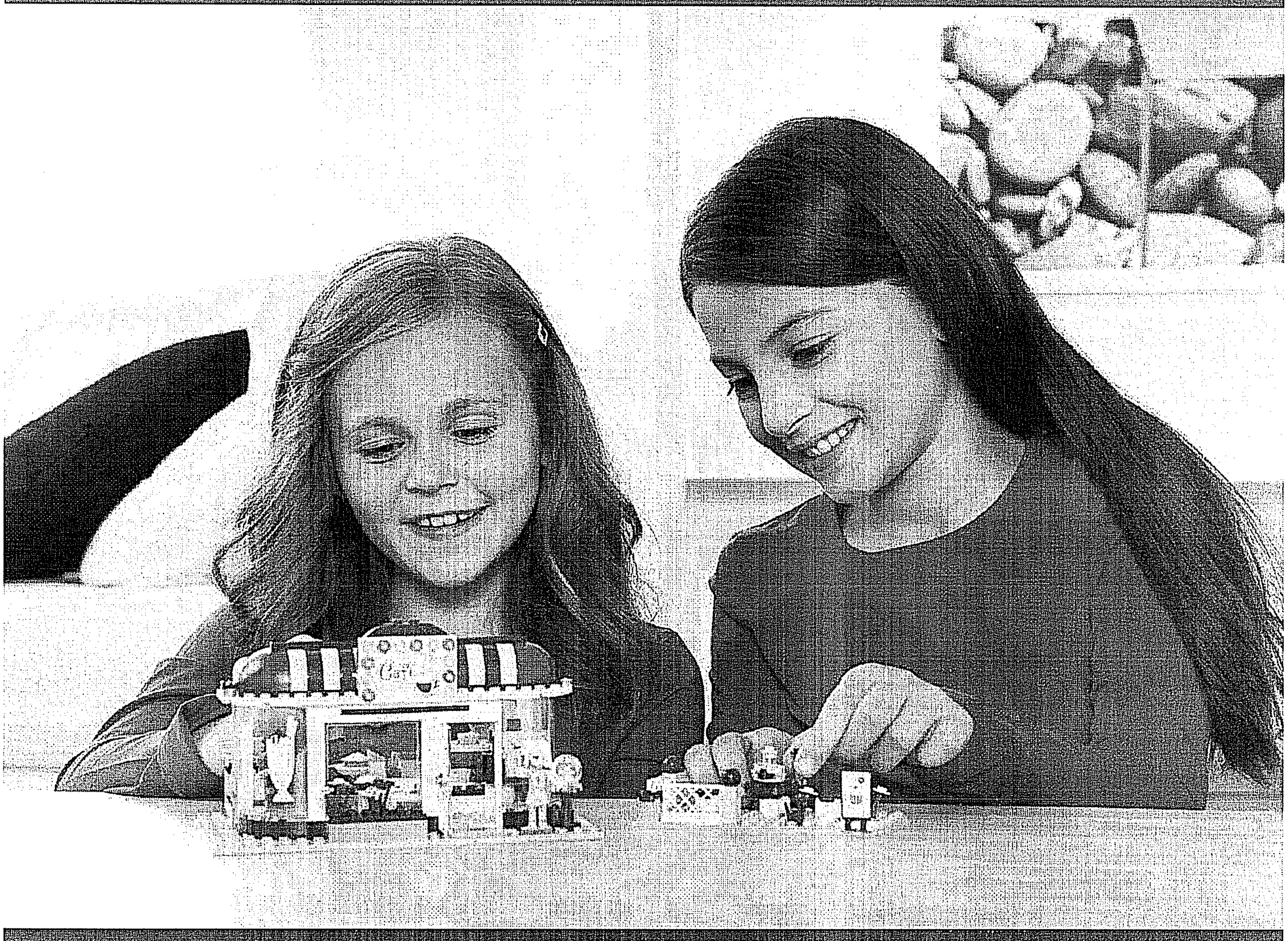
CHAPTER FOUR



Focusing Marketing Strategy with Segmentation and Positioning

In the early 1930s in Billilund, Denmark, carpenter Ole Kirk Christiansen started a company that built wooden toys. He named his company LEGO, combining the first two letters from each word in the Danish phrase *leg godt* which means "play well." Christiansen believed in quality, claiming that for LEGO, "only the best is good enough"—a value that stays with LEGO to this day.

During the 1950s, LEGO articulated its plastic bricks as part of a "system of play," based on learning through imagination, creativity, and problem solving. By 1958 LEGO had refined the design of the classic LEGO brick; those 1958 bricks still click and lock with any of the 40 billion bricks LEGO has made since.

Buoyed by the tail end of the baby boom generation, LEGO grew rapidly in the 1960s and 1970s. That growth slowed when the 1980s brought a recession and the "construction toy market" lost favor to electronic toys and software.

LEGO reacted by broadening its market definition to the "children's market" and a range of new opportunities. So in the 1990s, LEGO opened three new Legoland theme parks, developed video games and electronic toys, produced books and TV shows, and licensed watches and clothing. While the new product lines increased sales, costs rose even more quickly. In 2004, LEGO lost more than $300 million. LEGO needed a strategy to turn things around—and fast!

To address the immediate financial weakness, LEGO sold off Legoland theme parks, outsourced production, and consolidated its product lines. In assessing its strengths, LEGO knew its brand name was widely trusted, and its enduring system of play, based on the widely recognized brick, provided a platform for innovation. To focus its new strategy, LEGO redefined its market around the iconic brick with a vision to equip children for the future through creative, playful learning. LEGO thought it could profitably grow in the "active play market."

LEGO's next step—get to know its customers better. So LEGO set loose teams of researchers that embedded with families to understand how 7–9 year old boys in Germany and the U.S. lived and played. One finding shattered a myth that had guided LEGO's thinking much of the previous decade. LEGO had taken the wrong lessons from the growth of video games when it assumed kids needed immediate gratification. In response, LEGO had dumbed down many of its toys. But the new research found that kids wanted opportunities to demonstrate mastery—evidenced by the scoring, ranking, sharing, and levels common in many computer games. LEGO also found that while kids lived very scheduled lives, they appreciated time to themselves. These findings guided new strategic thinking at LEGO.

For these 7–9 year old boys, LEGO focused on its kits—from LEGO City's fire station and police station to kits with Harry Potter and Star Wars movie themes. As boys get older, they appreciate LEGO products that bridge the virtual world of computers and the physical world. So they developed LEGO Design byME, where anyone can go online and use LEGO's proprietary 3-D software to create an original design. The software then generates a kit with all the pieces, which can be shipped directly to a customer's home. LEGO's Mindstorms programmable robot-building kits also proved popular with this target market of young boys.

LEGO also segments its markets based on country. For example, while many German and American parents seek out toys that combine the values of learning and play, Japanese parents draw a sharper line between the two and don't seek out educational toys as much. These differences affect how products are promoted in each market.

Those Mindstorms robots and Star Wars kits struck a chord with another market segment—adults. Thanks to the Internet, the dispersed adult fans of LEGO (they call themselves AFOLs) found they weren't alone. Here they formed online communities, like the LEGO User Group Network (www.LUGnet.com), where AFOLs meet to share their passion for bricks, along with photos and design specs of their creations.

At first, LEGO made no special efforts to develop a marketing strategy to the AFOL segment. Then it found that many AFOLs spend thousands of dollars a year on LEGO. So LEGO introduced the 3,104-piece, $299 Imperial Star Destroyer kit, and it flew off shelves. The LEGO Ambassadors program enlists 40 AFOLs from around the globe to help LEGO manage relationships with its most ardent AFOL users. At conventions and online, the Ambassadors, who are paid in LEGO pieces, act as important two-way communication channel between LEGO and AFOLs. LEGO even flew four AFOLs to Denmark, where they worked closely with LEGO designers and engineers to create the highly successful second-generation Mindstorms NXT robot kits. AFOLs now account for 5–10 percent of all LEGO sales and influence even more.

Together, these new strategies helped LEGO earn more than $700 million in 2011. But LEGO is not resting on its laurels. LEGO has had limited success with girls. After age five, girls seem to lose interest in LEGO products. While previous efforts to appeal to girls have failed, LEGO still sees a big opportunity.

Once again LEGO sent out teams of researchers to conduct observational research—this time with girls. The findings drove many of the decisions made with the new LEGO Friends line. For example, while boys like to complete a kit before they start playing, girls like to play along the way. So the Friends kits come with bagged parts, allowing the girls to start storytelling and rearranging sooner. Boys play with people (LEGO calls them mini-figs) in the third person, while girls project themselves onto each figure. Girls found the traditional stubby mini-fig ugly—so the mini-figs in Friends look more like real people. Plus, the five main mini-fig characters in LEGO Friends come with names and backstories described in accompanying books.

Can LEGO finally crack the girls market? Only time will tell, but knowing its customers and defining and segmenting the market provides a good start to building a solid marketing strategy. LEGO has seen it work before.[1]

Learning Objectives

As the LEGO case illustrates, a manager who develops an understanding of the needs and characteristics of specific groups of target customers within the broader market may see new, breakthrough opportunities. But it's not always obvious how to identify the real needs of a target market—or the marketing mix that those customers will see as different from, and better than, what is available from a competitor. This chapter covers concepts and approaches that will help you to succeed in the search for those opportunities.

When you finish this chapter, you should be able to:

1. know about defining generic markets and product-markets.
2. know what market segmentation is and how to segment product-markets into submarkets.
3. know three approaches to market-oriented strategy planning.
4. know dimensions that may be useful for segmenting markets.
5. know a seven-step approach to market segmentation that you can do yourself.
6. recognize how some computer-aided methods are used in segmenting.
7. know what positioning is and why it is useful.
8. understand the important new terms (shown in red).

Search For Opportunities Can Begin by Understanding Markets

LO 4.1

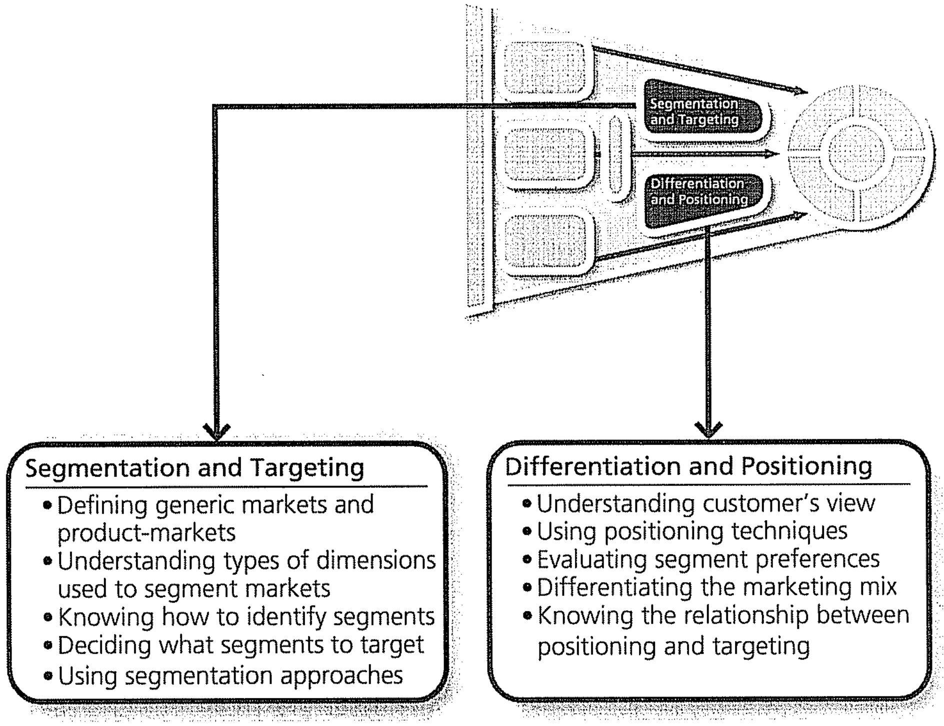
Strategy planning is a narrowing-down process

In Chapter 2 we provided a framework for a logical marketing strategy planning process. It involves careful evaluation of the market opportunities available before narrowing down to focus on the most attractive target market and marketing mix. In Chapter 3, we focused on approaches for analyzing how competitors and the external market environment shape the evaluation of opportunities. In this chapter we discuss concepts that can guide the selection of specific target customers. See Exhibit 4-1 for an overview.

In a broad sense, this chapter is about understanding and analyzing customers in a market. In Chapters 5 and 6 we will look more closely at specific influences on the behavior of both final consumers and organizational customers. However, this chapter sets the stage for that by explaining how marketing managers combine different types of information about customers to guide targeting decisions.

Since this chapter is about bringing focus to the search for market opportunities, a good place to start is by discussing what we really mean when we use the term *market.*

Exhibit 4–1
Focusing Marketing Strategy with Segmentation and Positioning



What is a company's market?

Identifying a company's market is an important but sticky issue. In general, a **market** is a group of potential customers with similar needs who are willing to exchange something of value with sellers offering various goods or services—that is, ways of satisfying those needs. However, within a general market, marketing-oriented managers develop marketing mixes for *specific* target markets. Getting the firm to focus on specific target markets is vital.

Don't just focus on the product

Some production-oriented managers don't understand this narrowing-down process. They get into trouble because they ignore the tough part of defining markets. To make the narrowing-down process easier, they just describe their markets in terms of *products* they sell. For example, producers and retailers of greeting cards might define their market as the "greeting card" market. But this production-oriented approach ignores customers—and customers make a market! This also leads to missed opportunities. Hallmark isn't missing these opportunities. Instead, Hallmark aims at the "personal-expression" market. Hallmark stores and dealers offer all kinds of products that allow people to express their feelings by capturing and saving memories. As opportunities related to these needs change, Hallmark changes, too. For example, at a Hallmark store you can find Father's Day cards or a picture frame. Hallmark also offers a photo album that allows customers to attach voice recordings to each picture. At Hallmark.com, subscribers will find they can access unlimited e-cards, tips on how to write thank-you notes, and ideas about how to take better baby pictures. There is even a Hallmark iPhone app to help you keep up on the latest offers and newest products at the Hallmark Gold Crown store nearest you.[2]

From generic markets to product-markets

To understand the narrowing-down process, it's useful to think of two basic types of markets. A **generic market** is a market with *broadly* similar needs—and sellers offering various, *often diverse,* ways of satisfying those needs. In contrast, a **product-market** is a market with *very* similar needs and sellers offering various *close substitute* ways of satisfying those needs.[3]

A generic market description looks at markets broadly and from a customer's viewpoint. Entertainment-seekers, for example, have several very different ways to satisfy their needs. An entertainment-seeker might buy a Blu-ray disc player and a high-definition TV (HDTV), sign up for a cruise on the Carnival Line, or reserve season tickets for the symphony. Any one of these *very different* products may satisfy this entertainment need. Sellers

Camera makers try to stand out in a competitive product-market where each addresses customers' needs to capture and record memories. Leica's D-Lux 5 recognizes faces; GoPro's HD Hero2 cameras attach to helmets, skis, and bikes to take action shots during action sports; Lytro allows customers to focus different parts of the picture after the photo is taken; and Fujifilm offers a waterproof model.

in this generic entertainment-seeker market have to focus on the need(s) the customers want satisfied—not on how one seller's product (HDTV system, vacation, or live music) is better than that of another producer.

It is sometimes hard to understand and define generic markets because *quite different product types may compete with each other.* For example, a person on a business trip to Italy might want a convenient way to record memories of the trip. Minolta's digital camera, a camera in a Samsung cell phone, Sony's video camcorder, and even postcards from local shops may all compete to serve our traveler's needs. If customers see all these products as substitutes—as competitors in the same generic market—then marketers must deal with this complication.

Suppose, however, that our traveler decides to satisfy this need with a digital camera. Then—in this product-market—Canon, Kodak, Fujifilm, Nikon, and many other brands may compete with each other for the customer's dollars. In this *product*-market concerned with digital cameras *and* needs to conveniently record memories, consumers compare similar products to satisfy their imaging needs.

Broaden market definitions to find opportunities

Broader market definitions—including both generic market definitions and product-market definitions—can help firms find opportunities. But deciding *how* broad to go isn't easy. Too narrow a definition limits a firm's opportunities—but too broad a definition makes the company's efforts and resources seem insignificant. Consider, for example, the mighty Coca-Cola Company. It has great success and a huge market share in the U.S. cola-drinkers' market. On the other hand, its share of all beverage drinking worldwide is very small.

Here we try to match opportunities to a firm's resources and objectives. So the *relevant market for finding opportunities* should be bigger than the firm's present product-market—but not so big that the firm couldn't expand and be an important competitor. A small manufacturer of screwdrivers in Mexico, for example, shouldn't define its market as broadly as "the worldwide tool users market" or as narrowly as "our present screwdriver customers." But it may have the capabilities to consider "the handyman's hand-tool market in North America." Carefully naming your product-market can help you see possible opportunities.

Nestlé targets customers in many different geographic markets around the world, but often the product-markets in one country are different than in another. For example, Nestlé created banana-flavored milk ice on a stick to fit the local tastes and preferences of Chinese consumers. The same product would probably not have a following in other places.

Naming Product-Markets and Generic Markets

Some managers think about markets just in terms of the product they already produce and sell. But this approach can lead to missed opportunities. For example, think about how photographic film has been largely replaced with digital pictures, digital video recorders (DVRs) are replacing VCRs, and MP3 players have replaced portable CD players.

As this suggests, when evaluating opportunities, product-related terms do not—by themselves—adequately describe a market. A complete product-market definition includes a four-part description.

What:	**1. Product type (type of good and type of service)**
To meet what:	**2. Customer (user) needs**
For whom:	**3. Customer types**
Where:	**4. Geographic area**

We refer to these four-part descriptions as product-market "names" because most managers label their markets when they think, write, or talk about them. Such a four-part definition can be clumsy, however, so we often use a nickname. And the nickname should refer to people—not products—because, as we emphasize, people make markets!

Product type should meet customer needs

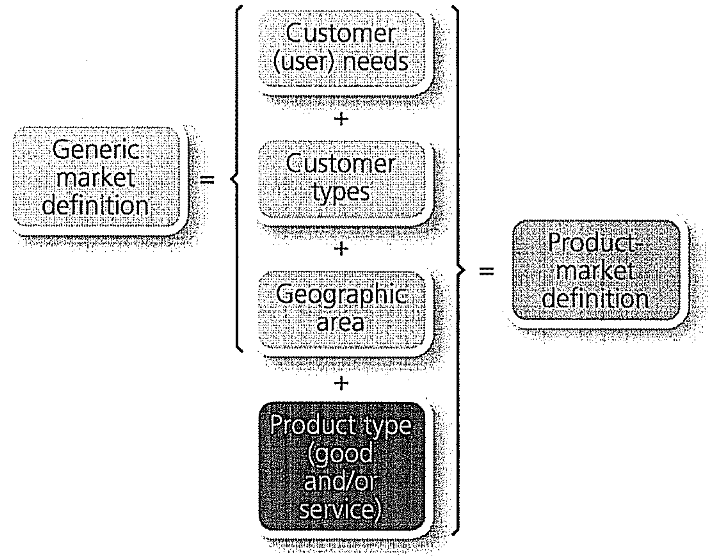
Product type describes the goods and/or services that customers want. Sometimes the product type is strictly a physical good or strictly a service. But marketing managers who ignore the possibility that *both* are important can miss opportunities.

Customer (user) needs refer to the needs the product type satisfies for the customer. At a very basic level, product types usually provide functional benefits such as nourishing, protecting, warming, cooling, transporting, cleaning, holding, and saving time. Although we need to identify such "basic" needs first, in advanced economies, we usually go on to emotional needs—such as needs for fun, excitement, pleasing appearance, or status. Correctly defining the need(s) relevant to a market is crucial and requires a good understanding of customers. We discuss these topics more fully in Chapters 5 and 6.

Customer type refers to the final consumer or user of a product type. Here we want to choose a name that describes all present (possible) types of customers. To define customer type, marketers should identify the final consumer or user of the product type, rather than the buyer—if they are different. For instance, producers should avoid treating intermediaries as a customer type—unless intermediaries actually use the product in their own business.

The *geographic area* is where a firm competes, or plans to compete, for customers. Naming the geographic area may seem trivial, but understanding the geographic boundaries

Exhibit 4–2
Relationship between Generic and Product-Market Definitions



of a market can suggest new opportunities. A firm aiming only at the domestic market, for example, may want to expand to other countries.

Product-market boundaries provide focus

This idea of making a decision about the boundaries of a market applies not just to geographic areas served but also to decisions about customer needs and product and customer types. Thus, naming the market is not simply an exercise in assigning labels. Rather, the manager's market definition sets the limits of the market(s) in which the firm will compete. For example, Canon targets a wide range of photographic needs and might approach a product-market named the "digital photographers market," defined as digital cameras (product type), that are easy to use and take high quality digital photographs (customer needs), for amateur photographers (customer types), in developing countries (geographic area). Canon's product line should appeal to this broad product-market. On the other hand, camera maker GoPro focuses on a more specific set of customer needs and has tighter boundaries on its market definition. GoPro might define the "adventure video market" as digital video cameras (product type), that are rugged, waterproof, and don't need to be operated by hand (customer needs), for adventure sports enthusiasts (customer types), who live anywhere in the world (geographic area). GoPro's video cameras attach to surfboards, handlebars, or helmets so that adventure sport enthusiasts can capture all the action. These product-market definitions give each company a focus that sharpens marketing strategy.

No product type in generic market names

A generic market description *doesn't include any product-type terms.* It consists of only three parts of the product-market definition—without the product type. This emphasizes that any product type that satisfies the customer's needs can compete in a generic market. Exhibit 4-2 shows the relationship between generic market and product-market definitions.

Later we'll study the many possible dimensions for segmenting markets. But for now you should see that defining markets only in terms of current products is not the best way to find new opportunities. Instead, the most effective way to find opportunities is to use market segmentation.

Market Segmentation Defines Possible Target Markets

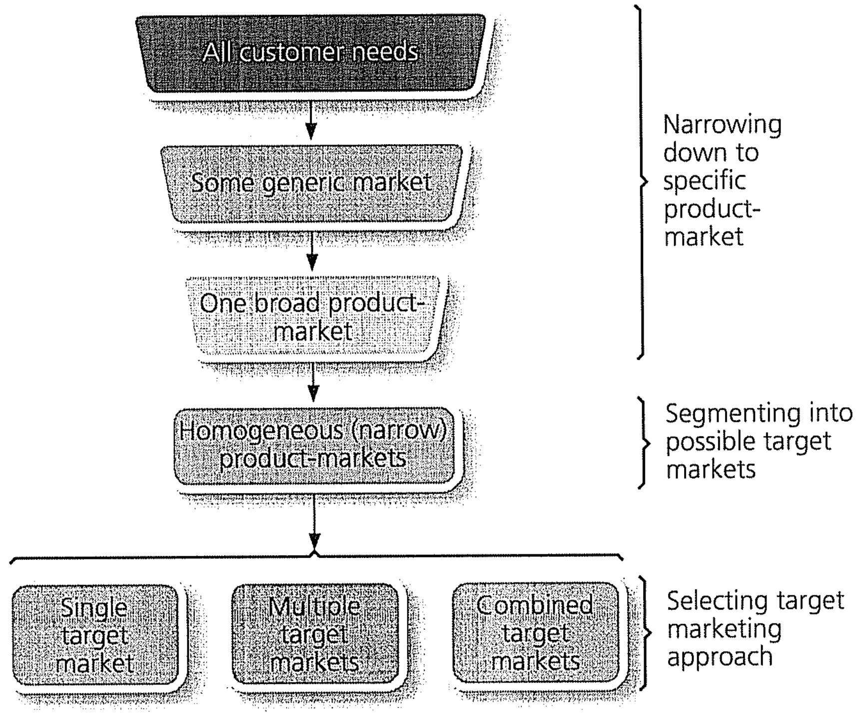
LO 4.2

Market segmentation is a two-step process

Market segmentation is a two-step process of (1) *naming* broad product-markets and (2) *segmenting* these broad product-markets in order to select target markets and develop suitable marketing mixes.

This two-step process isn't well understood. First-time market segmentation efforts often fail because beginners start with the whole mass market and try to find one or two

Exhibit 4–3
Narrowing Down to Target Markets



demographic characteristics to divide up (segment) this market. Customer behavior is usually too complex to be explained in terms of just one or two demographic characteristics. For example, a recent study of older adults without kids at home found that while half never visit social networking sites like Facebook, almost one in five visited daily.[4]

Naming broad product-markets is disaggregating

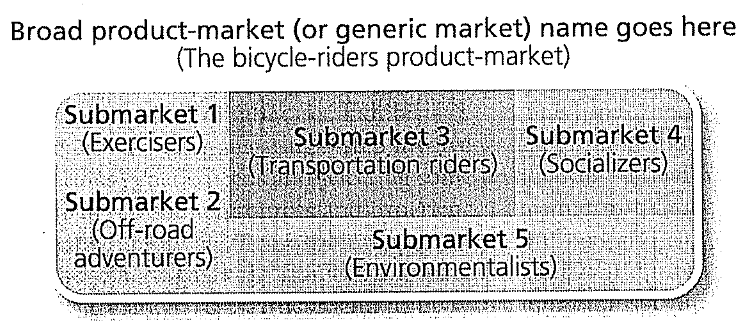
The first step in effective market segmentation involves naming a broad product-market of interest to the firm. Marketers must break apart—disaggregate—all possible needs into some generic markets and broad product-markets in which the firm may be able to operate profitably. See Exhibit 4-3. No one firm can satisfy everyone's needs. So the naming—disaggregating—step involves brainstorming about very different solutions to various generic needs and selecting some broad areas—broad product-markets—where the firm has some resources and experience. This means that a car manufacturer would probably ignore all the possible opportunities in food and clothing markets and focus on the generic market, "transporting people in the world," and probably on the broad product-market, "cars, trucks, and utility vehicles for transporting people in the world."

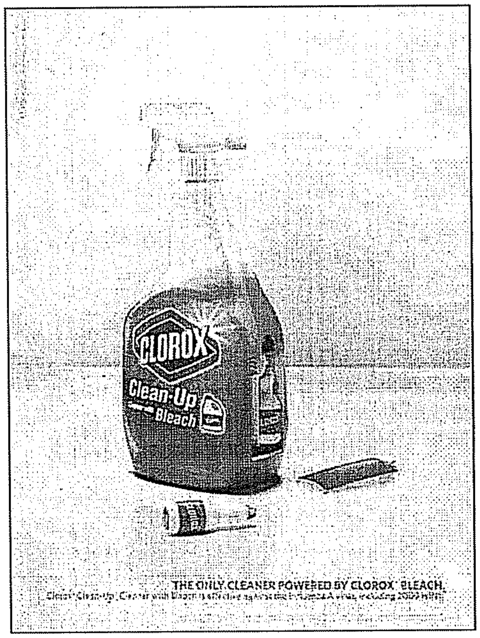
Market grid is a visual aid to market segmentation

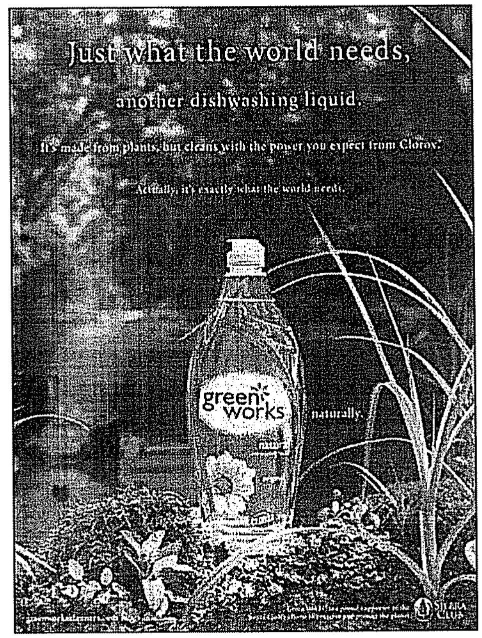
Assuming that any broad product-market (or generic market) may consist of submarkets, picture a market as a rectangle with boxes that represent the smaller, more homogeneous product-markets.

Exhibit 4-4, for example, represents the broad product-market of bicycle riders. The boxes show different submarkets. One submarket might focus on people who want basic

Exhibit 4–4
A Market Grid Diagram with Submarkets







Consumers associate the Clorox brand with strong cleaning power and bleach. Clorox uses the Green Works brand to target customers who want natural cleaning products that don't have harsh chemical fumes or residue.

transportation, another on people who want exercise, and so on. Alternatively, in the generic "transporting market" discussed earlier, we might see different product-markets of customers for bicycles, motorcycles, cars, airplanes, ships, buses, and "others."

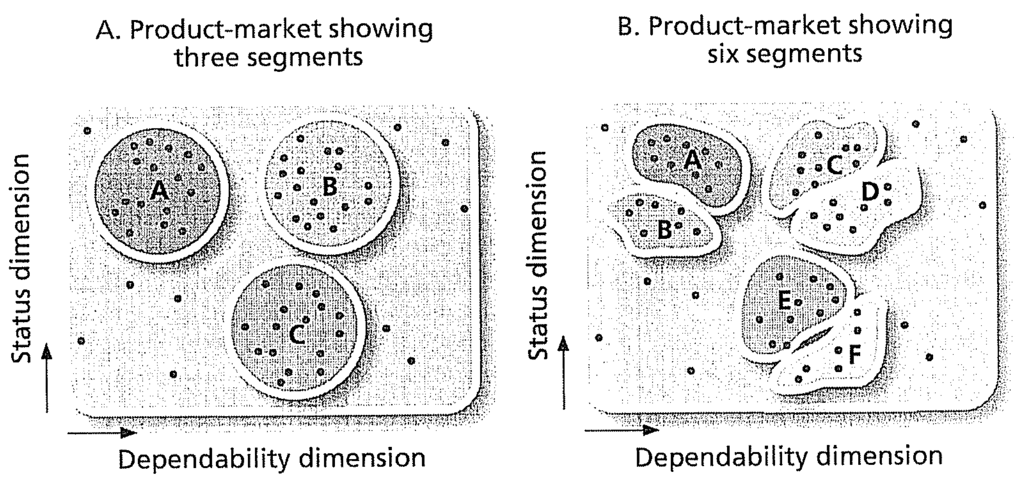
Segmenting is an aggregating process

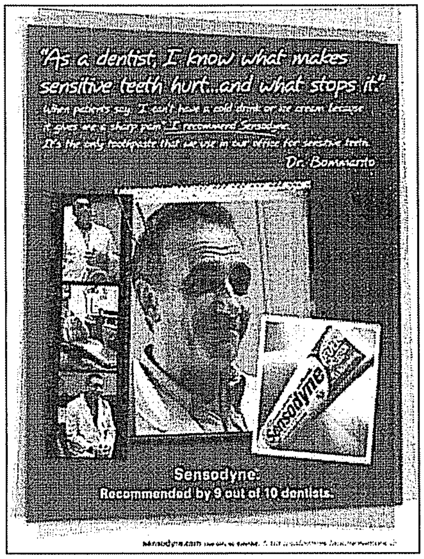
Marketing-oriented managers think of **segmenting** as an aggregating process—clustering people with similar needs into a "market segment." A **market segment** is a (relatively) homogeneous group of customers who will respond to a marketing mix in a similar way.

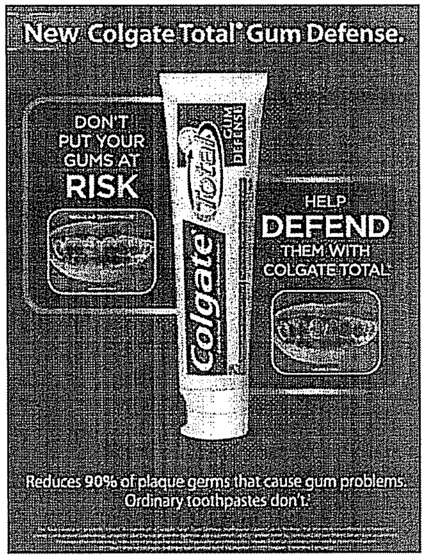
This part of the market segmentation process takes a different approach from the naming part. Here we look for similarities rather than basic differences in needs. Segmenters start with the idea that each person is one of a kind but that it may be possible to aggregate some similar people into a product-market.

Segmenters see each of these one-of-a-kind people as having a unique set of dimensions. Consider a product-market in which customers' needs differ on two important segmenting dimensions: need for status and need for dependability. In Exhibit 4-5A, each dot shows a person's position on the two dimensions. While each person's position is unique, many of these people are similar in terms of how much status and dependability they want. So a segmenter may aggregate them into three (an arbitrary number) relatively

Exhibit 4–5
Every Individual Has His or Her Own Unique Position in a Market—Those with Similar Positions Can Be Aggregated into Potential Target Markets







Firms that compete in the oral health care market have developed a variety of products that appeal to the needs of different customer segments. Sensodyne targets consumers with sensitive teeth, Colgate Total Gum Defense aims at those concerned about their gums' health, and Orajel Toddler Training toothpaste addresses concerns of parents with young children.

homogeneous submarkets—A, B, and C. Group A might be called "status-oriented" and Group C "dependability-oriented." Members of Group B want both and might be called the "demanders."

How far should the aggregating go?

The segmenter wants to aggregate individual customers into some workable number of relatively homogeneous target markets and then treat each target market differently.

Look again at Exhibit 4-5A. Remember we talked about three segments. But this was an arbitrary number. As Exhibit 4-5B shows, there may really be six segments. What do you think—does this broad product-market consist of three segments or six?

Another difficulty with segmenting is that some potential customers just don't fit neatly into market segments. For example, not everyone in Exhibit 4-5B was put into one of the groups. Forcing them into one of the groups would have made these segments more heterogeneous and harder to please. Further, forming additional segments for them probably wouldn't be profitable. They are too few and not very similar in terms of the two dimensions. These people are simply too unique to be catered to and may have to be ignored—unless they are willing to pay a high price for special treatment.

The number of segments that should be formed depends more on judgment than on some scientific rule. But the following guidelines can help.

Criteria for segmenting a broad product-market

Ideally, "good" market segments meet the following criteria:

1. *Homogeneous (similar) within*—the customers in a market segment should be as similar as possible with respect to their likely responses to marketing mix variables *and* their segmenting dimensions.
2. *Heterogeneous (different) between*—the customers in different segments should be as different as possible with respect to their likely responses to marketing mix variables *and* their segmenting dimensions.
3. *Substantial*—the segment should be big enough to be profitable.
4. *Operational*—the segmenting dimensions should be useful for identifying customers and deciding on marketing mix variables.

It is especially important that segments be *operational.* This leads marketers to include demographic dimensions such as age, sex, income, location, and family size. In fact, it is difficult to make some Place and Promotion decisions without such information. For example, magazines, websites, and television shows have data on the demographic characteristics of their readers, visitors, and viewers. This makes it easier for a marketing manager to match these qualities with its target market.

Avoid segmenting dimensions that have no practical operational use. For example, you may find a personality trait such as moodiness among the traits of heavy buyers of a product, but how could you use this fact? Salespeople can't give a personality test to each buyer. Similarly, advertising couldn't make much use of this information. So although moodiness might be related in some way to previous purchases, it would not be a useful dimension for segmenting.

Target marketers aim at specific targets

LO 4.3

Once you accept the idea that broad product-markets may have submarkets, you can see that target marketers usually have a choice among many possible target markets.

There are three basic ways to develop market-oriented strategies in a broad product-market.

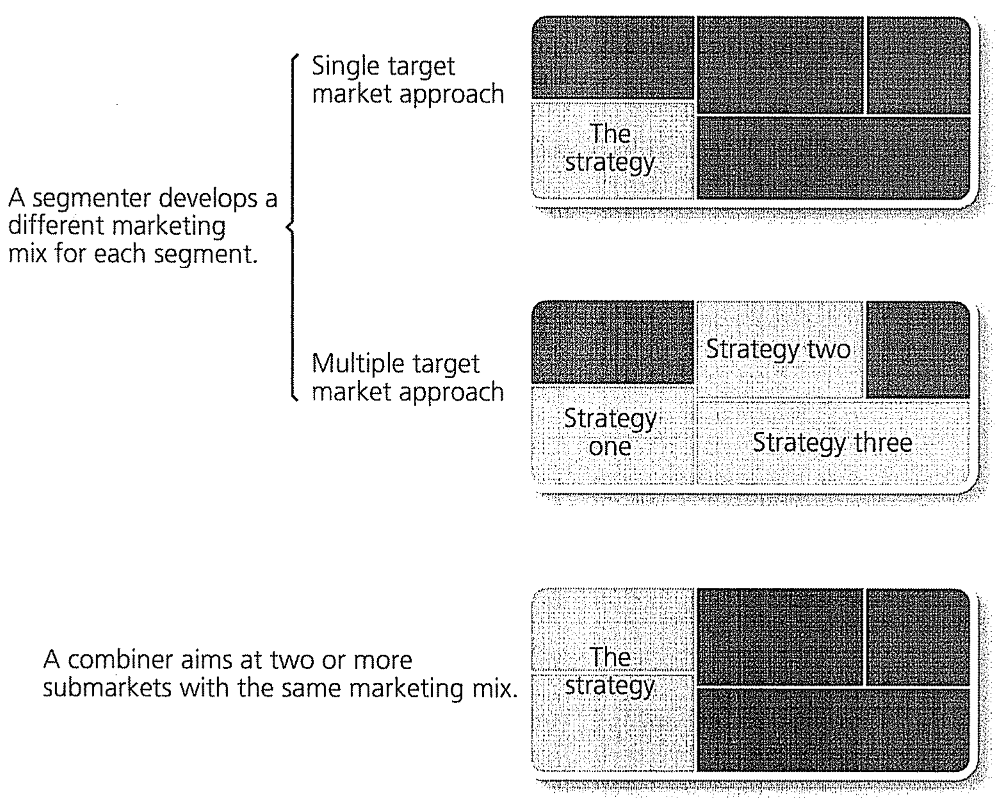
1. The **single target market approach**—segmenting the market and picking one of the homogeneous segments as the firm's target market.
2. The **multiple target market approach**—segmenting the market and choosing two or more segments, and then treating each as a separate target market needing a different marketing mix.
3. The **combined target market approach**—combining two or more submarkets into one larger target market as a basis for one strategy.

Note that all three approaches involve target marketing. They all aim at specific, clearly defined target markets. See Exhibit 4-6. For convenience, we call people who follow the first two approaches the "segmenters" and people who use the third approach the "combiners."

Combiners try to satisfy "pretty well"

Combiners try to increase the size of their target markets by combining two or more segments. Combiners look at various submarkets for similarities rather than differences. Then they try to extend or modify their basic offering to appeal to these "combined"

Exhibit 4–6
Segmenters and Combiners Aim at Specific Target Markets



customers with just one marketing mix. For example, a combiner who faces the broad bicycle-riders product-market shown in Exhibit 4-4 might try to develop a marketing mix that would do a pretty good job of appealing to both the *Exercisers* and the *Off-road adventurers*. The combined market would be bigger than either segment by itself. However, there are some distinct differences between the two submarkets. Thus, our combiner will have to make compromises in developing the marketing mix. The combiner doesn't try to fine-tune each element of the marketing mix to appeal to each of the smaller submarkets. Rather, the marketing mix is selected to work "fairly well" with each segment.

A combined target market approach may help achieve some economies of scale. It may also require less investment than developing different marketing mixes for different segments—making it especially attractive for firms with limited resources.

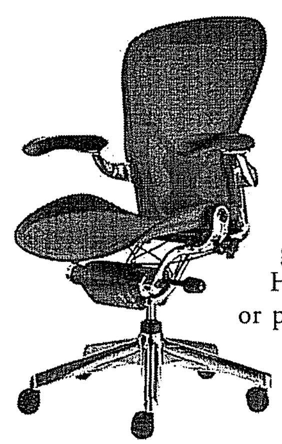
Segmenters try to satisfy "very well"

Segmenters aim at one or more homogeneous segments and try to develop a different marketing mix for each segment. Segmenters usually fine-tune their marketing mixes for each target market—perhaps making basic changes in the product itself— because they want to satisfy each segment very well.

Instead of assuming that the whole market consists of a fairly similar set of customers (like the mass marketer does) or merging various submarkets together (like the combiner), segmenters believe that aiming at one, or some, of these smaller markets makes it possible to provide superior value and satisfy them better. This then provides greater profit potential for the firm.

Segmenting may produce bigger sales

Note that segmenters are not settling for a smaller sales potential or lower profits. Instead, they hope to increase sales by getting a much larger share of the business in the market(s) they target. A segmenter who really satisfies the target market can often build such a close relationship with customers that he or she faces no real competition. A segmenter who offers a marketing mix precisely matched to the needs of the target market can often charge a higher price, thus producing higher profits. Customers are willing to pay a higher price because the whole marketing mix provides better customer value.



Consider the success of the Aeron desk chair developed by Herman Miller (HM), an 80-year-old company that makes office furniture. Most firms that sell office furniture offered similar lines of executive desk chairs that were padded for comfort and conveyed the look of success. Marketing managers at HM realized that some customers felt that these traditional chairs were boring. Further, in an e-commerce world, even top executives sit at computers and want a chair that provides both good support and good looks. So to satisfy this upscale segment, HM designed a new type of chair from scratch. There's no fabric or padding, but everything about it adjusts to your body. It's so comfortable that HM positions it as "the chair you can wear." With a price tag of $750 or more, the Aeron chair became a status symbol for high-tech managers and has been as profitable as it is popular.[5]

Should you segment or combine?

Which approach should a firm use? This depends on the firm's resources, the nature of competition, and—most important—the similarity of customer needs, attitudes, and buying behavior.

It's usually safer to be a segmenter—that is, to try to satisfy some customers *very* well instead of many just *fairly* well. That's why many firms use the single or multiple target market approach instead of the combined target market approach. For example, Procter & Gamble produces both Tide and Cheer laundry detergents, which have different marketing mixes. Even within the Tide brand, there are different formulas. Tide Free & Gentle is free from dye and perfumes and targets families with newborn babies or individuals with allergies. Tide plus Febreze Sport is designed for washing sports apparel, which might have grass or blood stains. The product, promotion, and place differ between these and other Tide specialty detergents. Though extremely effective, this approach may not be possible for a smaller firm with more limited resources. A smaller firm may have to use the single target market approach—focusing all its efforts at the one submarket niche where it sees the best opportunity.[6]

Kaepa, Inc., is a good example. Sales of its all-purpose sneakers plummeted as larger firms like Nike and Reebok stole customers with a multiple target market approach. They developed innovative products and aimed their promotion at specific needs—like jogging, aerobics, cross-training, and walking. Kaepa turned things around by catering to the needs of cheerleaders. Cheerleading squads can order Kaepa shoes with custom team logos and colors. The soles of the shoes feature finger grooves that make it easier for cheerleaders to build human pyramids. Kaepa also carefully targets its market research and promotion. Kaepa salespeople attend the cheerleading camps that each summer draw 40,000 enthusiasts. Kaepa even arranges for the cheering teams it sponsors to do demos at retail stores. This generates publicity and pulls in buyers, so retailers put more emphasis on the Kaepa line.[7]

Profit is the balancing point

In practice, cost considerations often encourage more aggregating and favor combining submarkets as costs often drop due to economies of scale. On the other hand, many customers prefer to have their needs satisfied more exactly—and will be more satisfied by a segmenter that develops a marketing mix that more closely matches their needs. Profit is the balancing point. It determines how unique a marketing mix the firm can afford to offer to a particular market segment.

What Dimensions Are Used to Segment Markets?

LO 4.4

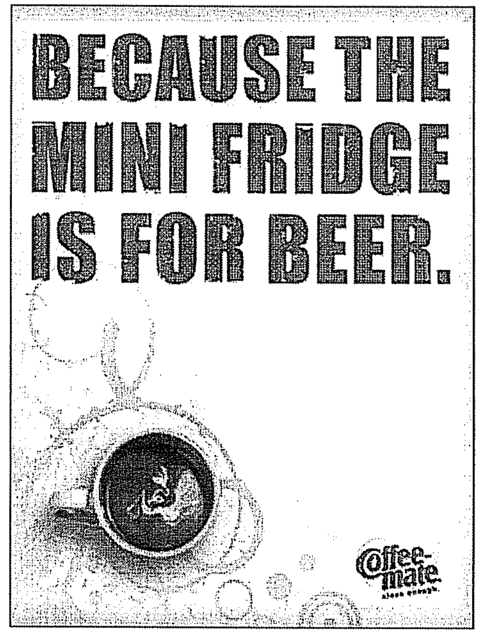
Segmenting dimensions guide marketing mix planning

Market segmentation forces a marketing manager to decide which product-market dimensions might be useful for planning marketing strategies. The dimensions should help guide marketing mix planning. Exhibit 4-7 shows the basic kinds of dimensions we'll be talking about in Chapters 5 and 6—and their probable effect on the four Ps. Ideally, we want to describe any potential product-market in terms of all three types of customer-related dimensions—plus a product type description—because these dimensions help us develop better marketing mixes.

Exhibit 4–7 Relation of Potential Target Market Dimensions to Marketing Strategy Decision Areas

Potential Target Market Dimensions	Effects on Strategy Decision Areas
1. Behavioral needs, attitudes, and how present and potential goods and services fit into customers' consumption patterns.	Affects *Product* (features, packaging, product line assortment, branding) and *Promotion* (what potential customers need and want to know about the firm's offering, and what appeals should be used).
2. Urgency to get need satisfied and desire and willingness to seek information, compare, and shop.	Affects *Place* (how directly products are distributed from producer to customer, how extensively they are made available, and the level of service needed) and *Price* (how much potential customers are willing to pay).
3. Geographic location and other demographic characteristics of potential customers.	Affects size of *Target Markets* (economic potential), *Place* (where products should be made available), and *Promotion* (where and to whom to target with advertising, publicity, sales promotion and personal selling).

People who are out in the sun should protect their skin. This safety need is a qualifying dimension of consumers in the market for sunblock products. However, parents may especially seek Banana Boat Baby and Kids Sunblock Lotion and Baby Sprays because they are easy on kids' eyes and don't cause tearing. For these parents this is a determining need. There are a variety of ways that Coffee-Mate is different from cream, but this ad focuses on the idea that it does not need to be refrigerated. For some consumers, that determines what they will buy.



Many segmenting dimensions may be considered

Customers can be described by many specific dimensions. Exhibit 4-8 shows some dimensions useful for segmenting consumer markets. A few are behavioral dimensions; others are geographic and demographic. We discuss these final consumer segmenting dimensions in Chapters 3 and 5. Exhibit 4-9 shows some additional dimensions for segmenting markets when the customers are businesses, government agencies, or other types of organizations. These dimensions for segmenting organizational customers are covered in Chapter 6. Regardless of whether customers are final consumers or organizations, segmenting a broad product-market *usually* requires using several different dimensions at the same time.[8]

What are the qualifying and determining dimensions?

To select the important segmenting dimensions, think about two different types of dimensions. **Qualifying dimensions** are those relevant to including a customer type in a product-market. **Determining dimensions** are those that actually affect the customer's purchase of a specific product or brand in a product-market.

A prospective car buyer, for example, has to have enough money—or credit—to buy a car and insure it. Our buyer also needs a driver's license. This still doesn't guarantee a purchase. He or she must have a real need—like a job that requires "wheels" or kids who have to be carpooled. This need may motivate the purchase of *some* car. But these qualifying dimensions don't determine what specific brand or model car the person might buy. That depends on more specific interests—such as the kind of safety, performance, or appearance the customer wants. Determining dimensions related to these needs affect the specific car the customer purchases. If safety is a determining dimension for a customer, a Volvo wagon that offers side impact protection, air bags, and all-wheel drive might be the customer's first choice.

Consider Ford's efforts to sell cars in Vietnam. When it arrived in the country a few years ago, many consumers didn't even know how to drive a car—an important *qualifying* dimension when you are selling cars. To increase the size of its market, Ford created a free driving school for Vietnamese. Ford hoped that training drivers using Ford cars would build brand preference that would become a *determining* dimension for future Vietnamese drivers.[9]

Exhibit 4–8 Possible Segmenting Dimensions and Typical Breakdowns for Consumer Markets

Behavioral	
Needs	Economic, functional, physiological, psychological, social, and more detailed needs.
Benefits sought	Situation specific, but to satisfy specific or general needs.
Thoughts	Favorable or unfavorable attitudes, interests, opinions, beliefs.
Rate of use	Heavy, medium, light, nonusers.
Purchase relationship	Positive and ongoing, intermittent, no relationship, bad relationship.
Brand familiarity	Insistence, preference, recognition, nonrecognition, rejection.
Kind of shopping	Convenience, comparison shopping, specialty, none (unsought product).
Type of problem solving	Routinized response, limited, extensive.
Information required	Low, medium, high.
Geographic	
Region of world, country	North America (United States, Canada), Europe (France, Italy, Germany), and so on.
Region in country	(Examples in United States): Pacific, Mountain, West North Central, West South Central, East North Central, East South Central, South Atlantic, Middle Atlantic, New England.
Size of city	No city; population under 5,000; 5,000–19,999; 20,000–49,999; 50,000–99,999; 100,000–249,999; 250,000–499,999; 500,000–999,999; 1,000,000–3,999,999; 4,000,000 or over.
Demographic	
Income	Under $10,000; $10,000–24,999; $25,000–49,999; $50,000–74,999; $75,000–99,999; $100,000–149,999; 150,000–$249,999; $250,000 or more.
Sex	Male, female.
Age	Infant; under 6; 6–11; 12–17; 18–24; 25–34; 35–49; 50–64; 65 or over.
Family size	1, 2, 3–4, 5 or more.
Family life cycle	Young, single; young, married, no children; young, married, youngest child under 6; young, married, youngest child over 6; older, married, with children; older, married, no children under 18; older, single; other variations for single parents, divorced, etc.
Occupation	Professional and technical; managers, officials, and proprietors; clerical sales; craftspeople; foremen; operatives; farmers; retired; students; housewives; unemployed.
Education	Grade school or less; some high school; high school graduate; some college; college graduate; some graduate school; graduate degree.
Ethnicity	Asian, Black, Hispanic, Native American, White, multiracial.
Social class	Lower-lower, upper-lower, lower-middle, upper-middle, lower-upper, upper-upper.

Note: Terms used in this table are explained in detail later in the text.

Determining dimensions may be very specific

How specific the determining dimensions are depends on whether you are concerned with a general product type or a specific brand. See Exhibit 4-10. The more specific you want to be, the more particular the determining dimensions may be. In a particular case, the determining dimensions may seem minor. But they are important because they *are* the determining dimensions.

Marketers at General Mills know this. Lots of people try to check e-mail or drive a car while eating breakfast or lunch. General Mills has figured out that for many of these target customers the real determining dimension in picking a snack is whether it can be eaten "one-handed."