

Market segments persuasive essay

[Finance](#), [Market](#)



OBJECTIVES

Define the four major steps in designing a customer-driven marketing strategy: market segmentation, market targeting, differentiation, and positioning list and discuss the major bases for segmenting consumer and business markets explain how companies identify attractive market segments and choose a market targeting strategy discuss how companies differentiate and position their products for maximum competitive advantage

JUST THE BASICS

This chapter looks further into key customer-driven marketing strategy decisions—how to divide up markets into meaningful customer groups (segmentation), choose which customer groups to serve (targeting), create market offerings that best serve targeted customers (differentiation), and positioning the offerings in the minds of consumers (positioning). Then, the chapters that follow explore the tactical marketing tools—the Four Ps—by which marketers bring these strategies to life.

INTRODUCTION

Best Buy: Embracing the Angels and Ditching the Demons. Best Buy set out to identify its best customers and win their loyalty by serving them better. At the same time, it identifies less attractive customers and began to send them packing. To better differentiate itself in a crowded marketplace, Best Buy needed to stake out its own turn – to identify its best customers and serve them in ways that no discount or online competitor could. Rather than trying to make all customers happy all of the time, Best Buy segmented its market and sharpened its positioning.

This resulted in what they term “ customer centricity. How has this worked for Best Buy? Very well. They have designed a customer-driven marketing strategy that builds the right relationships with the right customers. Market segmentation involves dividing a market into smaller groups of buyers with distinct needs, characteristics, or behaviors that might require separate marketing strategies or mixes. Market targeting (or targeting) consists of evaluating each market segment’s attractiveness and selecting one or more market segments to enter.

Differentiation involves actually differentiating the firm’s market offering to create superior customer value. Positioning consists of arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

MARKET SEGMENTATION

Through market segmentation, companies divide large, heterogeneous markets into smaller segments that can be reached more efficiently and effectively with products and services that match their unique needs.

Segmenting Consumer Markets Geographic Segmentation

Geographic segmentation calls for dividing the market into different geographical units such as nations, regions, states, counties, cities, or even neighborhoods. Demographic Segmentation Demographic segmentation divides the market into groups based on variables such as age, gender, familysize, family life cycle, income, occupation, education, religion, race, generation, and nationality. Demographic factors are the most popular bases for segmenting customer groups. Age and LifeCycle Stage is offering

different products or using different marketing approaches for different age and lifecycle groups.

Gender segmentation has long been used in clothing, cosmetics, toiletries, and magazines. Income segmentation has long been used by the marketers of products and services such as automobiles, clothing, cosmetics, financial services, and travel. **Psychographic Segmentation** Psychographic segmentation divides buyers into different groups based on social class, lifestyle, or personality characteristics. Marketers use personality variables to segment markets. **Behavioral Segmentation** Behavioral segmentation divides buyers into groups based on their knowledge, attitudes, uses, or responses to a product.

Occasion segmentation is grouping buyers according to occasions when they get the idea to buy, actually make their purchase, or use the purchased item. Benefit segmentation is grouping buyers according to the different benefits that they seek from the product. **User Status** is segmenting markets into nonusers, ex-users, potential users, first-time users, and regular users of a product. **Usage Rate** is grouping markets into light, medium, and heavy product users. **Loyalty Status** is dividing buyers into groups according to their degree of loyalty. **Using Multiple Segmentation Bases**

Marketers rarely limit their segmentation analysis to only one or a few variables. PRIZM NE (one of the leading segmentation systems) classifies every American household based on a host of demographic factors. **Segmenting Business Markets** Consumer and business marketers use many of the same variables to segment their markets. Business marketers also use some additional variables, such as customer operating characteristics, <https://assignbuster.com/market-segments-persuasive-essay/>

purchasing approaches, situational factors, and personal characteristics. Many marketers believe that buying behavior and benefits provide the best basis for segmenting business markets.

Segmenting International Markets Companies can segment international markets using one or a combination of several variables.

- Geographic factors: Nations close to one another will have many common traits and behaviors.
- Economic factors: Countries may be grouped by population income levels or by their overall level of economic development.
- Political and legal factors: Type and stability of government, receptivity to foreign firms, monetary regulations, and the amount of bureaucracy.
- Cultural factors: Grouping markets according to common languages, religions, values and attitudes, customs, and behavioral patterns.

Intermarket segmentation is segmenting of consumers who have similar needs and buying behavior even though they are located in different countries. Requirements for Effective Segmentation To be useful, market segments must be: Measurable: The size, purchasing power, and profiles of the segments can be measured. Accessible: The market segments can be effectively reached and served. Substantial: The market segments are large or profitable enough to serve. Differentiable: The segments are conceptually distinguishable and respond differently to different marketing mix elements and programs.

Actionable: Effective programs can be designed for attracting and serving the segments.

MARKET TARGETING

Evaluating Market Segments In evaluating different market segments, a firm must look at three factors:

1. Segment size and growth,
2. Segment structural attractiveness, and
3. Company objectives and resources.

The largest, fastest-growing segments are not always the most attractive ones for every company. The company also needs to examine major structural factors that affect long-run segment attractiveness. A segment is less attractive if it already contains many strong and aggressive competitors. The existence of many actual or potential substitute products may limit prices and the profits. The relative power of buyers also affects segment attractiveness. A segment may be less attractive if it contains powerful suppliers who can control prices. **Selecting Target Market Segments** A target market consists of a set of buyers who share common needs or characteristics that the company decides to serve. **Undifferentiated Marketing** Using an undifferentiated marketing (or mass-marketing) strategy, a firm might decide to ignore market segment differences and target the whole market with one offer.

This mass-marketing strategy focuses on what is common in the needs of consumers rather than on what is different. **Differentiated Marketing** Using a differentiated marketing (or segmented marketing) strategy, a firm decides to target several market segments and designs separate offers for each. **Concentrated Marketing** Using a concentrated marketing (or niche marketing) strategy, instead of going after a small share of a large market, <https://assignbuster.com/market-segments-persuasive-essay/>

the firm goes after a large share of one or a few smaller segments or niches. It can market more effectively by fine-tuning its products, prices, and programs to the needs of carefully defined segments.

It can market more efficiently, targeting its products or services, channels, and communications programs toward only consumers that it can serve best and most profitably. Micromarketing is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations. Micromarketing includes local marketing and individual marketing. Local marketing involves tailoring brands and promotions to the needs and wants of local customer groups—cities, neighborhoods, and even specific stores. Local marketing has drawbacks. It can drive up manufacturing and marketing costs by reducing economies of scale. It can create logistics problems. * The brand's overall image might be diluted if the product and message vary too much in different localities. Individual marketing is the tailoring of products and marketing programs to the needs and preferences of individual customers. Individual marketing has also been labeled one-to-one marketing, mass customization, and markets-of-one marketing. Choosing a Targeting Strategy Which strategy is best depends on:

- Company resources.
- Product variability.
- Product's life-cycle stage.
- Market variability.
- Competitors' marketing strategies.
- Socially Responsible
- Target Marketing

Target marketing sometimes generates controversy and concern. Issues usually involve the targeting of vulnerable or disadvantaged consumers with controversial or potentially harmful products. Problems arise when marketing adult products to kids, whether intentionally or unintentionally. The growth of the Internet and other carefully targeted direct media has raised concerns about potential targeting abuses. The issue is not so much who is targeted, but how and for what.

Controversies arise when marketers attempt to profit when they unfairly target vulnerable segments or target them with questionable products or tactics. Socially responsible marketing calls for segmentation and targeting that serve not just the interests of the company, but also the interests of those targeted.

DIFFERENTIATION AND POSITIONING

Value proposition: How a company will create differentiated value for targeted segments and what positions it wants to occupy in those segments.

A product's position is the way the product is defined by consumers on important attributes. Positioning Maps

Perceptual positioning map show consumer perceptions of their brands versus competing products on important buying dimensions. Choosing a Differentiation and Positioning Strategy The differentiation and positioning task consists of three steps:

1. Identifying a set of differentiating competitive advantages upon which to build a position,
2. Choosing the right competitive advantages, and

3. Selecting an overall positioning strategy.
4. Identifying Possible
5. Value Differences and Competitive Advantages

To the extent that a company can differentiate and position itself as providing superior customer value, it gains competitive advantage.

It can differentiate along the lines of product, services, channels, people, or image. Choosing the Right Competitive Advantages How Many Differences to Promote Ad man Rosser Reeves believes a company should develop a unique selling proposition (USP) for each brand and stick to it. Other marketers think that companies should position themselves on more than one differentiator. Which Differences to Promote A difference is worth establishing to the extent that it satisfies the following criteria: Important: The difference delivers a highly valued benefit to target buyers.

Distinctive: Competitors do not offer the difference, or the company can offer it in a more distinctive way. Superior: The difference is superior to other ways that customers might obtain the same benefit. Communicable: The difference is communicable and visible to buyers. Preemptive: Competitors cannot easily copy the difference. Affordable: Buyers can afford to pay for the difference. Profitable: The company can introduce the difference profitably. Selecting an Overall Positioning Strategy The full positioning of a brand is called the brand's value proposition.

More for More positioning involves providing the most upscale product or service and charging a higher price to cover the higher costs. More for the Same positioning involves introducing a brand offering comparable quality

but at a lower price. The Same for Less positioning can be a powerful value proposition—everyone likes a good deal. Less for Much Less positioning is offering products that offer less and therefore cost less. “ Less-for-much-less” positioning involves meeting consumers’ lower performance or quality requirements at a much lower price. More for Less positioning is the winning value proposition.

In the long run, companies will find it very difficult to sustain such best-of-both positioning. Developing a Positioning Statement Company and brand positioning should be summed up in a positioning statement. The statement should follow the form: To (target segment and need) our (brand) is (concept) that (point of difference). Communicating and Delivering the Chosen Position Once it has chosen a position, the company must take strong steps to deliver and communicate the desired position to target consumers. All the company’s marketing mix efforts must support the positioning strategy.

Discussing the Issues

1. List and briefly describe the four major steps in designing a customer-driven marketing strategy.
2. Discuss the behavioral variables used to segment buyers and provide an example of each.
3. Explain how companies segment international markets.
4. Name and describe the characteristics of useful market segments.
5. In the context of marketing, what is a product’s “ position”?

How do marketers know what it is? Under the Hood: Marketing Technology When you think of hybrid or electric automobiles, you probably don't think "sports car." But the Fisker Karma is about to shatter that stereotype. It's been called the hybrid with "sex appeal" and is often compared to a Mercedes-Benz roadster. During the haughty Rolex Monterey Historic Automobile Races, it was seen cruising around Monterey, California with the likes of Ferraris and Lamborghinis. In the increasingly crowded field of new-generation electric vehicles, Fisker Automotive wants to carve out a niche as a high-performance eco-car with lots of style. The creator, Henrik Fisker, was formerly head of design at Aston Martin.

The Fisker Karma goes from 0 to 60 in six seconds, can go 125 miles per hour, and can travel 50 miles on electric power and 300 miles on combined electric and gasoline power. All this performance and style does not come cheaply, however. Prices range from \$87,900 to \$106,000. The company already has orders from 1,400 buyers. If this is above your means, don't worry—the company is promising a lower-priced, mass-market version for the rest of us in a few years.

1. On what basis is Fisker Automotive segmenting the automobile market? Is the company using a single segmentation approach or a combined approach? Explain.
2. What market targeting strategy is Fisker pursuing with this automobile?

How is the company differentiating its automobile and which value proposition is it using? Staying on the Road: Marketing Ethics In 2009 Anheuser-Busch launched the Bud Light "Fan Can," a promotion that <https://assignbuster.com/market-segments-persuasive-essay/>

included 27 different color combinations of its cans in college team colors. For example, students at Louisiana State University could purchase purple-and-gold cans of Bud Light. Anheuser-Busch timed the campaign, called “Team Pride,” to coincide with students returning to campus and with the kickoff of the football season.

Several schools, such as Wisconsin, Michigan, Iowa State, University of Colorado, and others, objected strenuously. As a result, Anheuser-Busch halted the program in those markets. The promotion also caught the attention of the Federal Trade Commission. Both the FTC and college officials are concerned about the high rate of underage and binge drinking on college campuses. Some school officials also were concerned about trademark infringements, and about the appearance that they support Budweiser’s activities.

As criticism brewed around the country, A-B released a statement claiming that it did not mean to encourage underage drinking—it just wanted to create more fun for sports fans. Although the company halted the promotion in areas where college officials objected, controversy surrounding the promotion appeared in newspapers and on television nationwide.

1. What type of market targeting strategy is Anheuser-Busch using with the Team Pride promotion?
2. Was this a wise promotion? Explain. Rough Road Ahead: Marketing and the Economy Vanilla Bikes Portland-based Vanilla Bicycles sells hand-built bikes with price tags ranging from \$4, 000 to \$12, 000.

Now, after only nine years in business, owner Sacha White has stopped taking orders – not because business had dried up but because he has a five-year waiting list. White and his crew of three make only 40 to 50 bikes a year. Frames are made from exotic metals, are welded with silver alloy, and weigh as little as 30 ounces. No two Vanilla bikes are the same. Each is custom fitted to the client and features intricate metal carvings and an artisan paint job. Amazingly, almost all of these high-end velocipedes are sold to middle-class customers. Still, orders have not ebbed with the economic downturn.

In fact, Vanilla could ramp up production significantly and still sell everything it makes. However, White claims that would compromise the special nature of what customers consider to be works of art. Vanilla bikes are so special that when Portland bike couriers describe something as cool, they routinely say, “ That’s soooo Vanilla. ”

1. Based on the segmentation variables discussed in the chapter, construct a profile for Vanilla Bicycle’s probable target market.
2. Given that most luxury products suffer in an economic downturn, why has Vanilla still succeeded?