

Principles of Marketing

DBB 1313

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CHAPTER 4

Market Segmentation: Targeting and Positions

Market Segmentation

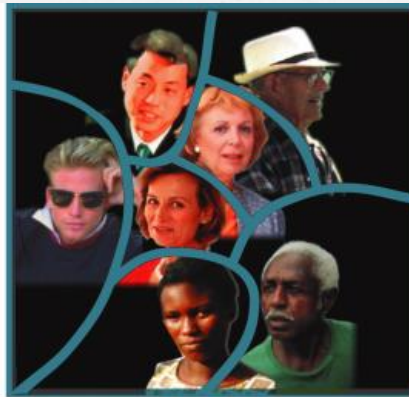
Market- People or organizations with needs or wants and the ability and willingness to buy.

Market Segmentation- The process of dividing a market into similar groups.

The Concept of Market Segmentation



No market segmentation



Fully segmented market



Market segmentation
by gender: M,F



Market segmentation
by age group: 1,2,3



Market segmentation
by gender and age group

Why Segmentation is Necessary

- If all consumers were alike (have the same background, needs, wants and desire) then mass marketing using a single standardized product would be a logical strategy.
- But since consumers are different in general, segmentation is necessary to divide the population according to their different needs.

The Importance of Market Segmentation

- ◆ Allow business to precisely reach specific customer
- ◆ Marketers can better understand customer needs.
- ◆ Decision makers can define objectives and allocate resources more accurately.

Bases for Segmenting Consumer Markets

Segmentation Bases - Characteristics of individuals, groups, or organizations used to divide a total market into segments (variables).

Bases for Segmentation

Demographic

Geography

Psychographic

1. Demographic Segmentation

Age

Gender

Income

Ethnic background

Family life cycle

Age Segmentation

Divide the market based on age group

- People age 5-12
There is marketing potential for products such as toys, McDonalds Happy Meal, breakfast cereal, superheroes and princess products.
- People age 45-60
There is marketing potential for products such as retirement properties, health and wellness products, expensive cars with features for them

Gender Segmentation

Divide the market based on gender

- Product for men – Cars, sport shoes, sport equipments
- Product for women – Handbag, makeup, healthy choice of food

Gender Segmentation

- o In U.S., women...
 - o Handle 75% of family finances
 - o Influence 80% of consumer purchases
 - o Make purchase decisions about variety of goods and services
 - o New cars, hardware stores, electronics, etc.
- o Other brands that have targeted men are trying to target women
 - o Gillette razors, Nike, Reebok, etc.



Gillette for women advertisement



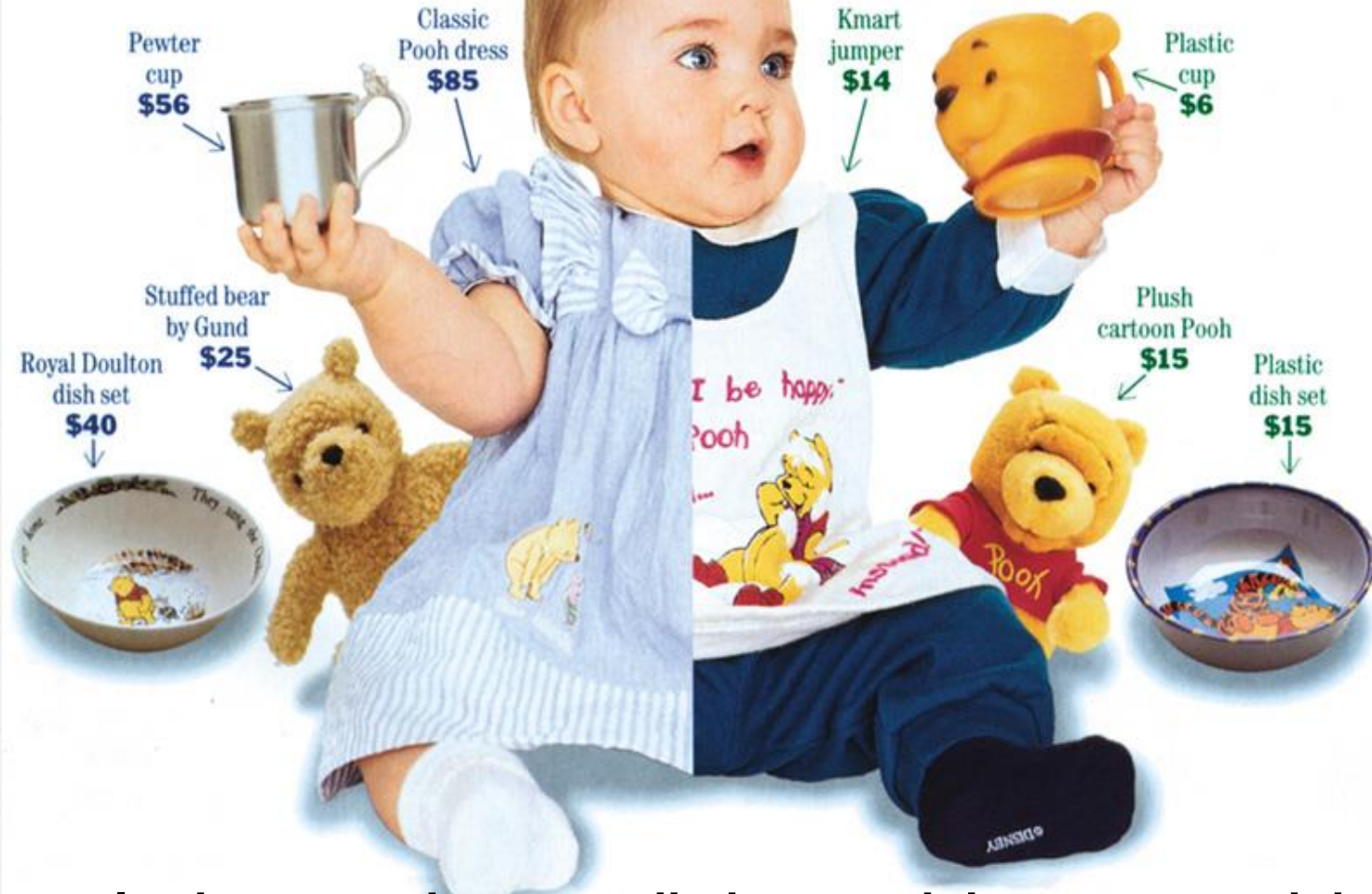
Nike for women
advertisement

Income Segmentation

- o Income – popular demographic variable for segmenting markets
- o Richer household tend to purchase expensive stuff and average household tend to seek for promotions, discounts and affordable products.

Upscale

Downscale



Walt Disney markets two distinct Pooh bears to match its two-tiered market.

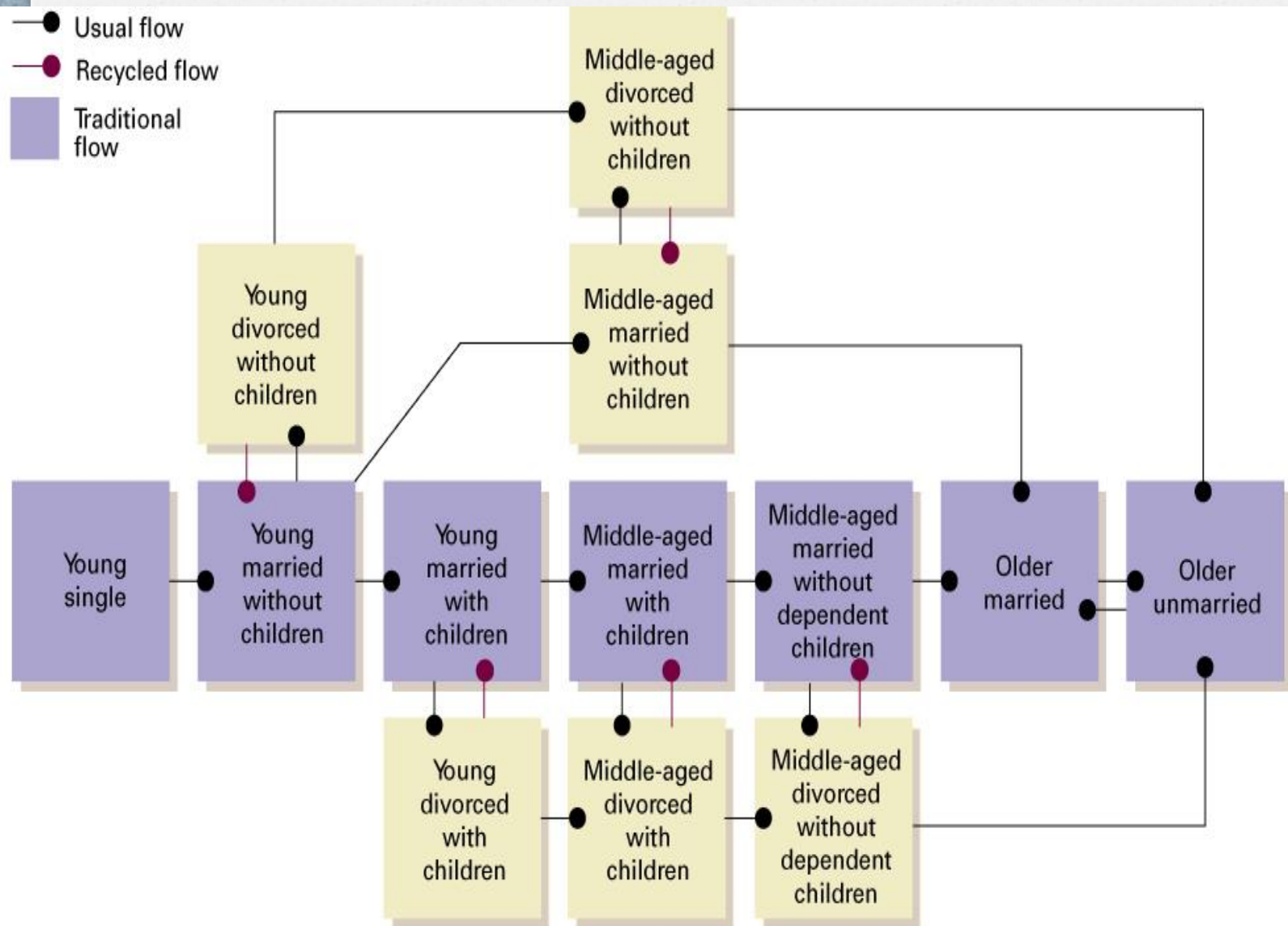
Ethnic Segmentation

- Divide the market based on ethnic and race.
- Ethnic markets in US are:
 - Caucasian Americans
 - Hispanic Americans
 - African Americans
 - Asian Americans

Family Life Cycle

- o Divide the market based on marital status and children.
 - o Married with children
 - o Married without children
 - o Unmarried with children
 - o Unmarried without children

 Usual flow
 Recycled flow
 Traditional flow





THE
 (Read a general introduction to the world of jewelry and the history of the diamond ring in the accompanying article on page 100.)



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TIFFANY & Co.
 NEW YORK LONDON PARIS

- Ring advertisement to target the single couple.

Sandals
Love Is All You Need

FREE HONEYMOON PACKAGE*



T&C's apply

- Honeymoon advertisement to target the newlyweds

2. Geographic Segmentation

**Geographic Segmentation-
Customers are divided
based on where they live.**

Geographic Segmentation

Region of the country

Market density

Season

Geographic Segmentation

- o Region of the country – divide the market according to region
- o Market density – population of the area
- o Season – winter clothes and swimwear are marketed according to season

3. Psychographic Segmentation

Psychographic Segmentation- Market segmentation on the basis of personality, motives and lifestyles,

Bases for Psychographic Segmentation

Lifestyle

Personality

Lifestyle Segmentation

Divide the market based on lifestyle

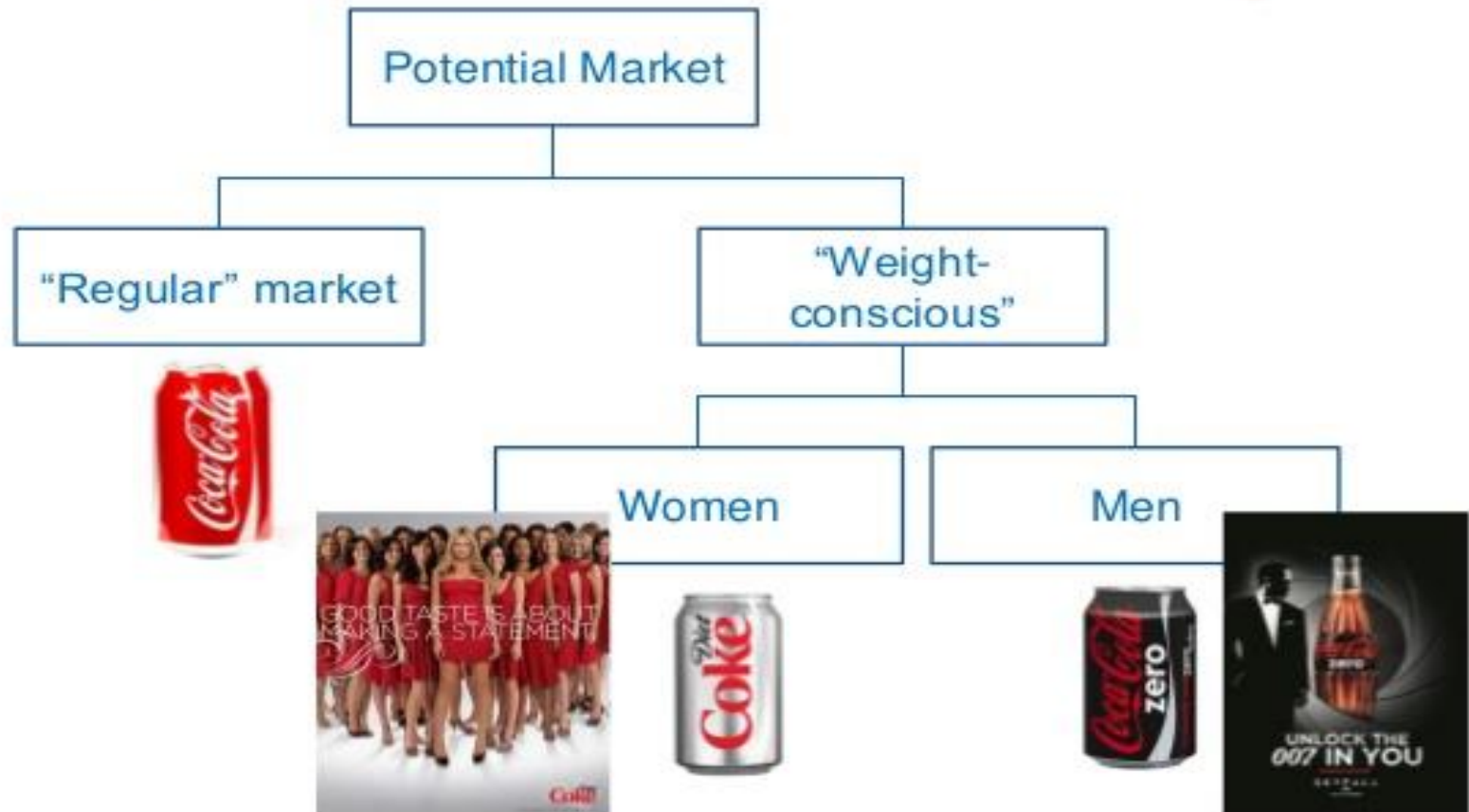
- Includes hobbies, activities, and interests,
- How time is spent
- They explain buyer's purchase decisions and choices



This Ad Targets Consumers Who Are Physically Active and Also Love the Outdoors.



Example: Coca Cola Segmentation (USA)



Personality Segmentation

Divide the market based on personality

Personality reflects a person's traits, attitudes, and habits.



Two High-End Watches for Different Personality

