CHAPTER 3

Market Segmentation and Strategic Targeting

LEARNING OBJECTIVES

After studying this chapter students should be able to understand:
1. Why market segmentation is essential.
2. The criteria for targeting selected segments effectively.
3. The bases for segmenting consumers.
4. How segmentation and strategic targeting are carried out.

CHAPTER SUMMARY

Market segmentation is the opposite of mass marketing and is part of the segmentation, targeting, and positioning framework. Segmentation is defined as the process of dividing a potential market into distinct subsets of consumers with a common need or characteristic and selecting one or more segments to target with a specially designed marketing mix. Besides aiding in the development of new products, segmentation studies assist in the redesign and repositioning of existing products, in the creation of promotional appeals, and the selection of advertising media.

In order to be a viable target market, a segment must be identifiable (by some criteria such as demographics, lifestyles, or others), sizeable (i.e., large enough to be profitable), stable or growing, accessible (i.e., can be reached economically), and congruent with the marketer's objectives and resources.

Consumer-rooted behaviors and cognitions as well as consumption-specific facts and attitudes can be used to segment consumers. The most common categories used in segmentation are demographics and psychographics (or lifestyles). However, in most cases, hybrid segmentations are used. The primary examples of hybrid frameworks are VALS™ and the PRIZM™ geodemographic clusters. Other consumer-rooted variables used to segment markets are personality traits and sociocultural values and beliefs. The key consumption-specific segmentation factors are usage behavior (including usage rate and situation), benefit segmentation, and brand loyalty and relationship.

Behavioral targeting and microtargeting are emerging techniques rooted in marketers' abilities to identify and target increasingly smaller segments and even individual buyers with tailor-made messages (i.e., narrowcasting). In conventional segmentation, a company can choose to target several segments (differentiated marketing) or just one segment (concentrated marketing). In certain instances, a company must use countersegmentation and combine two or more segments into a larger one.

CHAPTER OUTLINE

INTRODUCTION

1. Market segmentation is the opposite of mass marketing.
2. **Mass marketing** is offering the same product and marketing mix to all consumers and was practiced prior to the development of the marketing concept.
3. The market segmentation and targeting process is the identification of distinct segments within a given market or population, evaluation of each segment's marketing potential, selection of the segments to be targeted, and the creation of a marketing mix for each target segment selected.
4. Consumer can be segmented along several factors, including demographics, lifestyles, usage behavior and others.
5. After segmenting a consumer market and selecting one or several target markets, the product or service must be **positioned**.
6. **Positioning** is the unifying element of each marketing mix because it expresses the offering's value proposition which details the product's or service's capability to deliver specific benefits corresponding to consumers' unfulfilled needs.

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*****Use Discussion Questions #1 and #2 Here; *Use Key Terms* **mass marketing, positioned, and positioning** *Here; Use Figure #3.1*
   Here*****
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WHY IS MARKET SEGMENTATION NECESSARY?

1. Prior to the development of market segmentation, mass marketing was the prevailing method. The same product and marketing mix were offered to all consumers.
2. Mass (undifferentiated) marketing costs less as a standardized product is offered, backed by a uniform marketing strategy.
3. Most marketers cannot use this approach as appealing to a generic need often results in not satisfying anyone.
4. Segmentation and targeting enable producers to avoid head-on competition in the marketplace by differentiating their offerings on the basis of such features as price, styling, packaging, promotional appeal, method of distribution, and level of service.
5. This approach is generally more profitable.
6. Services also segment their markets and target different offerings to different market segments.
7. Marketers use segmentation research to identify the most appropriate media in which to place advertisements.

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******Use Learning Objective #3.1 Here; Use Figure 3.2 Here******
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CRITERIA FOR EFFECTIVE TARGETING
1. To be an effective target, a market segment should be: identifiable, sizeable, stable or growing, accessible, and congruent with the marketer's objectives and resources.

*****Use Discussion Question #3 Here; *Use Learning Objective #3.2 Here*********

Identifiable

1. To divide the market into separate segments on the basis of common or shared needs or characteristics that are relevant to the product or service, a marketer must be able to identify these characteristics.
2. Some segmentation variables such as demographics are easy to identify, while others such as benefits sought, more difficult.

Sizeable

1. In order to be a viable market, a segment must consist of enough consumers to make targeting it profitable.

Stable

1. Most marketers prefer to target consumer segments that are relatively stable in terms of lifestyles and consumption patters and avoid "fickle" segments that are unpredictable.

Accessible

1. To be targeted, a segment must be accessible, which means that marketers must be able to reach that market segment in an economical way.

Congruent with the Company's Objectives and Resources

1. Not every company is interested or has the means to reach every market segment, even if that segment meets the four preceding criteria.

BASES FOR SEGMENTATION

1. A segmentation strategy begins by selected the base(s) representing the core attribute(s) of a group of existing or potential customers.
2. Figure 3.3 depicts a four-way classification of the characteristics used to segment the buyers of consumer goods.
3. A single characteristic is never used alone.
4. virtually all segmentation plans are in the forms of **hybrid segmentation** that includes attributes from two or more of the four quadrants in Figure 3.3.

5. The four groups stem from dividing consumers' characteristics along two criteria:(1) **facts**, which can be determined from direct questioning and categorized by a single objective measure, versus, **cognitions**, which are abstract, can be determined only through more complex questioning, and where most of the constructs measured have no single, universal definitions; and (2) **consumer-rooted** features stemming from the consumer's physical, social, and psychological characteristics versus **consumption-and product-specific** usage-behaviors or attitudes and preferences toward specific products or buying situations.

*****Use Learning Objective #3.3 Here; Use Figure #3.3 Here, Use Key Terms* hybrid segmentation, facts, cognitions, consumer-rooted and consumption-and product-specific *Here*****

CONSUMER-ROOTED SEGMENTATION BASES

1. This group includes two types of **personal attributes**: facts that are evidence-based and can be readily determined and categorized along an objective criterion and cognitions, which can mostly be determined through indirect, psychological tests and classified into subjective categories.
2. **Demographics**, **social class**, and geographic location are objective and empirical.
3. **Psychographics**, which consist of **activities**, **interests**, and **opinions,** cannot be classified according to standardized definitions.
4. Similarly, **personality traits** or one's **sociocultural values** are abstract cognitions that can be measured via one of several psychological tests.

*****Use Key Terms* personal attributes, demographics, social class, psychographics, activities, interests, opinions, personality traits and sociocultural values *Here*****

Demographic Segmentation

1. The core of almost all segmentations is demographics because:
   a. Demographics are the easiest and most logical way to classify people and can be measure more precisely than other segmentation bases.
   b. Demographics offer the most cost-effective way to locate and reach specific segments because most of the secondary data compiled about any population stems from demographics.
   c. Demographics enable marketers to identify business opportunities in the form of shifts in age, income distribution, and populations of various regions.
   d. Many consumption behaviors, attitudes, and media exposure patterns are directly related to demographics.
      i. Product needs often vary with consumers' age.
      ii. Age is a key factor in marketing many products and services.
      iii. Age influences buying priorities.

iv. A study discovered that marketplace decision difficulty (MPDD) – an attribute depicting one's hardship in making buying decisions – was more typical of older, less-educated female consumers.

*****Use Discussion Question #4 Here; Use Tables #3.1, #3.2 and #3.3 Here; Use Key Term marketplace decision difficulty (MPDD) Here*****

e. Gender is a factual distinguishing segmentation variable, and many products and services are inherently designed for either males or females.
f. Marital status is also a segmentation variable.
   i. Traditionally, the family has been the focus of most marketing efforts, and the household continues to be the focal consuming unit of many products and services.
   ii. Marketers have also discovered the benefits of targeting specific marital status groupings, such as singles, divorced individuals, single parents, and dual-income married couples.
g. **Family life cycle** segmentation is based on the premise that many families pass through similar phases in their formation, growth, and final dissolution.
   i. At each phase, the family unit needs different products and services.
   ii. Family life cycle is a classification stemming from factual variables including marital status, employment status, and the presence or absence of children in the household.
   iii. Each stage in the traditional family life cycle represents an important target segment to many marketers.
h. Income, education, and occupation tend to be closely correlated.

*****Use Key Term family life cycle Here*****

Geodemographic Segmentation

1. Where a person lives determines some aspects of consumption behavior.
2. The most popular use of geography in strategic targeting is **geodemographics** – a hybrid segmentation scheme based on the premise that people who live close to one another are likely to have similar financial means, tastes, preferences, lifestyles, and consumption habits.
   a. The primary commercial application of this technique is the Claritas PRIZM NE classification.
   b. This system uses the ZIP + 4 postal system to classify all of the nation's households into 66 segments.

*****Use Table #3.4 Here; Use Key Term geodemographics Here*****

Personality Traits

1. If asked directly, people are unlikely to disclose their personality traits either because they are guarded or because they do not consciously recognize them.
2. **Projective techniques**, designed to overcome this barrier are discussed in Chapters 2 and 4.
3. Personality tests – which are generally in the form of questions or statements presented to the respondent – can be used by researchers to determine one's personality and use it in segmentation.
   a. For example, consumers who are open-minded and generally perceive less risk than others in trying new things are likely to be **consumer innovators** – that is, more likely to buy a new product when it is first introduced and before many other consumers buy it.
   b. Marketers of new products must identify these individuals and target them during the product's introduction.
   c. If personality tests discover that innovators tend to score high on exhibition – a trait where a person wants to be the center of a group – the promotion directed at this group should encourage the innovators to initiate positive **word of mouth** and tell others about the new product.

*****Use Table #3.5 Here; Use Key Terms* projective techniques and consumer innovators *Here*****

Lifestyles

1. Lifestyles, also known as psychographics, consist of **activities**, **interests**, and **opinions** (**AIOS**).
   a. The interests and opinions portions are cognitive constructs, which can be measured via surveys but are not evidence-based.
   b. A psychographic study includes a battery of statements selected from a **psychographic inventory** and usually accompanied by **Likert** scales on which respondents are asked to indicate their level of agreement or disagreement with each statement.
   c. Because of their versatility, psychographics are widely used in segmentation and are part of almost any hybrid segmentation framework.
   d. If it often stated that while **demographics** determine consumers' needs for products and the ability to buy them **psychographics** explain buyers' purchase decisions and the choices they make within the buying options available to them.
   e. **VALS** (an acronym for "values and lifestyles") is the most popular segmentation system combining lifestyles and values.
   f. VALS focuses explicitly on explaining consumer purchasing behavior.
      i. VALS includes three primary motivations: ideals motivated, achievement motivated and self-expression motivated.
         1. Each of these three major self-motivations represents distinct attitudes, lifestyles, and decision-making styles.

        ii. VALS also reflects a continuum in terms of resources and innovations.
      iii. The VALS framework was developed as a result of administering a large psychographic inventory to sizeable samples of consumers.
      iv. A recent study developed a questionnaire designed to measure the extent of the consumer's difficulty in making choices among the many alternatives available when purchasing consumer goods.
          1. This psychological attribute was named the **marketplace decision difficulty** (or MPDD). Some of the statements used to measure it are listed in Table 3.9.

> *****Use Exercises #2 and #4 Here; Use Discussion Questions #8 and #9 Here; Use Tables #3.6, #3.7, #3.8 and #3.9 Here; Use Figure #3.4 Here; Use Key Terms* **activities, interests, opinions, AIOS, psychographic inventory, Likert scales, demographics, psychographics, and marketplace decision difficulty** *Here *****

Sociocultural Values and Beliefs

1. Marketers can segment some populations on the basis of cultural heritage because members of the same culture tend to share the same values, beliefs, and customs.
2. In the United States, companies using cultural segmentation focus on widely held cultural values with which most American consumers identify such as youthfulness, fitness and health.
3. Within the larger culture, distinct subgroups (subcultures) often are united by certain characteristics associated with specific values and beliefs.
    a. These groupings can be based on demographic characteristics, ethnicity, or some other factors.
    b. In the United States, African Americans, Hispanic Americans, Asian Americans and the elderly are important subcultural market segments.

Consumption-Specific Segmentation Bases

1. This group includes two types of consumption-specific bases for segmentation:
    a. Facts about actual consumption behavior.
    b. Cognitions consumers have about products and services in the form of attitudes, preferences, and the like.
    c. Usage Rate Segmentation stems from differences among heavy, medium and light users, and nonusers of a specific product, service, or brand.
       i. Marketers have found that within some product categories that a relatively small group of heavy users account for a disproportionately large percentage of total product usage.
      ii. Targeting heavy users is a common marketing strategy, and it can be more profitable than targeting other user categories.
     iii. However, since all competitors are likely to target the same heavy users, trying to attract these buyers requires a lot of expensive advertising.

iv. Some marketers prefer to target light and medium users with products that are distinct from those preferred by heavy users.

v. A sophisticated approach to usage rate involves identifying the factors that directly impact the usage behavior.

vi. Understanding nonusers is essential.

vii. Consumers can also be segmented in terms of their **awareness status** and also **level of involvement**.

viii. **Product involvement** is also a segmentation factor.

d. The occasion or situation often determines what consumers will purchase or consume, therefore marketers sometimes use the **usage situation** as a segmentation variable.

i. Many products are promoted for special usage occasions.

*****Use Discussion Question #5 Here; Use Figure #3.5 Here; Use Table #3.10 Here; Use Key Terms* awareness status, level of involvement, product involvement, usage situation *Here* *****

e. The benefits that consumers seek from products and services are the essence of **benefit segmentation** and many believe also the core of all segmentation strategies.

i. Sought benefits represent unfilled consumer needs whereas buyers' perceptions that a given brand delivers a unique and prominent benefit result in loyalty to the brand.

ii. Therefore, benefit segmentation is often used to develop a **positioning** approach.

*****Use Exercise #1 Here; Use Discussion Question #7 Here; Use Figure 3.2 Here; Use Tables #3.11 Part A,#3.11 Part B, #3.12 and #3.13 Here; Use Key Terms* benefit segmentation and positioning *Here* *****

f. Media benefits is another segmentation tool.

i. In one study, consumers singled out immediacy, accessibility and free cost as the most relevant features of digital newspapers, while identifying writing style and more depth and details as the key features of traditional newspapers.

*****Use Tables #3.14 Part A,#3.14 Part B Here* *****

g. **Brand loyalty** consists of two components: **behavior** – the frequency and consistency of buying a given brand and **attitude** – the consumer's feeling of commitment to the brand.

i. The most common applications of brand loyalty are **frequency award programs** where marketers offer rewards and special benefits to buyers who purchase their offerings consistently.

ii. Increasingly, marketers realize that their relationships with customers are complex and multidimensional.

IMPLEMENTING SEGMENTATION STRATEGIES

1. The next section describes the implementation of segmentation frameworks and the strategic targeting of selected segments.
2. Due to the rapidly increasing sophistication of data-collection and analysis technologies, including data mined from Web surfing, behavioral targeting and microtargeting have become popular terms for describing narrower and more precise applications of market segmentation.
3. Firms using market segmentation can pursue a concentrated marketing strategy or a differentiated marketing strategy. In certain instances, they might use a countersegmentation strategy.

Behavioral Targeting

1. The methods termed **microtargeting** and **behavioral targeting** are capable of providing the kind of specificity that enables marketers to deliver personalized advertising messages to buyers.
2. Some marketers use the term behavioral targeting to describe segmentation based on usage behavior.

Microtargeting

1. With the advancement in data collection technologies and the expansion of analytical tools capable of effectively cross-analyzing large sets of data originating from different sources, microtargeting is becoming viable and effective.
2. **Microtargeting** is aggregating individual consumers into relatively small groups, based on data available about them from many different databases, and targeting them with tailor-made messages.
3. The individualized messages are transmitted via **narrowcasting** – the opposite of broadcasting – consisting of using e-mail, mobile devices, and even door-to-door presentations on small screens to deliver personalized messages to individuals.
4. Compared with other hybrid segmentations, microtargeting stands out in several ways:
   a. The very large number and diverse origins of the sources used to classify people.

     b. The cross-tabulation of large amounts of very detailed behavioral data consisting of very specific information on purchase.
     c. Many providers of microtargeting claim to have developed "formulas" that assign consumers into groups in a way that enables predicting the impact of the messages sent.
     d. Some models include people's online surfing patterns and purchases.

*****Use Figure #3.6 Here; Use Table #3.16 Here; Use Key Terms **microtargeting and narrowcasting** *Here*****

Concentrated Versus Differentiated Marketing

1. Targeting several segments using individual marketing mixes is called **differentiated marketing.**
2. If a company chooses to target just one segment with a unique marketing mix, this strategy is called **concentrated marketing**.
3. Differentiated marketing is a highly appropriate segmentation strategy for financially strong companies that are well established in a product category and competitive with other firms that also are strong in that category.
4. If a company is small or new to the field, concentrated marketing is probably a better bet.
     a. Concentrated marketing is also appropriate for the final stage of the product life cycle when the product is being purchased by increasingly smaller number of consumers and is being phased out.

***** *Use Key Terms* **differentiated marketing and concentrated marketing** *Here*****

Countersegmentation

1. Periodically, companies must reconsider the extent to which they segment their markets because, over time, some segments may have contracted and no longer warrant individually designed marketing programs.
2. In such cases, research aimed at discovering a more generic need or consumer characteristic applicable to the members of two or more segments should be undertaken.
3. If a more generic need or characteristic is identified, two or more segments can be combined and targeted with a redesigned marketing mix.
4. This is called a **countersegmentation** strategy.

***** *Use Key Term* **countersegmentation** *Here*****

DISCUSSION QUESTIONS

1. **What is market segmentation? How is the practice of market segmentation related to the marketing concept?**

    Market segmentation is the process of dividing a potential market into distinct subsets of consumers with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix. Before the widespread adoption of the marketing concept, most companies practiced mass marketing, that is, offering the same product and marketing mix to all consumers. The marketing concept states that a company must determine the needs and wants of specific market segments and satisfy them better than competition. Thus, companies who adopt the marketing concept must segment their markets and develop products or services targeting different consumer groups. For example, Marriott operates Fairfield Inns (short stay) and Residence Inns (apartment-like accommodations for extended stays) for the value- or budget-oriented traveler, Courtyard for the price-conscious businessperson, Marriott Hotel for full-service business travelers, Marriott Resorts for leisure and vacation guests, and Marriott Senior Living environments for elderly people.

2. **How are market segmentation, targeting, and positioning interrelated? Illustrate how these three concepts can be used to develop a marketing strategy for a product of your choice.**

    Market segmentation consists of subdividing the market into homogeneous clusters, and it is the first step in a three-phase market strategy. After segmenting the market, the marketer must select one or more segments to target (**targeting**) with a specific marketing mix. The third step is to position (**positioning**) the product so that it is perceived by the target market to satisfy its needs better than other competitive offerings. For example, a toothpaste manufacturer can segment the market according to the benefits that consumers look for in the product. The firm may select one segment, such as those consumers who are primarily concerned with plaque prevention, as its target market. Then, the company must position the product so that it is perceived as providing better plaque prevention than other toothpaste brands on the market.

3. **Apply the five criteria for effective targeting to marketing a product of your choice to college students.**

    To be an effective target, a market segment should be: 1) identifiable, 2) sizable, 3) stable or growing, 4) accessible (reachable), and (5) congruent with the marketer's objectives and resources. Marketing credit cards to college students provides a good illustration of utilizing the five criteria. Thus, a bank offering its credit card to students has apparently identified a common need for the service among students, determined that there is a sufficient number of consumers in this segment to make it profitable for the company, that the segment is stable (i.e., not fickle, eager to buy, and able to spend), that it is accessible (i.e., can be reached in

an economical way) and that the product and service is congruent with the bank's objectives and resources to serve the market.

4. Discuss the advantages and disadvantages of using demographics as a basis for segmentation. Can demographics and psychographics be used together to segment markets? Illustrate your answer with a specific example.

Demographic information is the most accessible and cost effective way to identify a target market. Demographics are easier to measure than other segmentation variables. Most secondary data (e.g., census data) are expressed in demographic terms and most media develop demographic profiles of their audiences. Also, demographic trends reveal shifts in age and income that signal business opportunities for marketers. Demographics, however, tend to be one-dimensional because it provides information on the potential for usage but not on why a particular brand is used or exactly who uses it. Thus, demographics help locate a target market, although psychological and sociocultural characteristics help describe who its members are, how they think, feel, and behave. (See Table 3-1 and 3-2 for examples of how these segmentation strategies can be used.)

5. Many marketers have found that a relatively small group of heavy users account for a disproportionately large amount of the total product consumed. What are the advantages and disadvantages of targeting these heavy users?

Heavy users represent the most profit potential. For example, research shows that between 25 and 35 percent of beer drinkers account for more than 70 percent of all beer consumed. Therefore, many companies target heavy users, rather than try to increase the consumption among light and medium users of their products. If too many companies target the heavy users, however, these markets will become saturated. Marketers must therefore take note of gaps in targeting light and medium users, and pursue these consumer groups more aggressively.

6. Under which circumstances and for what types of products should a marketer segment the market on the basis of (a) awareness status, (b) brand loyalty, and (c) usage-situation?

Summary of circumstances and products are as follows (note that opinions on these issues may vary):
a) **Awareness status** is most appropriate for segmenting the market for a new product. For example, if most potential consumers are unaware of the product, the marketer should design an awareness-building promotional campaign. Later on, when most potential buyers become aware of the product, the advertising should be designed to get consumers to desire and actually buy the product.
b) **Brand loyalty** can be used in segmentation in several ways. For example, a marketer of instant coffee should: 1) Study the characteristics of its "hard core" loyal customers and support their loyalty with special deals and promotions. The company should also target

consumers with similar characteristics within the larger population. 2) The marketer should also study consumers who are loyal to two or three brands of coffee, including its own brand. These brands should be those that are similar to its own brand because such data will show the firm the brands that are its closest competitors. 3) By studying consumers who show no loyalty to any brand, the company may decide whether such customers are worth attracting and how to do so.

c) **Use-situation analysis** can help marketers to increase product usage. For example, candy, flower, and greeting cards marketers aggressively promote their products around Mother's Day and Father's Day. Recently, camera film marketers started to promote their products for these occasions by encouraging consumers to take pictures of their parents on these holidays.

7. **Some marketers consider benefit segmentation as the segmentation approach most consistent with the marketing concept. Do you agree or disagree with this view? Why?**

   Benefit segmentation is built upon the premise that consumers are basically purchasing needs, wants, and satisfactions. Thus, it is entirely consistent with the marketing concept. **Benefit segmentation** allows marketers to position various brands within the same product category by stressing those benefits/desired satisfactions appropriate to each segment served. For example, in the toothpaste market, Close-up is marketed by using a social appeal that stresses bright teeth and is targeted to young people; Aim is targeted to parents as a good tasting toothpaste that will encourage children to brush longer; Viadent is targeted to adults as a means to remove tartar (cosmetic benefit) and plaque (health benefit).

8. **Regent Seven Seas Cruises and Royal Caribbean International are two companies in the vacation and travel industry. After looking at their websites, describe the kind of consumers that each company is seeking to attract. Also, describe how either company can use demographics and psychographics to identify TV shows and magazines in which to place its advertisements.**

   Regent Seven Seas Cruises is owned by Prestige Cruise Holdings. According to their web site, Prestige is the market leader in the Upper Premium and Luxury segments of the cruise industry. The company is trying to attract wealthy, upscale consumers who can afford luxury and personalized cruise itineraries. Royal Caribbean makes it clear that their cruises are for everyone, from families, couples, family reunions to corporate events. Royal Caribbean offers activities that range from "mild to wild." Obviously, both companies rely on demographics in segmenting their markets. Within each of the demographic groups listed above, the companies should identify additional socioeconomic factors (i.e., income, education, occupation) of consumers to whom their cruises may appeal. Both companies should identify the psychographics of consumers in the different segments, combine demographics and psychographics, and create several profiles of its likely customers. Then, both Regent Seven Seas Cruises and Royal Caribbean International should identify TV shows and magazines that have "audience profiles" matching its customers' profiles, and place its advertisements in such media.

9. How can a marketer for a chain of health clubs use the VALS™ segmentation profiles to develop an advertising campaign? Which segments should be targeted? How should the health club be positioned to each of these segments?

The VALS segments are described in Figure 3-4, Table 3-6, and Table 3-7. The best prospects (note that opinions on the following may vary) for health clubs appear to be the *Actualizers* and *Achievers* because members of these groups are interested in growth, control of their lives, self-discovery, and self-expression. Many of them are probably already involved in some form of physical activity; however, a health club that is positioned as, say, "for people who are in the best shape they have ever been in but still aren't satisfied" will appeal to them. The health club should be portrayed as a mechanism which will help these people control an additional aspect of their lives—their health and physical well-being—through exercise. Normally, the *Experiencers* and *Makers* are not good prospects for a health club because they are interested in outdoor sports and recreation. If, however, seasonal weather prevents such endeavors, the health club could be presented as an alternative. The *Believers* are probably too set in their ways to join a health club, and the *Strivers* and *Strugglers* do not have the financial resources to join one. The *Fulfilled* represent a good target market because they are mature, educated, and financially secure individuals who might want to broaden their horizons. To them, the health club should be positioned as a new, highly fulfilling, and beneficial experience; value should be stressed in the promotion because these consumers are practical and concerned with the functionality of their purchases.

10. For each of the following products, identify the segmentation base that you consider to be the best one for targeting consumers: (a) coffee, (b) soups, (c) cell phones, and (d) designer sunglasses. Explain your choices.

A summary of possible answers or options is listed below (note that opinions on this issue may vary):
   a) Coffee—demographics (size and composition of family); geographic factors (regional taste differences); benefit segmentation (health concerns, taste); user behavior (usage situation, time pressure and rate of usage)
   b) Soups—demographics (size and composition of family); geographic factors (regional taste differences); usage situation (e.g., family dining versus entertaining); brand loyalty; rate of usage (e.g., suggesting new uses through recipes on the package)
   c) Cell phones—a combination of demographics, psychographics, usage situation (casual use versus business use), user behavior (heavy, medium, light users, interest level in product) and benefit segmentation (functional, value, social benefit)
   d) Designer sunglasses—a combination of demographics, psychographics, geodemographics, personality traits and benefit segmentation (functional, value, social benefit)

EXERCISES

1. **Select a product and brand that you use frequently and list the benefits you receive from using it. Without disclosing your list, ask a fellow student who uses a different brand in this product category (preferably, a friend of the opposite sex) to make a similar list for his or her brand. Compare the two lists and identify the implications for using benefit segmentation to market the two brands.**

   Instructor's Discussion

   This exercise is designed to illustrate the variability of the benefits that consumers seek in the same product and that knowledge of desired benefits can be used to position different brands within the same product category. This project can also be done between small teams or groups. If time is a problem, select the individuals or small groups that seem to have performed the exercise the best and have the student's present results to class as a whole.

2. **Does your lifestyle differ significantly from your parents' lifestyle? If so, how are the two lifestyles different? What factors cause these differences?**

   Instructor's Discussion

   This is an interesting way to illustrate similarities and differences between the activities, interests, and opinions of two distinct groups, as the factors that determine one's lifestyle. With respect to presenting or discussing the results (if time is a problem), select the individuals that seem to have performed the exercise the best and have the students present results to class as a whole. Be sure to probe students as to mechanisms used to determine their parents (and their own) lifestyles. How could marketers use this information?

3. **Visit two web sites that you are familiar with and write down every click that you make, and the patterns and time periods corresponding to your surfing. Then, describe how a marketer—of a product of your choice—who had tracked your web visits to the sites, can use the observation of your surfing in designing a customized advertising message directed at you.**

   Instructor's Discussion

   The answers to this question will be personal to each student. However, you should expect to read comments suggesting the advertiser might achieve a greater awareness of the web surfer's values, income, lifestyle, lifecycle, occupation, education level and so on. All of these variables help the advertiser deliver a customized message to the surfer.

4. **The owners of a local health-food restaurant have asked you to prepare a psychographic profile of families living in the community surrounding the restaurant's location.**

Construct a 10-question psychographic inventory appropriate for segmenting families on the basis of their dining-out preferences.

Instructor's Discussion

The psychographic items developed by the students can fall into any of a large number of dining-out and meal-related categories (price consciousness, food venturesomeness, social dimensions of eating, home-orientation, etc.). The instructor should maintain an inventory of student responses to this question and use them to demonstrate good and bad psychographic statements when this exercise is discussed.

5. Find two print advertisements. One ad should be directed at one of the PRIZM clusters (Table 3.4) and the other at one of the ACXIOM groups (table 3.16). How effective do you think each ad is in terms of achieving its objective? Why?

Instructor's Discussion

As students consider the effectiveness of each ad, the discussion should focus on the following issues. When discussing the ad based on a PRIZM cluster, students should make sure they are discussing issues related to both demographics and behaviors. .PRIZM classifies the nation's households into one of 66 segments. ACXIOM consists of seventy segments that are classified into twenty-one life stage groups.

S.T.A.R. PROJECTS

Ethical Issues in Consumer Behavior

S.T.A.R. Project #1
One of the best and easiest ways to segment a market is on the basis of age. As marketers have discovered, however, this is a form of segmentation that can become a very sticky proposition. Consider the number of marketing efforts directed toward the elderly. In this case, marketers must be aware that, even though they are dealing with experienced consumers, this segment is considered to be susceptible to deceptive marketing practices. A dilemma exists—how to aggressively market to a segment that often has substantial income without taking advantage of the segment's vulnerability? Visit the American Association of Retired Persons (AARP) Web site at www.aarp.org for information and guidance in accomplishing the following assignment:
   a. Construct a list of five (5) ethical taboos that a marketer should avoid when marketing to this market segment. Explain the taboos.
   b. Find an illustration of a company that you believe markets to the elderly in an ethical manner. Discuss why you picked the company and why you consider its practices to be ethical.

Instructor's Discussion

Students will be able to observe a variety of issues that impact and affect the elderly market segment via the AARP Web site. To begin a discussion of taboos, consider the following propositions—thou shall not steal, thou shall not harm, thou shall inform, thou shall not deceive, and thou shall not pressure. From this simple list, students should be able to create and construct a list of ethical don'ts. Be sure the students consider the Internet when constructing their list.

Students are free to select any company they wish for excellent elderly business practices. A good illustration to begin with would be McDonald's. This company often designates special discounts and coffee times for seniors.

S.T.A.R. Project #2
Few subjects are as controversial in the United States today as gun control. Given the violence in our society, the number of incidents in which guns are weapons of destruction, and the growing void between those that demand the right to own guns and those that want all guns destroyed, the National Rifle Association is at the center of a whirlwind of controversy. The NRA (see www.nra.org) has been singled out as an organization that is either a defender of the Constitution or evil (depending on one's point of view). Ethical situation—assuming that you have been given the task of evaluating a request from the NRA to sponsor a local civic event in your area (for example, a 10K run benefiting cancer patients), conduct the following activities:
   a. What evidence do you find on the NRA Web site that it is concerned about public welfare?
   b. What evidence do you find on the Web site that the NRA is an effective marketer?
   c. What ethical issues might be present should the NRA request to sponsor your civic event be granted? How would you deal with these issues?
   d. What market segments would be impacted by your evaluation of the NRA request?
   e. What would you personally do in this illustration? Explain why?

Instructor's Discussion

This is a controversial assignment that is designed to get students to think about an issue from several perspectives. Certainly the amount of violence (and the use of guns with respect to this violence) will temper decisions and comments in this area. If students learn to deal with difficult issues now, however, they will be better prepared to address difficult issues in the future. No one can disagree that this organization is an effective marketer to a select group of people. Students can learn about this particular market segment by examining the opening page of the Web site and the various folders present. The ethical dilemma is more difficult to deal with. The NRA has deep pockets and many civic projects might need this support. Some will feel uncomfortable accepting the support. Is acceptance any different, however, than accepting support from cigarette, alcohol, or other controversial product manufacturers? That is the real issue to be

discussed. Please fell free to change this assignment to fit circumstances and preferences. Please be forewarned that this assignment may not be for everyone.

Small Group Projects

S.T.A.R. Project #3

One of the hardest assignments for a marketing manager is how to reinvigorate a brand that has been around for a long time. Time-tested brands have met the needs of their consumers but often forget to keep pace with changes in the marketplace and new market segments that are constantly forming. One such time-tested brand is Rit Dye (see www.ritdye.com). Your group's assignment is to learn about Rit Dye and propose a new segmentation strategy for the organization that would boost sales. Consider existing segments and look for new ones. Be sure justify your ideas. Visit the company's Web site to learn about the ABCs of dyeing, the art of dyeing, and how to send a virtual dye. Write a short report about your experience and your segmentation strategy for the company.

Instructor's Discussion

Rit Dye has been an excellent marketer through the years and has provided products that have met a real need. When, however, is the last time you dyed something? That is the crux of Rit Dye's problem. Have students examine how the brand is used today and how its use might be expanded in the future. Notice the segments on the Web page devoted to tie-dyeing (yes, the same tie-dyeing that was done in the Flower Power '60s). This might give students a clue as to potential segments for the future.

S.T.A.R. Project #4

Given the business challenges of the last few years, companies must always look for new ways to retain customers and enhance the value experience brought to them. One company that has specialized in this art is Carnival Cruise Lines. Carnival has learned how to target potential customers, provide fun and excitement for current customers, and bring loyal customers back again and again. Personal attention, e-mail reminders, and an interactive Web site have aided the company in building and maintaining relationships with customers. Your group's assignment is to construct a segmentation profile of Carnival's first time customers, current customers, and past customers. Though information specifics will be beyond your grasp, general information about these groups can be obtained via the company's Web site (see www.carnival.com). Your profiles should consider age, income, lifestyle, and other variables found in Table 3-1 in the chapter. Be creative (or contact a travel agent). Present your profiles to the class. How did your group's profiles match those of other groups? Based on your profiles, comment on any new perceived opportunities for Carnival based on your segmentation work.

Instructor's Discussion

The Carnival Web site provides a wealth of information about itself and its customers. Some of the information is straightforward and some must be presumed. Students are encouraged to

create with this exercise. The experience will aid them in understanding how to use Table 3-1 and construct segmentation profiles. This exercise can also be a springboard to the lifestyle information presented in the chapter.

Using the Internet to Study Consumer Behavior

S.T.A.R. Project #5
According to recent reports, Linux is kicking some tails at Microsoft and Sun. This aggressive uprising on the part of Linux has been in the works for some time. The Linux geeks believe they have a better (and cheaper) way to compute and reach the Internet. From a humble beginning, Linux has moved into corporate computing, desktop computing, simulation, digital animation, number-crunching, and consumer electronics with surprising speed. The company used legal rulings against Microsoft as a barrier against the industry giant's forecasted retaliation. The strategy seems to have worked. Companies such as IBM, Intel, Dell, and Red Hat have been lining up to embrace the Linux system and method. Where will the Linux penguin appear next?
   a. Visit the Linux Web site at www.linux.com. Using information that you find or links provided, write a short paragraph that outlines what you perceive to be the Linux advantage.
   b. Following comments in (a) above, write a short paragraph about Linux's segmentation strategy as you perceive it.
   c. Summarize what you perceive to be Linux's chances for success in the future. Justify your statements.

Instructor's Discussion

Few areas get the current generation of student's attention faster than the battles being waged between Internet service providers, cell phone companies, and software systems manufacturers. In this vein, the Linux-Microsoft conflict is an interesting one. For additional information before proceeding with the exercise, see "The Linux Uprising," *BusinessWeek,* March 3, 2003 or other updated articles via the *BusinessWeek* Web site. Students should be able to answer all the exercise's questions with a little creativity by utilizing the information supplied by the company Web site or additional contemporary information in this rapidly changing field. This exercise should give them experience in constructing segmentation strategy. If there are Microsoft, Sun, or Linux loyalists in class, a debate (not an argument) is a good idea.

S.T.A.R. Project #6
Do you have a pen that remembers everything you write as you write it? Would like to have such an interesting device? Logitech (see http://www.logitech.com/index.cfm/products/features/digitalwritingtopics/US/EN,CRID=1558,CONTENTID=6748) has developed what they believe is the handwriting tool for the digital world. Using the Logitech IO Personalized Digital Pen, everything you write can be saved, organized, and shared. At about $200, the pen incorporates a tiny camera that records the pattern of dots you create when you write on specially designed paper. When you put the pen in its specially designed dock, the information contained in the pen can be transferred to your PC. The image of

what you wrote (the "digital ink") can then be pasted into many applications. Writing may not be such a drag after all.

  a. Visit the Logitech Web site to learn more about the IO Personalized Digital Pen.
  b. What market segments might be interested in such a device?
  c. Which of the Mindbase segments mentioned in Table 3-15 might be a good segment(s) for Logitech to pursue first?
  d. After examining the segments that you have constructed or seen in Table 3-15, apply the four characteristics of an effective market target described in the chapter. Comment on which segment(s) now appear to be attractive.

Instructor's Discussion

Logitech has many great innovations as can be seen via their Web site. The IO Personalized Digital Pen is one of these. Be sure that students understand that this pen would not be for everyone (especially at $200). More importantly, the pen must use special paper. At this time, a three-pack of special 160-page notebooks is priced at $24.99. If IO and its system catches on, the prices of the pen and paper would most likely drop. What other companies would view the IO system as a threat? Palm-based technology might for one. This exercise should give students experience with the Mindbase system (you can use other categories if you so choose) and the effective market-targeting list.

CASE COMMENTS

Case One: Matching Geodemographic Segments and Magazines' Audiences

1. The objective of this case is to provide students with an understanding of how magazines' audience profiles can be used in segmenting markets. The magazines' data listed in Table 3.1 was generated from the MRI depository and the students should be able to match this data with the PRIZM NE segments that they chose quite easily.

2. The MRI online depository includes key statistics of the audiences of American magazines and newspapers and the PRIZM profiles often list publications that members of particular clusters read. When answering this question, students will be gaining a better understanding of how magazines can be used in targeting consumers.

Case Two: Benefit Segmentation in the Oral Care Market

1. The concept of benefit segmentation stems from a 1960s study of the toothpaste market. Today, there are scores of toothpaste products, offered in many flavors and forms, appealing to every need imaginable regarding one's oral care. The objective of this case is to illustrate the ingenuity of the Crest and Colgate brands in "discovering" (or uncovering) benefits that can appeal to consumers. By answering this question, student

will recognize the similarities and differences between the two brands and will also apply the benefits the two companies offer into their own oral care needs.

2. Here, students are asked to repeat the procedure listed above and apply it to another product. The objective is to strengthen the students' understanding of benefit segmentation.