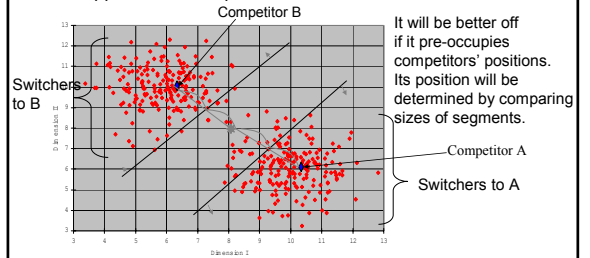


## Session 9: Segmentation and Targeting



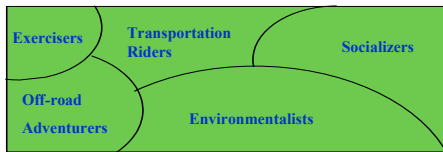
## Why Is Segmentation Important? (cont'd)

Suppose that competitors enter into the market.



## Segmentation

- Dividing the total heterogeneous market for a good or service into smaller groups which are more homogeneous
- Example (Bicycle riders)



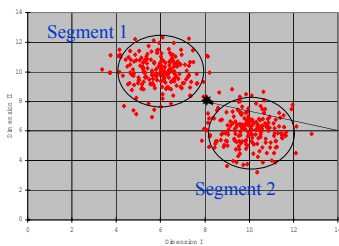
## The Difficulty in Segmentation

- Segmentation is a practical issue.
- There are so many possible segmentation variables.
- How to pick up the best segmentation scheme?



## Why Is Segmentation Important?

-Consider a heterogeneous hypothetical market

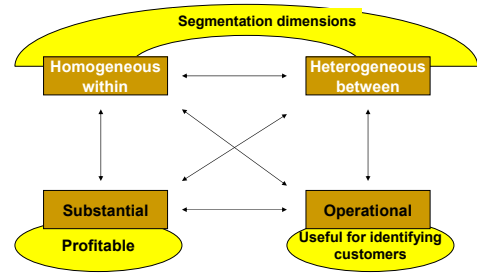


Scatter plot of ideal products of customers in the market. They will prefer a product which is closer to their ideal points

This position will attract all customers from Seg. 1 as well as Seg. 2 under monopoly condition.



## Criteria for Segmentation



## Segmentation (cont'd)

- Combining vs. dividing
  - Combining
    - Pros
      - Try to increase the size of the target markets by combining several segments.
      - May help achieve economies of scale
      - May also require less investment because a marketing mix is developed for all combined segments.
    - Cons
      - As the target market is enlarged by combining several segments, it becomes less homogeneous and then it is very hard to develop a marketing mix for all customers in the market.
      - Competitors can easily draw customers by offering marketing mix to more homogeneous sub-segments of the combined target market.



## Miller case

- New product concept
  - Many people have switched to wine because wine has lower calories than regular beer
  - The heavy beer drinkers may have the same concerns because they are drinking beer in large quantities.
  - low calorie beer, which ensure rich and full-bodied beer taste at only 96 calories.



## Segmentation (cont'd)

- Dividing
  - Pros
    - Try to satisfy each segment very well
    - May help achieve competitive advantage easily
    - May minimize competition
    - Can also generate bigger sales by concentrating on a homogeneous segment
      - » e.g. niche marketing
  - Cons
    - The chosen target market, a subset of all segments, may not be big enough.



## Miller case (cont'd)

- The company needed to study
  - What is the target market of the new beer concept?
  - Does there exist a segment that has great concern about calories? And is the segment big enough?
  - If there does not exist a big segment that has great concern over calories, what is the best target market of the new beer product?
- To study those questions, the company conducted a series of market surveys. The critical parts of the surveys were segmentation, targeting, and positioning.



## Segmentation and Targeting

- Good segmentation scheme
  - Substantial variation in terms of the chosen segmentation variable across segments.
  - Pretty small variation in terms of the chosen segmentation variable in a segment.
- There must be substantial variations across segments in terms of
  - Purchase pattern (e.g. purchase intention, usage rate)
  - Needs or Benefits
- These variables can become **targeting** variables.



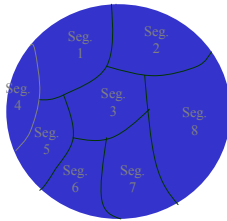
## Miller case (cont'd)

- Segmentation
  - Benefit segmentation
  - Benefits include:
    - physical product characteristics (tastes, price, % of alcohol, bottles etc.)
    - non-physical product characteristics (freshness, richness etc.)
    - other needs which can be satisfied by consuming a beer (social activities etc.)
    - unmet needs which have not been satisfied.



## Miller case (cont'd)

### Post hoc segmentation



Using a cluster analysis

Input data: responses on questions, which are designed to measure the evaluation on multiple benefits



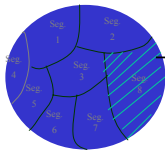
## Miller case (cont'd)

- Positioning strategy
  - New findings
    - They compared the differences between responses on benefits sought across segments.
    - They found that the target market, the heavy drinkers, had a complaint, "I feel heavy on the stomach when I am drinking beer".
    - The other important dimension was taste
  - Positioning concept (Core Benefit Proposition: CBP)
    - A good tasting beer which does not produce the feeling of satiation.



## Miller case (cont'd)

- Targeting
  - A target market was selected by comparing the average beer consumption rate of segments.
  - A segment of the highest consumption rate was targeted.



→ Target market: Heavy drinkers



## Miller case (cont'd)

- Marketing mix strategies
  - Product strategies
    - CBP: **Feel Less, Taste Better**
    - Brand name: Lite
  - Promotion strategies
    - To reach the target market, they studied the characteristics of the target market
    - One of the most interesting findings was that the target market has a great interest in sports.



## Miller case (cont'd)

- Findings
  - Unfortunately, the new product concept with low calories does not appeal to the target market.
  - Q. How to position the new product in the target market? Is there any important evaluation dimensions in the target market?
    - Positioning strategy



## Miller case (cont'd)

- Advertising
  - Unique Selling Proposition
    - » "Feeling Less, Taste Better"
  - They launched ad campaigns of which backgrounds were sports games (e.g. baseball).
- Promotion
  - They have been sponsoring several big sports events.
    - » Miller Lite NFL Player of the Week and NFL Player of the Year programs
    - » Miller Lite Drag Racing
    - » NASCAR Winston Cup

