

**wbs**

WARWICK BUSINESS SCHOOL  
THE UNIVERSITY OF WARWICK

# For the Change Makers

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## Warwick Summer School Communication and Marketing

### Segmentation and Targeting Dr Scott Dacko

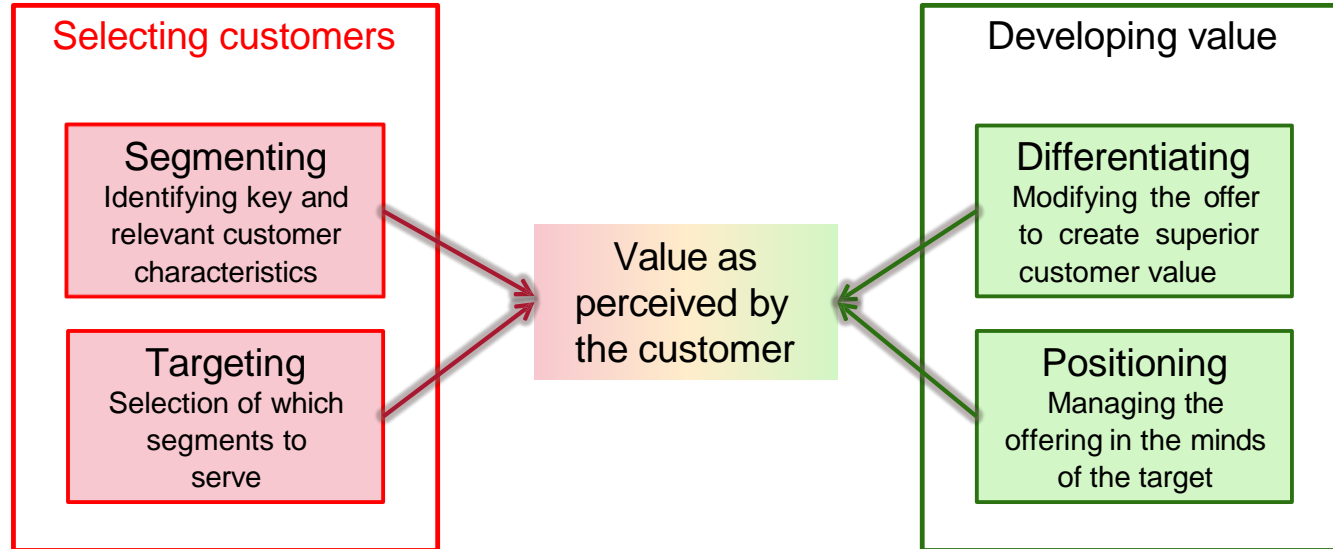
# Markets are heterogeneous. **Lifestyles and interests vary across groups of customers...**

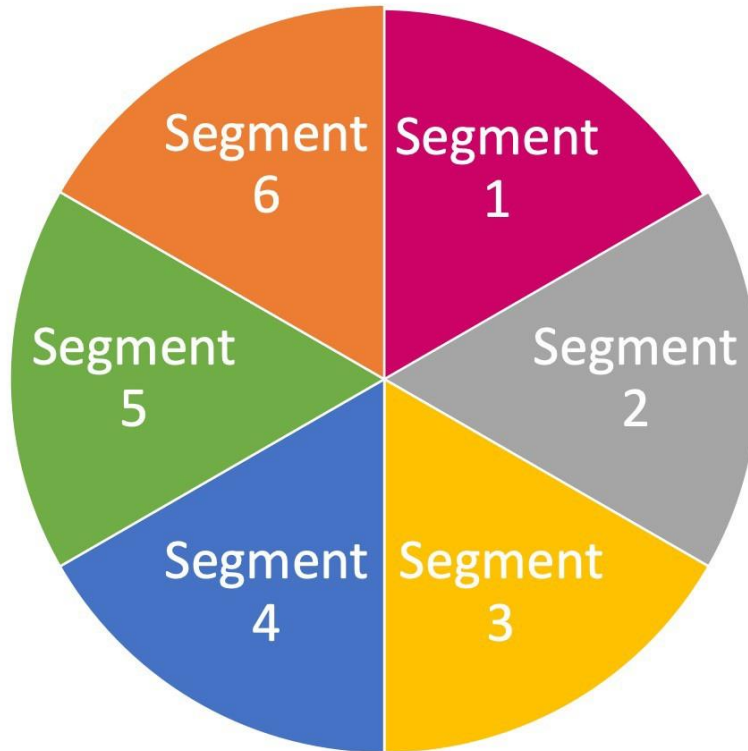


So, the market includes a variety of value propositions (products) to match needs of different customer groups.



# The Segmentation Process



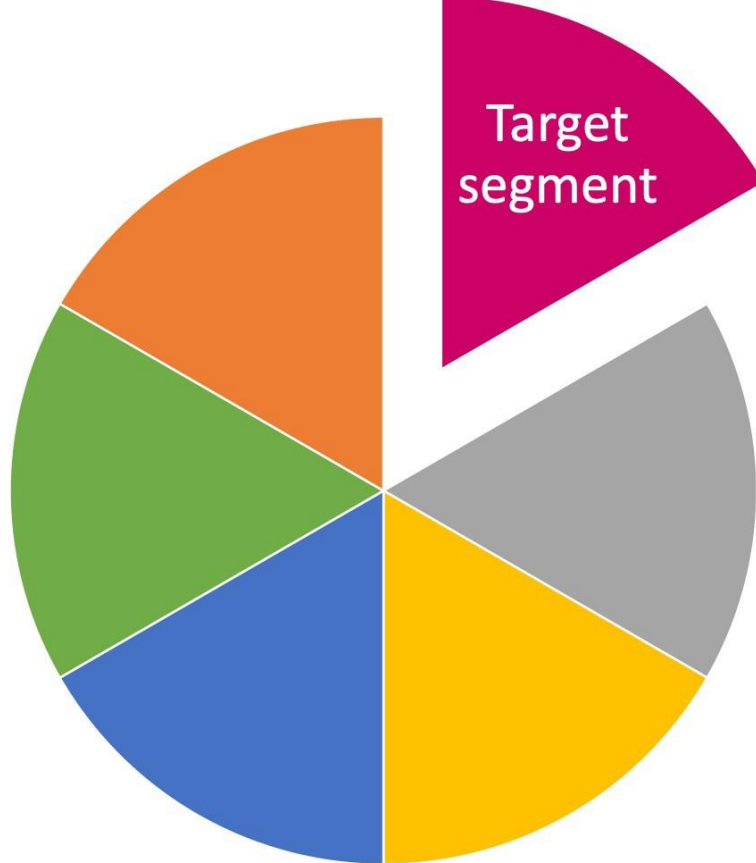


### Three steps: [1] Segmentation:

- Dividing a diverse market into smaller more homogenous sub-markets
- Identify groups which you can serve more effectively than the competition
- But, which are large enough to be profitable

# Discussion

- Choose a brand – one you have thought about previously or a different brand
- For that brand, what do you know about what the customers value?
- Is there more than one group who might value different things about this brand?
- How would you describe the characteristics / profile of each of these groups?



## [2] Targeting:

- Once we have segmented the market, we need to decide which segment(s) to serve
- Getting this wrong can be disastrous!

Based on two factors

- Market attractiveness
- Capability to compete

# Discussion

- For a chosen brand, would it be possible / profitable for you to target all of the groups you identified previously?
- If you had to prioritise the groups (target markets) on what basis would you do this?



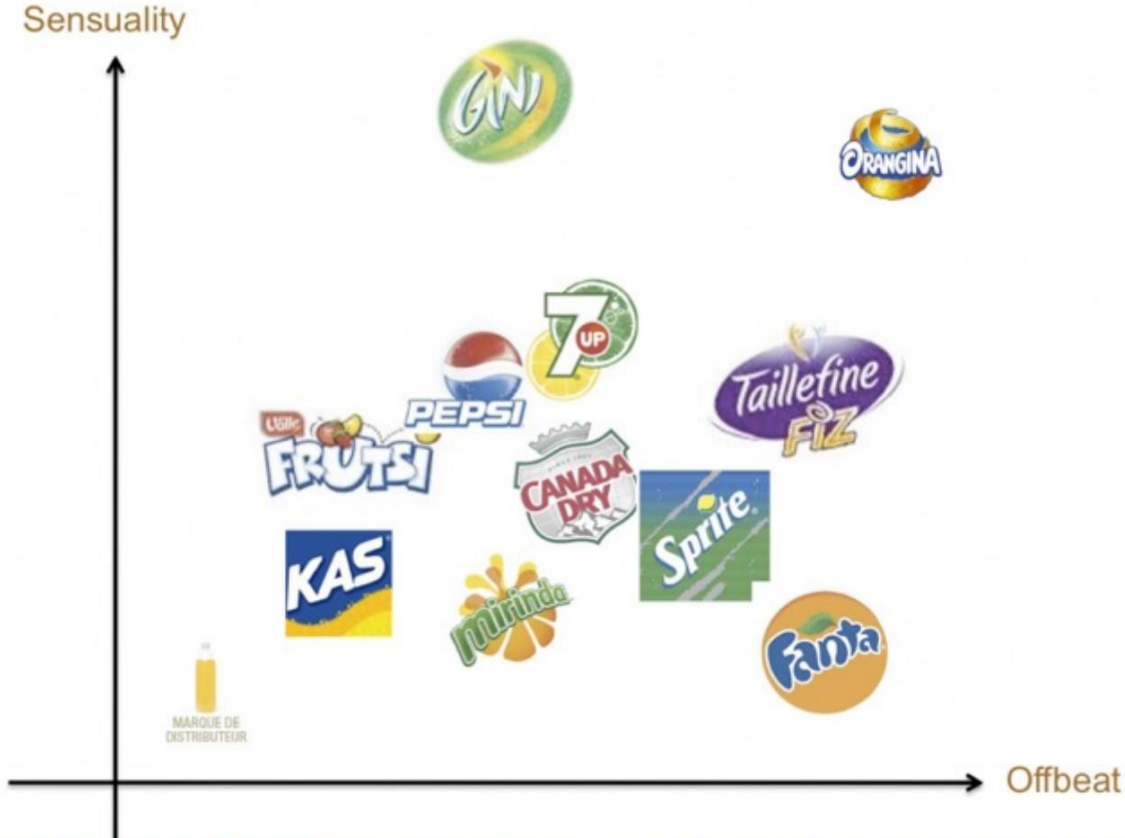


Target  
segment

### **[3] Positioning:**

Having identified a target segment, the company creates a differentiated value proposition for that customer group

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



Target segment

[3] Positioning

## Segmentation:

Our Customers—What the picture looks like when **we don't know** much about them



Our Customers—  
What the picture looks like when **we know**  
more about them



# Discussion

- What might we now conclude about this set of people and what they value?

# What kind of similar characteristics might we identify in this group?



- Fans
- Watching an event out of home
- Age
- Gender
- Possibly Brazil fans
- Interested in football



# Why Segment a Market

- Grouping customers by key needs, wants and characteristics allows for more focused marketing strategies and tactics
- Better chances of success and meeting organisational objectives
- Prioritisation of marketing targets
- Effective use of marketing resources



# Bases of Segmentation

Might include:

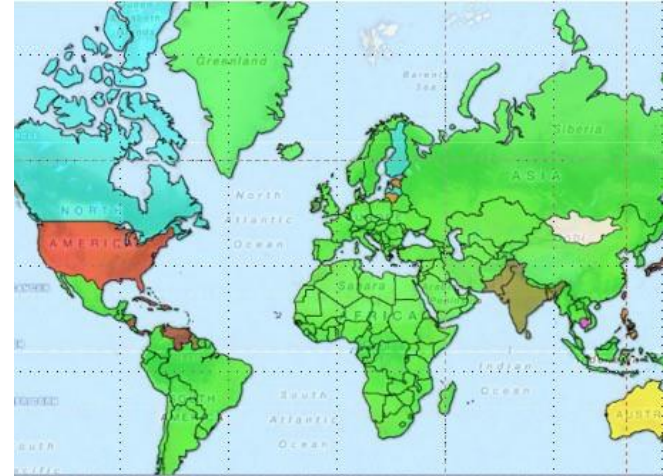
**geographic,  
demographic,  
psychographic and  
behavioral**

data to group customers  
by their characteristics  
and to determine who to  
target.



# Geographic Segmentation

- Divides people or products into groups based upon where they live.
- Knowing where your customers live saves marketing time and money plus aids significantly in strategic planning.
- Customers of products and services have national, sub-national differences in their preferences
- Climate and physical environment are bases of differing needs and wants for some categories



# Business Segmentation by Region and Product Type

## Emerging Markets

(Dollars in millions)

	Fiscal 2015	Fiscal 2014	% Change	% Change Excluding Currency Changes	Fiscal 2013	% Change	% Change Excluding Currency Changes
Revenues by:							
Footwear	\$ 2,641	\$ 2,642	0%	9%	\$ 2,621	1%	10%
Apparel	1,021	1,061	-4%	5%	962	10%	21%
Equipment	236	246	-4%	5%	249	-1%	9%
<b>TOTAL REVENUES</b>	<b>\$ 3,898</b>	<b>\$ 3,949</b>	<b>-1%</b>	<b>8%</b>	<b>\$ 3,832</b>	<b>3%</b>	<b>13%</b>
Revenues by:							
Sales to Wholesale Customers	\$ 3,247	\$ 3,483	-7%	2%	\$ 3,443	1%	11%
Sales Direct to Consumer	651	466	40%	51%	389	20%	28%
<b>TOTAL REVENUES</b>	<b>\$ 3,898</b>	<b>\$ 3,949</b>	<b>-1%</b>	<b>8%</b>	<b>\$ 3,832</b>	<b>3%</b>	<b>13%</b>

## Western Europe

(Dollars in millions)

	Fiscal 2015	Fiscal 2014	% Change	% Change Excluding Currency Changes	Fiscal 2013	% Change	% Change Excluding Currency Changes
Revenues by:							
Footwear	\$ 3,876	\$ 3,299	17%	25%	\$ 2,657	24%	20%
Apparel	1,555	1,427	9%	14%	1,289	11%	7%
Equipment	278	253	10%	15%	247	2%	-1%
<b>TOTAL REVENUES</b>	<b>\$ 5,709</b>	<b>\$ 4,979</b>	<b>15%</b>	<b>21%</b>	<b>\$ 4,193</b>	<b>19%</b>	<b>14%</b>
Revenues by:							
Sales to Wholesale Customers	\$ 4,455	\$ 4,022	11%	17%	\$ 3,481	16%	11%
Sales Direct to Consumer	1,254	957	31%	40%	712	34%	29%
<b>TOTAL REVENUES</b>	<b>\$ 5,709</b>	<b>\$ 4,979</b>	<b>15%</b>	<b>21%</b>	<b>\$ 4,193</b>	<b>19%</b>	<b>14%</b>

# Examples of Geographic Segmentation

- Seasonal Goods eg: winter wear
- Product / Service with variation in preferences by region / country
- Products or Services affected by climate

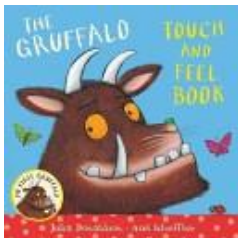


# Discussion

- Can you think of other brands that are segmented on a geographic basis?
- What do they need to do differently in their marketing for each of these geographic segments?

# Demographic Segmentation

- By gender
- By age
- By ethnicity



# Discussion

- Can you think of other brands that are segmented on a socio demographic or psychographic basis?
- What do they need to do differently in their marketing for each of these socio demographic or psychographic segments?

# Socio-economic

- Has to do with socio economic group, income, age of terminal education



# Psychographic

- Lifestyle
- Stage of life





# Discussion

- Can you think of other brands that are segmented on a demographic basis?
- What do they need to do differently in their marketing for each of these demographic segments?

# Behavioural

- Purchase behaviour
- Purchase Occasion
- Frequency of Purchase
- Consumption Patterns



# Market Segmentation: Usage

- Consider a product which you would buy on different occasions  
eg:
  - A Meal in a restaurant for a birthday celebration
  - A Meal in a restaurant for work with an expense limit
- Consider:
  - What
  - Where
  - Who with?
  - What main considerations
  - What type of restaurant?

# Benefit Segmentation

- Haley argues that benefit segmentation is the ultimate basis as the others are descriptive, they tell you “who” or “what”, but not always “why”
- It is causal, others are ascriptive (ie: they assume qualities and characteristics which fit with age, gender, lifestage etc)

# Perceptions, Attitudes, Beliefs, Values

## Example: A segmentation analysis of UK donors

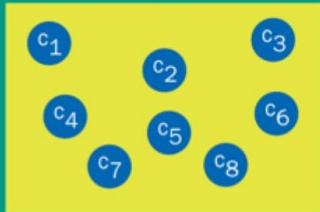
Figure 1: Money for Good UK donor segmentation



# Discussion

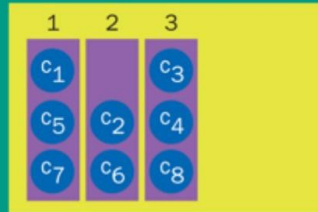
- What does the segmentation of charity donors tell you?
- If you wanted to design a marketing campaign, how might you best appeal to each of these groups?

### The disaggregated market



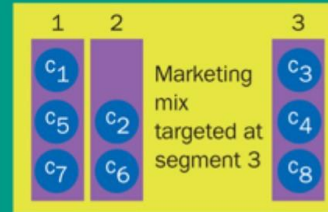
The characteristics of individual customers are understood

### The segmented market



Customers are grouped into segments on the basis of having similar characteristics

### The target market



Segment 3 is judged to be the most attractive and a marketing mix strategy is designed for that target market

# Targeting

- These must be:
  - Identifiable
  - Viable
  - Stable
  - Marketable

Source: Dibb and Simkin 1991



# Possible Targeting Strategies

Target none  
(do not compete in this market)

Undifferentiated or Mass  
(ignore segment differences; single offering to the entire market)

Differentiated  
(target multiple segments, each with a separate marketing programme)

Concentrated or Niche  
(dominate one or very few, carefully selected targets)

Micromarketing  
(localised or individual targets)

# Discussion

- What is the targeting strategy of:
  - McDonalds?
  - Ferrari?
  - Gucci or other luxury brands?
  - Lululemon
- Is it possible for a small, start up brand to have a mass market targeting strategy?
- What happens if you set up a website to sell your product /service. What type of targeting strategy might this be and what are the potential challenges?

# Segment of One?

- Technology increasingly allows for customization of product / service offer and messaging
- Consider the example of Netflix: In what ways does this make it possible to treat customers on an individual rather than a group basis?
- Is it really individualized?
- What impact what technological developments, such as CRM, have on segmentation strategies?

# Summary

- Customers can be divided into groups / clusters with similar needs and wants.
- It can be argued that benefit segmentation is the most effective method as it is causal, whereas other methods are descriptive. Benefit segmentation divides customers into groups seeking similar value
- Technology / CRM increasingly allows for targeting of smaller segments or personalization of the offer
- Target markets must meet criteria to make them attractive
- Marketers might target one or a number of target markets simultaneously. This might involve creation of separate marketing strategies: positioning / marketing mix