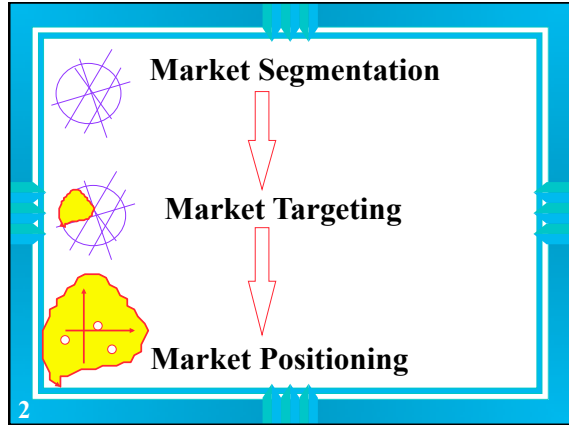
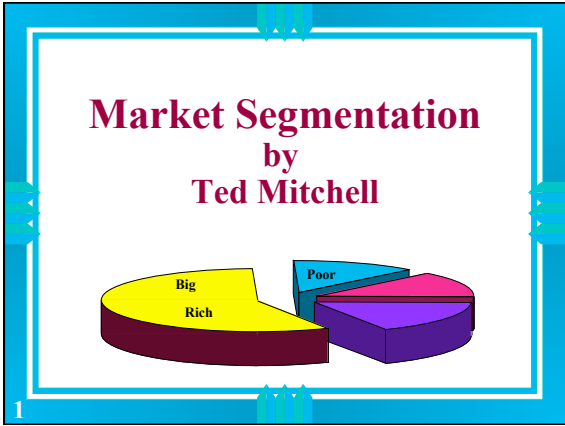


# Chapter 8: Segmentation



**A MARKET IS PEOPLE WITH NEEDS AND WANTS, WITH MONEY TO SPEND TO SATISFY THOSE NEEDS AND WANTS, AND THE AUTHORITY TO SPEND IT.**

3

**SEGMENTATION IS A PROCESS OF CLASSIFYING CUSTOMERS INTO HOMOGENEOUS GROUPS**

4

Some Text Books make segmentation sound like a strategy.

**SEGMENTATION IS NOT A STRATEGY IT IS A PROCESS**

- ◆ IT ALLOWS SELLERS TO HAVE A MARKETING STRATEGY THAT IS DIFFERENT FROM SIMPLE PRODUCT DIFFERENTIATION WHILE SELLING TO A MASS MARKET!

5

Management has the choice to engage in Segmentation or not!

- ◆ IT IS A FACT THAT A MARKET WILL ALWAYS SEGMENT ITSELF

IT ALWAYS SEGMENTED INTO THOSE WHO BUY AND THOSE THAT DON' T BUY

6

# Chapter 8: Segmentation

**SHOULD A COMPANY CHOOSE TO ENGAGE IN THE SEGMENTATION PROCESS?**

- ◆ SHOULD A COMPANY TRY TO CHOOSE ITS SEGMENTS AND DESIGN A MARKETING MIX FOR EACH SELECTED SEGMENT?
- ◆ YES. IF CONDITIONS FOR SEGMENTATION ARE POSITIVE

7

**CONDITIONS FOR SEGMENTATION**

- ◆ CAN LARGE GROUPS OF HOMOGENEOUS CUSTOMERS BE IDENTIFIED?
- ◆ CAN THE SEGMENTS BE MEASURED?
  - CONTROL AND PLANNING
- ◆ CAN THE SEGMENTS BE ACCESSED?
  - OPERATIONAL EFFICIENCY
- ◆ WILL THE SEGMENTS HAVE HOMOGENEOUS RESPONSE PATTERNS TO A MARKETING MIX

8

**SEGMENTATION IS A PROCESS OF DEFINING AND CLASSIFYING ONE'S POTENTIAL CUSTOMERS**

- ◆ DIVISION OF MASS MARKET INTO GROUPS OF PEOPLE WITH SIMILAR ATTRIBUTES, NEEDS AND WANTS
- ◆ AGGREGATION OF INDIVIDUAL BUYERS INTO GROUPS OF PEOPLE WITH SIMILAR ATTRIBUTES, NEEDS AND WANTS

9

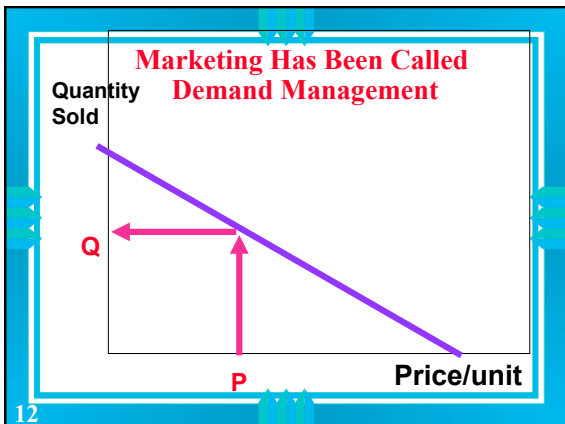
**A MARKET SEGMENT IS AN ACCESSIBLE GROUP OF PEOPLE WITH HOMOGENOUS NEEDS AND WANTS, THAT CAN BE MEASURED AND IDENTIFIED TO HAVE SIMILAR RESPONSES TO A MARKETING MIX.**

10

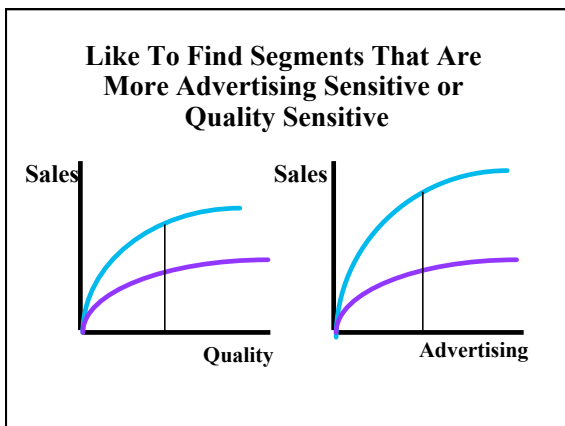
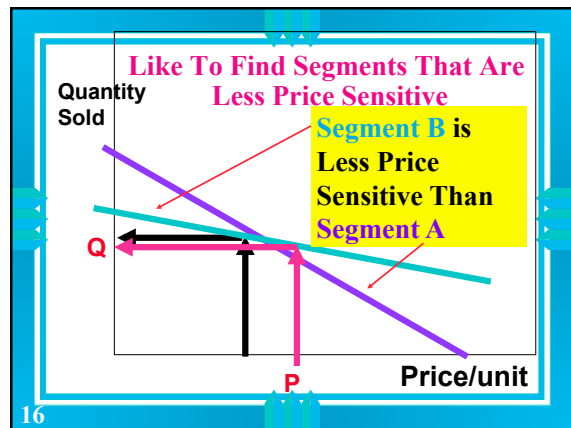
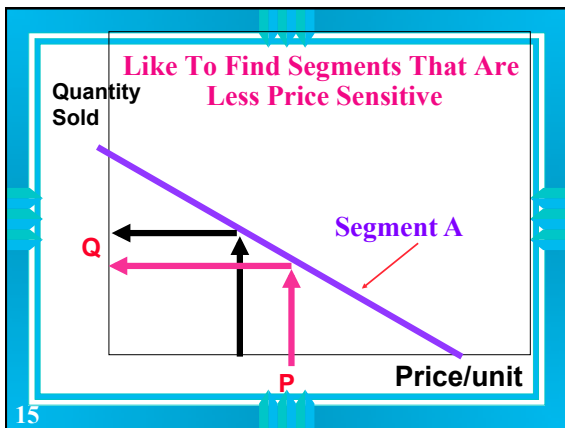
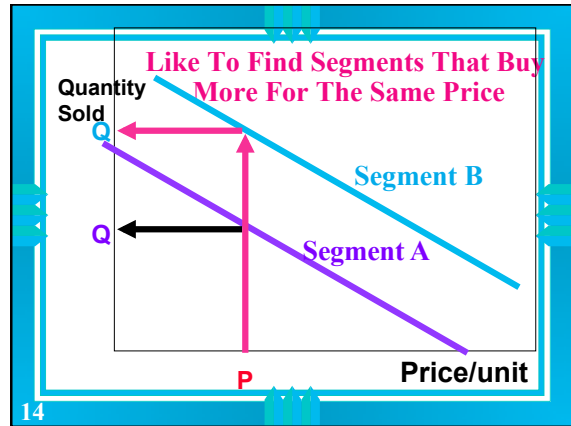
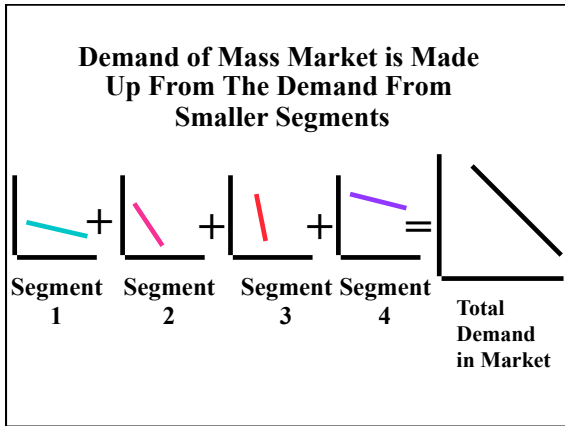
**A COMPANY IS ALWAYS INTERESTED IN FINDING SEGMENTS THAT RESPOND BY BUYING MORE QUANTITY OR BUYING AT A HIGHER PRICE**

- ◆ GROUPS (i.e., SEGMENTS) OF BUYERS THAT RESPOND BY DOING MORE FOR THE SELLER ARE ALWAYS DESIRABLE.

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# Chapter 8: Segmentation



- BENEFITS OF SEGMENTATION**
- ◆ ALLOWS THE IDENTIFICATION OF POTENTIAL TARGET MARKET(S)
  - ◆ ALLOWS THE COMPARISON OF POTENTIAL TARGET MARKETS
  - ◆ ALLOWS FOR A CHOICE OF MARKETING STRATEGIES
    - UNDIFFERENTIATED STRATEGY (MASS MARKETING)
    - CONCENTRATION (SINGLE TARGET STRATEGY)
    - DIFFERENTIATED (MULTI-SEGMENT STRATEGY)

# Chapter 8: Segmentation

The Segmentation Process

◆ **Although the statistics used in segmentation make segmentation look like science it is an art!**

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**THERE HAVE BEEN MANY ATTEMPTS TO LIST SEGMENTATION DIMENSIONS OR VARIABLES**

- ◆ **GEOGRAPHIC**
- ◆ **DEMOGRAPHIC**
- ◆ **PSYCHOGRAPHIC**
- ◆ **BEHAVIORAL**
- ◆ **PRODUCT BASED**
- ◆ **URGENCY BASED**

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**THERE IS COMMON IDEA OF LINKING SEGMENTATION DIMENSIONS TO POTENTIAL ELEMENTS OF THE MARKETING MIX**

**GEOGRAPHIC, DEMOGRAPHIC**  
**IMPLY**  
**THE SIZE OF TARGET MARKET, TYPE OF PLACE, PROMOTION, etc.**

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**BEHAVIORAL ASPECTS**  
(i.e., needs, wants, attitudes)  
**IMPLY**  
**PRODUCT DESIGN**  
**PROMOTIONAL COPY**

**PRODUCT-RELATED**  
(i.e., usage rate, brand loyalty, benefits sought)  
**IMPLY**  
**PROMOTION LEVELS**  
**PRICING STRATEGY**

22

**URGENCY TO SATISFY NEED, DESIRE TO SHOP AROUND**  
**IMPLY**  
**PLACE (INTENSITY OF DISTRIBUTION)**  
**PRICE**

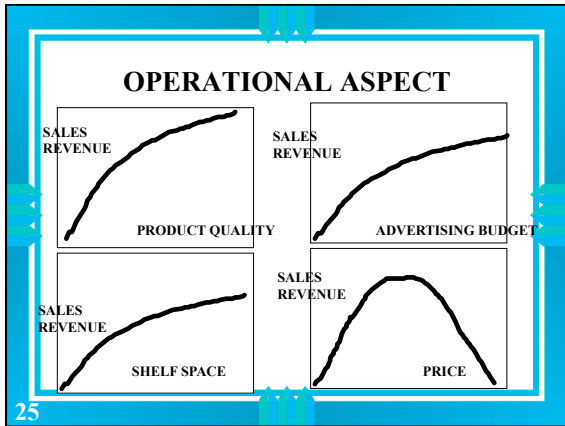
23

**ALL DIMENSIONS HAVE TWO IMPORTANT PROPERTIES**

- ◆ **ARE THEY OPERATIONAL IN TERMS OF THE FOUR P'S**
- ◆ **DO THEY EXPLAIN THE BUYING BEHAVIOR**

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# Chapter 8: Segmentation



- ### Geographic Variables (Dimensions or Bases)
- ◆ Nations
  - ◆ States
  - ◆ Cities
  - ◆ Climates
  - ◆ Terrains
  - ◆ Market (Population) density

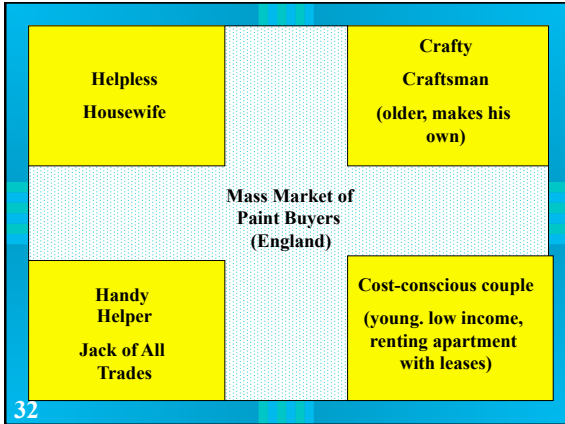
- ### Demographic Variables (Dimensions or Bases)
- ◆ Age
  - ◆ Sex
  - ◆ Buying power
  - ◆ Occupation
  - ◆ Education
  - ◆ Race
  - ◆ Family Life cycle

- ### Psychographic
- ◆ Social class
  - ◆ Personality
  - ◆ lifestyle
  - ◆ Needs, Wants

- ### Product-Related
- ◆ Amount of Usage
  - ◆ Type of Usage
  - ◆ Brand Loyalty
  - ◆ Benefits Sought

# Chapter 8: Segmentation

Segmentation does **NOT** have to be expensive or complicated to be effective.



**Another Example of Simple Segmentation Being Effective**  
**Six Segments for Apartment Dwellers**

- ◆ **Swingers**
  - young, unmarried, active, fun-loving, party going
- ◆ **Sophisticates**
  - young but older than swingers, more mature than swingers, more income and education than swingers, more desire for comfort and style
- ◆ **Newly Married**
  - focus on future home, not a swinging place, apartment is a transitional place, not enough money to buy a house, wife works therefore economy not necessary

**Continued**

- ◆ **Job Centered**
  - want to be near job, single adults, widows or divorcees, interested in economy.
- ◆ **Home Centered**
  - Former house owners but still want some aspects of suburban life
- ◆ **Urban Centered**
  - Former homeowners in suburbs want to be close to attractions of city

**House & Home April 1965**

**Matching Product Benefits to Market Wants**

	Distinct Design	Economy	Privacy	Strong Management
Swingers	-	-	-	-
Sophisticate	-	-	-	-
New Married	-	-	-	-
Job centered	-	-	-	-
Home centered	-	-	-	-
Urban Centered	-	-	-	-

**Segments in Tooth Cleaning Market**

Segment Name	Sensory Segment	The Sociables	The Worriers	The Independent Segment
Prime Benefit Sought	Flavor Appearance	White Teeth	Decay prevention	Price
Prime Demographic	Children	teens, young people	Large families	Men
Prime Behavior	Like spearmint	smokers	heavy users	Heavy users
Brands Favored	Colgate	Macleans, Ultrabright	Crest	Brands on sale
Personality	High self-involvement	high sociability	High hypochondriasis	High Autonomy
Life-style	Hedonistic	Active	Conservative	Value Oriented

Russel Haley "Benefit Segmentation" JM Vol. 32 p.33