

## CH7:

- We look at a slide from ch1.
- Basic Definitions
  - Segmentation
    - PROFQ: Why is segmentation valuable in designing a customer strategy?  
A: When they know their [inaudible]
    - Companies usually start by segmenting the market and choosing one or more segments to target.
    - Segmentation is by definition dividing the total market into smaller segments based on characteristics that require separate marketing and product mixes.
  - Targeting
    - Selecting the segments to enter.
  - Differentiation
    - Positioning starts by differentiation, companies have to differentiate their product from other companies in order to sway customers. Differentiation of the market offering creates superior customer value.
  - Positioning
    - See slides.
- Market segmentation
  - It is really important to have effective segmentation.
  - Segmenting Consumer Markets - Bases for segmentation
    - There is no single way to segment a market.
    - Marketers have use these four general factors:
      - Geographics
        - Dividing the market into different geographic units such as global regions, countries, regions, provinces, cities and neighborhoods.
        - Ex: many companies localize their promotional offers. Ex: McDonalds, Dominos restaurants use localized ads for each region.
        - Ex: in India, companies like Nike that want to enter the market must carefully look at how receptive the market will

be. South of India is more passionate about soccer and the north of India is more passionate about cricket.

- Many small companies want to know and focus on their neighborhood around the needs of that specific neighborhood.

- Psychographics

- Use variables such as social class, lifestyle and personality characteristics.
- Social Class
  - People in different income levels have different tastes, needs and buy different products.
- Lifestyle: a good example is VF corp., a footwear company which has brands such as Lee, Riders and Wrangler.
  - Their five major lifestyles are
    - Jeanswear
    - Sportswear (ex: nautica)
    - Outdoor and action sports
    - [inaudible]
  - Their slogan is “no matter who you are, we fit your life”.
- Personality characteristics.
  - Ex: mountain dew pepsi tries to focus on young consumers who feel rebellious and adventurous.

- Demographics

- The most popular basis for segmentation.
  - Tastes evolve with age
  - Opportunities exist in unserved segments
- Factors to consider
  - Age and lifecycle
    - Different lifecycles can shape the buyer behaviour (ex: if they have children they will buy this, if they are in college, they will buy that). This can be misleading if you look at

age only because not everyone is at the same life cycle stage at the same age.

- Gender

- Some assets in the market can be segmented based on gender or even be gender-limited.
- Ex: motorcycle companies historically only focused on men but are now starting to focus on women.

- Household income

- Luxury products target high income segments of the market.

- Ethnic or Cultural Group

- The basic factor which influences consumer behaviour. Ex: in Canada, there are many subcultures to select if you only want to target specific subcultures.

- Behavioural

- Occasion-based

- Ex: seasonal promotion is a good strategy to target the occasion-based variable.

- Benefits sought

- Which benefits are the buyers seeking in a single product? This differs by buyer.

- User status

- Ex: whether the consumer is a regular user of the product or a non-user. The product must be easy/enticing for new users but also reinvigorate relationships with older users.

- Usage rate

- Which segment(s) accounts for highest percentage(s) of sales?
  - Ex: 20% of the demography of a particular company generates 50% of the sales.

- Loyalty status
  - Consumers can be loyal to brands or even individual stores. The level of customer loyalty is varied.
  - Based on these predictors of consumer behaviour they can identify and target the most attractive segments.
- Marketers use multiple segmentation bases at the same time. They rarely use only one variable to segment the market.
  - We watch a video on McDo
- Businesses use additional bases of segmentation
  - Operating characteristics
  - Purchasing approaches
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- Segmenting international markets
  - Companies want to know how to find similar consumers with similar interests...ex: large companies like Sony are operating in many countries and it is therefore important for them to know the best way to segment markets.
  - International markets can be segmented via geographic location, economic factors, political and legal factors as well as cultural factors.
    - Economic factors; the level of income and economic structure in different countries affect purchasing. Countries with low income have a larger portion of their market focused on basic goods (ex: staples such as food).
  - Intermarket segmentation: segmenting consumers who have similar needs and buying behaviour across borders. People in different countries can have the same buying behaviour.
- Requirements for effective segmentation;
  - Companies can't respond to everyone on the market so they have to effectively segment the market. To be effective, market segments must be measurable, accessible, substantial, differentiable and actionable.

- Ex: in the salt market, gender segmentation is not useful or effective because buying behaviour of salt is not significantly different between genders.
  - It is important to know the size of the market and have an estimation of the future size of the market to know whether this particular market is profitable or not.
  - There is a car market for tall people but it is not substantial and not very profitable because the demand for it is much smaller than the rest of the car market.
  - If the company's resources can't support the costs of the marketing activities then it is not actionable for them to target that segment.
- Market Targeting
  - It is important to know which segments are more attractive and choose that segment to focus on. We look at segment size and growth, profitability and growth as well as corporate objectives and resources. First, the segment should be profitable and have the right size and growth characteristics...sometimes a segment seems profitable enough but it doesn't match the resources of the company or there are too many competitors, and therefore it should not be a segment for that company to target.
  - The power of buyers and suppliers can make the segment less profitable or the market.
  - Segments can be "those who are between 30-40 years old, living in montreal, and having an income of 60-80k/year and have an athletic lifestyle" based on these four variables, a company defines a market segment.
  - Market targetign can be carried out at several different levels, at one extreme is undifferentiated marketing and the other extreme is differentiated marketing. You can also think of this as mass-marketing and micromarketing respectively.
    - Undifferentiated marketing is not very popular due to disadvantages: namely the opportunity cost/ lost profit of sales that would have been made if they did have differentiated marketing strategy. Undifferentiated marketing is less attractive in consumer satisfaction.
    - For differentiated marketing the company's design different marketing strategies for each segment inside the target market. It can create profit

by having a better response for the needs of the market but it is also costly because of the research involved in finding out what each segment likes. The company must balance the cost and the expected benefit of this method before doing it.

- Concentrated marketing: the firm goes after a large share of a small number of few key segments of riches. This is more appropriate for smaller companies.
  - Pros:
    - Can be highly profitable because it is overlooked by competitors
  - Cons:
    - Can be highly risky because if large firms decide to enter the specific niche, they can dominate it.
- Micromarketing:
  - Ex: local vs individual marketing.
    - Local marketing tries to tailor products for local consumers in the area. With advancing communications technology companies can find out a lot about the consumer and tailor each experience for the needs of each individual consumer. Ex: harley davidson provides you with the ability to design your own motorcycle. Ex: nike shoes does the same.
- After segmentation is targeting. This involves a targeting strategy:
  - Factors in choosing a targeting strategy:
    - Company resources: ex: some segments are very profitable but the resources are prohibitive. Ex: BMW never entered the economy car sector because it doesn't match its resources.
      - PROFQ: what is the best level of targeting when the company's resources are limited? A; Concentrated or niche marketing.
    - Product variability:
      - Ex: clothing companies have the potential to be segmented or even micro-marketed to.
    - Product life cycle

- Usually companies introduce only the basic version and then differentiate later on in more mature stages of their products.
  - Marketing variability;
    - Companies must be differentiated from their competitors, even as markets change overall.
- Product position:
  - Consumer perception of products. The complex set of impressions consumers have of the product and competitive products.
    - Ex: volvo always associated with safety. BMW always associated with driving performance.
    - See positioning map figure 7.3
      - The position of each vehicle denotes how the market perceives it and the area of each circle represents the market share.
  - Choosing a differentiation and positioning strategy:
    - Ex: walmart offers a “same benefit for a lower price” strategy.
    - Competitive advantages are defined as an advantage over competitors .... He went too fast. Please see textbook definition.
    - It is important to first know the needs of consumers For some consumers it is more important to get a better price, for example.
- Ways to differentiate:
  - See slides. Word for word copy.
  - Service dif. Exple: careful delivery, fast delivery. Ex; banks are open on holidays and differentiate their service by providing more value (more availability) to customers. Ex: by hiring, training people and creating a better experience for customers, company A can differentiate itself.
  - It is also important to choose the right competitive advantage. How many differences to promote...how many unique selling propositions? Many companies believe that they should pick one USP, one difference/competitive advantage.
  - We watch two videos.
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