudinal data framing*, uses information drawn from a firm's computer database to determine the motivation behind purchase decisions. One of the most broadly employed psychographic survey tools is *VALS*, which identifies consumer segments in terms of eight different clusters.

Behavioral Segmentation

Behavioral segmentation means differentiating consumers into segments based on their attitudes toward or reaction to a product. These behavioral factors include

- *Usage rate*, the frequency or quantity in which people purchase or use a specific product or service
- *Benefits sought*, an evaluation of the different benefits consumers seek as they examine similar products or services
- *Brand and store loyalty*, the tendency to purchase goods or services exclusively from a particular company or store
- *Marketing tactic sensitivity*, the response to various types of marketing tactics, such as perception of quality, coupons, promotions, customer service, advertising appeals, and salesperson interaction

Market Targeting

The analysis that goes into market segmentation results in a *market profile*, a detailed representation of the various segments within the broader market, the characteristics of members of each segment, and the position of competitors within each segment.

Dividing the total market into smaller, relatively homogeneous groups, or segments, is necessary for a marketer to focus on and plan strategies for targeting specific market groups. Once the market is segmented, the firm must then decide which of those segments is attractive enough and sufficiently feasible to target. Due to variations in size, resources, technical capacity,

and marketing capabilities, firms typically aim to fit their business attributes and models to the needs and wants of consumers as precisely as possible.

For targeting to be successful, firms must determine the overall marketing-target strategy and goals. The four main strategies are

- Undifferentiated
- Multisegment
- Concentration
- Customization

Undifferentiated Strategy

An *undifferentiated strategy* entails an approach to the marketplace as a single, homogeneous arena offering products or services understood as providing the same benefits to all consumers. This approach is best suited to marketing staples such as corn, wheat, flour, sugar, and salt. It's also useful when introducing new products into the market where competition is negligible. Production, distribution, and other costs can be contained through this strategy, but as seen in the case of the Model-T, undifferentiated targeting can make firms vulnerable as competitors enter the field and offer more variety and other differentiating factors.

Multisegment Strategy

A *multisegment strategy* targets several segments and offers a different marketing mix to appeal to each segment. Automobile firms, for example, can offer vehicles aimed at a variety of segments by adjusting all marketing mix elements (including product design and function, price, and promotion) to suit the needs and preferences of various segments. Technology firms like Apple can offer a variety of products that attract different segments.

Offering diverse product lines to serve multiple segments can reduce market risk. Declines in some segments can be offset by gains in others. However, the business costs associated with developing and marketing a diverse line often escalate

exponentially according to the variety of products offered. Even so, targeting products that appeal to the characteristics of a particular segment can allow firms to charge a premium price.

Concentration Strategy

Using a *concentration strategy* means focusing all a firm's resources on delivering a product or set of products specifically aimed at meeting a particular segment's needs and wants—for example, marketing clothing for tall or large men. The advantages of employing a concentration strategy include gaining a dominant share of a particular market and minimizing operating costs. The risks associated with such a strategy include a decline in the segment as a whole, a shrinking of the segment's purchasing power, changes in consumer tastes, or the entrance of a strong competitor.

Customization Strategy

A *customization strategy* is a specialized approach aimed at satisfying the wants and needs of a single customer through a “custom designed” offering. This approach can be seen in neighborhood stores that cater to local customers. It's also seen in the targeted ads that now appear in many online sites, which draw from large databases of information gathered from online interactions.

In recent years, some firms have moved toward a *mass customization* strategy, integrating technological know-how and customer input to provide products and services to the needs and preferences of individual customers. Many computer manufacturers, for example, allow customers who visit their sites to “build” their own computers, offer upgrades and accessories, and provide the opportunity to “chat” with representatives. Some firms go even further, offering options for personalization, allowing customers to customize their products in a way that uniquely meets their needs and preferences.

Targeting Considerations

Few firms enjoy unlimited resources, so choosing the most viable target market or markets to serve is one of the most important tasks marketers face. Several criteria must therefore be considered when making this decision, including

- **Size:** Is the segment large enough to merit the costs and labor of the targeting effort?
- **Potential:** Is there a genuine need for the product or service among consumers in a particular segment, together with customer willingness and resources to purchase it?
- **Measurability:** Can the firm obtain reliable information about the size, nature, behavior, and profitability of the segment?
- **Accessibility:** Can the firm reach segments through advertising programs or distribution channels?
- **Compatibility:** Do the products or services and marketing mix fit the firm's objectives, resources, and other capacities?
- **Stability:** Is the segment growing or at least enduring?
- **Defendability:** Can the firm withstand the emergence of a strong competitor?

Positioning

Marketers use *product positioning* to create and maintain an image that uniquely identifies a product or service and distinguishes it from the competition in each segment they wish to reach. Positioning strategies may include differentiation based on value, distinctive product attributes, unique symbols that define a product, and/or the relationship of a brand, product, or service to something similar offered by a competitor.

When developing a positioning strategy, many firms create a perceptual map to distinguish a product in the minds of consumers. Exhibit 2.4 on page 65 illustrates a perceptual map for images of pain relievers. Additionally, when positioning a product, marketers typically focus on one or more distinguishing features as a basis. The four most important criteria noted in your textbook are desirability, uniqueness, visibility, and affordability.

Irrelevant Attributes and Positioning

Irrelevant attributes are characteristics that appear to distinguish a product from a similar one. For example, soaps may be distinguished by their scent or color, which doesn't really impact their effectiveness. In the short term, irrelevant attributes may boost sales, but over time their effectiveness as an incentive often diminishes in the face of competition.

Selecting a Unique Selling Proposition

When firms select and focus their marketing efforts on a single benefit that distinguishes a product or service, they're employing what's known as a *unique selling proposition (USP)*. As your textbook notes, Volvo has highlighted its excellent safety record as a feature across all of its marketing materials. This focus has established Volvo in the minds of consumers as number one in safety along with what some researchers refer to as a mental product ladder. Another USP is creating a personality for the brand or product, which serves as the basis for a large promise of benefits for the customer.

Repositioning

Of course, it's possible that the competitive environment may change. If that happens, marketers must adapt their positioning strategies and *reposition* the brand by modifying its formulation, emphasizing new or different uses or benefits, or changing the brand image or design. Repositioning is typically supplemented through promotion, advertisement, and different pricing strategies. Communication efforts, which can be quite expensive and time-consuming, are also critical to a repositioning effort.

Key Terms

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Review any material you found difficult. Then complete *Self-Check 2* and *Chapter 2 Homework*. Check your answers with those provided. Review the material for any of the questions you missed.

After you complete *Self-Check 2* and *Chapter 2 Homework*, review any material from Assignments 1 and 2 that you found difficult. When you're sure you understand the information covered in Lesson 1, take the examination.

When you complete the exam, you'll be ready to begin Lesson 2.



Self-Check 2

Questions 1–5: Indicate whether each of the following statements is True or False.

- _____ 1. Market targeting is the act of dissecting the overall marketplace into a number of sub-markets that may require different products or services and thus can be approached with different marketing mixes.
- _____ 2. A manufacturer that subdivides the market based on age is using demographic segmentation.
- _____ 3. A retailer who subdivides the market by stage in the family life cycle is using behavioral segmentation.
- _____ 4. PRIZM, ESRI Tapestry, and PersoniX are all basic geodemographic segmentation systems.
- _____ 5. In a concentration targeting strategy, the company individualizes its products and services to meet each customer's specific requirements.

(Continued)



Self-Check 2

Questions 6–10: Select the one best answer to each question.

6. A _____ strategy is based on the assumption that there's a single, large, homogeneous marketplace with common needs.
- a. multisegment
 - b. mass market
 - c. concentration
 - d. customizing
7. A health club that targets persons who enjoy aerobics employs _____ segmentation.
- a. demographic
 - b. geographic
 - c. geodemographic
 - d. psychographic
8. An undifferentiated targeting strategy would *most likely* be used when a
- a. product is relatively new to the marketplace.
 - b. product's price is higher than the competing products.
 - c. product faces intense competition.
 - d. product is heavily advertised.
9. Factory 121, a Swiss watch company, established a website where customers can create and design their own individually made Swiss timepieces in a fun and playful manner. This manner of conducting business exemplifies a(n) _____ strategy.
- a. undifferentiated
 - b. multisegment
 - c. concentration
 - d. mass customization
10. A product's _____ refers to the manner in which it's perceived by consumers in relation to similar products offered by the competition.
- a. position
 - b. market share
 - c. portrait
 - d. placement

Check your answers with those on page 139.
