MKT 450 WEB NOTES

Consumer Market Segmentation

Marketing Segmentation Basics

Market segmentation is about describing and dividing groups of people. Imagine you can find all of the people who would potentially benefit from your product and then you ushered them all into a giant room. Once there, you divided them up into different groups depending on some set of characteristics. Well in short, that's exactly what market segmentation does. If done well, it identifies the people who may have want or need for your product, then divides them into groups so that you may serve them more efficiently and profitably.

The theory underlying market segmentation is simple: People with different characteristics may want the same product in somewhat different forms and for different reasons. Therefore, marketers divide people into groups based on certain relevant characteristics, and then adjust elements of their marketing mix to meet the specific needs of each group. In these Web Notes, we examine a process for effectively dividing people who may want a particular product into groups then deciding whether and how to market to those groups.

Defining Important Terms

Markets. Before describing the market segmentation process and issues involved with that process, we should define some basic terminology in order to avoid confusion later. We begin with the term "market." Recall from the first day of class that, for our purposes, a market is not the same as a marketplace. To professionals in other business disciplines, the word market can refer to a place where business of some kind takes place: i.e., a supermarket, flea market, or stock market.

However, to marketers, the term market means something else. In our discipline, markets are people, plain and simple. But to be in a particular market, people must meet two qualifications. First, they must share some common want or need; and second, they must possess the ability to satisfy that need.

Product markets. The term market is a very general term; to be useful in our discussion of segmentation, we must make the term more specific. Therefore, consider a second important term, "product market." Product markets are simply people with a want or need for the benefits offered by products in a particular product category, and the ability to satisfy those wants or needs. Recall that your Web Notes on the competitive environment contain a fairly detailed discussion of product categories.

If we consider blue jeans to be a product category, then the "blue jeans market," would refer to people who have a want or need for the benefits offered by blue jeans and the ability to satisfy that need. Now, common sense tells us that many types of people have wants or needs for the benefits offered by blue jeans. Some people, perhaps young people, wear blue jeans because they seek to project a particular image or because they seek to be like (or different from) other groups of people. Others may desire blue jeans because of their durability. These people may be blue collar workers who need jeans for jobs in construction, agriculture, manufacturing, etc. Although they all seek different benefits, they all fit into the product market for blue jeans.

Market segments. Based on the reasoning presented above, a third important term comes to mind: "market segment." Market segments are subgroups of the product market who share characteristics other than their need for the product category. These characteristics may include similar backgrounds, lifestyles, or locations. Indeed, effective market segmentation requires good decisions on what similarities market segments will be based. We alluded to two possible segments for the blue jeans product market in the example above: young casual wearers and blue collar workers. These and other segments fit into the blue jeans product market,

Target markets. Finally, a given blue jeans manufacturer or retailer may examine the different segments who have a want or a need for blue jeans and decide to direct their resources to serving some or all of those groups. The market segments that a company decides to serve with their marketing efforts are referred to as "target markets." Obviously, not all identified segments will necessarily become target markets. For reasons we discuss later, market segments will vary in their attractiveness as target markets. Therefore, marketers may select some segments to be targets while foregoing others.

<u>Why Segment Markets?</u>

When marketers segment product markets and select targets, they hope to increase the efficiency and profitability with which they serves their customers. By excluding groups of people who are less likely to buy a firm's brand, the firm has additional resources to direct toward groups with a greater potential to become customers. Effective segmentation allows marketers to increase the return on their investments by reducing wasted efforts or in some cases lowering overall marketing expenditures. Indeed, segmentation is so effective at helping businesses more wisely spend their resources that some business historians consider segmentation to be the single most valuable tool marketing has to offer the economy and our society.

The sections that follow develop a three step process for segmenting markets. The steps themselves are relatively straightforward to describe, but require creativity and insight to execute well. Indeed, following these steps rarely makes market segmentation neat and tidy. Done thoroughly, however, the process can help to bring a measure of order to what can otherwise degenerate into brainstorming chaos.

Additionally, market research frequently helps inform the process in order to increase its usefulness. As you study the three steps, the points at which marketing research could contribute ought to be fairly self-evident. Still, as you read, you should consciously try to think of applications for market research to market segmentation.

Step One: Use Desired Benefits to Identify the Product Market

<u>Benefits and Product Markets</u>

The basic idea in the first step of this process is to list as many product benefits as possible. Before discussing how this process of listing helps with segmenting consumer markets, we should recall what benefits are and the basic types of benefits that consumers experience. One student in class, described benefits as "what you get when you buy a product," which is very descriptive. However, to clarify what's meant by "what you get," we should define the term benefits a bit more formally. Therefore, we define benefits as the "positive consequences that consumers experience from using or consuming a product.

These positive consequences can be experienced in basically three basic forms: sensory, resource, and psychological. Sensory benefits are those positive consequences that are experienced through one or more of the five senses. Thus, good tastes or pleasing smells are simple examples of sensory benefits. Resource benefits are benefits that help consumers save time, money, or other types of physical or financial assets. Psychological benefits are those that are experienced through emotional or mental processes. Thus, feelings of satisfaction, confidence, or desirability are examples of psychological benefits.

With this view of benefits in mind, you may wonder how listing product benefits pertains to identifying the product market. Well, as noted above, product markets are the people with wants or needs for the benefits of a particular product category and the ability to satisfy those needs. Therefore, desired product benefits are one thing that people in the product market have in common, so it's a good place to start.

Because benefits can be sensory, resource, or psychological, product categories may contain many products that are not physically similar. For example, if a benefit being sought by the product market is an evening's entertainment, then the products falling into that category could include everything from a movie to bowling. Therefore, when listing product benefits, we should not be bound by physical attributes of the product. Instead, marketers should think beyond the product's physical properties to identify unconventional and less immediately obvious benefits. In the following section, we look at a tool that can help marketers pick apart the benefits offered by their products so as to not overlook the opportunities that can arise from a clear understanding of why people buy.

Benefits and Benefit Profiles

Across the three ways consumers experience benefits, not all benefits are created equal. In other words, for a given purchase, some benefits are more important than others. Therefore, in addition to considering how a benefit is experienced, we can also view benefits from the perspective of their importance to a given purchase decision. For our purposes, that means classifying motives as either "motivational" or "preferential."

"Motivational benefits" are those desired benefits that "motivate" consumers to seek and actually put forth the effort to make a purchase. In other words, motivational benefits represent the main reason a consumer wants to buy something. Most typical purchase situations involve only one motivational benefit. In contrast, "preferential benefits" are desired benefits for which an individual has a preference, but are secondary in importance to motivational benefits. Preferential benefits often lead customers to a given brand within a product category. Unlike motivational benefits, consumers may desire several preferential benefits from a single purchase. For example, hunger may motivate someone to seek out a restaurant. However, the choice of restaurant may be shaped by a preference for Italian cuisine, a family atmosphere, reasonable prices, and a nearby location.

Benefit profiles. This typology of benefits can be combined to gain insights into what products customers want and who offers those products. Many products offer a multitude of benefits. Convincing customers that your product is the one they want often amounts to matching the right profile of benefits with the right group of customers, which is in essence what market segmentation is all about.

The benefit types outlined above can be arranged in a small table or matrix to better understand what combination of benefits customers desire from your product(s). Exhibit 1 illustrates:

Exhibit 1. Benefit Profile Matrix

	Sensory	Resource	Psychological
Motivational			
Preferential			

Note that the exhibit makes less space available for motivational benefits than for preferential benefits. This feature implies a couple of points about the using benefit profiles. First, limiting a benefit profile to a single motivational benefit keeps the analysis from becoming too complex. Most purchases are initially motivated by one overriding desire for a single benefit, with the selection of specific products, brands or stores relying more on preferential benefits. Second, it follows that several preferential benefits might be involved in any given purchase. Still, research on evaluative criteria in consumer decision-making suggests that preferential benefits rarely number more than three or four.

Exhibit 2. Economy Automobile Example Benefit Profile

	Sensory	Resource	Psychological
Motivational	personal mobility		
Preferential	quickness	low price reliability economical operation	Fun, peace-of-mind youthfulness

Let's consider an example by looking at automobile benefits. The profile in Exhibit 2 might come from an individual whose car recently broke down and required expensive repairs. This person must decide whether to repair the old car or buy a new one. Note that the issue of personal mobility prompted the need for a purchase (old car broke down) making this benefit motivational. At first glance, personal mobility might appear to be the motivational benefit that prompts most car purchases – but in reality, it may not be.

Now consider a driver who simply likes newer cars. This benefit profile is shown in Exhibit 3. In this example, personal mobility did not prompt the purchase itself; this driver's current car runs just fine. Instead, the need for variety motivates the buyer to action. Note that the preferential benefits differ from those in Exhibit 2.

Exhibit 3. Luxury Automobile Example Benefit Profile

	Sensory	Resource	Psychological
Motivational			need for variety
Preferential	high performance luxury	High trade-in value	brand status

These two benefit profiles help explain why the Toyota Yaris and the Porsche 911 Turbo do not really compete against each other though both are in large measure the same set of physical components. The greater the similarity between benefit profiles of different brands, the greater the likelihood they the two brands compete for the same set of customers.

Although benefit profiles add a degree of specificity and serve as a tool for analyzing why customers may desire products of a particular product category, it's important not to overcomplicate this part of the process. Remember the basic goal of this step is simply to identify the customers who have a need want for a particular set of benefits. So if the detail of a benefit profile seems too laborious and possibly unnecessary, then simply list as many product benefits as possible then group related sets of benefits together. However, if your goal is to develop a deep and rich understanding of what motivates a purchase and narrows brand selection, then benefit profiles may prove useful. Either way, the important point is to identify those people who may want your product based on what the people receive from it.

Step Two: Divide the Product Market into Market Segments

Once the product market has been identified in terms of the relevant set of benefits, the next step is to divide the product market into smaller groups of people, or market segments.

Segmentation Bases

The key to dividing up the product market rests with deciding on what basis to divide them. In other words, what variables should be used to classify product market members into one or another subgroup? Marketers take on this task by using what are termed "bases of segmentation." Despite efforts to improve on them, marketers still rely primarily on three sets of variables to describe market segments: demographic variables, psychographic variables, and geographic variables.

Demographic variables. The earlier Web Notes on population demographics should have provided insight on why marketers use these variables so frequently to describe market segments. Demographic characteristics provide easily identified and intuitive explanations for differences in marketplace behaviors. Moreover, as noted in the earlier Web Notes, vast amounts of demographic secondary data are available, much of it inexpensive or free.

Recall that demographic variables describe the physical and social attributes of a population. Demographic variables include such physical characteristics as sex, ethnicity, and age. Social demographic characteristics include income, occupation, religion, and education.

When using demographic variables, there may be a temptation to oversimplify or overgeneralize. There can be a fine line between using demographic variables to accurately describe consumers' marketplace behaviors and simply drawing stereotypes. For example, consider a demographic description of a "typical" University of Dayton student. Most are Catholic, white, Midwestern, between the ages of 18 and 22 and come from middle to upper-middle social class backgrounds.

However, to marketers, this description paints a rather thin picture, for within these demographic parameters lie a multitude of tastes, styles, purchasing patterns, and motivations for buying. Marketers must look beyond demographic variables to find richer descriptions of the people in their product markets.

Psychographic variables. The second segmentation basis is psychographic or lifestyle variables. As discussed at length in the Web Notes on psychographics and lifestyle, the term psychographics refers to the measurement of consumer lifestyles in terms of their activities, interests and opinions – the so called "AIO" variables.

Over the last several decades, marketers' reliance on psychographics for market segmentation has grown significantly. This is because of the prevailing view that a brand's connection to consumer lifestyle holds the key to the consumer developing a psychological bond to the brand, which, as we'll discuss later, is critical to developing long term brand loyalty.

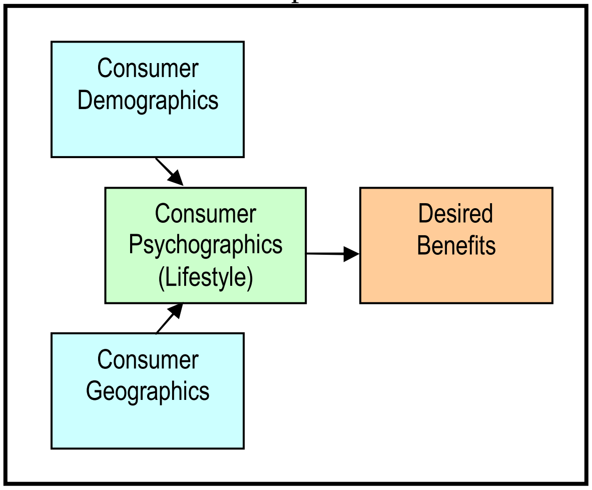
Geographic variables. The final of the three traditional bases of consumer market segmentation is geographics. Marketers generally consider two dimensions of consumer geographics. One, marketers may describe consumers in terms of their actual locations. That is, we want to where our current or potential consumers live. This information can be in varying degrees of specificity. For example, in some instances knowing about current or potential customers in the Midwest or the South is sufficient, while in others we want this information at the state or city level. In fact, in these days of direct marketing, marketers also want to know the locations of potential customers right down to their street addresses. Two, marketers consider consumer geographics in terms of location characteristics. For example, marketers want to know whether their current and potential customers live in urban, suburban, or rural areas. Or they may want to know whether they live along the coast, in the mountains or in the desert.

Using Segmentation Bases to Describe Segments

Interrelationships among the segmentation bases. As you considered the three segmentation bases, it may have occurred to you that they may be related to one another. In other words, each of the bases may affects or be affected by one of the others. To the extent that this is true, we can use these interrelationships to suggest a process for dividing product markets into market segments, and describing those segments.

Exhibit 4 presents a model showing how the bases relate to one another. The model suggests that an individual's lifestyle is determined by their demographic and

Exhibit 4. Relationship of Bases to Benefits

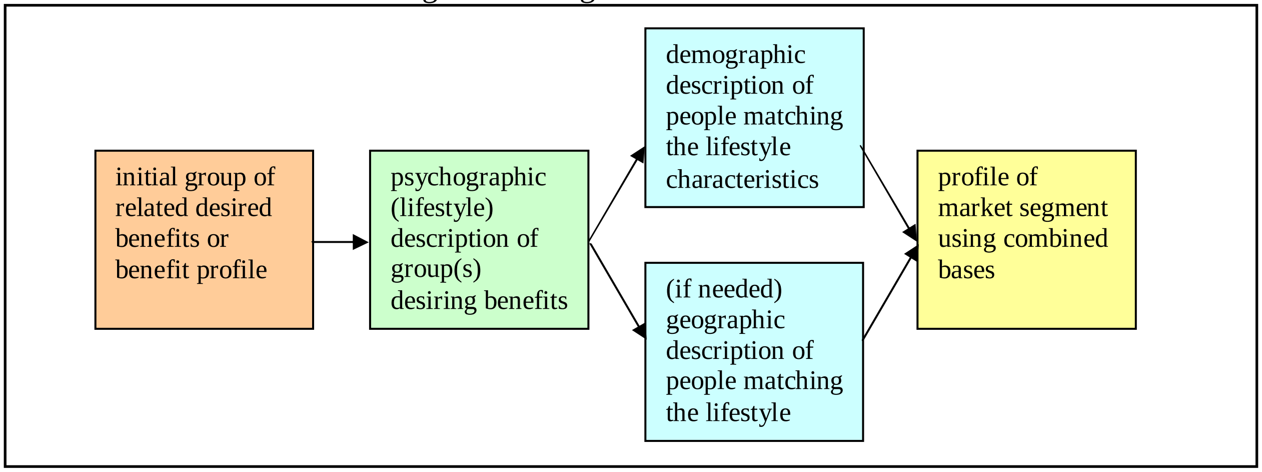


geographic characteristics. Given our definition of lifestyle as activities, interests, and opinions, these relationships make sense. Demographic factors such as age and income, for example, exert great influence on one's activities. The elderly do not participate in strenuous sports to the same degree that teenagers do; the wealthy are far more likely to travel extensively than those making less money, and so forth. Likewise, geographics also influence lifestyles: Interests in opera or art stand a greater chance of being pursued in urban or suburban areas than in rural locations, for example. Certain recreational activities such as surfing or skiing depend on location.

One important caveat regarding geographic variables must be noted. For many products, geography is irrelevant to market segmentation. Indeed, this may be true of the majority of familiar consumer products. Thus, you should not attempt to force geographic variables into market segmentation if using them makes no sense.

Finally, the model in Exhibit 4 suggests that people's lifestyles largely determine the benefits they seek from the products they buy. Recall that earlier we defined benefits as the positive consequences of purchasing or using a product. A single product may provide

Exhibit 5. Process for Describing Market Segments



many different benefits – or positive consequences. People's activities, interests, and opinions strongly influence what positive consequences they seek from a product.

Using the interrelationships in reverse. Besides providing insights into the interrelationships of the segmentation bases, the model in Exhibit 4 actually suggests a fairly straightforward process that can assist you in the difficult task of simply thinking up relevant segments within your product market. Recall that in step one, identifying the product market amounted to nothing more than listing product benefits and then grouping together relevant benefits. Well, to the extent that the segmentation bases predict desired benefits as illustrated in Exhibit 4, then by beginning with the product benefits listed in step one, we can match psychographic, demographic, and (when applicable) geographic variables to those benefits. In other words, work backwards through the interrelationships.

Exhibit 5 above illustrates this process. As shown in the exhibit, the process begins by listing the desired benefits that define the product market, from step one. Again, you may wish to prepare a detailed benefit profile; however, simply grouping together sets of logically related benefits will suffice. From these benefits, a lifestyle description of someone who seeks those benefits can be developed, focusing on his or her activities, interests, and opinions. Then, the demographic and geographic characteristics of a person with that lifestyle can be added.

The output of this process is a written description of the market segment identified within the product market. Depending on the circumstances, the written description or summary may range from a few sentences to a few pages. As a matter of practice, the identified segment also receives a name that captures the essence of the people in the segment.

Before moving on to step three in the next section, a couple of points are worth noting. First, when developing a psychographic description of a potential segment, you should avoid the temptation to jump ahead to demographic and geographic variables. Stick to activities interests and opinions until your description is relatively complete. This is because a single set of benefits can produce more than one psychographic description, and a single psychographic description can yield a variety of demographic and geographic descriptions. Jumping ahead too quickly limits the likelihood that you'll cover all the possibilities. Second, keep in mind that the process is not neat and tidy and may not yield easy answers. Like all creative processes, it can get messy. However, the process brings order to simply brainstorming for ideas. And in so doing, offers a better chance of identifying better segments.

Step Three: Select the Target Market or Markets

Qualities of a Good Target Market

Once segments have been identified and described, the next step is to decide which ones will make suitable target markets. Just because you've identified and described a segment does not mean that you must direct marketing resources to attract members of that segment. Indeed, segmentation relates just as much to deciding who to exclude as potential customers as to deciding who to include. To decide which segments should qualify as target markets, you should make certain that they meet four important criteria for good target markets.

Accessibility. First, good targets must be "accessible." The accessibility criterion simply means that the target can be easily reached with marketing efforts. The elements of the marketing mix most relevant to the accessibility criterion are promotion and physical distribution. Customers must have access to distribution channels and to promotion communication channels.

In the United States and in other developed economies, accessibility rarely becomes an issue. The infrastructures needed to deliver information and the product itself to consumers is well developed and highly functional. In developing or under developed economies, reaching customers can be quite challenging, making accessibility a critical factor in target market selection.

Measurability. Second, good target markets are measurable. This means that data about the segment is available and accurate. In many cases, measurability is limited to knowing how many people belong in a particular segment. Depending on the situation, secondary data such as those provided by the Census Bureau can provide an accurate estimate (see Web Notes on Population Demographics).

In other circumstances marketers may need more extensive information about a target. For example, when marketers possess little reliable information about a segment's lifestyle characteristics, they may need to collect their own data by conducting a survey, experiment, or other primary data collection. If collecting data from the segment proves to be too difficult or costly, then the segment would be deemed unmeasurable, making it too risky a choice to be a good target market.

Substantial. Third, good target markets are substantial. This simply means that enough people belong to the segment to make it worth pursuing. For most mass markets, this presents no problem. However, as marketers increasingly turn to narrowly defined and highly specialized markets, substantiality becomes increasingly relevant. The fewer the number of people within a given market segment, the more difficult it becomes to take advantage of economies of scale and serve the segment profitably.

Compatibility. Finally, good targets are compatible. Compatibility means only that pursuing a particular segment does not conflict with a firm's capabilities or objectives. Firms may find it in their best interests to actually forego opportunities that lie outside their experiences or their core competencies.

Target Market Selection Strategy Options

Once a set of segments has been identified, researched, and thoroughly described marketers must then select a targeting strategy. Three basic options exist for targeting strategies.

Undifferentiated targeting strategy. The first option is referred to as an "undifferentiated targeting strategy." Under this strategy, marketers select two or more segments to be targets, but use the same marketing strategy for both. In other words, marketers do not differentiate between the target markets in terms of marketing strategy.

Marketers may decide that the two segments are actually not all that different from each other. Or the marketers may find that, despite their differences, the segments may be likely to respond similarly to the marketing mix variables that make up the strategy. Undifferentiated targeting runs the risk of not optimally appealing to the targeted segments. However, an undifferentiated strategy offers the advantage of only needing to prepare a single marketing strategy, which can significantly reduce marketing expenses.

Differentiated targeting strategy. Conversely, marketers can select a "differentiated marketing strategy." As the name implies, under this strategy, marketers do distinguish segments from each other by developing separate strategies for selected segment. For example, Procter and Gamble markets nine different laundry detergents, each targeted to different groups of people. Generally speaking, the basic contents of these detergents are quite similar. P&G creates variations in their marketing strategies that better satisfies each of these target groups than they could with a single laundry detergent.

Importantly, undifferentiated and differentiated targeting strategies may be combined as circumstances dictate. For example, a firm that selects five different segments to be targets may decide to pursue three of them with one marketing strategy and develop separate marketing strategies for the remaining two.

Concentrated targeting strategy. Finally, marketers can follow a "concentrated (also called niche) targeting strategy." With this strategy, marketers select a single segment to be target market, then concentrate all marketing efforts on that target. Small companies competing in product marketers against large, powerful and entrenched market leaders often opt for a niche targeting strategy as a way of avoiding – at least temporarily – direct competition with larger firms. Rather than threaten or antagonize larger better funded companies, firms following a concentrated strategy select a small relatively underserved segment to be target and concentrate its resources on this target until it gains enough clout to compete against larger firms for their customers.

Extended Segmentation Example

To give you a better idea of how the process of dividing up product markets into subgroups works in practice, this section presents an extended example using retail brew-at- home coffee as the product category. Because the example is hypothetical, we'll focus mainly on the first two steps of the three-step process.

Step One: Identify the Product Market

The product market is simply the people who want or need the benefits of the product category, and can satisfy the need. So for this step, identifying the people begins with identifying the benefits they desire. Exhibit 6 below lists twelve benefits offered by brew-at-home coffee. The benefits are not given in any particular order or arrangement. At this point, the product market is simply the people who desire these benefits from their brew-at-home coffee.

Exhibit 6. Coffee Benefits

AM wake-up	sophistication
late night recharge	gourmet flavor
good taste	social connections
comfort	personal connections
adult feeling	enhance dessert
time savings	money savings

By themselves, the benefits are not terribly informative. However, grouped together according to whether they're sensory, resource, or psychological and whether they're motivational or preferential, the benefits begin to make more sense and offer some glimpses into potential market segments.

Exhibit 7 gives three benefit profiles of potential market segments. To create these profiles, simply begin thinking about the circumstances under which individuals drink coffee at home and what they logically might desire from those occasions. If marketers cannot confidently think of these occasions and benefits through simple brainstorming, a focus group or two might be helpful.

At this point in the process, two comments are in order. First, in real market segmentation efforts, twelve benefits and three profiles would probably not be enough depth, particularly for such a widely consumed and complex beverage as coffee. But they'll suffice for this example. Second, it's important to keep in mind that there are no "right" or "wrong" ways to group together benefits. Some may be more useful or insightful than others, of course. Creating benefit profiles that do prove useful or insightful comes from product knowledge, customer knowledge, and experience

Exhibit 7. Coffee Drinker Benefit Profiles

A	Sensory	Resource	Psychological
Motivational	enhance dessert		
Preferential	gourmet flavor		sophistication social connections

B	Sensory	Resource	Psychological
Motivational	AM wake up		
Preferential	gourmet flavor		comfort adult feeling

C	Sensory	Resource	Psychological
Motivational			adult feeling
Preferential	AM wake-up	save money save time	

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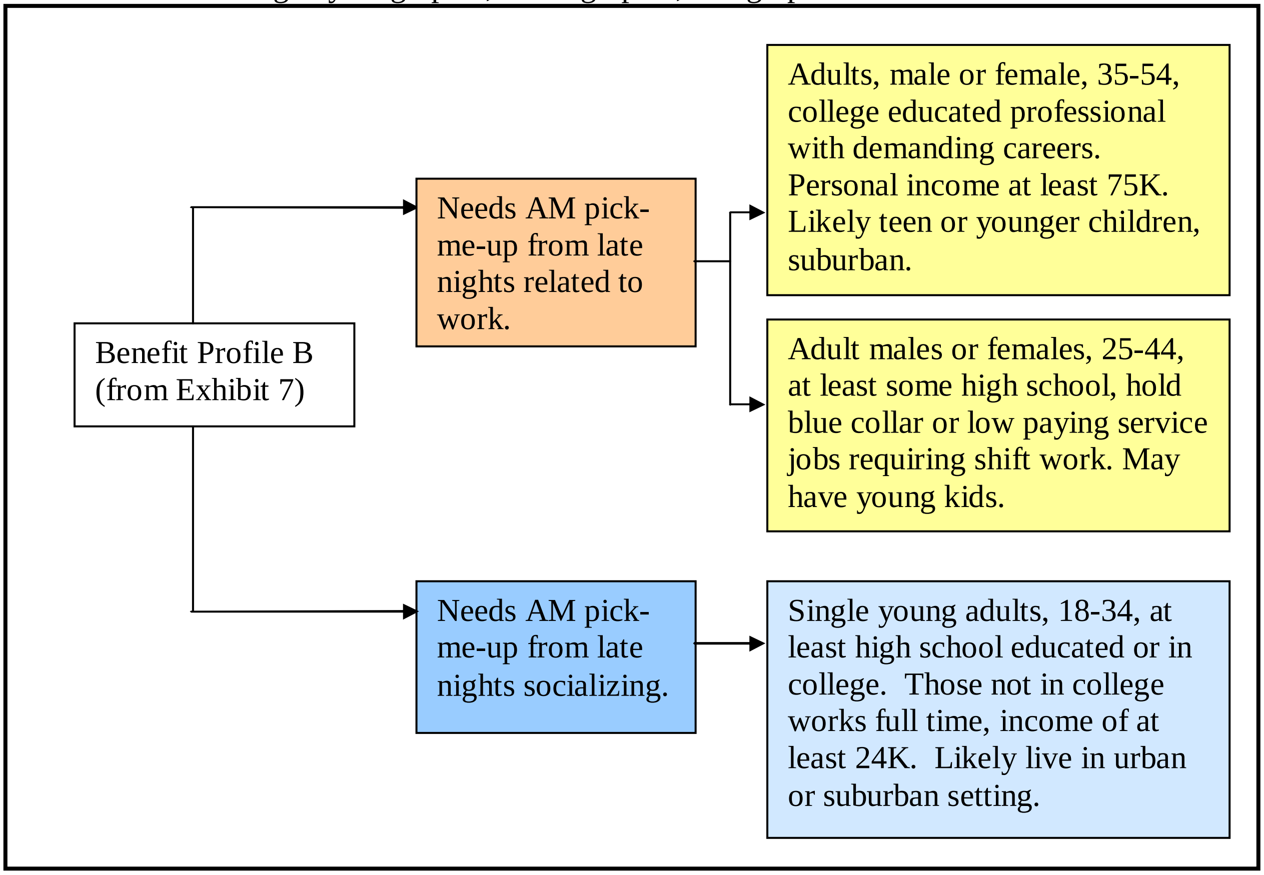
<u>Step Two: Divide the Product Market into Subgroups</u>

Lifestyle descriptions. With our benefit profiles complete, we can begin to describe lifestyles applicable to each benefit profile. Our focus at this point should be on the lifestyle variables (activities, interests, and opinions) that comprise psychographic measurement. Although we may be tempted to start thinking ahead to demographics and geographics, I believe the process works best when those variables are saved for later.

Turning first to benefit profile A from Exhibit 7, these benefits describe a person who enjoys coffee with dessert. The person may enjoy cooking, or at least eating fine foods. The person probably knows a good deal about food and its preparation, may own many cookbooks, may view cooking programs on television, or even subscribe to cooking magazines. Moreover, the person enjoys having these foods with friends, perhaps at small get togethers. This person sees eating a good meal as a process as well as an event and enjoys the sophisticated and cosmopolitan feeling that gourmet coffee adds to the end of a meal.

Exhibit 8. Combining Psychographic, Demographic, Geographic Characteristics



Benefit profile B from Exhibit 8 describes a person who drinks coffee primarily in the morning to get that early “pick-me-up” that caffeine provides. Perhaps this person has an active social life that keeps him or her out late a few nights per week, which suggests they do not wake up refreshed. The person enjoys nightclubs, loud music, and good times. He or she likes being an adult, but hesitant to give up their youth just yet. For this person, coffee represents an important part of a morning routine that provides a sense of comfort that an uncertain social life brings. Moreover, this person enjoys drinking a beverage associated with adulthood and maturity.

Benefit profile B might also describe a person whose life requires late nights, but for reasons quite different from the active social life described in the previous paragraph. Perhaps this person needs the morning boost from caffeine because of being kept awake by important responsibilities associated with their profession. Coffee also offers the comfort and maturity this person enjoys.

Note that benefit profile B produced two lifestyle descriptions. These descriptions overlap in many respects, but also differ in some important characteristics. In particular, the two lifestyles diverge in their reasons for keeping late nights. This distinction alone could be central to vast differences in the activities, interests, and opinions of the individuals who typify the described lifestyles.

Finally, benefit profile C describes a person for whom coffee is primarily a drink that makes them feel grown up and seems to emphasize their adult responsibilities. They are little concerned with flavor and buy less expensive brands. They would not buy premium or gourmet flavors.

Match lifestyles to demographic and geographic variables. Just as a single benefit profile can produce more than one lifestyle description, one lifestyle description may imply more than one person in terms of demographic and geographic characteristics. Thus, even with the process shown earlier in Exhibit 7 serving as a guide, describing subgroups for a product market is generally messy and inexact. And although marketing research may inform the process with information about product market characteristics, the process is as much art as it is science.

Exhibit 8 illustrates this feature of the process. Benefit profile B produced two different lifestyle descriptions, one of which describes two people in terms of their demographics and geographics. Please note that the demographic and geographic descriptions are not complete; they're included just to illustrate that the process can produce multiple results. We'll further develop these descriptions below.

Complete the market segment descriptions. Once a segment's lifestyle has been matched to relevant demographic and geographic characteristics, then the variables should be combined to produce a fuller more detailed description of each segment. Naturally, the length of each description varies depending on its degree of specificity. The more specific the description, the longer it's likely to be. That said, a paragraph or two generally suffices.

Recall that the desired benefits from benefit profile B focus on someone brewing coffee primarily for a morning wake-up. The person enjoys good tasting coffee, takes some comfort from his or her coffee, and likes the fact that coffee is not a kid's drink. As shown in Exhibit 8, this combination of benefits produces two lifestyles, which can be combined with various demographic and geographic characteristics to create three market segment descriptions.

The first, which we'll name the "workin' suburbans," need their morning wake up because of their heavy work responsibilities that frequently come home with them. These high achieving, married, middle and upper middle class men and women earned college and graduate degrees and pursued professional occupations. Although they're passionate about their careers, they also devote time to their families, which may include school aged children. Thus, workin' suburbans may need to stay up late a few nights per week dealing with work related issues after the children are in bed.

Because of their age (35-54) and relatively high incomes (75K plus), this group possesses the sophistication to buy somewhat exotic coffees. However, they tend to drink it only in the mornings because for them it serves a utilitarian function. They need the shot of caffeine to get them going.

The second segment can be called the "true blues." They share some of the same lifestyle characteristics with the workin' suburbans, but differ in terms of their demographic and geographic characteristics. Like the workin' suburbans, this group appreciates the lift of morning caffeine, though they occupy a decidedly lower socioeconomic position. As largely blue collar workers, these younger (25-44) working class people frequently work shifts. As such, most likely live near some significant level of industrial development, meaning mostly urban areas.

Being involved with other aspects of their family lives – young children in particular – requires a good shot of coffee either after returning from work or on the way to work. The true blue's working class values and sharply lower incomes (below

40K) lead them to buy standard national brand coffees, but they still appreciate the good taste and feeling of adulthood the beverage provides.

The final segment, which we'll call the "partygoers," also drinks coffee in the morning for its caffeine boost, but does so for somewhat self-indulgent reasons. As the youngest (18-34) of the three segments described here, the partygoers stay out late at night, get little sleep, then need coffee in order to function at work, or in the case of college students, in class. Those that work earn relatively modest incomes (under 24K), and those in college may earn even less, though with some parental support their discretionary income may be relatively high for those in their age group.

Clearly, a complete segmentation of the brew-at-home coffee market would identify many more segments than the three given above. The benefits listed in Exhibit 6 could be expanded to produce more benefit profiles, and each benefit profile could produce many segment descriptions based on psychographic, demographic, and occasionally geographic variables. The point to the example thus far is to demonstrate how to begin with benefits, then work backwards through the interrelationships that exist between the segmentation bases, as shown back in Exhibit 4. Once dividing the product market into subgroups is complete, marketers can turn to selecting those that make the best targets.

Step Three: Select the Target Market or Markets

Because our example is somewhat hypothetical, we have no background against which to actually recommend a target market selection strategy. However, some comments about the available options are in order.

Determine whether the segments qualify as good targets. Recall the four criteria that optimally segments should meet before being selected as targets. First is accessibility, which means that marketers must have access to the people in a given segment. In the U.S., accessibility is rarely a problem in most consumer markets. The descriptions of the segments in the previous section offer no reasons to suspect that accessibility would be a problem.

Second is measurability. This means that information about the segment is available or can be obtained. Demographic and geographic information is easily available for most people in the U.S. and given the developed nature of the U.S. communications systems, measuring lifestyle and other information should also be feasible if deemed to be necessary.

Third is substantial, meaning that the segment must be large enough to be served profitably. Here, Census Bureau data can easily provide an excellent estimate of the number of people falling into each demographic description. Moreover, the Census Bureau can also provide information about how these people are distributed geographically throughout the U.S.

The fourth criterion is compatibility, which simply means that selecting the segment to be a target market and then pursuing it would be consistent with the company's objectives and capabilities. Of course, the example here is hypothetical, so we can't really assess this criterion.

Choose a target market selection strategy. The coffee producer in this example has three basic choices or some variation. The producer can select two or three of the segments to be targets and then develop a single marketing strategy for all of them. This would be pursuing an undifferentiated selection strategy. The marketer could develop individual marketing strategies for each of the segments it selects, which would be a differentiated selection strategy. Or it could choose only one segment to be a target and devote all its marketing resources to that target. This would be an example of a concentrated of niche selection strategy.