

CONSUMER BEHAVIOR & MARKETING STRATEGY



Chapter 15 Market Segmentation and Product Positioning

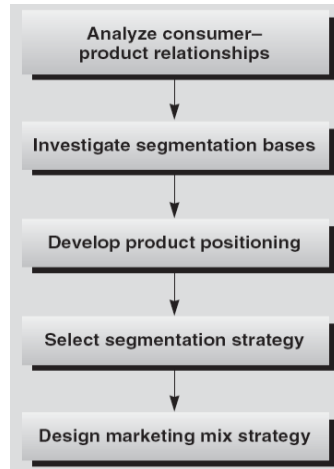
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Introduction

- ❖ **Market segmentation** is the process of dividing a market into groups of similar consumers and selecting the most appropriate group(s) and individuals for the firm to serve.
- ❖ Market segmentation analysis is critical for sound marketing strategy development.

Exhibit 15.1 - Tasks in Market Segmentation



15-3

Analyze Consumer-Product Relationships

- ❖ Entails analysis of the affect and cognition, behavior, and environments involved in the purchase/consumption process for the particular product.
- ❖ Three general approaches
 - ❖ Brainstorm the product concept
 - ❖ Focus groups and other types of primary research
 - ❖ Secondary research

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Analyze Consumer-Product Relationships (cont.)

- ❖ For many established product categories, considerable information is available for analyzing various markets.
- ❖ For many products, the initial breakdown in markets is between the prestige and mass markets.

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Investigate Segmentation Bases

- ❖ **Benefit segmentation**
 - ❖ Benefits people seek in consuming a given product are the basic reasons for the existence of true market segments.
 - ❖ Attempts to measure consumer value systems and consumers' perceptions of various brands in a product class.

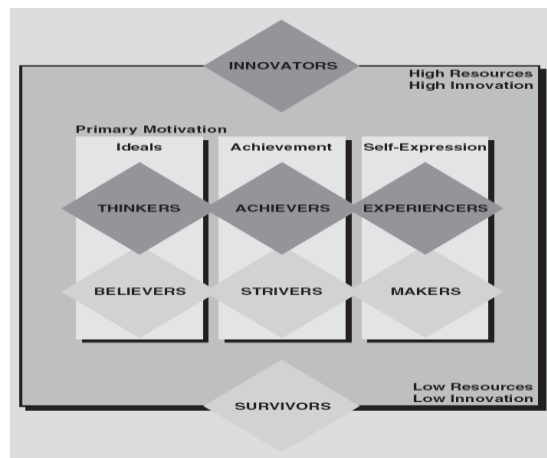
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Investigate Segmentation Bases (cont.)

- ❖ Psychographic segmentation
 - ❖ Divides markets on differences in consumer lifestyles.
 - ❖ Generally follows a post hoc model.
 - ❖ Lifestyles are measured by asking consumers about their activities, interests, and opinions.
 - ❖ Provides a tremendous amount of information about consumers.
 - ❖ The best-known psychographic segmentation is called **VALS™**.

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Exhibit 15.3 - VALS™ Framework



Source: SRIConsulting Business Intelligence (SRIC-BI).

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Exhibit 15.3 - VALS™ Framework

Innovators. Innovators are successful, sophisticated, take-charge people with high self-esteem. Because they have such abundant resources, they exhibit all three primary motivations in varying degrees. They are change leaders and are the most receptive to new ideas and technologies. Innovators are very active consumers, and their purchases reflect cultivated tastes for upscale, rich products and services. Image is important to Innovators, not as evidence of status or power but as an expression of their taste, independence, and personality. Innovators are among the established and emerging leaders in business and government, yet they continue to seek challenges. Their lives are characterized by variety. Their possessions and recreation reflect a cultivated taste for the things in life.

Thinkers. Thinkers are motivated by ideals. They are mature, satisfied, comfortable, and reflective people who value order, knowledge, and responsibility. They tend to be well educated and actively seek out information in the decision-making process. They are well-informed about world and national events and are alert to opportunities to broaden their knowledge. Thinkers have a moderate respect for the status quo institutions of authority and social decorum, but are open to consider new ideas. Although their incomes allow them many choices. Thinkers are conservative, practical consumers; they look for durability, functionality, and value in the products they buy.

Achievers. Motivated by the desire for achievement, Achievers have goal-oriented lifestyles and a deep commitment to career and family. Their social lives reflect this focus and are structured around family, their place of worship, and work. Achievers live conventional lives, are politically conservative, and respect authority and the status quo. They value consensus, predictability, and stability over risk, intimacy, and self-discovery. With many wants and needs, Achievers are active in the consumer marketplace. Image is important to Achievers; they favor established, prestige products and services that demonstrate success to their peers. Because of their busy lives, they are often interested in a variety of time-saving devices.

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Exhibit 15.3 - VALS™ Framework

Experiencers. Experiencers are motivated by self-expression. As young, enthusiastic, and impulsive consumers, Experiencers quickly become enthusiastic about new possibilities but are equally quick to cool. They seek variety and excitement, savoring the new, the offbeat, and the risky. Their energy finds an outlet in exercise, sports, outdoor recreation, and social activities. Experiencers are avid consumers and spend a comparatively high proportion of their income on fashion, entertainment, and socializing. Their purchases reflect the emphasis they place on looking good and having "cool" stuff.

Believers. Like Thinkers, Believers are motivated by ideals. They are conservative, conventional people with concrete beliefs based on traditional, established codes: family religion, community, and the nation. Many Believers express moral codes that are deeply rooted and literally interpreted. They follow established routines, organized in large part around home, family, community, and social or religious organizations to which they belong. As consumers, Believers are predictable; they choose familiar products and established brands. They American products and are generally loyal customers.

Strivers. Strivers are trendy and fun loving. Because they are motivated by achievement. Strivers are concerned about the opinions and approval of others. Money defines success for Strivers, who don't have enough of it to meet their desires. They favor stylish products that emulate the purchase of people with greater material wealth. Many see themselves as having a job rather than a career, and a lack of skills and focus often prevents them from moving ahead. Strivers are active consumers because shopping is both a social activity and an opportunity to demonstrate to peers their ability to buy. As consumers, they are as impulsive as their financial circumstance will allow.

15-10

Exhibit 15.3 - VALS™ Framework

Makers. Like Experiencers, Makers are motivated by self-expression. They express themselves and experience the world by working on it—building a house, raising children, fixing a car, or canning vegetables—and have enough skill and energy to carry out their projects successfully. Makers are practical people who have constructive skills and value self-sufficiency. They live within a traditional context of family, practical work, and physical recreation and have little interest in what lies outside that context. Makers are suspicious of new ideas and large institutions such as a big business. They are respectful of government authority and organized labor, but resentful of government intrusion on individual rights. They are unimpressed by material possessions other than those with a practical or functional purpose. Because they prefer value to luxury, they buy basic products.

Survivors. Survivors live narrowly focused lives. With few resources with which to cope, they often believe that the world is changing too quickly. They are comfortable with the familiar and are primarily concerned with safety and security. Because they must focus on meeting needs rather than fulfilling desires, Survivors do not show a strong primary motivation. Survivors are cautious consumers. They represent a very modest market for most products and services. They are loyal to favorite brands, especially if they can purchase them at a discount.

Source: SRI Consulting Business Intelligence (SRIC-BI), www.sric-bi.com/VALS, October 18, 2008.

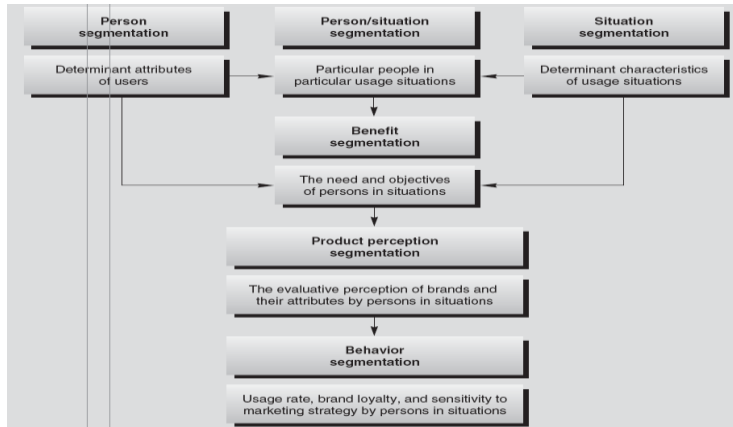
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Investigate Segmentation Bases (cont.)

- ❖ Person/Situation segmentation
 - ❖ Markets can often be divided on the basis of the usage situation in conjunction with individual differences among consumers.
 - ❖ Combines not only the person and the situation, but also other important segmentation bases.
 - ❖ Benefits sought
 - ❖ Product and attribute perceptions
 - ❖ Marketplace behavior

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Exhibit 15.4 - Person/Situation Segmentation



Source: Adapted from Peter R. Dickson, "Person-Situation: Segmentation's Missing Link," *Journal of Marketing*, 46 (Fall 1982), pp. 55-64. Published by the American Marketing Association. Reprinted by permission.

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Investigate Segmentation Bases (cont.)

❖ Geodemographic segmentation

- ❖ Identifies specific households by focusing on the local neighborhood geography to create classifications of actual, addressable, mappable neighborhoods where consumers live and shop.

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Investigate Segmentation Bases (cont.)

- ❖ The PRIZM NE geodemographic system
 - ❖ Stands for “Potential Ranking Index of ZIP Markets—New Evolution.”
 - ❖ Based on the assumptions that consumers in particular neighborhoods are similar in many respects and that the best prospects are those who actually use a product or other consumers like them.

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Investigate Segmentation Bases (cont.)

- ❖ Develop product positioning
 - ❖ Key objective is to form a particular brand image in consumers’ minds.
 - ❖ Accomplished by developing a coherent strategy that may involve all of the marketing mix elements.

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Investigate Segmentation Bases (cont.)

❖ Approaches to positioning strategy

❖ Positioning by attribute

- ❖ Associating a product with an attribute, a product feature, or a customer feature.
 - ❖ A new product can be positioned with respect to an attribute ignored by competitors.
 - ❖ A product can be positioned in terms of two or more attributes simultaneously.
 - ❖ The price/quality attribute dimension is commonly used for positioning products as well as stores.

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Investigate Segmentation Bases (cont.)

❖ Positioning by use or application

- ❖ Products can have multiple positioning strategies, although increasing the number involves difficulties and risks.
- ❖ Often a positioning-by-use strategy represents a second or third position designed to expand the market.

❖ Positioning by product user

- ❖ Positions products according to a class of users that use the product/ brand.

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Investigate Segmentation Bases (cont.)

- ❖ Positioning by product class
 - ❖ Involves product class associations (for example, positioning a brand of margarine with respect to butter).
- ❖ Positioning by competitors
 - ❖ Competition is the explicit or implicit frame of reference.
 - ❖ Major purpose is to convince consumers that a brand is better than the market leader on important attributes
 - ❖ Positioning with respect to a competitor is commonly done in advertisements in which a competitor is named and compared.

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Positioning Maps

- ❖ A visual depiction of consumers' perceptions of competitive products, brands, or models.
- ❖ Constructed by surveying consumers about various product attributes and developing dimensions and a graph indicating the relative position of competitors.
- ❖ Give marketers a sense of how their brands are perceived by consumers relative to competitors and suggest positioning strategies.

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Select Segmentation Strategy

- ❖ Four basic segmentation strategy alternatives
 - ❖ Firms may decide not to enter the market.
 - ❖ Firms may decide to be a mass marketer instead of segmenting.
 - ❖ Firms may decide to market to only one segment.
 - ❖ Firms may decide to market more than one segment and design a separate marketing strategy for each.

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Select Segmentation Strategy (cont.)

- ❖ Marketers must have some criteria to base segmentation strategy decisions; three important criteria being:
 - ❖ Measurable
 - ❖ Meaningful
 - ❖ Marketable

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Design Marketing Mix Strategy

- ❖ Selecting the target market and designing the marketing mix go hand-in-hand.
- ❖ Many marketing mix decisions are made in conjunction with target market selections.

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Summary

- ❖ Market segmentation is the process of dividing a market into groups of similar consumers and selecting the most appropriate group(s) for the firm to serve.
- ❖ Market segmentation is one of the major bridges between the literature on consumer behavior and that dealing with marketing strategy.

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