Philip Kotler
Kevin Lane Keller

8

Identifying Market Segments and Targets

Marketing Management, 13th ed

Chapter Questions

- What are the different levels of market segmentation?
- How can a company divide a market into segments?
- How should a company choose the most attractive target markets?
- What are the requirements for effective segmentation?

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Baby Boomers: A Lucrative Market



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Effective Targeting Requires…

- Identify and profile distinct groups of buyers who differ in their needs and preferences
- Select one or more market segments to enter
- Establish and communicate the distinctive benefits of the market offering

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Ford's Model T Followed a Mass Market Approach



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Four levels of Micromarketing



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What is a Market Segment?

A **market segment** consists of a group of customers who share a similar set of needs ad wants.

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Gather.com: A Niche Social Networking Site



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Flexible Marketing Offerings

- **Naked solution**: Product and service elements that all segment members value
- **Discretionary options**: Some segment members value options but not all

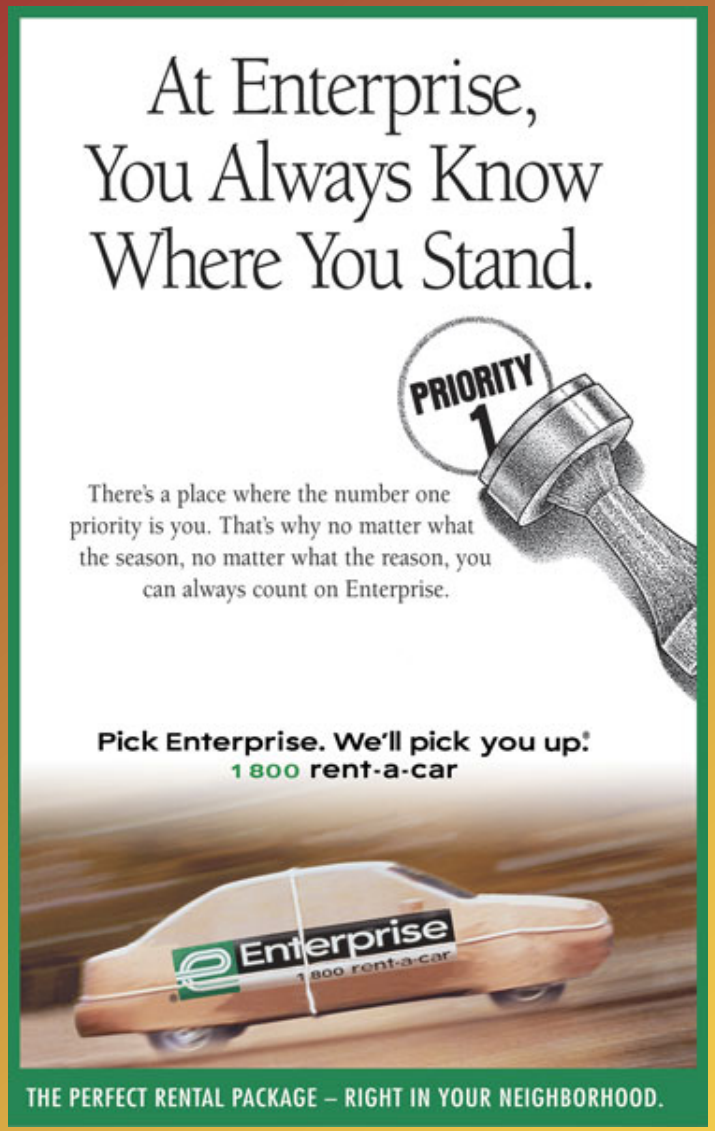
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Preference Segments

- **Homogeneous preferences** exist when consumers want the same things
- **Diffused preferences** exist when consumers want very different things
- **Clustered preferences** reveal natural segments from groups with shared preferences

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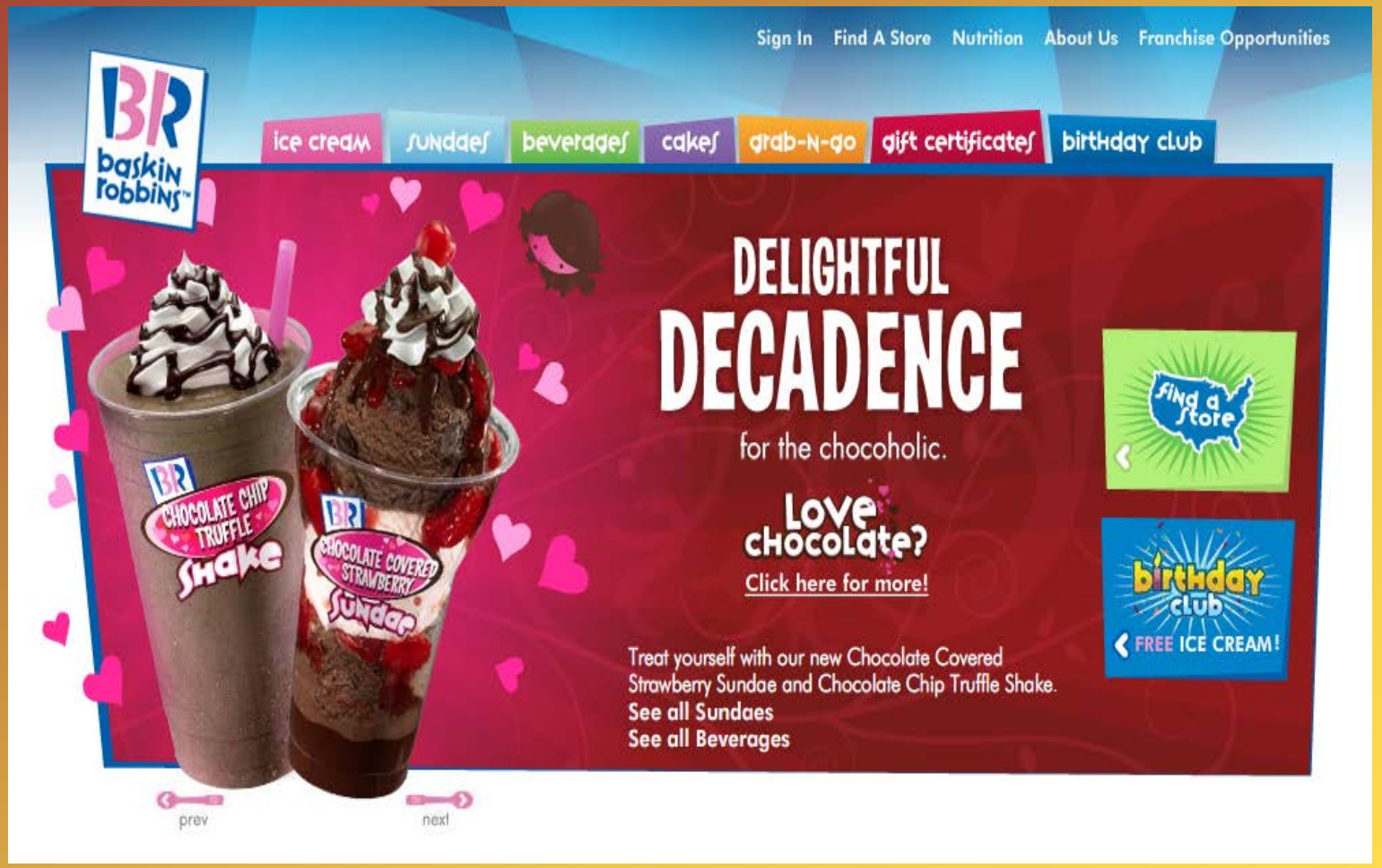
Niche Marketers



Enterprise Rent-A-Car targets the insurance-replacement market

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Baskin Robbins Focuses on Local Marketing



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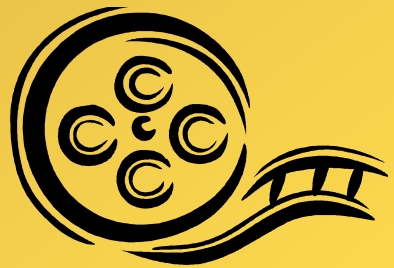
The Long Tail

- Chris Anderson explains the long tail equation:
  - The lower the cost of distribution, the more you can economically offer without having to predict demand;
  - The more you can offer, the greater the chance that you will be able to tap latent demand for minority tastes; and
  - Aggregate enough minority taste, and you may find a new market.

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What is Customerization?

Customerization combines operationally driven mass customization with customized marketing in a way that empowers consumers to design the product and service offering of their choice.



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Segmenting Consumer Markets



- Geographic
- Demographic
- Psychographic
- Behavioral

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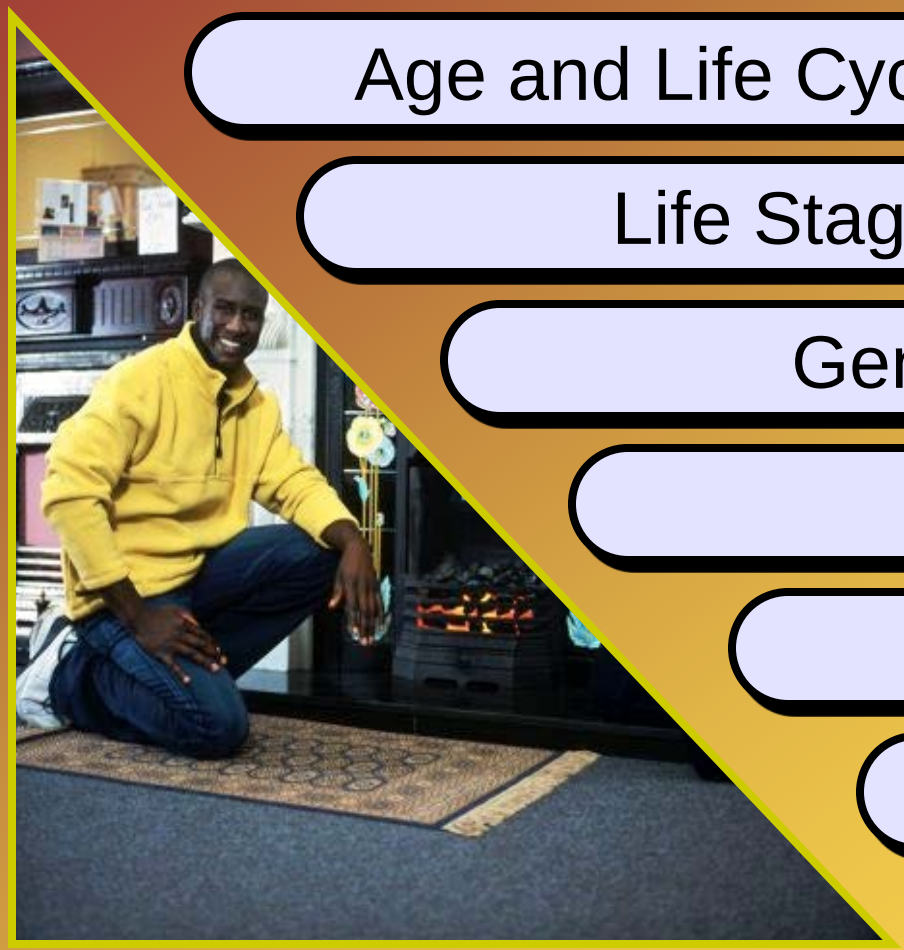
Claritas' Prizm



- Education and affluence
- Family life cycle
- Urbanization
- Race and ethnicity
- Mobility

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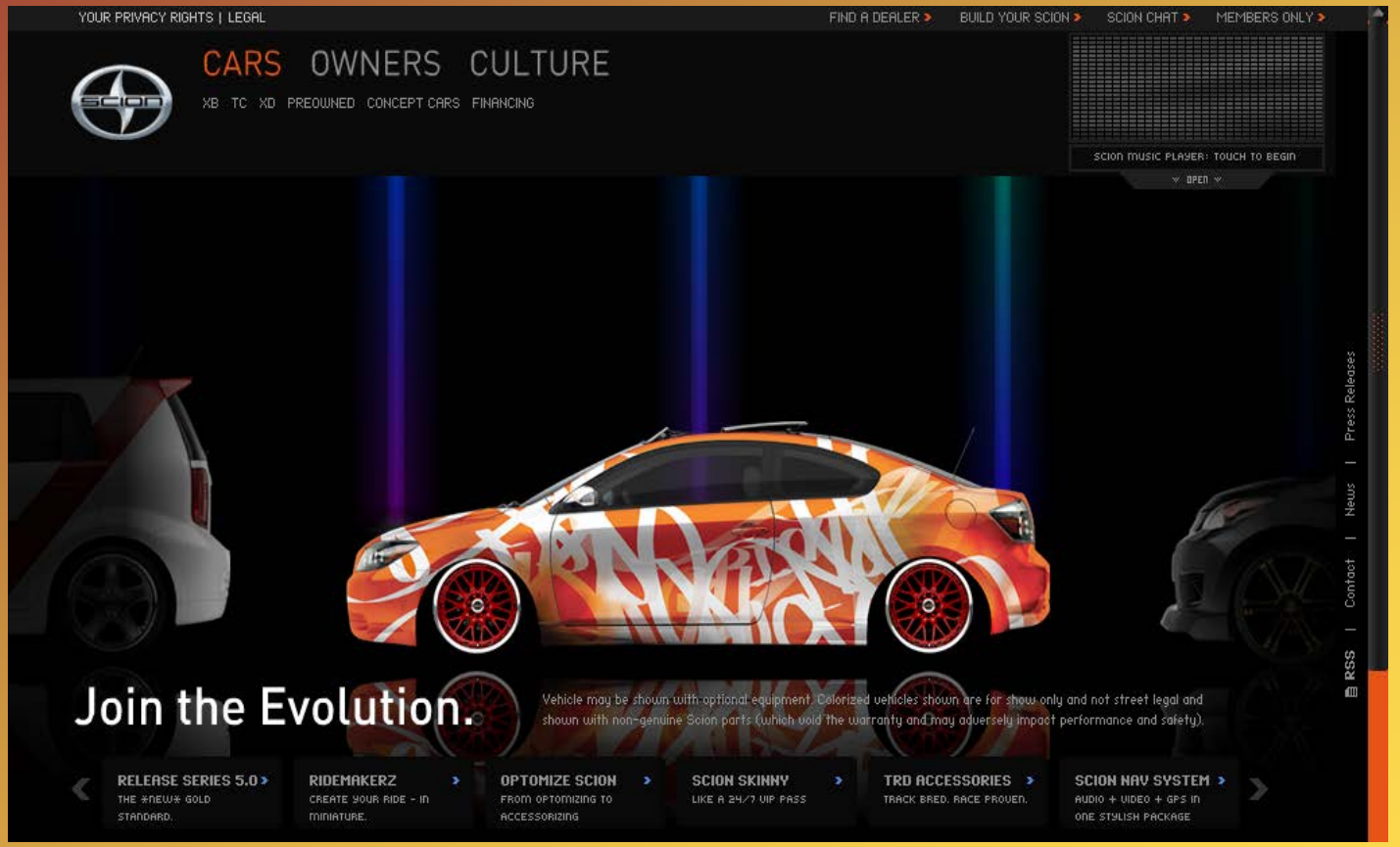
Demographic Segmentation



- Age and Life Cycle
- Life Stage
- Gender
- Income
- Generation
- Social Class

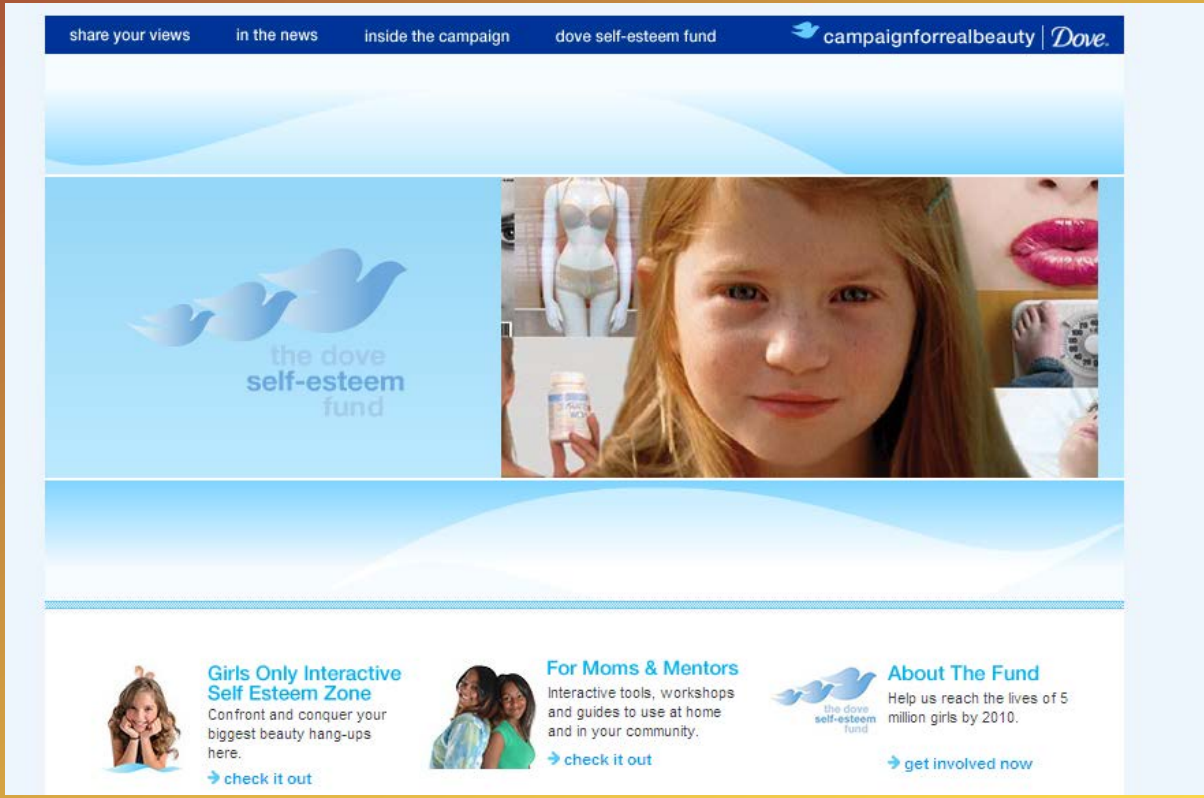
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Toyota Scion Targets Gen Y Consumers



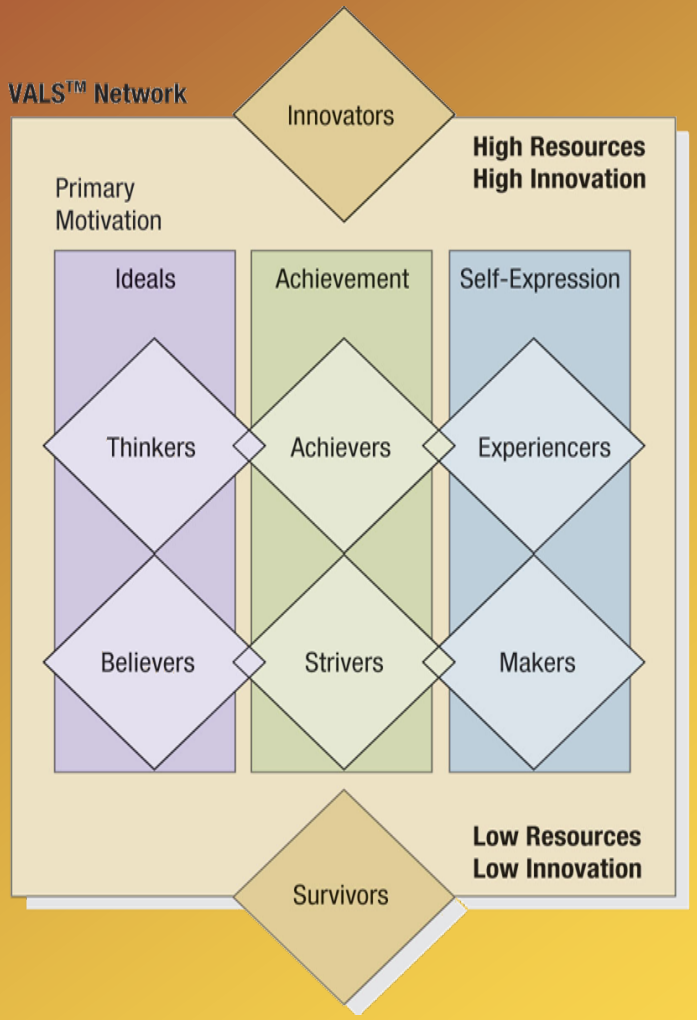
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Dove Targets Women



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Figure 8.1
The VALS Segmentation System



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Behavioral Segmentation

Decision Roles

- Initiator
- Influencer
- Decider
- Buyer
- User

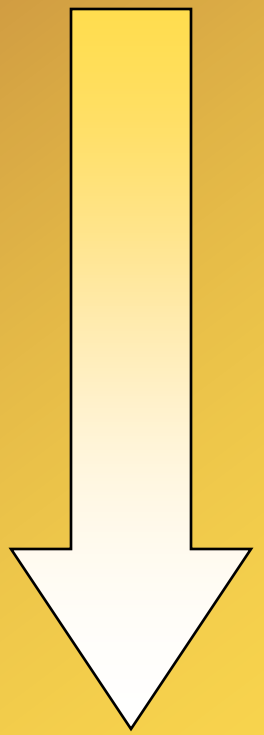
Behavioral Variables

- Occasions
- Benefits
- User Status
- Usage Rate
- Buyer-Readiness
- Loyalty Status
- Attitude

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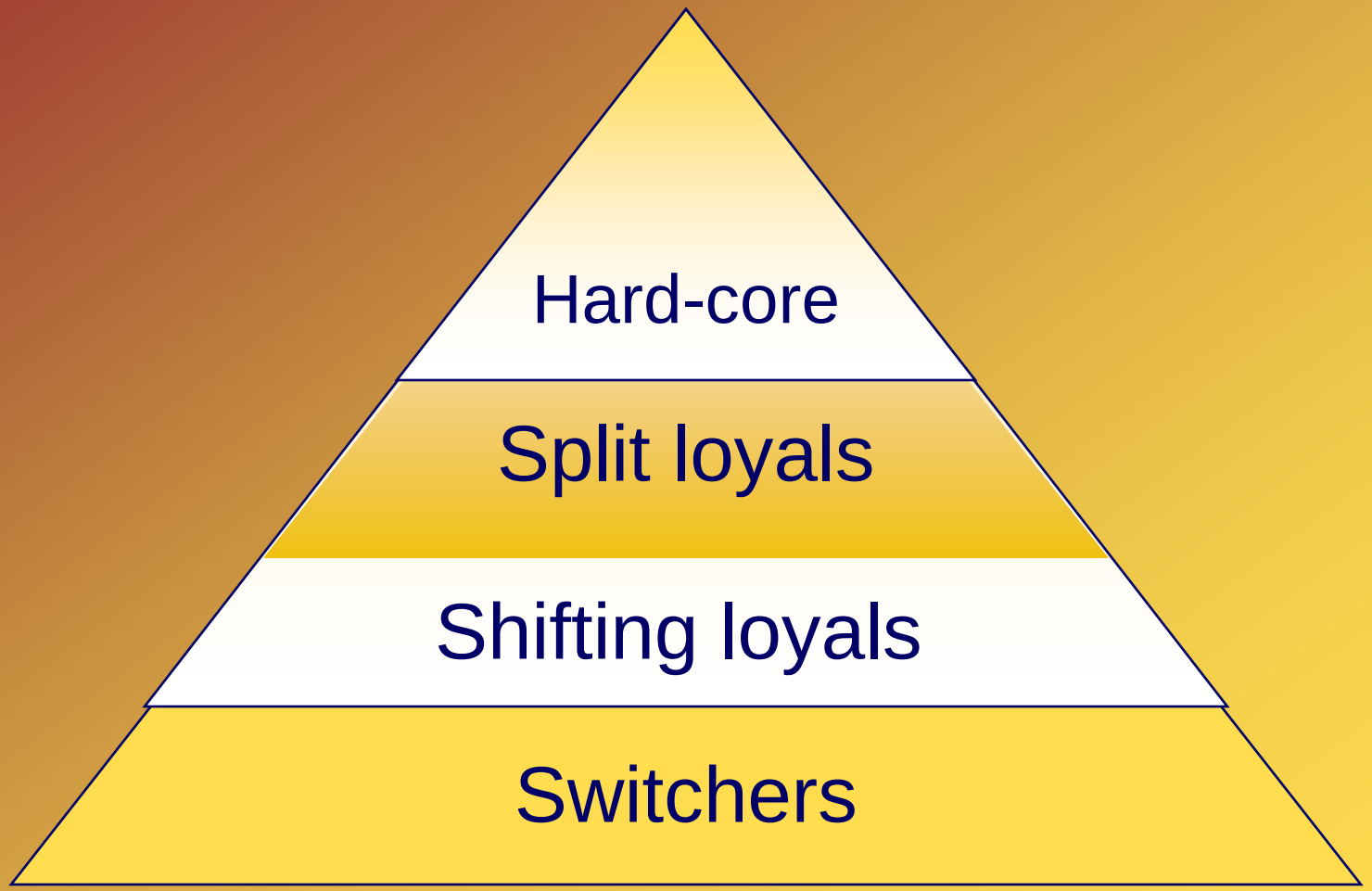
The Brand Funnel Illustrates Variations in the Buyer-Readiness Stage

- Aware
- Ever tried
- Recent trial
- Occasional user
- Regular user
- Most often used



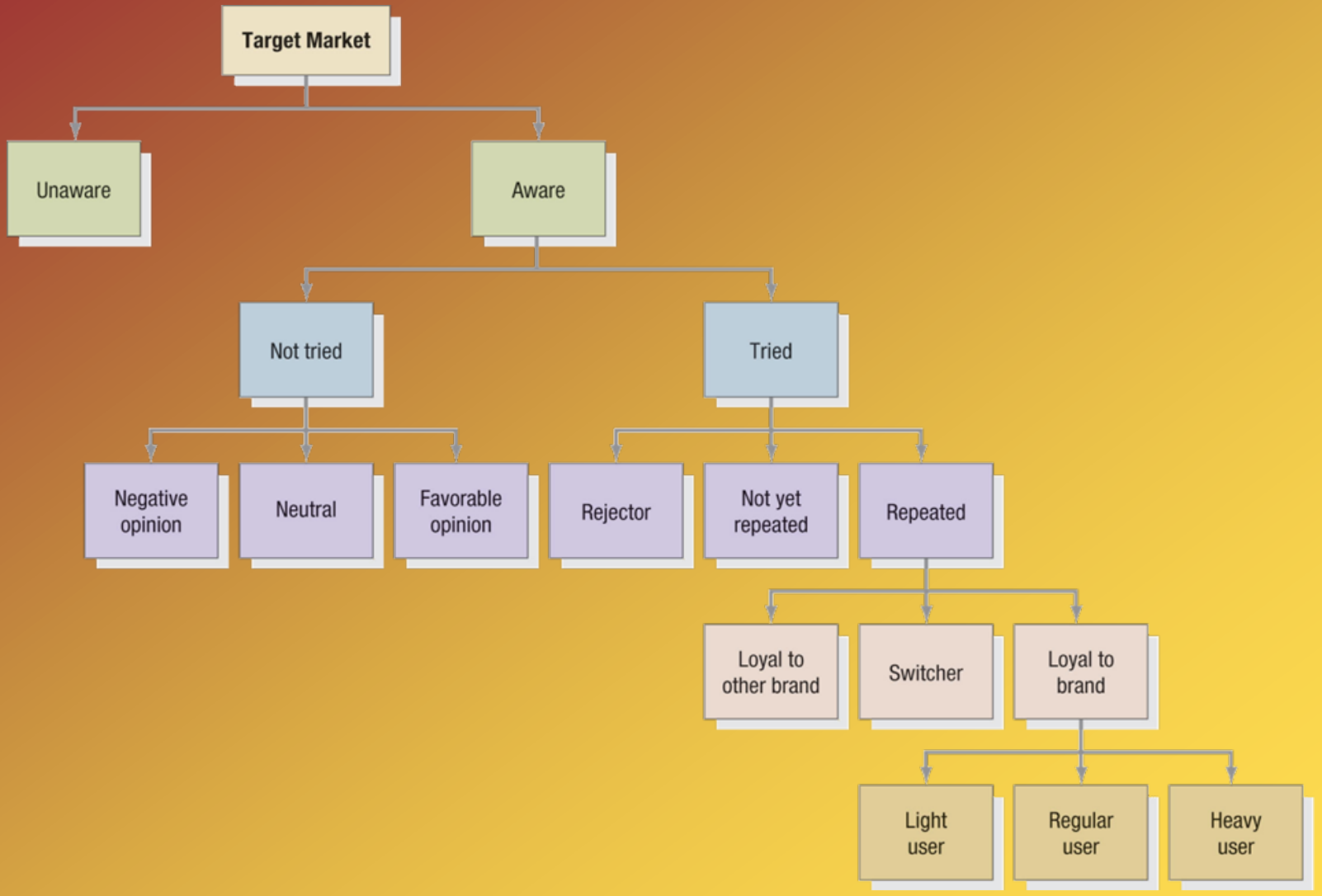
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Loyalty Status



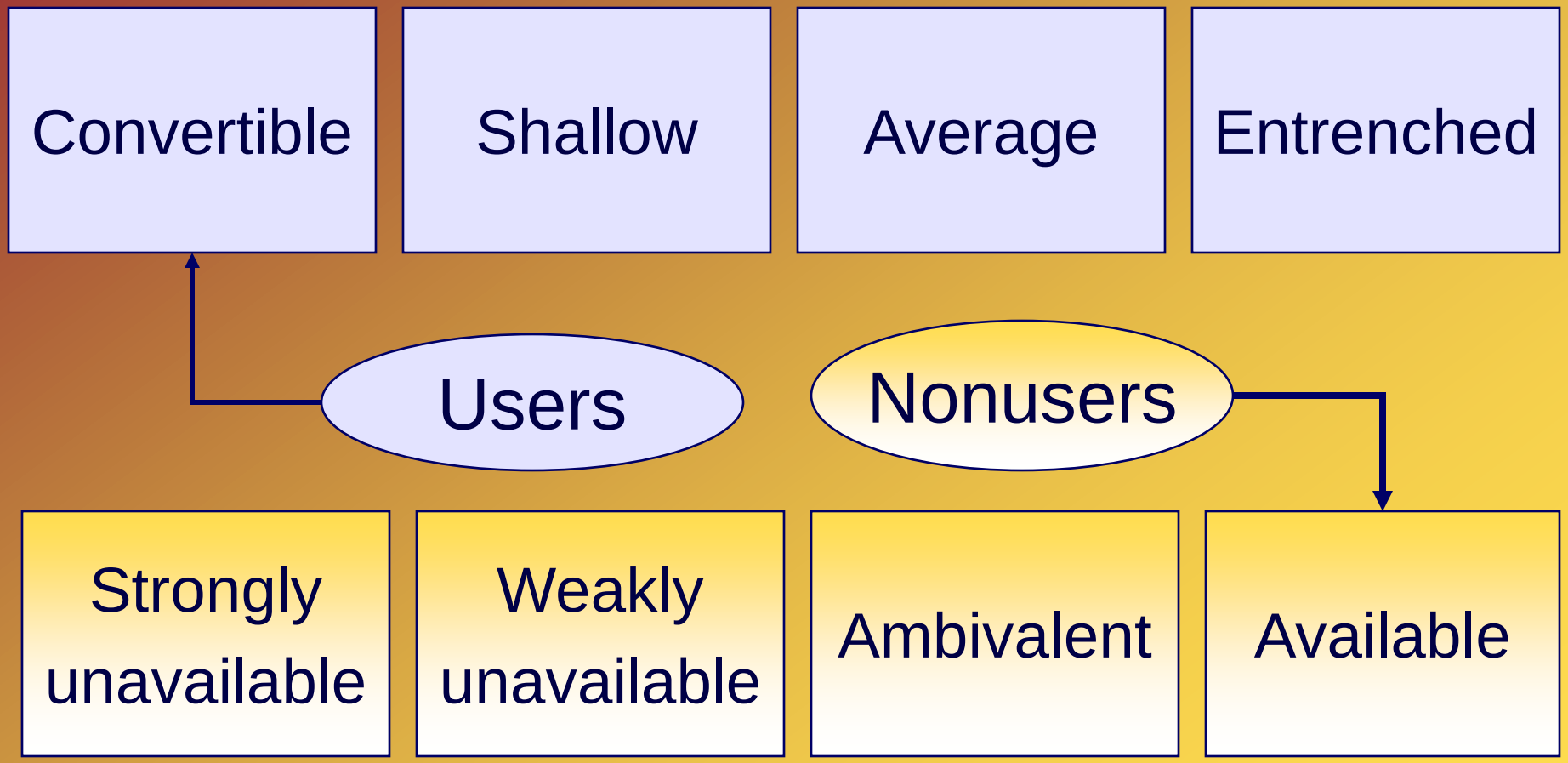
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Figure 8.3 Behavioral Segmentation Breakdown



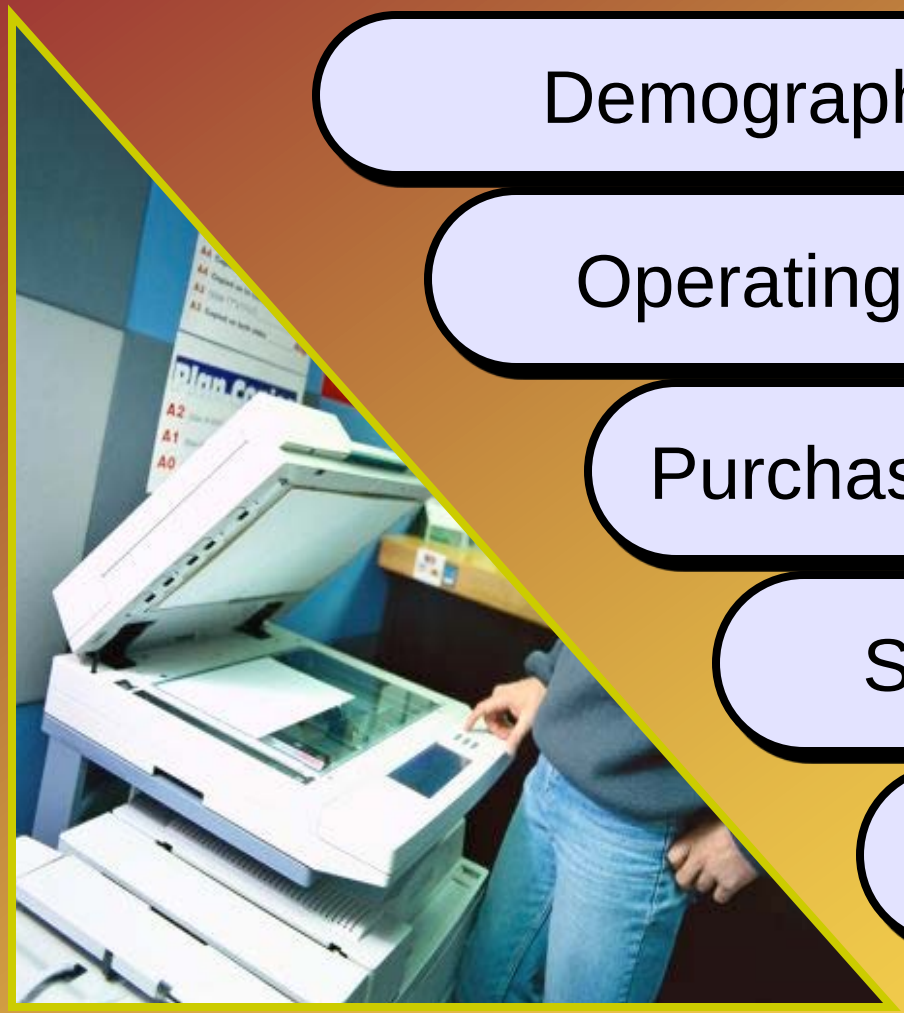
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The Conversion Model



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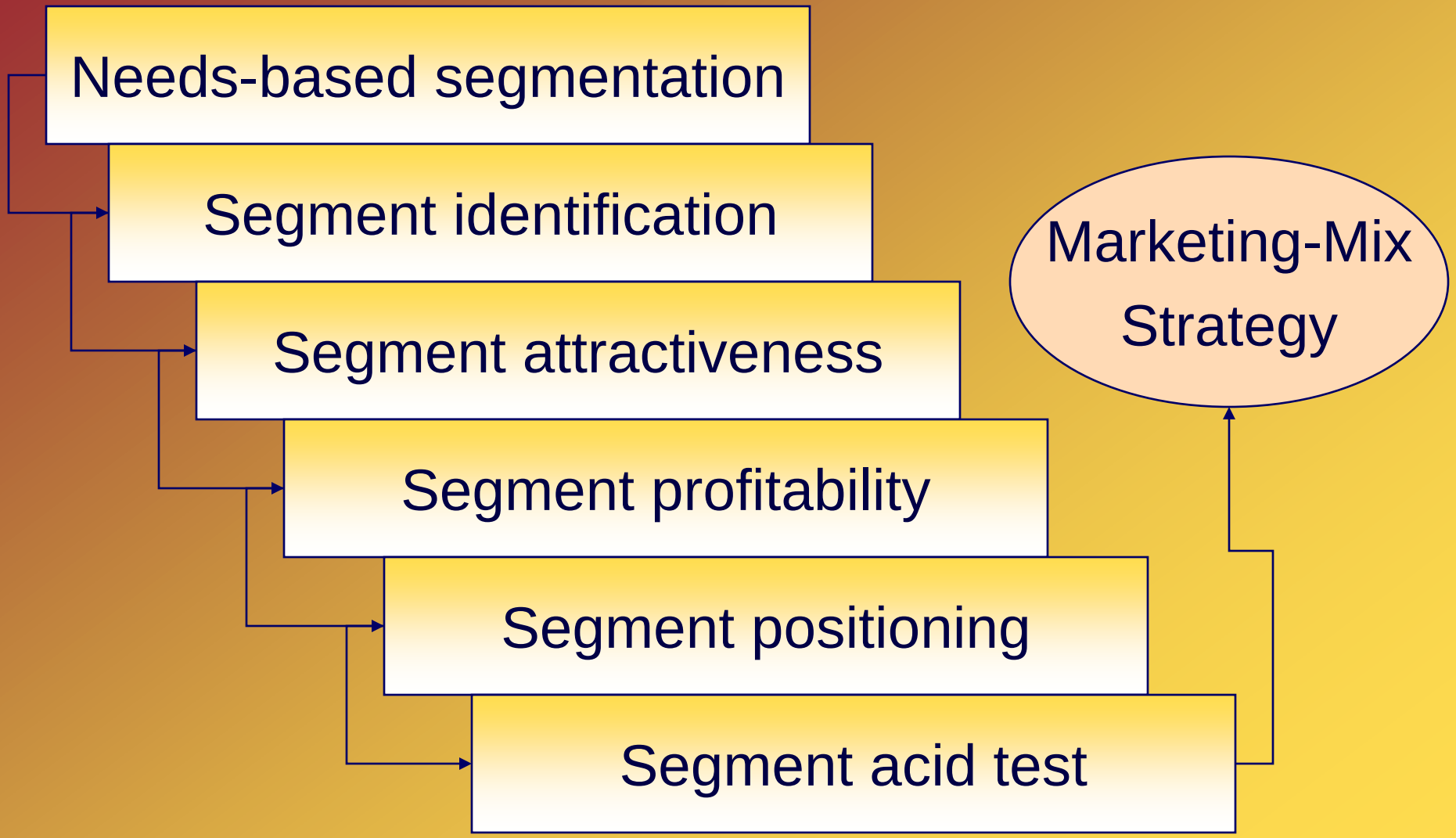
Segmenting for Business Markets



- Demographic
- Operating Variable
- Purchasing Approaches
- Situational Factors
- Personal Characteristics

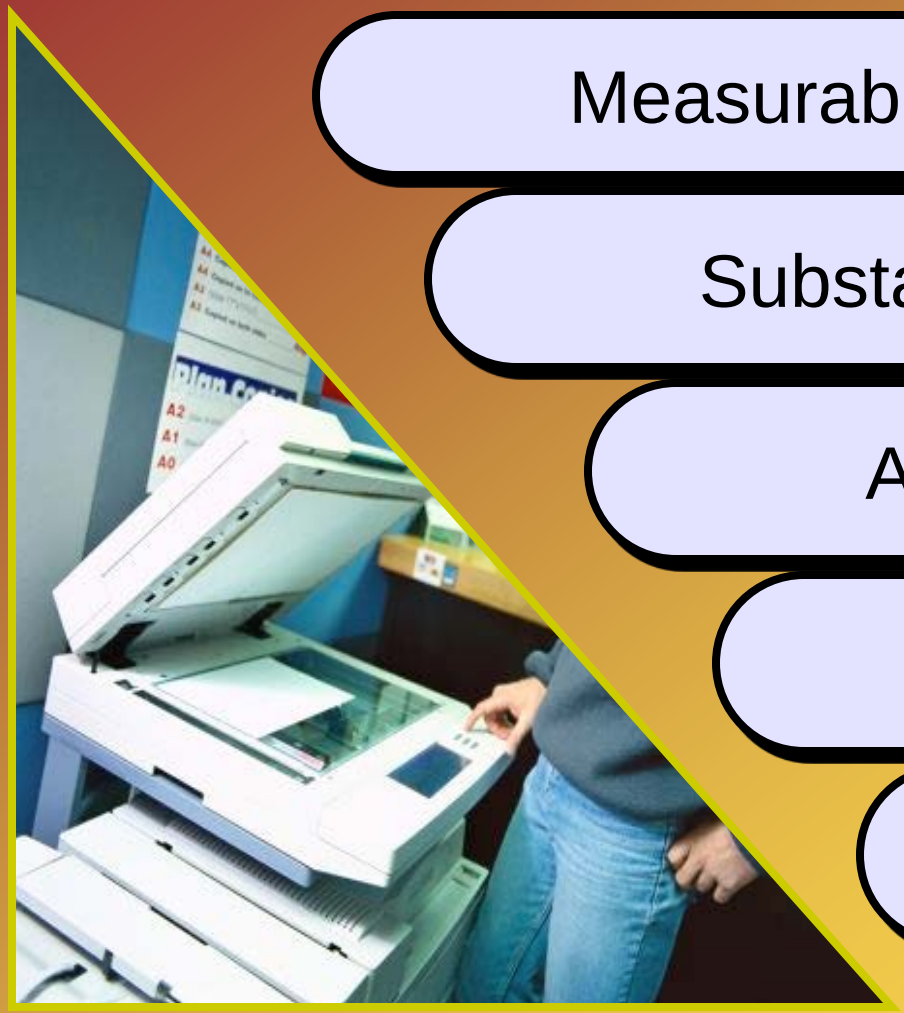
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Steps in Segmentation Process



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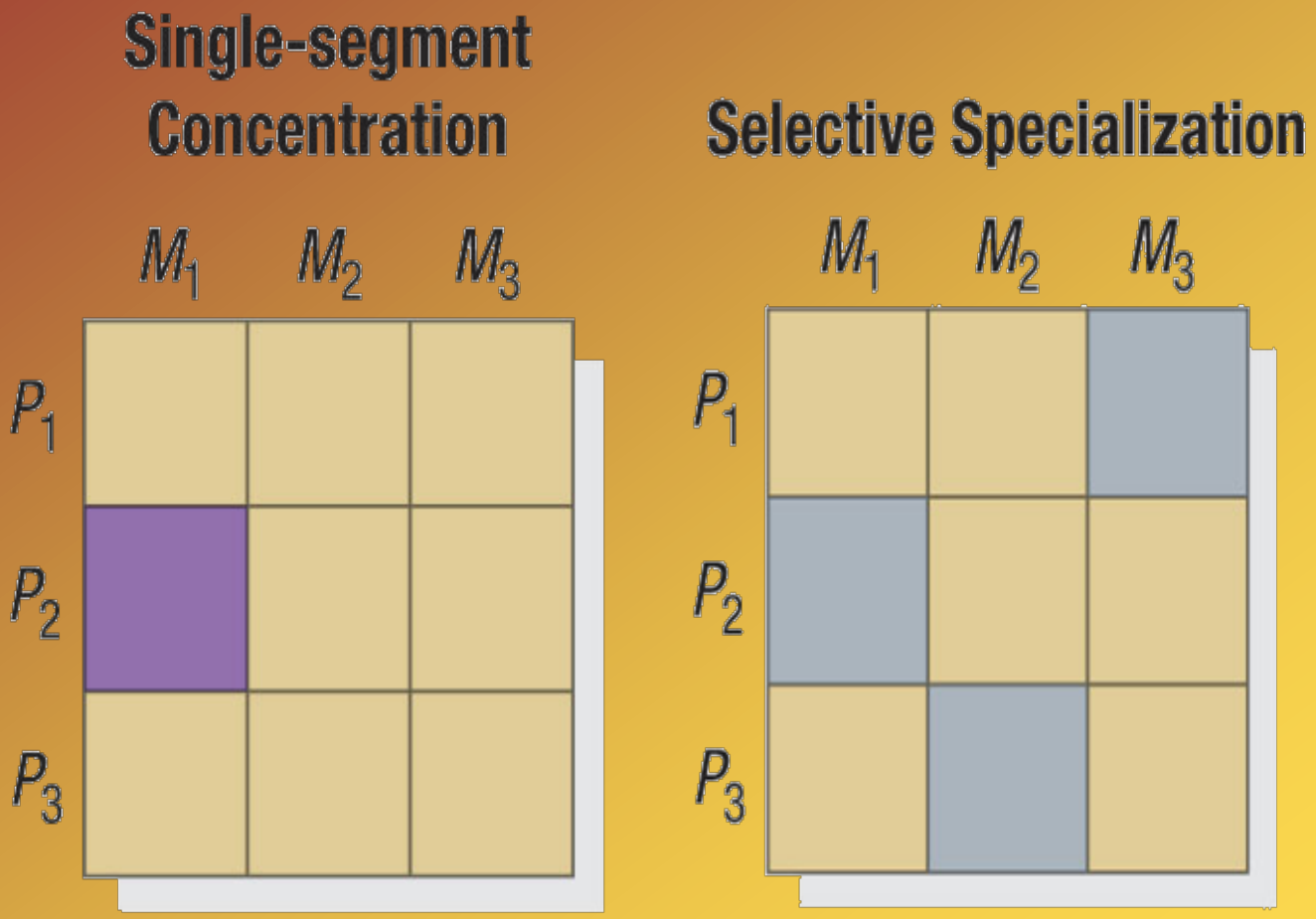
Effective Segmentation Criteria



- Measurable
- Substantial
- Accessible
- Differentiable
- Actionable

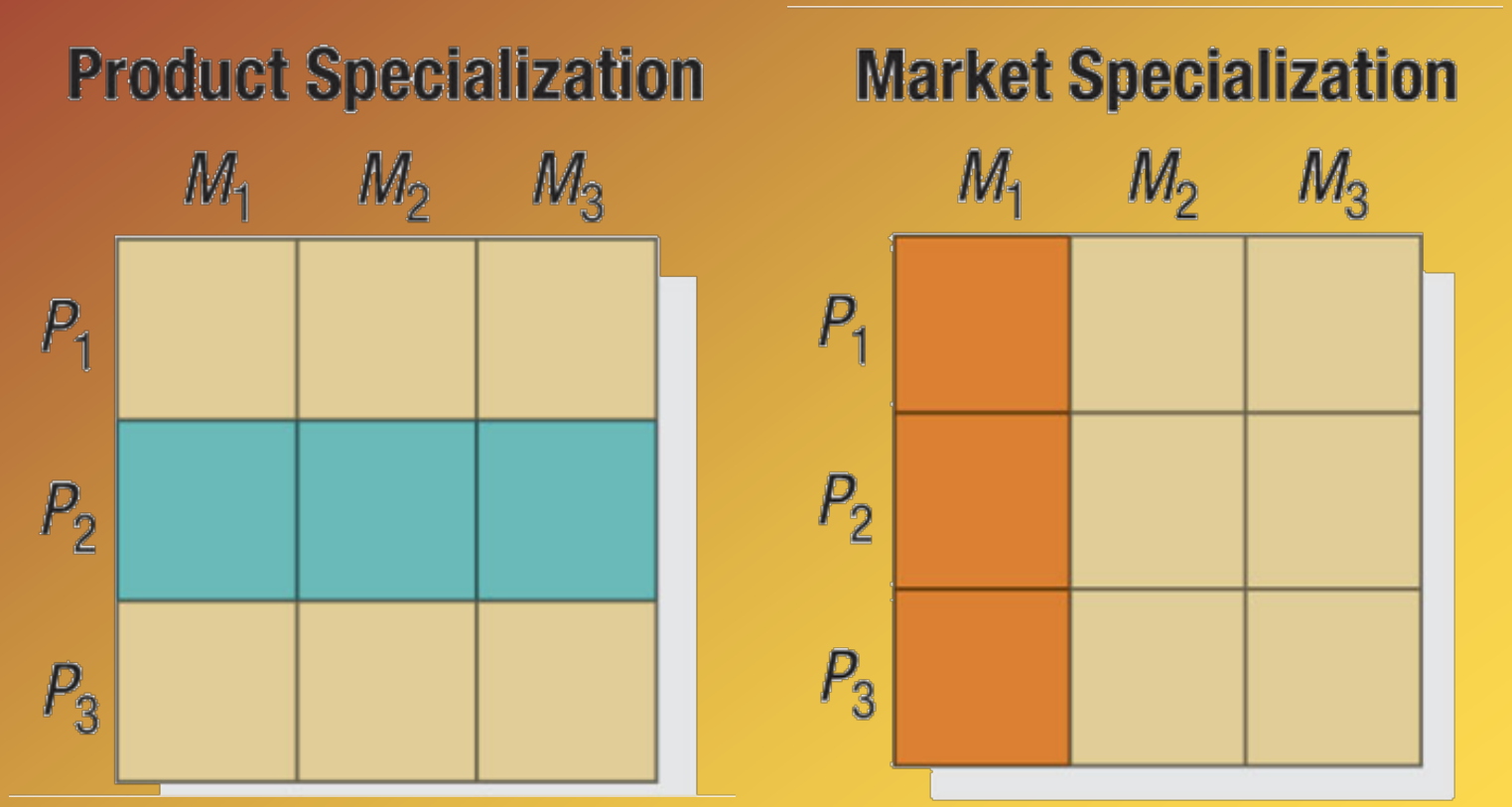
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Figure 8.4 Patterns of Target Market Selection



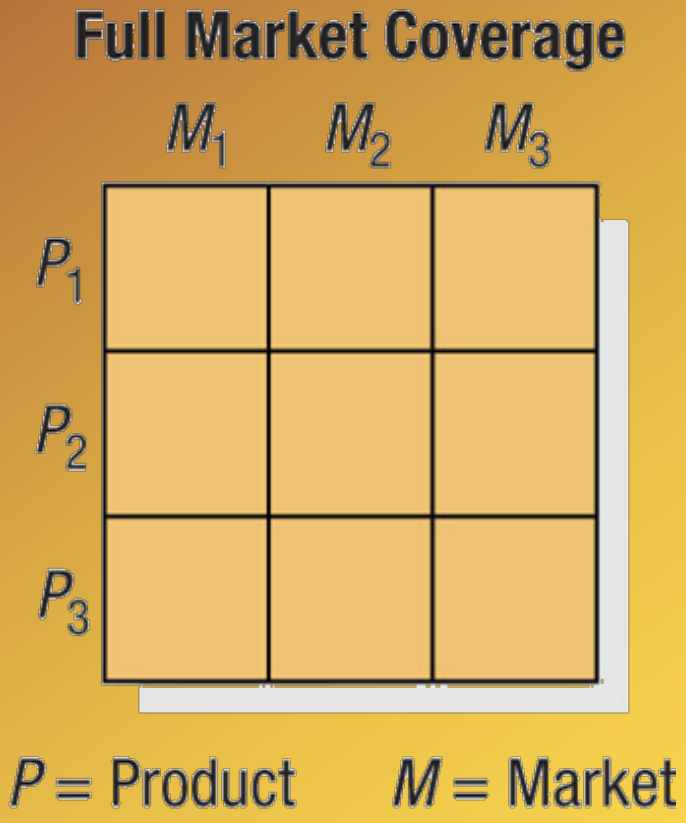
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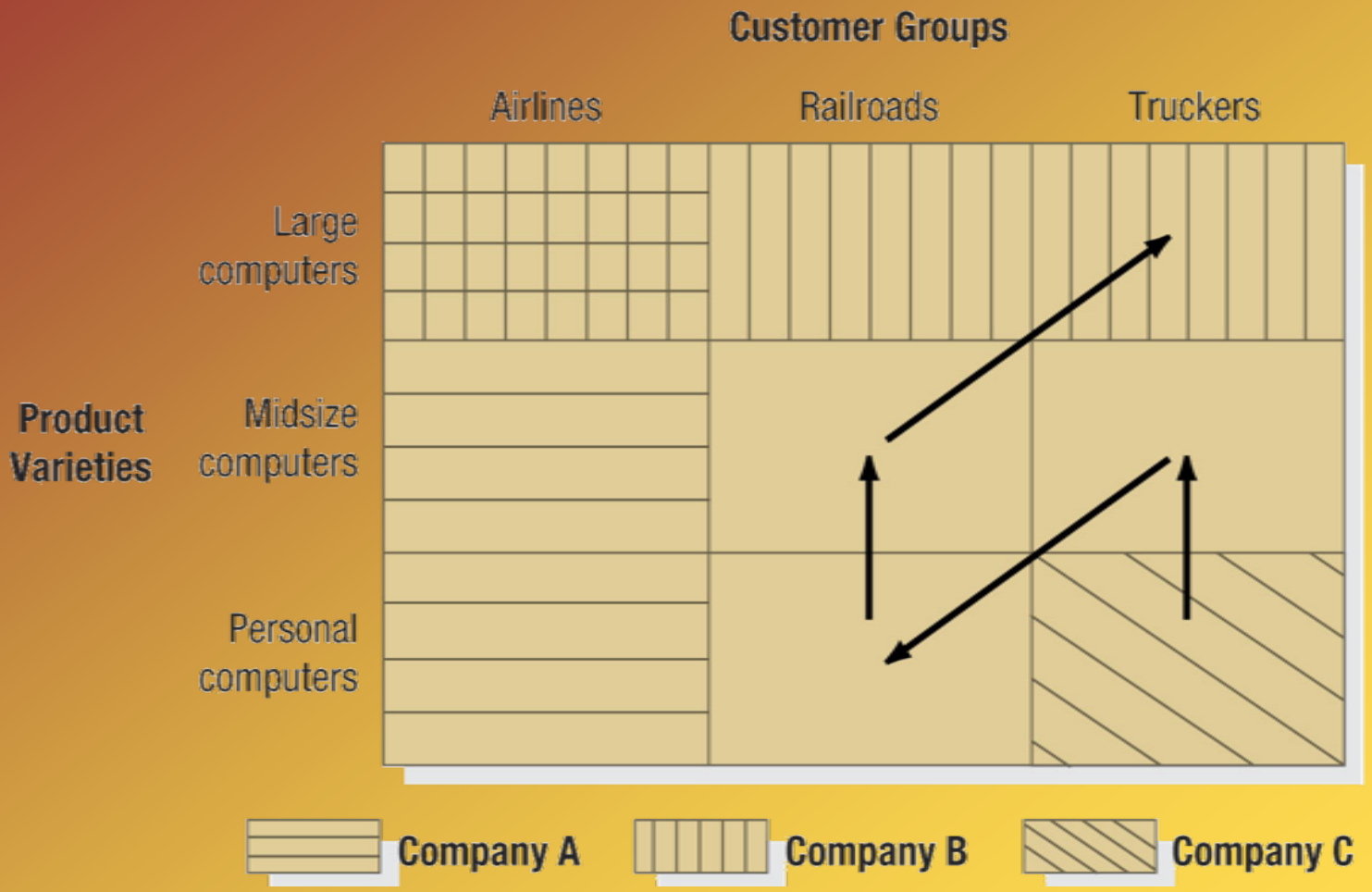
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Crest Whitestrips Follows a Multisegment Strategy



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Figure 8.5 Segment-by-Segment Invasion Plan



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Pepsi used Megamarketing in India



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Marketing Debate

- ✓ Is mass marketing dead?

Take a position:

1. Mass marketing is dead.

or

2. Mass marketing is still a viable way to build a profitable brand.

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Marketing Discussion

- ✓ Think of various product categories.
- ✓ How would you classify yourself in terms of the various segmentation schemes?
- ✓ How would marketing be more or less effective for you depending upon the segment involved?

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