

AG BM 302: FOOD PRODUCT MARKETING

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LESSON 3: TARGET MARKETS - SEGMENTATION BY GEOGRAPHY, DEMOGRAPHICS, USAGE, AND PSYCHOGRAPHICS

Learning Objectives

After completing this lesson, you should be able to:

- Provide U.S. demographic information useful for marketing plans.
- Choose the best way to segment a market while accounting for cost and merit, for the purpose of identifying a profitable target.
- Identify profitable target markets by segmenting markets according to geography, demographics, or usage.
- Choose an effective segmentation strategy for specific marketing situations.
- Construct positioning maps.
- Identify profitable target markets by segmenting markets according to psychographics.
- Conduct laddering interviews and construct mental maps.
- Explain important principles required to market healthful foods.

Introduction

In the first lesson we looked back through time at the human food landscape to identify facts and trends that are essential to the food system. The purpose was to put food in a broader, abstract, big picture context. This was useful because there are very few (if any) new basic consumer needs. Practically all basic deep consumer needs have been around since the dawn of man and many of the unmet needs that consumers struggle to fulfill today are fulfilled with great difficulty (e.g. cost) or are not fulfilled at all. This is for good reasons that stem from the structural technological and cultural constraints of our food production and distribution systems. It is the food marketer's job to identify these needs, come up with marketable solutions, and effectively market them to consumers and other players in the value added food chain.

In the previous lesson we considered how to look into the contemporary world and organize observations into useful constructs that allow us to make sense of what we see. While we discussed some consequences and applications, we did not go very far in discussing exactly how to use that information. The lesson merely presented a bunch of tools and constructs useful for analysis and we discussed *how* to go about doing that analysis. Crucially, we did not discuss exactly *why* we would want to analyze the marketing environment. Furthermore, we did not discuss *what* questions we would want to ask. Indeed, a marketing plan needs to be *focused*; not a scattered collection of facts and figures.

The focusing construct of a marketing plan is the *target market*.

Figure 4.1. Relationship between target market, the 4Ps, and environments



What is a Market?

Before we begin, we need to pin down some basic terms. The word “market” is used all the time in very disparate ways. When your grandma says she’s, “Going to the market,” it means she’s

going to the store. When an egghead economist on National Public Radio (NPR) says, “Financial markets cannot endure stringent monetary policy from the Fed,” she is explaining an equilibrium construct she has in her head. When we talk about markets in a marketing context, we will mean something different, but equally specific.

Consumer market—A group of people with sufficient purchasing power, authority, and willingness to pay for a product or service.

This is an important concept, so it is worthwhile breaking it down a bit. From a marketer’s viewpoint, it is pointless to talk about a group of people who are unable to participate in the marketplace. This is because such a market is of no operational consequence to the marketer. However, often you will hear about **untapped markets**. These are *potential* markets or a group of people that could potentially form a market with some new technological or marketing breakthrough, in addition to changes to population characteristics like rising incomes, changes in tastes, and the like. For example, some untapped (or currently being tapped) markets include China, India, and Latin Americans in the U.S.

Can you think of any others?

Pause to Reflect

Hershey has taken a strong stance against marketing their candy products to young people. They have deemed children 13 and under off limits to their efforts. In other words, they have decided that, for their purposes, young people do not qualify as a consumer market.

What requirement in the definition of Consumer Market has Hershey decided disqualifies young people from constituting a consumer market?

Answer: Children do not have the authority to purchase and consume food. This is not a problem with healthful foods because parents typically grant their children the authority to eat healthful foods. But for junk food, the needs of children are at odds with the authority of their parents.

Willingness to pay (WTP)—the highest price a customer is willing to pay for a good or service—is an important concept to food marketers. A tremendous amount of time and money is spent theorizing about and measuring consumers’ WTP because WTP is what makes a “good idea” a marketable idea.

What does this idea of *WTP* get us? It captures both consumer needs and production costs. An individual’s lifestyle, income, geographic location, age, and other factors all contribute to the likelihood that a person will buy a product. It also captures substitute options, the financial and

cultural aspects of the market—the marketing environment as a whole. In short, it is a direct measure of the *value* of your product and defines its *demand curve*.

Previously, we talked about how having an excellent new product is not enough for success. This was the mistake marketers of the bygone *Production Era* made. We refined what it meant to have a “good idea” by tying it to *consumer needs*. A food product or service had to fulfill an unmet consumer need in order to be a “good idea.” Now we will refine the term “good idea” further and give it a special name: marketable.

*A consumer product that is a good idea is **marketable** if it satisfies a sufficiently large number consumers’ unmet needs with a sufficiently high enough willingness to pay.*

I anticipate a lot of good ideas will come out of this course but only a few will be *marketable*. This is the nature of the business. It’s also why we make marketing plans. If your product does not turn out to be marketable, that does not mean your marketing plan was unsuccessful. Many marketing plans documents are successful *because* they accurately conclude that a “good idea” is not a marketable one. Unsuccessful marketing plans are the ones for the 90% of food products that are launched and fail!

Types of Markets

We are going to focus on *Consumer Markets*, but most of our definitions and ideas apply or have analogous definitions with respect to the more general *Customer Markets* which include businesses. In actuality, most food products are not directly marketed to consumers, but are sold through intermediary businesses. Nevertheless, we’re going to *mostly* focus on consumers markets during this section as a way to better pin down ideas. This is a good point to distinguish between these types of markets. There are markets for...

Consumer products—Goods or services purchased by the ultimate end-user.

...and...

Business products—Goods or services purchased for use either directly or indirectly in the production of other goods and services for resale.

Unexpected Needs of Retail Customers: The case of the expensive red

Most retailers are ultimately out to make profit. However, profit comes from sales of a wide assortment of products—called a product portfolio—that they manage over long periods of time. Some products are carried by retailers to make profit directly, others are carried to increase profits generated by the sale of other products. Examples include products that drive consumer traffic, such as loss leaders and category champions, and products that resonate with the retailer’s brand.

One interesting example of a retailer carrying a product for reasons other than direct profit are wine stores that carry very expensive bottles of wine. Those wines are often not profitable by themselves for the simple fact that they don't sell very quickly. But they're there for another reason.

In behavioral economics there is a concept called **anchoring**. People have a difficult time putting monetary value on things because money does not have intrinsic value. Furthermore, there is an entire science called *psychometrics* that studies how people perceive quantities. It is found that our internal measuring systems are based on the relative sizes of things, not their absolute sizes in a cardinal sense. As a result, people are heavily influenced by the quantities and numbers around them. Even inconsequential numbers anchor people's evaluations.

So why do wine stores carry expensive bottles of wine that nobody buys? Because that \$20/bottle of wine doesn't seem all that expensive sitting next to a \$130/bottle one. But it did next to the \$7 and \$12 bottles. Studies find that consumers seek safe, middle of the road options. Smart wine retailers push the middle up from \$12 to \$20, and take vacations in the Bahamas.

Consumers and Customers

Consumer products are eventually bought by **consumers**, but are typically bought first by businesses that are your **customers**. Business products are bought by customers. When you sell your muffins to Safeway, Safeway is the customer of *your* consumer product, and the folks that buy the product from Safeway are *your* consumers.

Consumers ≠ Customers

Losing sight of this can kill your business. Do not ignore the needs of the firms *to whom you actually sell*. The key to classification is to identify the purchaser and the reasons for buying the goods.

In the Birds Eye case study, we saw a company that repeatedly made successful business decision by carefully considering its customers' (and suppliers') needs. For example, Birds Eye recognized the risks and attitudes of supermarkets towards freezers and frozen foods and their related costs. Birds Eye satisfied supermarkets' needs for revenue stability, simplicity, and assurance, by getting involved in the freezer business. This demonstrated an early example of the successful application of the tenets of the *Relationship Era*. In a different universe, there was a company called Eye Sdrib that fell in love with their truly fantastic consumer product, anticipated consumers would fall in love with it too, but failed because they forgot who their customers were.

Finding Your Place in Markets

The poet John Lydgate is credited with saying, “You can please some of the people all of the time, you can please all of the people some of the time, but you can’t please all of the people all of the time.” He would not have been a good food marketer. Let *your* adage be, *You can please some of the people some of the time, if you’re lucky and hardworking.*

Think about it. For any given food product category in a grocery store, there can be hundreds of options available to consumers. Consumers are heterogeneous with respect to tastes and personalities that they try to match to the products. The one that matches the best is the one they buy.



Heterogeneous vs. Homogeneous

When there is relatively little variation amongst the members of a group, we say the group is **homogeneous**. When there is significant amount of variation amongst the members of a group, we say the group is **heterogeneous**.

As it turns out, people are very different in their personalities, values, and tastes. Food marketers have become much more effective over the last few decades by accounting for consumer heterogeneity.

While consumer characteristics can accurately be thought of as being randomly distributed, the distribution tends to be lumpy. What does this mean? It means there are clusters of consumers that are very similar. But each cluster is very different.

Suppose you are in the potato chip business and you set out to design and market “The Chip” that everyone will want. And guess what: you do a hell of a job. You make a fantastic chip. You

conduct taste tests, do focus groups, the whole shebang. *Everyone* agrees—nearly everyone anyways—that the chip is very good. In fact, it has the highest average ratings of ANY chip in the market. You think to yourself, “Lydgate was right, my marketing class was wrong: you can please all the people some of the time.”

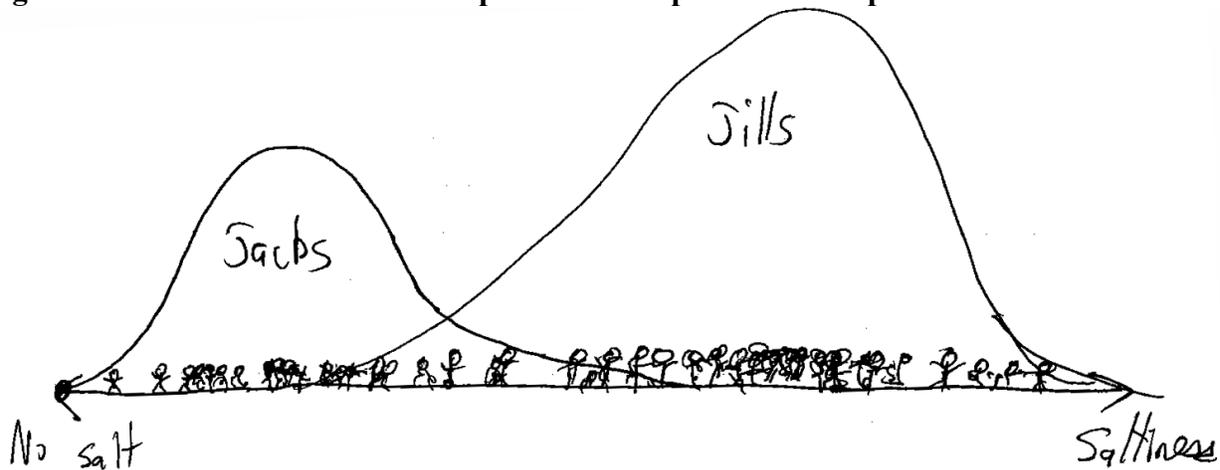


But here’s the thing. Remember, people only buy their favorite chip. You can have a chip that everyone likes, but if it’s not anyone’s favorite, you sell no chips.

Let me put it another way. Let’s simplify the world a bit to make it clearer. Suppose there are only two people in the world, Jack and Jill, who are very different. You actually pull it off! You make “The Chip”. Of all possible chips in the universe, you made the one with the highest *average* rating. Congratulations! Well guess what. There are two other companies out there and they aren’t trying to make “The Chip”. One is trying to make Jill’s Chip and the other is trying to make Jack’s Chip. And you know what. They aren’t as gifted food engineers as you are. But they don’t have to be! From Jack’s perspective your chip is compromised by Jill’s tastes. From Jill’s perspective your chip is compromised by Jack’s tastes. Maybe Jill likes saltier chips than Jack. You made a medium salty chip. One of the other companies made a salty chip for Jill, and the other made a low-salt chip for Jack.

Where does that leave you and “The Chip”? Out of business.

Figure 4.2. Illustration of Jack’s Chip vs. Jill’s Chip vs. “The Chip”



Even though you have a product that satisfies the *needs* of the market as a whole the best, because there are products that are close *substitutes* there was no *willingness to pay*, when it comes to consumers...

There is no prize for second place.

Another Example: Grocery Stores On Main Street

This point is so important, yet goes so frequently unheeded, that we're going to look at another example. This next example is special for four reasons. First, it will give you a visual way to store the idea in your brain. Second, it has all the essential aspects of the model that economists and marketing theorists, like Harold Hotelling, have used since 1929 to understand competition between **differentiated goods**. Third, the application in the example really occurs and is important to a lot of people. Finally, you will soon be learning how to apply this model to actual data of *any* type of product.

Consider a town with pockets of residential neighborhoods that are serviced by identical grocery stores.



Source: The Pennsylvania State University

The town has one main road that connects the two neighborhoods. People go to the nearest grocery store. Where are you going to put your store?

If you're the only store, it doesn't matter! You capture the whole market no matter where you locate.

But what if you're not the only store? What if other stores can enter the market? Now where do you locate?

Trying to be THE STORE would mean you locate in the middle between the two neighborhoods. But if you do that, then a second store will locate somewhere to the left of you and capture all the market over there, and a third will locate somewhere to the right of you and capture all the market over there. That leaves you with none of the market!

Instead, you locate in *one* of the neighborhoods. What would other firms do? If the town can only support two stores, the other will locate in the other neighborhood. If the neighborhood can support more, you will likely be sharing the neighborhood with a close competitor. But at least you will be getting *some* business. That's better than getting *no* business.

Game Theory

This type of strategic reasoning is called **game theory**. The basic idea is to test an option and see what happens. In this way you work *backwards*. For example, "If I locate in the middle, then they will locate to the right."

The key is to find what is called a **Nash equilibrium**. That is when, by reason, you figure out

1. If I do X then they will do Y;

and

2. If they do Y then I will do X.

If you have that, then you know that you do X and they do Y is a feasible outcome in the marketplace.

As a side note, that is what John Nash was figuring out in [the bar scene of "A Beautiful Mind."](#)

Video 4.1. Governing Dynamics: Ignore the Blonde - A Beautiful Mind (3/11) Movie CLIP (2001) HD

<https://youtu.be/CemLiSI5ox8>

The lesson here is if you don't **target a subset of the market**, you get none of the market. This lesson is not applicable to just decisions about *physical* location choices. It is equally applicable to choosing *characteristics* of food products. For example, in the chip example, you and your competitors were locating on a line that represented not travel distance as in the grocery example, but rather salt content with Jack and Jill being two "neighborhoods." It was the exact same problem!

Later we will apply these ideas by looking at 2-D food product characteristic “spaces” using **positioning maps**.

Challenge

Let's model a town in a different way. Instead, consumers' houses are evenly spaced along main street, and you and one other grocery store are choosing where to locate. Where is the best place to put your store, where do they locate, and why? Hint: find the Nash equilibrium.

Answer: Both in the middle. Note, this is an example where there are no clusters of consumers. This is a straightforward application of game theory. In fact, it is the exact example used by Harold Hotelling in his 1929 paper, only in his example two ice cream vendors were trying to locate on a boardwalk with consumers uniformly spread out on it.

Pause to Reflect

Why are Wal-Marts and Targets often right next to each other?

Answer: There are a number of location models that result in clustering of close competitors. The grocery store example is one of them if we think of those two stores as servicing the same neighborhood in a town with multiple neighborhoods. Another is the scenario in the Challenge.

Target Markets

Hopefully by now you have been convinced that “vanilla” marketing attempts, where you try to make everyone happy, are bound to fail except in special circumstances. It is now time to talk about whom you *will* be trying to make happy.

Target Market—The consumers you cater your product or service towards.

Before marketing activities can be implemented, it is crucial that you identify, evaluate, and commit to a target market. This process involves analysis of the marketing environment, an honest appraisal of your company's capabilities, and close study the consumer market and breaking it into your target market.



Once a target market has been chosen, *all* marketing activities are focus on it. The target must be constantly monitored to ensure efficient and effective marketing strategies.

Words of Encouragement from Robert Frost, Yogi Berra, and Mr. Miyagi

If you don't pick a specific target market, your product will fail
(in this course and in the marketplace)

Road Not Taken by Robert Frost

Two roads diverged in a yellow wood,
And sorry I could not travel both
And be one traveler, long I stood
And looked down one as far as I could
To where it bent in the undergrowth;
Then took the other, as just as fair
And having perhaps the better claim,
Because it was grassy and wanted wear;
Though as for that, the passing there
Had worn them really about the same,
And both that morning equally lay
In leaves no step had trodden black
Oh, I kept the first for another day!
Yet knowing how way leads on to way,
I doubted if I should ever come back.
I shall be telling this with a sigh
Somewhere ages and ages hence:
two roads diverged in a wood, and I --
I took the one less traveled by,
And that has made all the difference.

It can be very difficult to *choose* and *commit* to a specific target market. This is understandable especially given a dearth of market information to base your decision on as you start your marketing plans. It is normal to feel like the traveler in “The Road Not Taken,” nervous about choosing one of two equally promising paths, fearful that you will go down the “wrong” one too far as “way leads on to way.” After all, you don’t want to spend a lot of time on your marketing plan only to regret your choice of target market.

Unfortunately, there’s only one solution to this problem:

When you arrive at a fork in the road, take it. - Yogi Berra

This is true of a lot of business and life decisions. Sometimes it is more important that you make a decision than *the* decision you make. Because if you don’t, you’ll find yourself in the middle of the road...

Video 4.2. Squish Like Grape (karate kid)

<https://www.youtube.com/watch?v=Y3IQSxNdr3c>

Who’s the Target

Video 4.3. Coca Cola - Diet Coke - Gardener (Advert Jury)

<https://youtu.be/xgimZUJp5FM>



[Diet Coke](https://www.youtube.com/watch?v=okTokQgOo6I)

<https://www.youtube.com/watch?v=okTokQgOo6I>



[Coke Zero](https://www.youtube.com/watch?v=Q29T-hH7Pqs)

<https://www.youtube.com/watch?v=Q29T-hH7Pqs>

The videos make it obvious that Diet Coke targets women and Coke Zero targets men. Notice the masculine black can and bolder fonts.

Coke Zero was the result of an *R&D* effort to create a diet Coke that tasted more like the original. Double blind taste tests show that it does taste almost exactly like the original, which was the point of the “Coke Sues Coke Zero commercials”, while Diet Coke does not. Based on this, Coca-Cola Company anticipated this reformulation would further increase Diet Coke sales. That’s not what happened.

At the time Diet Coke was the second leading seller (behind regular Coke) in the soft drink beverage category.

Market research revealed, however, that Diet Coke drinkers *preferred* the taste of Diet Coke over regular Coke.

This put Coca-Cola in a strange position: they seemingly (1) had a superior product based on the fact that those that were not *heavy users* of Coke products typically rated the taste of Coke higher than Diet Coke, (2) they had a diet beverage that tasted more like Coke than Diet Coke did, but (3) Diet Coke drinkers preferred Diet Coke. What they needed was a third segment that they could target that (i) preferred the taste of regular Coke, and (ii) wanted a diet beverage.

Analysis of the *cultural-social environment* unearthed that segment. Research found that, for health and wellness, many men were interested in a diet beverage. However, the word “diet” had a connotation to men that uncomfortably challenged their masculinity. This prevented them from *identifying* with the Diet Coke *brand* and consuming it, and therefore from having acquired a preference for its flavor.

Having found a *segment* with an unmet *need* and a *willingness to pay* for their product, a *marketing plan* was formulated and Coke Zero was borne.

Market Segments

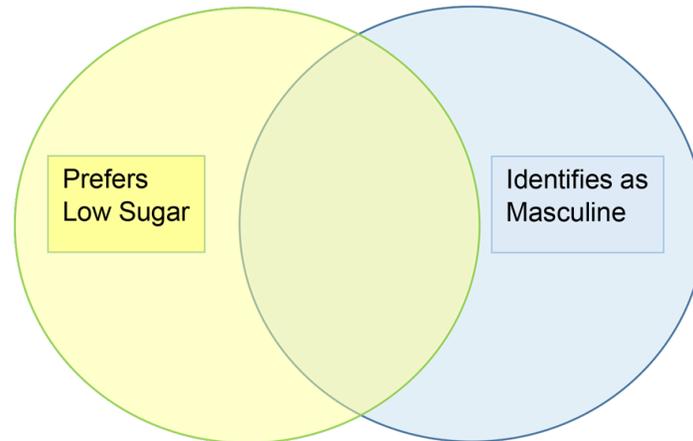
For a *target market* to be useful, it must be well-defined with relatively homogenous members that form a subset of the market. For your marketing plan, there is only one market definition that is off-limits. You cannot define your target market as, “Those that purchase our product,” quite simply because that is not useful.

Target markets often seem obvious after the fact because products are tailored to them. Of course young irreverent male risk takers are Mountain Dew’s target: just look at the product! In reality, the search for an effective target market can be arduous. To start, you need candidate targets. These are called...

Segments—Relatively homogenous parts of a market.

A segment may be homogenous in one or more intersecting dimensions. For example, the target of Coke Zero is homogenous with respect to (1) refined sugar consumption preferences, and (2) gender identification.

Figure 4.3. Venn Diagram Showing Intersection of Coke Zero



In the Coke vs. Diet Coke vs. Coke Zero store illustrates that different marketing mixes are used for different segments. This underscores the importance of choosing a target market and what it means once you do so. It means you are tailoring your marketing mix, i.e. the *4 P's*, to the particular segments you are tailoring. You may target more than one segment at a time however. We'll return to the relationship between the number of segments in a target later when we discuss *segmentation strategy*.

Requirements for a Useful Segmentation

- The members of different segments must be relatively *heterogeneous* in a meaningful way.

If members of different segments respond to your marketing efforts with similar behavior, then what's the point of having *two* segments? You treat them the same so combine them into one segment.

For example, if there are no practical behavior difference between male African Americans and male Caucasians with respect to the marketing of bottled water, it is pointless to call these two different segments.

- The members within a segment must be relatively *homogenous* in a meaningful way.

The whole point of targeting a narrow segment is to exploit the tendency for the market to be clustered into "types." If they are not clustered in a meaningful way so that members of the segment don't respond to your marketing efforts with similar behavior, then you have a useless segment.

- The segment must be *measurable* in terms of both willingness to pay and size.

If you can't do this, then the market is ill-defined. The defining criteria you use to form your segments will affect whether this requirement is meant. For example, criteria based on psychological profiles (**psychographics**) can make measurement difficult (=costly) since psychological data is not readily available. Nevertheless, you must be able to at least approximately measure your market otherwise you will be driving blind!

- Marketers must be able to effectively *promote to- and serve* the market segment.

Thus your business's capabilities must be sufficient and appropriate for the segment. Some segments might be very appealing but be pie in the sky. For example, you may currently sell your donuts to local cafes and want to expand to local grocery stores. But your production capacity and a lack of marketing know-how may prevent that from being a good option for you.

- The segment must be sufficiently *large* to be potentially profitable.

This requirement is the result of **fixed costs**. Suppose before you make a single unit you pay F dollars per year to “keep the lights on.” Let D_s be the size of segment s with. To keep things simple let's assume D_s is the number of people and each person purchases 1 unit per year. Your production costs are c dollars per unit. Finally, there is perfect competition so that you must accept the unit price p . Your profit is

$$\Pi = p \times D_s - c \times D_s - F$$

How big does the segment have to be in order for it to be worthwhile for you to do business? Big enough for you to *at least* make some profit. Therefore, we have D_s want such that

$$\Pi = p \times D_s - c \times D_s - F \geq 0$$

A little bit of algebra shows that this implies

$$D_s \geq \frac{F}{p - c}$$

The right hand side of that inequality tells you how big the segment has to be in order for it to be economically feasible target. Note that if there are no fixed costs ($F = 0$), then there is no segment to small.

- The number of segments must *match* the firm's *capabilities*.

Jointly targeting more than one segment is an arduous task because the optimal marketing mix for each segment will be different. For this reasons, it is advisable for only large sophisticated firms with cultivated experience and ample resources to jointly market to a large or even moderate number of segments. For this reason, successful upstart firms in food industries typically target one segment.

- The segment must be *stable* over time.

It is pointless to target a market that is likely to erode over time or fluctuate drastically. It may be possible to “move” with an eroding segment but this is very costly and possible at best leave you uncompetitive. The same can be said of fluctuating segments.

For example, in WWII Hershey was commissioned to produce a D bar ration for troops at away at war. Colonel Logan gave the company four requirements. It must weigh 4 ounces (112 grams), be energy dense (high in calories), be able to withstand high temperatures, and taste “a little better than a boiled potato.” An astounding 3 billion bars were bought by the U.S. military from 1940-1945.



it didn't taste good, and didn't sell.

The same formula was used briefly in Desert Storm. Afterward, Hershey tried to sell the leftover stock as a novelty “Dessert Bar,” but



Segmentation Strategies

We will now discuss varying segmentation strategies. Your segmentation strategy is *not* how you “see” the market and divide it up. Instead, your segmentation strategy relates to how you choose *your target* market and how your brands match up with the various segments that you have identified.

These include

- mass marketing
- multi-segment strategy
- concentration strategy
- customization
- social network strategy

Mass Marketing

Any customer can have a car painted any colour that he wants so long as it is black.

– Henry Ford

Despite our (appropriately) strong encouragement to pick a narrowly defined target market instead of trying to satisfy the market as a whole, there are some situations in which this is a good strategy.

Mass marketing—the segmentation strategy in which you treat the entire market as one big segment.

This can be an effective strategy when

- consumers and their needs are *homogenous*.
- the market is *small*.
- *product differentiation* is difficult.
- there are *barriers* to entry that prevent other firms from entering the market.

Pause to Reflect

How do the situations when mass marketing may be an effective strategy correspond to the requirements for useful segmentation?

Despite treating everyone the same when mass marketing, effective marketing to the whole market still requires accounting for *customer heterogeneity*. There are no food product markets that consumers cannot opt to exit. For example, if we define “frozen foods” as a market, even though Birds Eye was able to maintain a monopoly due to the high *barriers of entry* in its early history, Birds Eye still needed to *locate* its product strategically so that consumers would not opt for canned or fresh produce. Similarly, in food product industries *location* decisions must be weighed against the distribution of usage levels due to food’s *usage variance*. Birds Eye did just that when they strategically decided to give special discounts to large retailers.

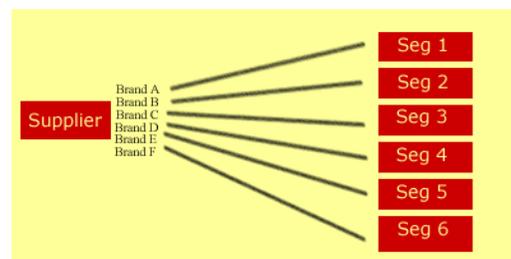
Having only one segment has the advantage of needing only one marketing mix. This provides cost savings and prevents firms from dysfunction stemming from complicated and often conflicting plans or loss of focus.

Examples of this strategy are becoming rarer as the conditions that make it appealing are evaporating. For instance, consumers are becoming *more heterogeneous* as they become more accustomed to brands that very closely match their tastes, preferences, and with which they personally identify. Lower media and other *fixed costs* have made the minimum size of a useful segment smaller and therefore *product differentiation* easier. Reduced *distribution costs* (which lowers c and therefore D_s in our formula) has made markets effectively larger as food products are now easily shipped throughout the world at low cost. This makes focusing on narrowly defined segments easier because even narrow segments are large in large geographic scales.

Multi-Segment Strategy

Multi-segment strategy—the segmentation strategy in which you target multiple segments, each with a unique marketing plan.

This strategy is employed by some of the largest and most profitable firms in food industries. Large markets with a high degree of *heterogeneity* with respect to preferences for the product in the market are particularly conducive of this strategy.



Advantages

The advantage of this strategy is that it combines the wide market coverage of mass marketing with the advantages of tailoring products to the heterogeneity seen in the market.

This includes tailoring all four of the brand's *marketing mix* components to the *target market*. For example, a physically identical product may be split off into multiple brands that signal varying quality as a way to charge different prices to different consumers that differ by their *willingness to pay*. This is exactly what many top brands do by selling some of their product to distributors that repackage it in *private labels*. This is a way to maintain differential pricing.

Another advantage is a target market may shift thereby making the brand's marketing plan less aligned. Those consumers are likely to be a "caught" by "nearby" brands in the company's *product portfolio*.

Disadvantages

Creating, executing, and maintaining multiple marketing plans for multiple brands simultaneously is very costly and often leads to a lack of overall company direction.

Product costs are also higher as multiple formulas, packaging, and other materials must be produced.

Cannibalism is a constant concern. This occurs when a company's inadvertently competes with itself through its multiple brands. For example, if Campbell's Soup Company increases short term demand by running a price promotion on its Chunky brand, much of its increase will be at the expense of its Swanson brand.

Channel conflict may also present a problem if the brands are sold through multiple channels. In the example above, a manufacturer that sells some of its product through distributors' private labels and some directly to retailers, the manufacturer is competing with one of its business partners. If the firm does not delicately balance the *needs* of the retailer and distributor business partners, one of them may feel slighted, putting severe strain on the *relationship* that results in the cancellation of business or loss of negotiation leverage.

Multi-Segment Strategy Example: Coca Colas

Recall that Coca Cola has different marketing mixes for Coke, Diet Coke, and Coke Zero. Let's take a closer look at the details of these different mixes.

TaB Cola was launched in 1963 as a way to target health conscious dieters who had become wary of the sugar content in regular Coke. Coca Cola had become aware of this growing segment as they watched RC's Diet Rite grow rapidly.

Companies typically *leverage their brand equity* when they target new segments by tying their new brands to their old ones. For example, Frito Lay has a diverse portfolio of snack chips that prominently display "Frito Lay" on their packaging. This practice builds off of previous marketing efforts. For example, Frito Lay has built up trust, goodwill, and a positive *brand image* with consumers and retailers that are all extended to new brands simply by putting "Frito Lay" on their new brands' packaging and other marketing materials. Building up these impressions for each brand individually would be very costly.

Coca Cola did not go this route. They wanted to distance TaB Cola from their core Coke brand. *Why?* They feared *brand tarnishing*. One of Asa Candler's dictums for the Coca Cola was to never mess with the recipe. TaB was seen as a transmogrification by company insiders. Coca Cola did not want TaB to negatively affect Coke's *brand image*.

Eventually Coca Cola found a recipe for a diet cola that tastes tests showed was close enough to Coke that they could confidently market it alongside the Coke brand with the benefits from the association outweighing the negatives. Diet Coke was launched in 1982.

The benefits to the association were palpable. In blind *taste tests* consumers rated Diet Coke higher if it was put in a can with a "Diet Coke" *label* versus a "TaB" label. That's right! Diet Coke tastes different depending on the label of the can!

Coke's Marketing Mix

As we discussed before, Coke Zero was launched in 2005 to attract male health conscious consumers that didn't identify with the feminine *brand image* of Diet Coke. Marketing research found young males didn't want to be associated with "dieters."

Coke adjusts all four of their *marketing mix* components to *differentiate* Diet Coke and Coke Zero. It may seem like subdividing the "dieter" target segment into "male dieter" and "female dieter" would have harmed Diet Coke by limiting its scope. This is not the case. Diet Coke has come out stronger than ever before because its marketing plan is no longer compromised by fears of alienating the male sub-segment.

Promotion

Their promotional mixed reveal a lot about their target markets and how they match the products' **brand images** to their targets.

Video 4.5. Taylor Swift Diet Coke Ad

- Diet Coke: [Taylor Swift http://youtu.be/L0KmvWL6Dfw](http://youtu.be/L0KmvWL6Dfw)

Video 4.6. Unlock The 007 In You - New Coke Zero Commercial

<https://youtu.be/Vtz4qL4-hNE>

Product

Remember, product refers not only to physical characteristics, but also the *brand's perception*.

Consumer perception of the two brands is very evident by the can themselves. Coke Zero has a cheerful can that often displays feminine motifs. Recently Coca Cola had a marketing plan where names and words were put on the side of cans. The percentage of female names on Diet Coke cans was well above 0.5. Diet Coke cans also displayed words such as "family" that other Coca Cola products did not display.



Price

Diet Coke and Coke Zero have the same prices as regular Coke (to distributors) even though both are cheaper to produce. (Sugar is the most costly part of Coke.) This is for two reasons. First, complicated and bizarre contractual agreements between Coca Cola and its distributors that were made prior to 1900 have resulted in decade-long court battles that have settled the metaphysical question: *What is Coke?* In the end, it was determined that these products are all “Coke” and therefore must be priced identically to distributors. Second, consumers with *bounded rationality* prefer the simplicity of *line pricing*.



Distribution

Where women are, you find Diet Coke. Where men are, you find Coke Zero. This is especially evident at fast food and semi-fast food fast-casual restaurants with varying proportions of male and female consumers.

Concentration Strategy

Continuing down the spectrum from least focused to most focused, now we consider a concentration strategy.

Concentration strategy—the segmentation strategy in which all of your marketing efforts are tailored to one segment.

Advantages

A concentration strategy is especially attractive to small a firm that is in a market with well-established large firms. Large firms create barriers to entry by having high levels of advertising that saturates the mental space of consumers. The only way to penetrate the market is to have a narrowly focused marketing plan that strongly *resonates with the target*. Given the low probability of launching *one* successful food product, it is advisable to give the product the best possible chance by dedicating all resource and marketing efforts to the one brand with one concentrated target.

There are *cost advantages* to a concentration strategy that both resource-constrained and larger firms that are inefficient as a result of being overextended find attractive. Marketing activities are expensive. Furthermore, all the pitfalls to a multi-segment strategy double as advantages for a concentration strategy.

Disadvantages

The disadvantages of this strategy stem from having all your eggs in one basket. If your marketing efforts fall flat or miss their target, that's it: you're done. There's no second brand to even everything out. This is the reason that mature companies with adequate resources strive to have a diversified *product portfolio*.

A danger that a concentration strategy is especially sensitive to is an *unstable target*. Populations change. For this reason food marketers must be extra vigilant and in touch with their target market. Shifts can quickly erode sales. *Market myopia* is incompatible with a concentration strategy. Being acutely aware of consumer/customer *needs* is the only way to adapt to a changing target.

Customization Strategy

At the far extreme of tailoring products to consumers lies the...

Customization strategy—the segmentation strategy in which you treat each customer as a segment.

This is ideal from the perspective of a marketer that strives to tailor their products to the needs of consumers and is oblivious to costs. A customization strategy is associated with high production, promotion, and distribution costs.

There have been a number of cost savings advances that have allowed customization strategies to become more prevalent in food marketing. The first is the growth of internet use and increased quality of internet content and related technologies.

For example, YouBar are customizable snack bars. Consumers choose the ingredients and orders directly from the manufacturer. Distribution is direct to the consumer: a common *distribution strategy* for customizable consumer products.

The success of a customization strategy hinges crucially on the level of involvement that consumer are willing to give. YouBar serves as a good example. If an insufficient people care to forego time spent in other aspects of their lives customizing snack bars, then clearly consumers will have too low of a *willingness to pay* for YouBars and the product will fail. On the other hand, consumers are willing to expend a great deal of time (and money) on wedding cakes.





Caption: Customization does not make *everyone* happy

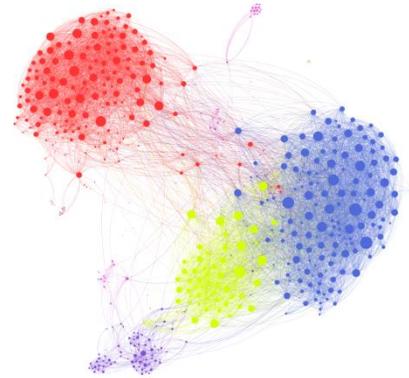
Social Networking Segmentation Strategy



The Pampered Chef relies on the social network of its “consultants” to sell their products. Like the pioneer of this strategy, Tupperware, The Pampered Chef does not sell its high quality and unique kitchen products in stores nor directly. Instead, if you want their popular apple peeler/corer/slicer, you need to know somebody: a consultant. Consultants hold parties at which they demonstrate products to friends, friends-of-friends, and when those dry up, friends-of-friends-of-friends. The word of mouth endorsement of somebody in your social group will carry a lot of weight especially after being fed and shown a good time. You’ll want to reciprocate. Not only does The Pampered Chef find evangelical and influential sales persons through a self-selecting process, consultants assume all the risks and promotional costs.

The final segmentation strategy we will consider is a departure from the pattern of less focused to more focused.

Social network segmentation strategy— the segmentation strategy in which you target influential people or entities to indirectly influence eventual consumers/customers.



Social networks tend to exhibit the “*small world*” property in which individuals are connected to a relatively negligible number of other individuals, but can be connected to any other individual through a small number of connections. (Think “six degrees of Kevin Bacon.”)

Because of the small world property, it is possible to focus marketing attention on a small number of *social influences* that in turn induce a large population to purchase a food product. These people or entities serve as bridges that connect clusters of social groups.

The advantage of this is that a lot of marketing influence can be exerted through the cooperation of one node in the network.



This strategy has been used on Facebook and other social media platforms. Food marketers will use sophisticated network theory (the same mathematical discipline underlying the algorithm that Google is based on to identify important websites) to identify influential people in the Facebook social network. A person with a lot of friends “liking” your food product will induce a lot of sales. Might as well see if they’d be willing to do that for a few bones.



We will see how this strategy can be applied to *food gatekeepers* to get people to try and like new or exotic foods later.

Market Segmentation Process

The steps involved in the market segmentation process are as follows:

1. *Develop a relevant profile for each segment*

First you need to cut up the market into meaningful segments and understand their unique qualities. To do this you need to use your intuition and perform in-depth analysis that helps managers accurately match buyers' needs with your firm's offerings.

2. *Forecast market potential*

You will need to measure the profitability of the segments in order to select which one best fits you and decided whether or not to launch a product. Many small firms contract marketing companies such as Nielsen Corporation to do the forecasting for them (see colorbox). Retailers use data collected from *loyalty cards* to do market analysis.

3. *Forecast probable market share*

Even if the market has significant potential, that should only be taken as an upper bound on your demand. To get a better idea of what the actual outcome will be, you must consider strategic competitive interactions. For example, Keurig may deter your entry by running specials in the months surrounding your product launch as a way to stop your beverage brewing business from getting off the ground.

4. *Select specific market segments*

Finally, you must select *specific targets*. To do that you will need to forecast demand and costs to determine *return on investment (ROI)* from each segment. You also need to honestly assess non-financial factors such as your ability to launch a product and effectively target your market.

Nielsen BASES



Nielsen Corporation (nee AC Nielsen) is the largest marketing firm in the world and has proprietary "big data" sets of food consumers, producers, and retailers.

For example, the 60,000 U.S. households in Nielsen's Homescan data set continuously record all their food-at-home purchases using bar code scanners like those used in supermarkets. Nielsen also owns data collected directly from retailer scanners.

Nielsen not only has some of the best data for analysis of consumer food markets, but also provides statistical analysis of those markets tailored to your interests.

Nielsen's BASES provides food marketers analysis valuable for the predicting the outcome of launching a new food product.

What BASES does:

- Identify profitable unmet opportunities with [The Cambridge Group](#).
- Optimize initiatives, evaluate the likelihood of in-market success and forecast within 9% accuracy of year one sales with our industry leading BASES solutions.
- Find the best concept and package design for your product by evaluating and testing countless options simultaneously with [Nielsen Optimizer](#). Our optimized concepts perform 4.4x better.
- Understand if your current packaging is helping or hurt your product and develop better package designs quickly using [Nielsen Category Design Audit and Nielsen Design Navigator](#).
- Ensure you've got the right products on shelf at the right price with Assortment & Shelf and [Trade Promotions](#).
- Understand consumers' subconscious to see how they respond to new product concepts and packaging with [Consumer Neuroscience](#).

Retrieved on 8/9/2015 from <http://www.nielsen.com/us/en/solutions/product-development.html>

Return on Investment

$$ROI = 100 \times \frac{\text{return from action} - \text{cost of action}}{\text{cost of action}}$$

Return on investment is how much you get back from doing something on a percentage basis. This measure of an action's value is useful in determining whether you should do something or not. If your projected ROI is less than 5%, it's probably best not to do the action since, e.g., you could use that money to invest in the stock market and expect a better ROI. In this way ROI helps marketers weigh the cost of actions against *opportunity costs*. The difficulty is in doing analysis that gives reliable estimates of long-term ROI.

Ways to Segment a Market

We will now discuss different ways to segment a market into relatively homogenous groups that can meaningfully be targeted. These include segmenting according to

- Geography
- Demographics
- Psychographics

- Product-relation

Comments:

- You do not need to segment a population in *all* four of these ways when identifying your target market. In most cases that would be inappropriate and costly, especially for a small firm aiming to launch a product.
- These four ways to divvy up the market can be combined to construct rich *consumer profiles*. When constructing consumer profiles you are encouraged to rely on your knowledge to fill in the blanks beyond what a conservative interpretation tells you. However, when doing so, be careful of being led astray by false stereotypes. Also, it is very common for you to think everyone else is like you and the people you grew up and associate with. Marketers that are good at this sort of thing are self-critical of their generalizations, get feedback from the people around them, avoid *confirmation bias*, and discipline their beliefs using data.

Confirmation bias is the tendency to liberally attribute new information as in support of prior beliefs, and to disregard or downplay contradictory evidence.

- We are accustomed to think of the acquisition of information as being free. Not the case here. The costs of acquiring information about a consumer or customer base can be prohibitively high. The *economies of scale* of large firms, however, allow them to do more extensive marketing research.

Geographic Segmentation

Whether deliberately or by accident, nearly all markets are segmented geographically due to limitations imposed by distribution constraints.

Geographic segmentation—The practice of dividing a larger market into smaller relatively homogeneous groups on the basis of location.

Large localized populations allow for more cost effective marketing for a number of reasons. First, targeting a based on geography often allows for lower promotional costs per customer. For example, in the image a McDonald's billboard touts its local sourcing of Washington state potatoes to Washingtonians. The franchise responsible for this is taking advantage of its target local residence—and is able to reach them with a low cost but highly effective billboard. Similarly, TV ads on local cable stations in large metropolitan markets are cost effective.

White Hots

White Hots are a special type of hot dog sold only in Western New York.



Geographic Segmentation, Promotion, and the Locavore Movement

Consumers are increasingly demanding food products that have been locally produced. This trend has been dubbed the locavore movement. The

locavore movement provides obvious opportunities for food marketers to directly appeal to consumers' sense of geographic identity. When firms appeal to this sense despite not genuinely valuing local sourcing themselves, this practice is called **local washing**.



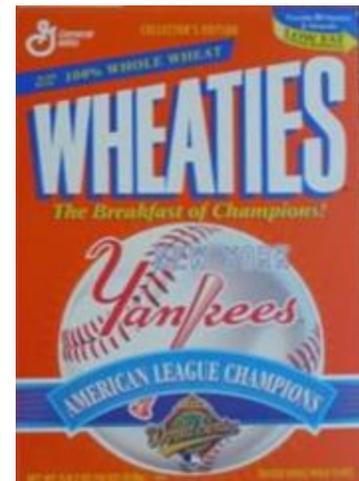
Pause to Reflect:

Washington state is a big producer of potatoes; bigger than Idaho. Franchises there have always sourced their potatoes from Washington to minimize costs. Is the McDonald's campaign depicted in the image above localwashing? Does it matter?

Second, focusing on a contiguous geographic segment helps keep distribution costs down. This is an especially important factor for food marketers who must deal with the prospect of rapid product deterioration. Supermarkets have adopted this strategy by growing regionally in a *hub and spoke distribution network* pattern. Walmart famously grew this way as it expanded outward from Rogers, Arkansas. Only food products launched by large food manufacturers with established national distribution systems that can support a national marketing campaign, high-end products with high margins that can overcome otherwise prohibitive distribution costs, or small products that can be individually shipped inexpensively can be launched with more than a regional scope.

Large Geographic Area Example

The New York, NY area is big enough, homogenous enough, and with a distinct enough distributional system to allow General Mills to run special marketing campaigns for consumers in the New York metropolitan area



Video 4.7. Growth of Walmart and Sam's Club (by FlowingData)

[Growth of Walmart](https://www.youtube.com/embed/Ly_JHzkA5u4)

https://www.youtube.com/embed/Ly_JHzkA5u4

Growing populations provide unique opportunities to segment based on geography. Consumers with *bounded rationality* as well as retailers with difficult *inventory management* logistics are reluctant to switch brands. As a result, there are great *first mover advantages* to be had where populations are rapidly growing.

Of all the ways food marketers segment markets, geographic segmentation can be done with the least *costs*. Often times geographic areas with customers that share similar characteristics of another area where the product has been successful marketer offer opportunities for a market launch with little marketing research and expenditures as marketing efforts can be re-applied.

For example, *green products* that market environmental stewardship are luxury items that appeal to populations with high incomes. Since geography is highly correlated with income, geography

may serve as an easy (i.e. cheap) proxy for an underlying demographic target market based on income.

Demand and willingness to pay can vary considerably from region to region with 40%-80% of a food product's sales typically coming from a *core region*.

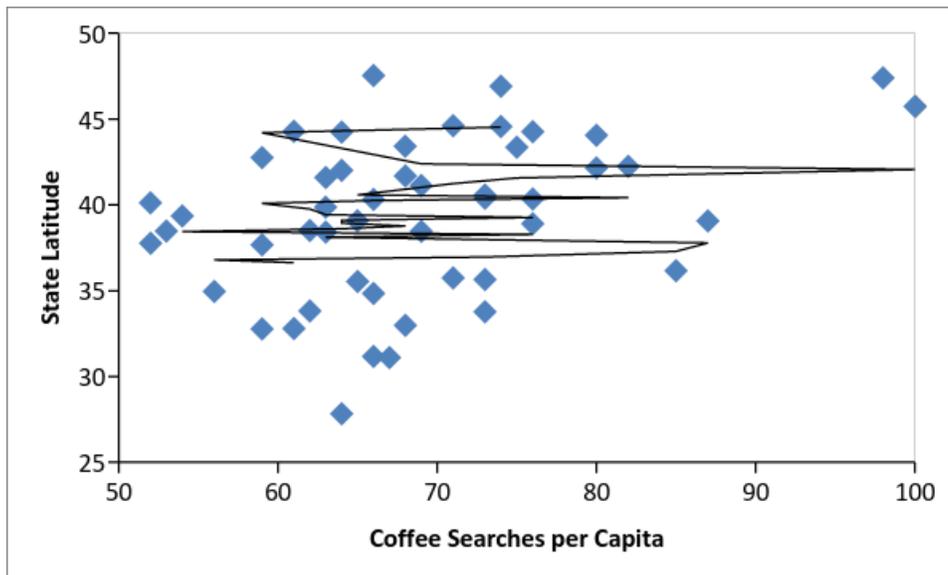
Core Region Example

Grits have a marked core region since they are sold almost exclusively in the south.



Climate is another important consideration. For example, hot beverages sell best when and where it is cold.

Figure 4.4. State Latitude and Per Capita “Coffee” Google Searches



Note: Excludes Hawaii and Alaska

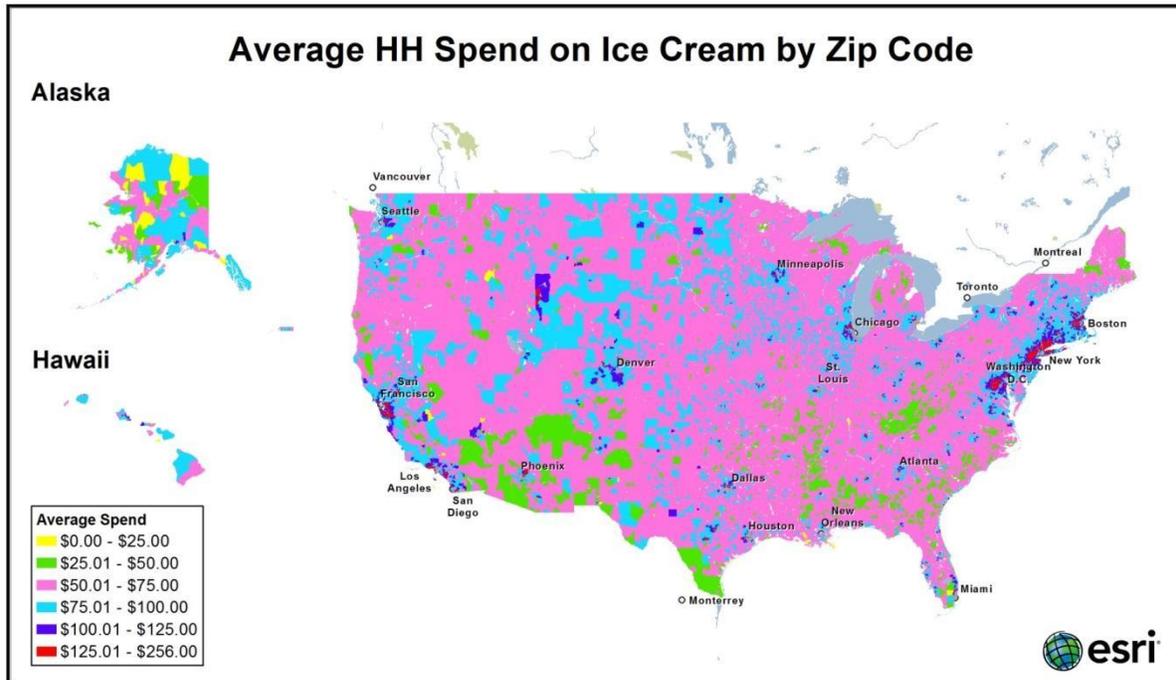
Ice Cream and Geography

Where would you sell ice cream products?

Experience suggests that ice cream is consumed where and when it is hot outside. So let's take a look at a map to see if ice cream expenditures are indeed higher in hot geographic areas.



Figure 4.5. Average Household Spend on Ice Cream by Zip Code



The map shows very little evidence supporting our hypothesis. Only a small portion of the country's households (HH) spend less than \$50 per year on ice cream, with most of those households being in the hot southern states of NM, AZ, TX and scattered throughout the Bible Belt. A closer look reveals that HHs in dense *metropolitan areas* where *incomes* are the highest spend the most on ice cream. This suggests ice cream is a *normal good* and possibly a *luxury good*. Experience also suggests that this may be the result of the types of ice cream consumed in urban areas versus rural areas. HH's in cities may be purchasing ice cream from *high markup* ice cream shops such as Cold Stone thereby increasing their ice cream expenditures. In other words, perhaps ice cream has a different *social-cultural significance* and is used differently in metropolitan areas.

That leads us to ask more nuanced questions:

Does climate influence the *product-usage* behaviors of ice cream eaters?

Figure 4.6. Likelihood to Purchase Ice Cream at Convenience Store



It seems so! People in the hot climates in the south are much more likely to purchase ice cream at convenience stores. The likelihood of purchasing ice cream at a convenience store is remarkably inversely proportional to ice cream expenditures. This explains the unexpected finding that HHs in the north spend more on ice cream per year. In the north, ice cream is a special seasonal treat and symbolizes summer. Consumers tend to demand high quality and exhibit *inelastic demand* for *indulgence items*. It is likely that while that is true, people in the south eat ice cream more frequently and in higher quantities. Instead of going to expensive stores such as Cold Stone as a special occasion, people in the south casually buy low quality ice cream from convenience stores year round and to beat the heat.

Takeaways

- There are differences in ice cream expenditures across geographic areas thereby facilitating the formation of meaningful *segments* that can be targeted.
- The geographic expenditure patterns can be combined with reasoning rooted in your experiences to provide deeper insight into ice cream expenditures and usage.
- Geographic segmentation can only take us so far. To segment the market into more effective subgroups we would need to segment based on *demographics*, *product-relation*, and *psychographics*. This was hinted at when we considered income, usage, and the meaning of ice cream, respectively.
- We conclude that different ice cream products differ in their attractiveness to different geographic segments.
- The geographic data in this exercise is easy (i.e. inexpensive to obtain).

Geographic Areas

There are some standard definitions of geographic areas that correspond to available data.

- *Regional food data* is available from the BLS, USDA, and other sources. The U.S. is typically divided into the Northeast, South, Midwest, and West.
- *States* have clear boundaries and there is a plethora of data available at the state level.
- *County level data* is common. For example, the [County Business Pattern](#) (CBP) data available through the U.S. Census Bureau provides detailed information such as the number of fast food restaurants in each county.

As the geographical area shrinks down, data becomes more scarce or less useful due to a lack of data points per area.

- *ZIP code* populations can vary drastically. On average there are approximately 7,500 people per ZIP code. The Census also provides [ZIP Code Business Pattern](#) (ZBP) data.
- *Census tracts* are the smallest geographical areas commonly used with about 4,000 people tract. As opposed to all the above geographic area definitions, Census tracts are the only one that are demarcated so that the populations they enclose are relatively homogenous. This makes Census tracts particularly useful for marketers.

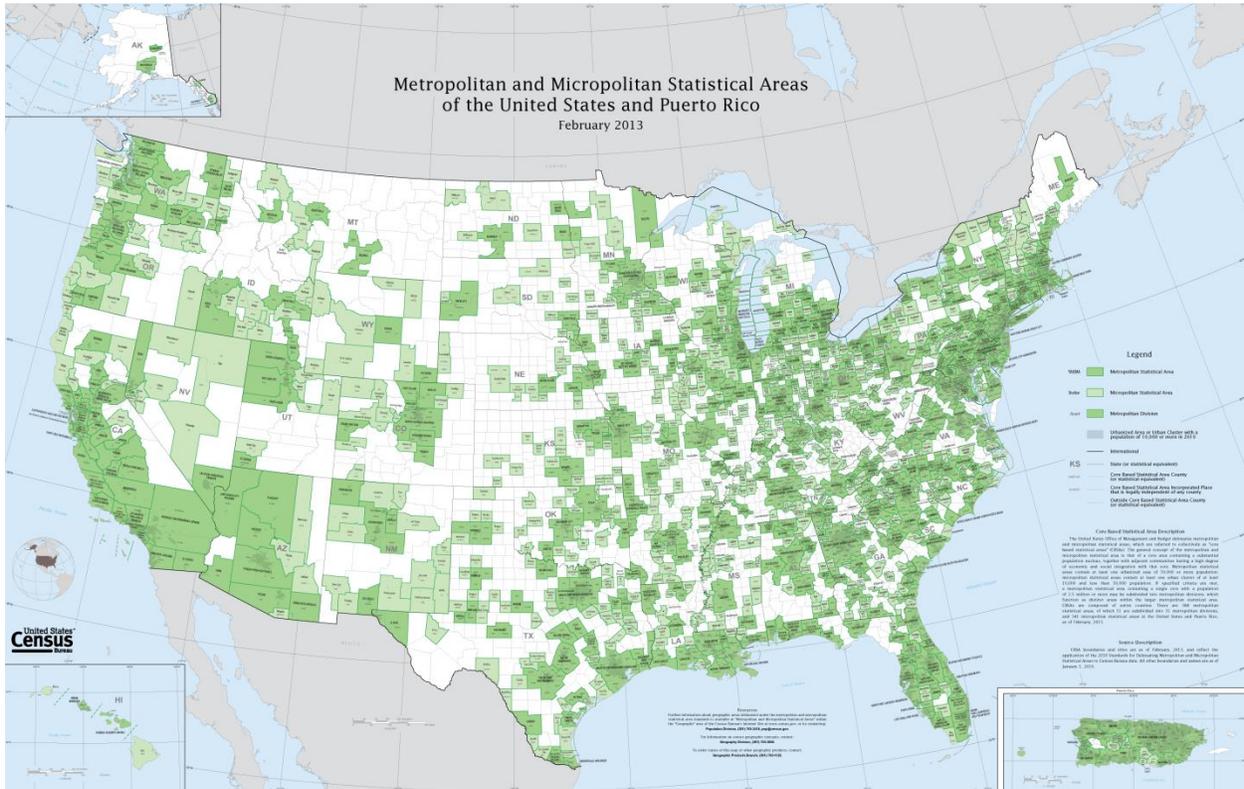
Metropolitan Areas

Metropolitan areas have relatively homogeneous populations with high densities making them attractive targets for food marketers.

The explosive growth of suburbs since World War II has made traditional city boundaries meaningless to food marketers and others. The U.S. Census Bureau now classifies urban data based on population size and characteristics in several ways.

- **Micropolitan Statistical Areas (μSA)** have an urban core with 10,000-49,999 people but may extend to other cities and towns that have close economic or social ties to the central urban core. For example, the largest Micropolitan Statistical Area, Claremont-Lebanon which covers parts of VT and NH and has a population > 200,000 people.
- **Metropolitan Statistical Areas (MSA)** general contain an urban core with > 50,000 people with high population density. These may correspond to county or city boundaries, or be defined by other criteria. They are typically centered in a large city such as Pittsburgh, PA.
- **Core Based Statistical Areas (CBSA)** includes both μSAs and MSAs, with some modifications.

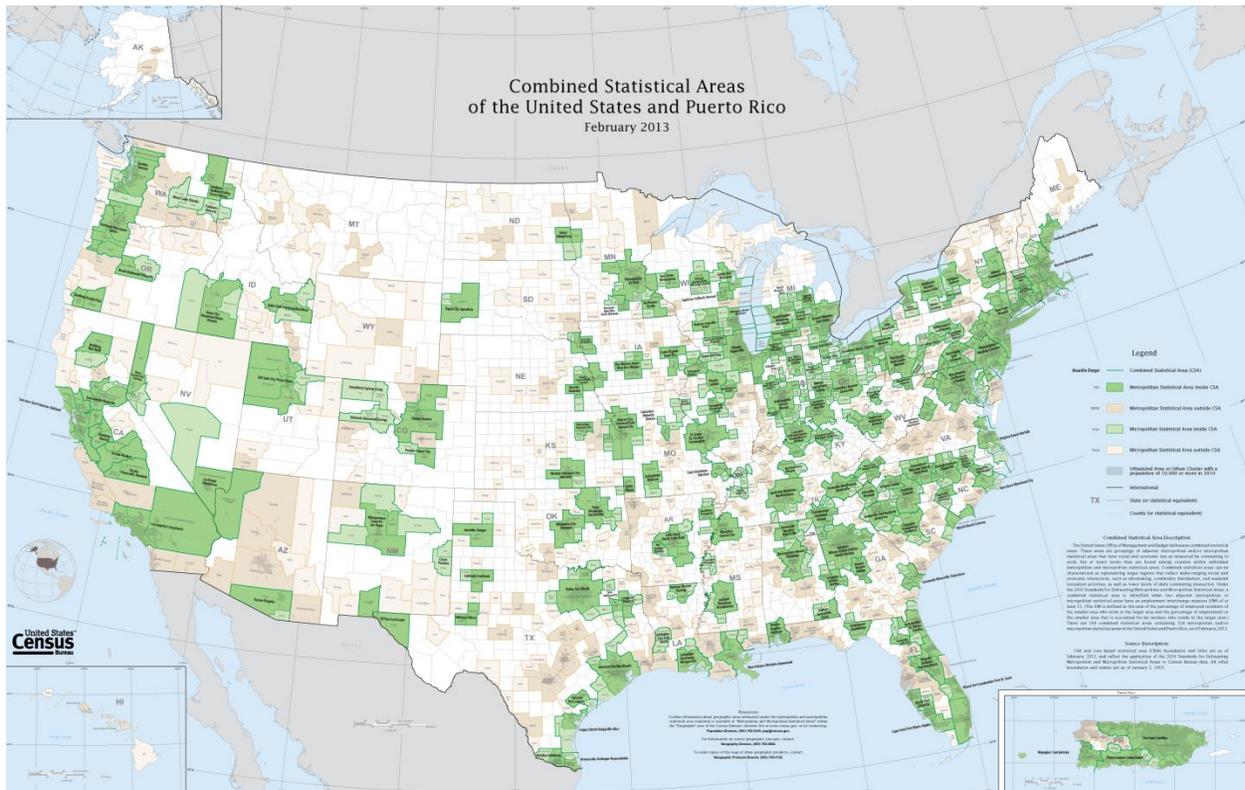
Figure 4.7. Metropolitan and Micropolitan Statistical Areas of the United States and Puerto Rico, February 2013



Source: “Metropolitan and Micropolitan Statistical Areas (CBSAs) of the United States and Puerto Rico, Feb 2013” by US Census Bureau - US Census Bureau. Licensed under Public Domain via Wikimedia Commons

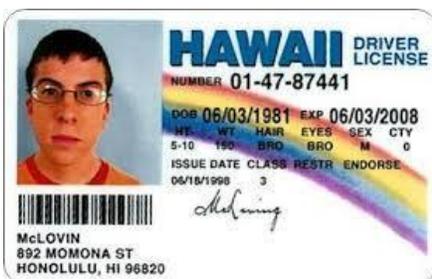
- **Combined Statistical Areas (CSA)** agglomerate μ SAs and MSAs into larger units that have demonstrable economic and social ties, thereby making them particularly meaningful large units for food marketers. These can be thought of as large city markets.

Figure 4.8. Combined Areas of the United States and Puerto Rico, February 2013



Source: "Combined statistical areas of the United States and Puerto Rico 2013" by Bureau of the Census, U.S. Department of Commerce

Demographic Segmentation



While geographic segmentation offers some easy insights into consumers, it tells very little about what consumers are actually like. It is useful to segmented consumers into relatively homogenous groups based on easily obtained statistical data of their characteristics.

Demographic segmentation—The practice of dividing consumers into subgroups according to characteristics such as

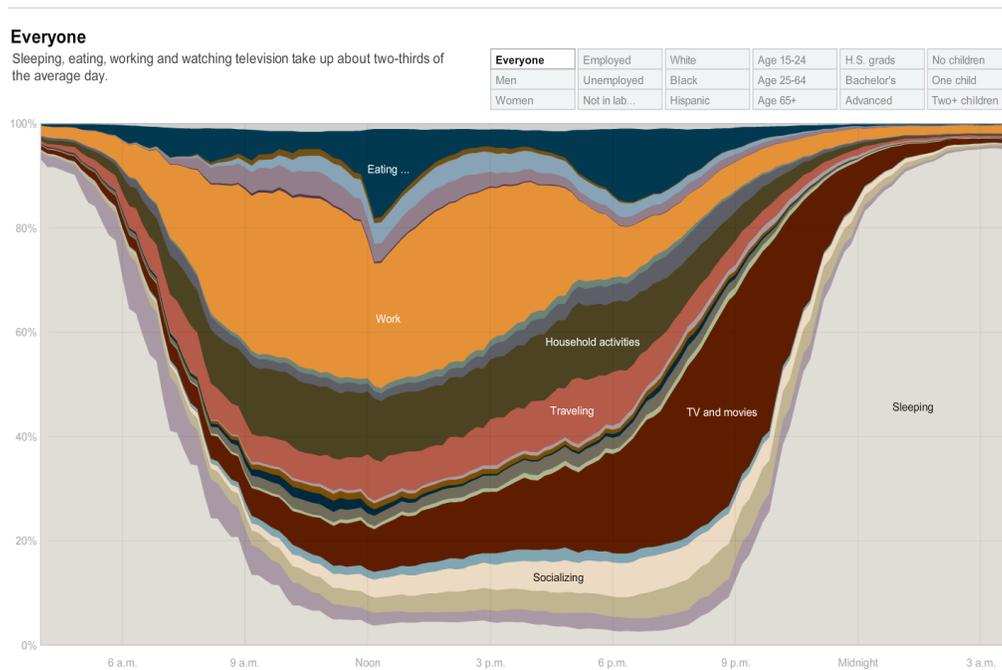
age, sex, income, occupation, education, household size, stage in the family life-cycle, and other measurable personal characteristics.

The Census Bureau has a plethora of [data on individuals and households](#). One interesting data set is the **American Time Use Survey (ATUS)**. The *New York Times* has published an [interesting applet](#) that allows you to see how what different demographic segments are doing at various times during the day.

Census Quick Facts (2009)

Pop. < 5 years old 6.5%
 Pop. < 18 years old 23.7%
 Pop. > 65 years old 13.3%

Figure 4.9. How Different Groups Spend Their Day

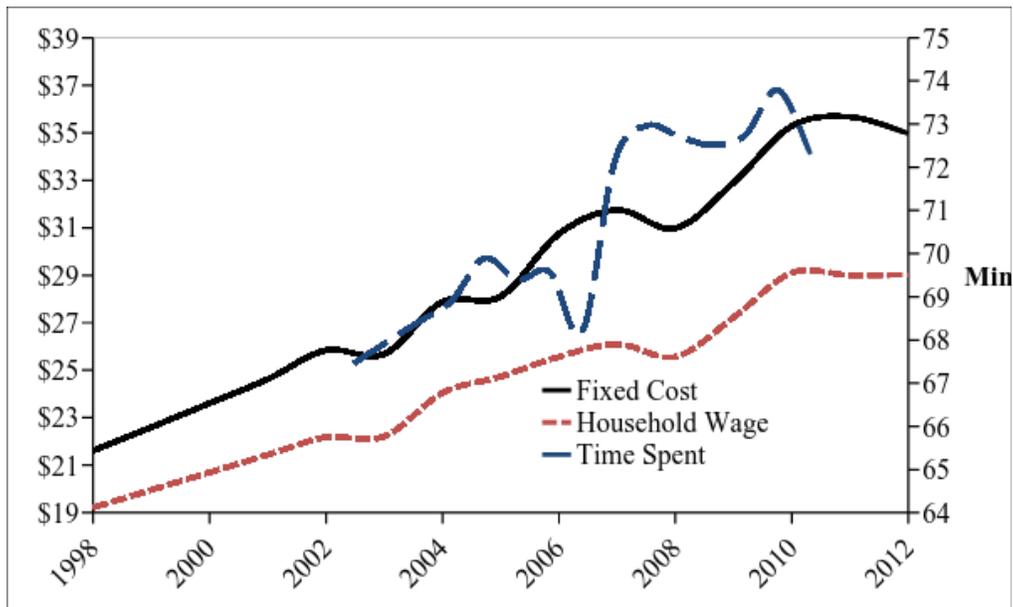


Source: Shan Carter, Amanda Cox, Kevin Quealy, and Amy Schoenfeld, (2009), “How Different Groups Spend Their Day,” *New York Times*.

Go to: <http://www.nytimes.com/interactive/2009/07/31/business/20080801-metrics-graphic.html>

The detail of the ATUS provides the possibility of obtaining deep insights into how households shopping and *household production* is changing. For example, households are spending a lot more time on their grocery shopping trips.

Figure 4.10. Real Fixed Costs of an Average Grocery Shopping Trip



Note: Calculated from ATUS data. Money is in 1998 dollars. A grocery shopping “trip” is defined as all grocery shopping performed by the household on a given *day*. Time includes travel. Source: Colby, S. (2015), “Rationalizing Declining Grocery Shopping Frequency.”

Pause to Reflect

Why are grocery shopping trips taking increasingly longer?

Answer: There are many candidates. First, U.S. grocery shoppers are shopping much less frequently. Second, the rise of large “box stores” such as supercenters and club stores are difficult to quickly get in and out of, and are typically in remote locations on the periphery of towns. Third, consumers are increasingly interested in reading information on labels they become increasingly aware of the importance a healthy diet.

Age Groups: School-Age Children

School-age children have significant influence over the purchases that a family makes. Children are the target of \$10 billion per year in direct marketing efforts. Their presence pressures households’ food baskets to be *healthier* due to parental love and a desire for offspring well-being, *unhealthy* due to children’s innate tastes, more *convenient* due to a *lack of time*, and more conservative due children’s pickier *tastes*.

Children, who start with nothing but instinct to rely on when making food choices, *desire* sweet foods which, as we saw earlier, were universally healthy in the *Paleolithic Era*.

Toddlers are very picky. This is understandable given that a child new to ambulation that is willing to experiment with unknown foods would be a high risk for poisoning. Those daredevils died off before they had the opportunity to reproduce, leaving our current population with mostly people who are genetically predisposed to being picky at early ages. As a result, households with young children are conservative with their food choices for fear that young Johnny will throw a fit.

Whenever considering *targeting children*, it is important to be cognizant that parents are the ones making the purchase. They are the *food gatekeepers*. Thus many such products are simultaneously marketed to children who *need* fun and sweet tastes, and parents who have the *need* of believing their children are healthy and happy.

This makes marketing these products complicated. Consider Kellogg's Corn Pops. The cartoonish font, explosive action, bright colors, and claim of "Sweet" are all directed towards the child who wants a fun sweet cereal. The **Nutrient Content Claim (NCC)** "Good Source of FIBER" on a healthy green backdrop, the **Front-of-Package** nutrition information in the upper right corner, and discussion of the importance of fiber accompanied with a healthy and happy family on the side of the box where only parents look, are all directed towards the parent (especially mom). Corn Pops are not a healthy option. The goal of the marketer is to make the product attractive to the child, while delicately alleviating mom's health concerns.

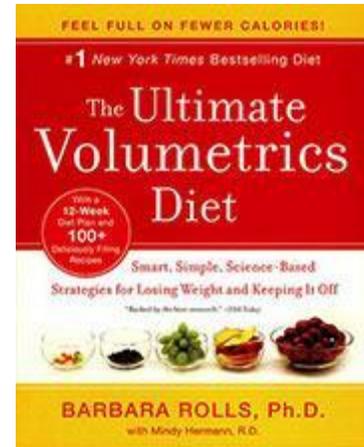


Children are *impulsive* and marketers know that. Instant eye appeal with little *information* is all that is required to impel a child to covet a food product. Bright *packaging* is used for children's food not only because it attracts the eye, but also because all edible bright foods—fruit—in nature are healthy. Children's instincts and tastes mistake such cues as signifying healthy food.

For this reason and because of terrifying rates of *childhood obesity* and related diseases, children's food marketers are under heavy pressure from public health experts and **regulators** to limit their marketing efforts of unhealthful foods and to make their foods more healthful. This adds an added dimension that complicates food marketing towards children.

Industry has voluntarily responded. Hershey does not market to pre-teens whatsoever, and cereals—even historically sugary ones like Lucky Charms—have reduced their sugar content from above 20 grams per serving down to 12. (Some of this was done, however, by reducing the serving size!)

These complicated factors and intense need for long-term change provide opportunities for innovative new food products. For example, decades of research by Penn State researcher Barbara Rolls indicates that satiation is based on the volume of food consumed. Based on this she has devised the “Volumetric Diet” and had recommended that food scientists puff air into unhealthy food products marketed towards children to reduce their caloric density. Experimental evidence finds that kids can’t tell the difference.



School Cafeterias

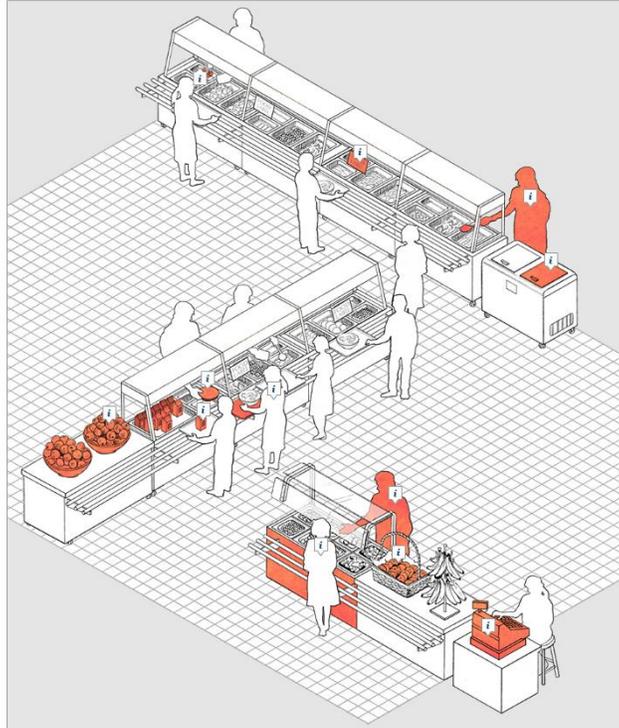
School cafeterias have long been a battleground between food marketers and public health officials. Food marketers desperately want to get their products into cafeterias where children form lifelong eating *habits* and sales volumes are high and regular. School cafeterias, though, are one of the few places that policy makers can exert heavy handed influence since practically all school cafeterias in the U.S. are handsomely subsidized by the USDA’s school lunch program.

As a result there has been an exodus of vending machines and unhealthy foods from schools. This has created a vacuum in which foods that parents and policy makers want kids to eat increasingly occupies. This is rapidly occurring, with many opportunities for food marketers to find solutions that satisfy parents, the USDA, kids, as well as the cafeteria managers that serve as *food gatekeepers* and must balance budgets. The problem is the junk foods have high margins that in effect subsidize healthful foods and allow school cafeterias to remain solvent. Healthful options with *inelastic demand* that produce *high margins* are sought.

Cafeteria Interactive

Brian Wansink and other researchers have used school cafeterias as a laboratory and have applied food behavioral science to cafeterias. I would encourage you to visit [New York Times interactive story *Lunch Line Redesign*](http://www.nytimes.com/interactive/2010/10/21/opinion/20101021_Oplunch.html?_r=0) (http://www.nytimes.com/interactive/2010/10/21/opinion/20101021_Oplunch.html?_r=0) and click on the icons to read about the various lunchroom strategies employed.

Click on the information icons to read about the lunchroom strategies.



Source: Wansink, B & Just, D., (2010), "Lunch Line redesign," *New York Times*.

Age Groups: Other Groups

Tweens and Teens

Tweens and teens are making more food choices for themselves as families prepare their own meals less and less and eat out more. Without parental oversight kids at this stage in their life have limited executive function, and are very impulsive. They purchase junk food and are heavily influenced by how brand images resonate with their personal identities.



Middle Age

By adulthood, executive function is fully developed and consumers become more forward thinking. As a result they are increasingly concerned with health attributes. Also, from decades of being exposed to clever marketing campaigns, and forming a personal identity that they are confident in, they are less likely to be influenced by dramatic brand images. In fact, such efforts easily alienate middle aged consumers. As a result food marketers are careful not to use familiar empty terms that have become stale such as "High Quality" or "Value." Use of such terms is in rapid decline by food marketers. Instead new fresh "green" marketing that touts products' environmental attributes has become in vogue, although due to excessive *greenwashing* that uses

vacuous terminology such as “All Natural,” there are signs that those terms too are on the decline as middle aged consumers find them incredulous.

Middle aged persons are less impulsive than younger people, and make the lion’s share of food purchases. Do not think of them as technologically ignorant: 75% have Facebook accounts. They are busy raising families and pursuing careers and so are not sensitive to prices when they feel the products are consistent with a healthy lifestyle and high quality of life. When they indulge in a snack, they want a *good* snack that warrants the digression.

Pause to Reflect

What are the needs of a middle aged male?

Seniors

Seniors in retirement (typically > 59 years old due to Social Security eligibility) spend a lot of time preparing their own food and eating from scratch. Based on a dip in expenditures on food at retirement age, it was long believed that people did not adequately save over their lifespan. Recent evidence suggests that seniors are not starving. Instead, because they prepare their own meals they purchase less processed foods that have lower margins (e.g. fresh vegetables) and as a result spend less while consuming the same amount.

Seniors tend not to be *first adopters*: don’t try to get them to try your innovative product. With extra time on their hands and strong *need* for health, when they eat out they go to full service restaurants, not fast food.

Pause to Reflect

What are the needs of a middle aged female?

Cohort Effect

When considering the needs and personal characteristics of a given age group, it is important to distinguish between those that are *caused* by their age and those that are the result of those particular people’s collective experiences.

Cohort Effect—The tendency of generation members to be influenced and bound together by significant events in their lives.

The cohort effect is not the same as age effects.

Experiences that occur to a group between ages 17 and 22 tend to have the biggest influence on a cohort. During those ages people form the core of their personal identities and form eating habits and tastes that may last a lifetime.

“Generations” are used to distinguish between cohorts.

Cohorts

The 78 million **Baby Boomers** were born sometime between WWII and the mid-60’s. They are diverse in disposition and tend to value honesty.

The 50 million **Generation X** were born in the late 60’s to 1979. They tend to be family oriented and well-educated. Due to no major catastrophes (major wars, major depressions) occurring in their formative years compared to older generations, they tend to be optimistic.

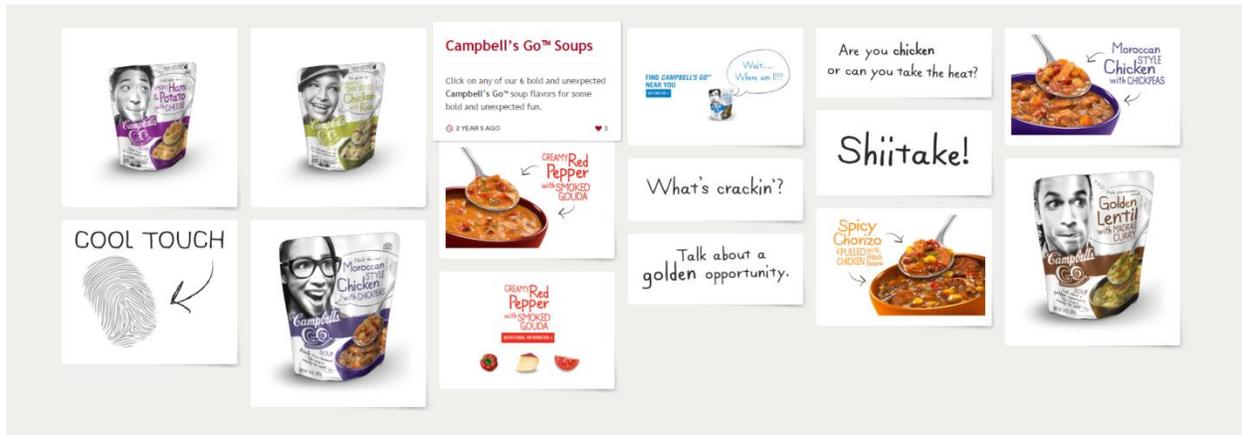
The 71 million **Generation Y** or **Millennials** were born between 1980 and the mid-90’s. They are the children of the Baby Boomers, are confident, untrusting, career and achievement driven, are characterized by a “seen it all” and “know it all” attitude, have a widespread feeling of entitlement, and are not open to criticism. If this characterization seems to be harsh, it may be because this is the characterization given to them by older cohorts who do not fully understand Millennials and look upon them as whippersnappers.

The 74 million **Generation Z** were born after the late 90’s. They are the children of Gen Xers and were born after the web revolution and are therefore growing up very comfortable with technology. They will be the most educated and financially well-off.



Marketing to a Cohort: An Example

[Campbell’s Go](http://www.campbellsgo.com/) (<http://www.campbellsgo.com/>) soup pouches marketing campaign targets a specific generation.



According to a trade magazine,

“Campbell is also pushing out a slew of digital content to draw the attention of these [people]. The new line of soup, Campbell's Go, has Facebook and Tumblr pages, as well as partnerships with BuzzFeed and Spotify that Campbell hopes will convey the personality of the soup and appeal to its target audience.

“Campbell Soup Company has launched a new line of bold-flavored soups in microwaveable packaging and is trying to cultivate a whimsical, humorous personality for the line to attract...”

Pause to Reflect

Which cohort are they trying to attract?

Segmenting By Household Type

Old man take a look at my life, I'm a lot like you were.

- Neil Young

Strip away cohort effects, age effects, and so on, and you will see people tend to go through the same stages throughout their life starting with carefree childhood, striving early adulthood, busy family and career, empty nests, and retirement. A lot can be understood simply by considering the **needs** of people in these various stages.

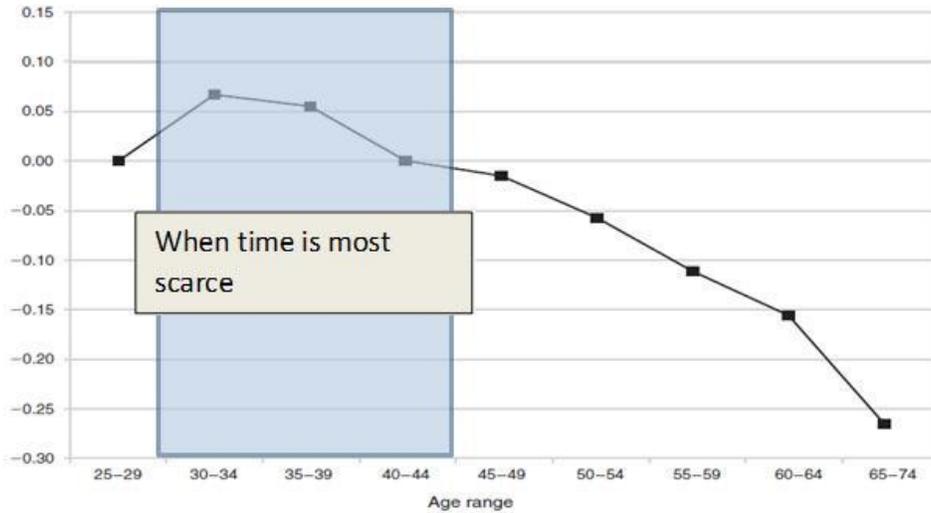
Life-cycle—the economic stages and constraints of individuals from birth until death.

Families typically form in the late 20's and early 30's, but the age of first time mothers has been steadily increasing and will continue to do so as a result of women increasingly attending college, pursuing advanced degrees, and pursuing demanding careers. Currently the average age of first time mothers is 25.4 years. In 1970 it was 21. This is one of the most important changes

that has occurred to our modern society, resulting in a rapid restructuring as women and men become more interchangeable, and biological constraints result in fewer children.

With families and careers, time becomes scarce. Combine this with the increased incomes, households in this stage of the life-cycle exhibit *inelastic demand*. This is because the *opportunity cost* of searching for deals is high during this stage of the life-cycle.

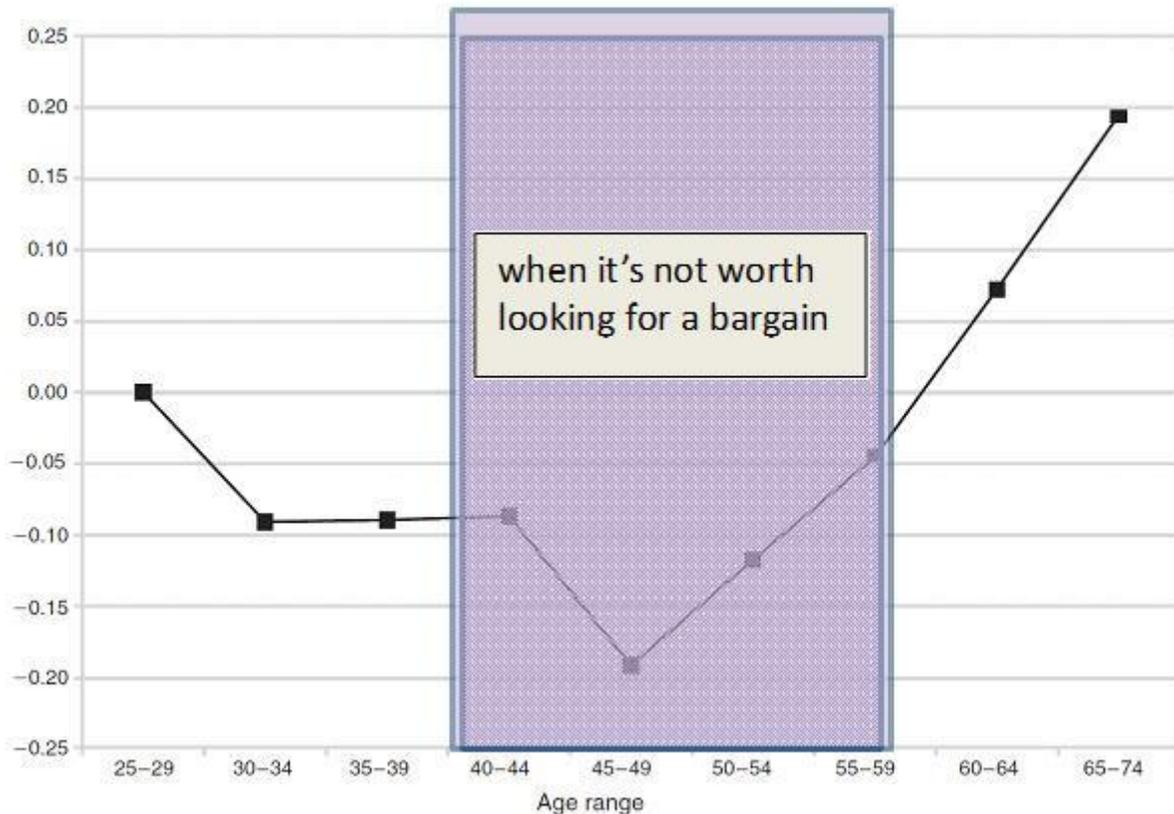
Figure 4.11. Implied Opportunity Cost of Time: Log Deviation from 25-29-Year-Olds



Source: Aguiar and Hurst (2007), Life-Cycle Prices and Production, *American Economic Review*.

During this time period households will pay higher prices on average for identical food products. While childless adults that have less time constraints and less money, and empty nesters that also have less time constraints may pay \$1.05 on average for a 12 oz. bottle of Pepsi, a household with children during this stage may pay \$1.31.

Figure 4.12. Ratio of Consumption to Expenditure: Log Deviation from 25-29-Year-Olds



Notes: Figure plots log deviation in the ratio of consumption to expenditure relative to 25-29-year-olds. The ratio of consumption to expenditure is computed using the estimated parameters of the home production technology and data from both Homescan and ATUS. See text for details. Since price is the ratio of expenditure to consumption, a lower value in the figure indicates a higher price.

Source: Aguiar and Hurst (2007), Life-Cycle Prices and Production, *American Economic Review*.

Segmenting by Gender

Comedian Louis CK on Changing Gender Roles

“Roles have all changed. There's a lot of fathers who take care of their kids, there's a lot of mothers who have careers. But in culture, those roles are still the same. When I take my kids out for dinner or lunch, people smile at us. A waitress said to my kids the other day, "Isn't that nice that you're getting to have a little lunch with your daddy?" And I was insulted by it, because I'm like, I'm f---ing taking them to lunch, and then I'm taking them home, and then I'm feeding them and doing their homework with them and putting them to bed. She's like, Oh, this is special time with daddy. Well, no, this is boring time with daddy, the same as everything.”

- 2011 Slate Interview

Despite the gender line being blurrier than ever, women still make 90% of the purchases in jointly headed households. This is why most food marketing targets women. Men make many more trips to the store than this suggests, however: they are more likely to do smaller shops.

As we saw with the example of Diet Coke versus Coke Zero, marketing campaigns targeting men versus women will be quite different due to the differences in *needs* of the two genders.

Nevertheless, care must be taken to avoid making offensive errors based on gender stereotypes particularly with younger cohorts that both are ideologically shifting towards greater gender interchangeability and have yet to face the inherent gender differences.

Pause to Reflect

What deep needs distinguish women and men food consumers?

Segmenting by Ethnic Group

The fabric of the U.S. is very diverse. As of 2015 37% of Americans belong to a minority group, and more than 50% of children born are minorities.

Table 4.1. Ethnic Groups in the U.S.

Ethnic Groups in the U.S.	Percent of the U.S. Population (2014)
White Hispanic*	15.4
African Americans	13.1
Asian Americans	5.0
Native Americans and Alaska Native	1.2
Native Hawaiian and Other Pacific Islander	0.2
Two or more races	1.7

Note: * Hispanics may be of any race – they are included in the applicable race categories. The total incidence of the “Hispanic or Latino origin” population is 16.7%.

Source: Census Quick Facts: <http://quickfacts.census.gov/qfd/states/00000.html>

Hispanics

The Hispanic population is 48 million and rapidly growing. In all they have about \$1 trillion in purchasing power, but with a relatively low median household income of \$35,000 per year. The Hispanic population is younger than the general population with a median age of 25 years old.

Hispanics are tend to be geographically concentrated living in the southwest and in large metropolitan areas.



Figure 4.13. Hispanic or Latino Population as a Percent of Total Population by County: 2010

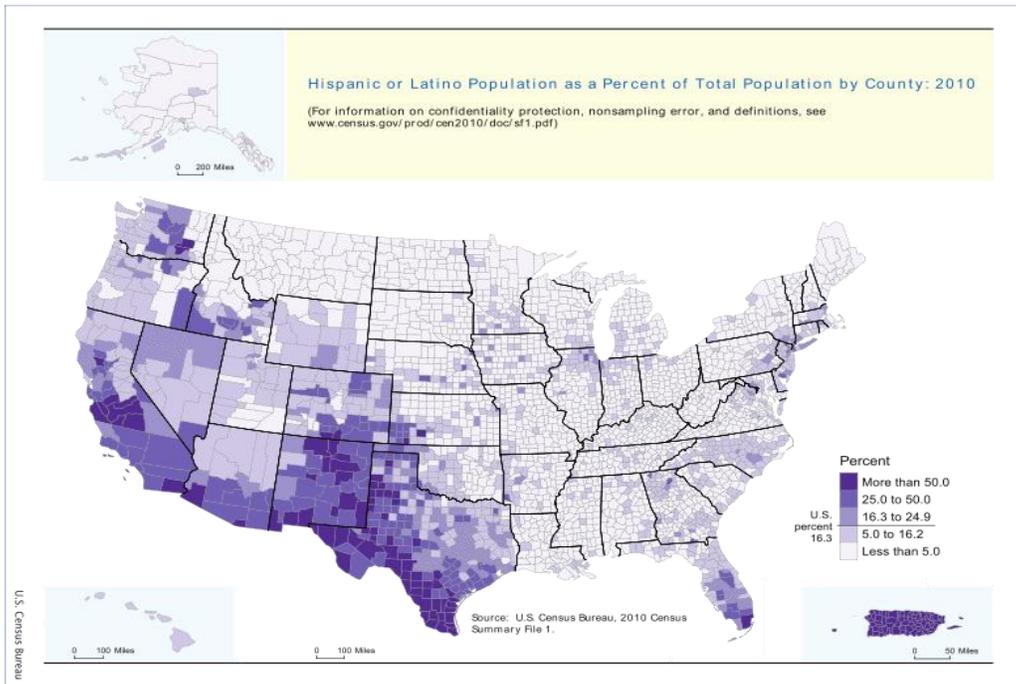
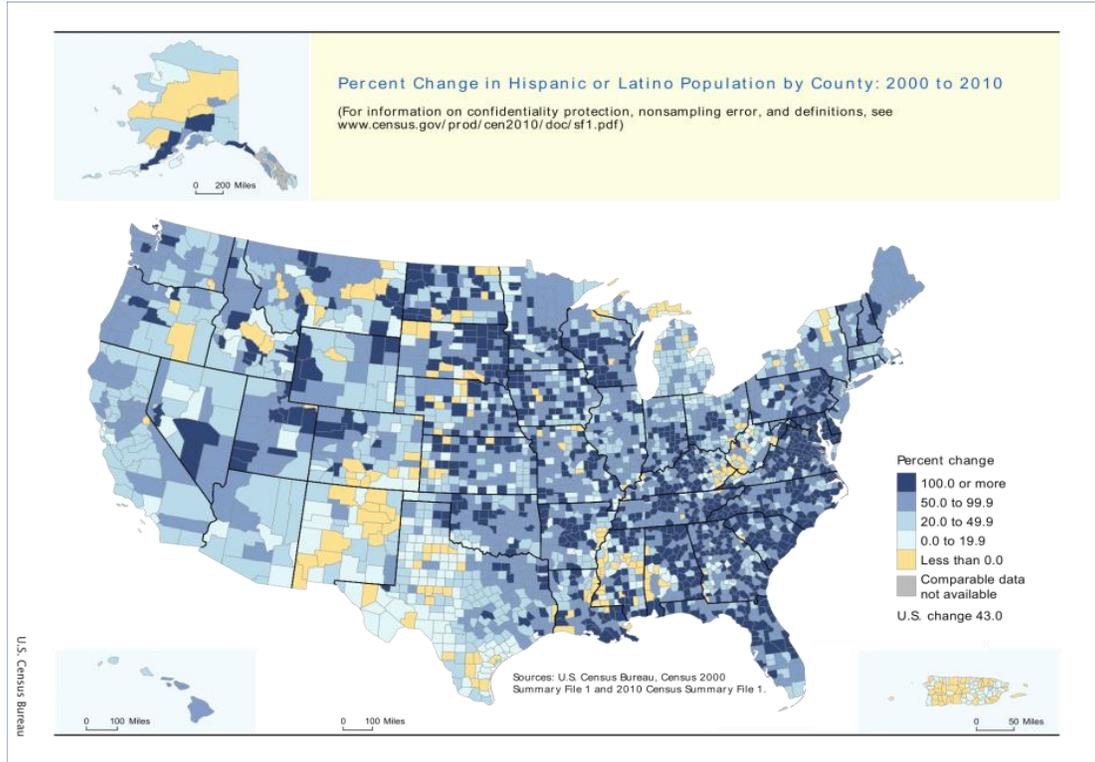


Figure 4.14. Percent Change in Hispanic or Latino Population by County: 2000 to 2010



However, the U.S. Hispanics population is rapidly expanding throughout the country with population growth rates largest where current populations are the lowest.

Hispanic cuisine is distinct from typical U.S. fare. But be careful, not all that is different is the same. “Hispanic” does not represent a homogenous group that should be marketed to the same. The only requirement to be Hispanic is that the person’s origin is from a Spanish speaking country, but in practice Hispanic indicates a Latin American origin.

The current Hispanic population is increasingly assimilating to “mainstream” American culture, but remains largely a distinct cultural group. About 28% of Hispanics are largely not acculturated and self-identify with their country of origin more than the U.S. 72% only speak Spanish. 59% are partially acculturated, born in the U.S., and are bilingual. 13% are highly acculturated and consider English their dominant language.

Lactating?

When the *Got Milk?* campaign was launched, many Hispanics interpreted the message as *Lactating?* Furthermore, the scarcity message of the campaign did not resonate in the same way as with non-Hispanic Americans. More success was achieved with this segment by emphasizing milk in traditional Hispanic recipes.

African Americans

As of 2014 there are 50.5 million African Americans and this population is expected to grow to 61 million by 2050. The collective purchasing power of African Americans is \$1 trillion. As with other subcultures, demographic factors such as age and income, language, and educational level all affect how marketers appeal to different sub-segments of the African-American segment.

One important nutrient affects African Americans more than any other population: sodium. When Africans were transported to the western hemisphere in the holds of slave ships, the people that retained sodium the most were most likely to survive the torments of hellish diseases caused by rampant vomiting and diarrhea (Wilson, 1991). As a result, African Americans are predisposed to hypertension (Africans do not share this predisposition).

Asian Americans

The Asian American population is 14 million as of 2014 and is expected to grow to 20 million by 2020 making it the fastest growing segment by race. The population's collective purchasing power is \$579 billion, with a high median household income of \$69,000. One-half of the population lives in CA.

Like Hispanics, Asian Americans are a diverse group, not homogenous and so cannot be considered a proper segment in most applications. Chinese, Japanese, Koreans, Filipinos, Indians, Vietnamese, are about as different cultural populations as can be imagined, with cuisines that are equally different except for sharing rice as the primary starch (except for those that use taro). Marketers are desperately trying to understand these cultures.

Most of us probably think we understand Chinese food based on our experience with Chinese American foods. Indeed, there are more Chinese restaurants in the U.S. than McDonald's, Burger Kings, KFCs and Wendy's combined!

But Chinese American food is not like the Chinese food that Chinese American people eat at home. In China, there are no Chinese cookies, and "chop suey" is not a food and would disturb people if you asked for it because it translates to "odds and ends." General Tso was a real person, but not well known. His eponymous dish was invented in NYC in the 1970's.



For more interesting details about Chinese American cuisine, see Jennifer 8. Lee's entertaining TED Talk: [The hunt for General Tso](http://www.ted.com/talks/jennifer_8_lee_looks_for_general_tso.html)

(http://www.ted.com/talks/jennifer_8_lee_looks_for_general_tso.html)

Segmenting by Income and Expenditure Patterns

People shop for food differently depending on their income. Overall, food is a *normal good*. That is as income increases people spend more money on food. However, it has been known for over a hundred years that as income increases, the *share* of income spent on food decreases. This is called...

Engel's Law—As family income increases, a smaller percentage of expenditure goes to food.

While this law may hold for total food, it does not apply to every food item. The share of income spent on *luxury goods* increases as incomes increase.

There is something of a paradox in all this. Food is not like other goods in that we have somewhat of a maximum capacity for consumption due to the constraints imposed by our digestive tracts. How can expenditures increase and increase and increase as incomes go up?

People do consume more food as their incomes go up, although at a diminishing rate. But most of the increase in food expenditures comes from buying more expensive foods. Higher income people buy higher quality items in terms of taste, healthfulness, social status, and pay for such luxurious attributes as environmental stewardship (e.g. organics), social responsibility (e.g. fair trade), and animal welfare.

Low income households make more fundamental tradeoffs. Fresh produce consumption is lower for low income households because fresh produce is more expensive than close alternatives, and goes bad. Low income households purchase energy dense foods which lead to obesity and related diseases.

Pause to Reflect

Create two shopping lists—one for a high income household, the other for a low income household—that is rational given the needs of the two households. How would your brand's message and identity be different for these two potential targets?

Product-Related Segmentation

Our third criteria for segmenting consumer markets is based on consumer relationship to products.

Product-Related Segmentation—Dividing a consumer population into homogeneous groups based on their relationship to the product.

Some common relationships include:

- level of brand loyalty
- benefits sought
- usage rates

Level of Brand Loyalty

“Loyals” are consumers who feel an affinity towards a product or have exceptionally high levels of satisfaction. At a basic level, loyals see the product as highly differentiated from competing brands.

Loyals are markedly different from non-loyals. Later we will discuss the fundamental objectives of advertising. One is to inform consumers. Loyals do not need to be informed because they are very familiar with the product. Rather, loyals simply need to be reminded of the product and of the need satisfaction they have experienced from it in the past. Non-loyals on the other hand need to be informed of the products basic characteristics (such as its existence!) and persuaded to purchase it.

Pause to Reflect

Do loyals have elastic or inelastic demand?

Answer: *Inelastic.*

Benefits Sought

Not everyone will purchase your brand for the same reason. Segments can be formed based on what consumers want the product to do for them.

Example: Beer

Some beer drinkers may seek a flavorful experience, refreshment, group membership, social status, or inebriation.



Example: Banana

Bananas are bought for their (i) nutrition, (ii) convenience, and (iii) taste. Three distinct marketing plans tailored to consumers segments that priorities these benefits differently would be more effective than a single marketing plan.



Table 4.2. Marketing Bananas

Benefit Sought / Segment	Marketing Plan
Nutrition	Bananas are very nutritious, but not unique in this way. Therefore there are many banana substitutes for this segment and prices must be kept low. Freshness and organic status will appeal strongly to this segment.
Convenience	Location will be very important to this segment and they will pay a premium for location-based utility. This banana product-related segment is the focus of convenience stores that offer single bananas at a very high mark up.
Taste	The only thing that tastes like a banana is a banana. Therefore bananas are extremely differentiated to this segment with virtually no substitutes. For this reason the banana-taste seeking segment will be the least price sensitive segment of the three.

Fun Fact: It is an accepted fact in food marketing that bananas are the second funniest food.

Usage Rates

It is very common for food manufacturers to segment both retail and consumer markets based on how much they buy and use. Typically, markets are segmented based on usage rates into

- Heavy users
- Moderate users
- Light users
- Non-users

It has been observed throughout the social sciences that ordered distributions are highly skewed in a fairly regular way. This is called the Pareto Principle (or 80/20 Rule) and manifests itself on our context as



Pareto principle in marketing—80% of your sales will come from only 20% of your consumers.

That's right!

What does that mean for you and your bananas? It means you should spend a disproportionate amount of your effort on the 20% of your market that is bananas for bananas.

Pause to Reflect

In what ways do heavy users behave differently from other users?

Answer:

- *Buys more in response to discounts.*

This means they are more likely to stockpile products when they are on sale. For this reason, discounts towards heavy users should be avoided. Rather discounts should be reserved to induce light users to accelerate their consumption rates or for non-users to try the product.

- *Purchase large package sizes.*

Heavy users are not dabbling with your product: they plan on consuming it in the future. Plus, big package sizes will not unduly and inconveniently be space hogs in the pantry or fridge because they will be used up rapidly. Furthermore, your product accounts for a considerable amount of their food expenditures. For these reasons, heavy users will buy larger package sizes.

In fact, sometimes larger package sizes often provide a level of convenience to heavy users. That explains the counterintuitive observation that 10% of larger packaging sizes cost more on a per unit basis than smaller package sizes!



19.8 cents/oz



21.75 cents/oz

- Respond to ads showing heavy usage.
- Be different in some crucial way from light users.

Just what way is what you want to figure out by doing psychographic marketing research. This is your core consumer group. You better know what makes them tick so that you stay on message and attract more consumers into heavy usage by being more compelling.

Non-Users

Don't worry about them! Let me explain.

Suppose you conduct marketing research for StarKist. You're interested in the effect that the "dolphin safe" label will have on consumers' demand and willingness-to-pay for your canned and pouched tuna. The requirements needed to satisfy the third party label will increase your production costs by 10%. Therefore, in order to (financially) justify the required production practices allowing you to qualify for the label, consumers will need to be willing to pay 10% more for the tuna.

You conduct consumer interviews and find the following.

Table 4.3. Consumer Survey for Tuna

Usage Level / Segment	Change in Willingness-To-Pay (%)	Number of Respondents	% of Respondents	% of Users ^a	Average # Purchased (#/yr)	% of All Purchases
Heavy	5	26	8	17	55	?
Moderate	10	44	14	29	5	?
Light	30	80	25	53	2	?
Non-	60	166	53	0	0	?

^aBased on the number of respondents.

If you take the simple average of all respondents' change in willingness-to-pay, you get 43%. Hey! Looks like the Dolphin Safe label will be a really big hit! The increase in willingness-to-pay will offset the cost of changing harvesting practices. Progress!



Unfortunately, unless non-users are non-users *because* of concerns over dolphin welfare (unlikely), that 43% figure is very misleading. Non-users do not purchase tuna so they should be completely ignored in any marketing analysis. Recalculating the change in willingness-to-pay without including non-users gives a much more modest 21%.

Even this is misleading because heavy users buy a lot more than moderate and light users. The most important bottom line measurement of willingness-to-pay is on a per-unit-sold basis.

Let's collect some conclusions:

1. Non-users are not your customers...ignore them.
2. Light and moderate users should be lightly considered.
3. Heavy users make most of the purchases. Give them heavy consideration.

These conclusions are another way to say what I have been saying all along:

Focus on a narrow target

~ and ~

forget about the rest

Caveats

Non-users are of interest if you want to attract new consumers. This is a legitimate and often a necessary objective especially for new brands. After all, in the beginning there are *only* non-users. The point I was making above is that their concerns do not matter to you. They do not affect your bottom line. Do not consider them when making marketing decisions, unless your strategic goal is to attract them.

What food marketers have realized is that it is much more cost effective to increase demand from existing consumers than it is from converting non-users.

Look, light and moderate users like your product. Why aren't they heavy users? Who knows? But the difference between a regular user and a heavy user is a matter of degree. You can turn regular users into heavy users by better targeting them, more promotional activities, more ubiquitous distribution, or slight modifications to your product.

Non-users might not even know your product exists. Or be able to buy it easily. Or even worse, they may hate it. *How much money would it cost to get someone that doesn't like tuna to like tuna?* Don't try to find out!

Pause to Reflect

The relative ease of increasing demand from existing users versus non-users is particular to food products. What special aspects of food make this the case?

Answer:

Usage-variance and the high frequency of food shopping.

Taste and Usage Rates

Soldiers in war lose their appetites. This was a problem in World War II as their lack of appetite made them weaker and less fierce. The U.S. army contracted food and behavioral scientists to come up with ways to get soldiers to eat more.

The first approach was to make food more tasty. Unfortunately, fancy dishes with exciting and bold flavors did not work. It wasn't that the soldiers didn't like them. It was that they didn't like them *every day*.

This holds true for the general public. Bold, flavorful foods may be delicious, but after a few bites, the flavors become overpowering and off putting.

The takeaway: Don't expect very many heavy users of a foods with strong flavors.

Get me another one of those boring Cokes

Coca-Cola wanted to know why people liked Coke so much and consumed in such high quantities. So they hired the best food and taste scientists in the world to determine what makes Coke so popular. The findings were bittersweet: Coke provides balanced mouthfeel and flavors, and is *bland*.

Source: Pendergrast, M. (2013). *For God, Country, and Coca-Cola: The Definitive History of the Great American Soft Drink and the Company that Makes it*. Basic Books.]

Positioning Maps

One of the basic tools of food marketers is the

Positioning map—A spatial representation of different product attributes.

The product attributes used in a positioning map can be *virtually anything*. Commonly chosen attributes include

- Price
- Perceived Qualities
- Nutrition
- Sugar Content
- Sweetness
- Fat Content
- Preparation Time
- Spoilage Rate
- Saltiness

Example: Pasta Sauce

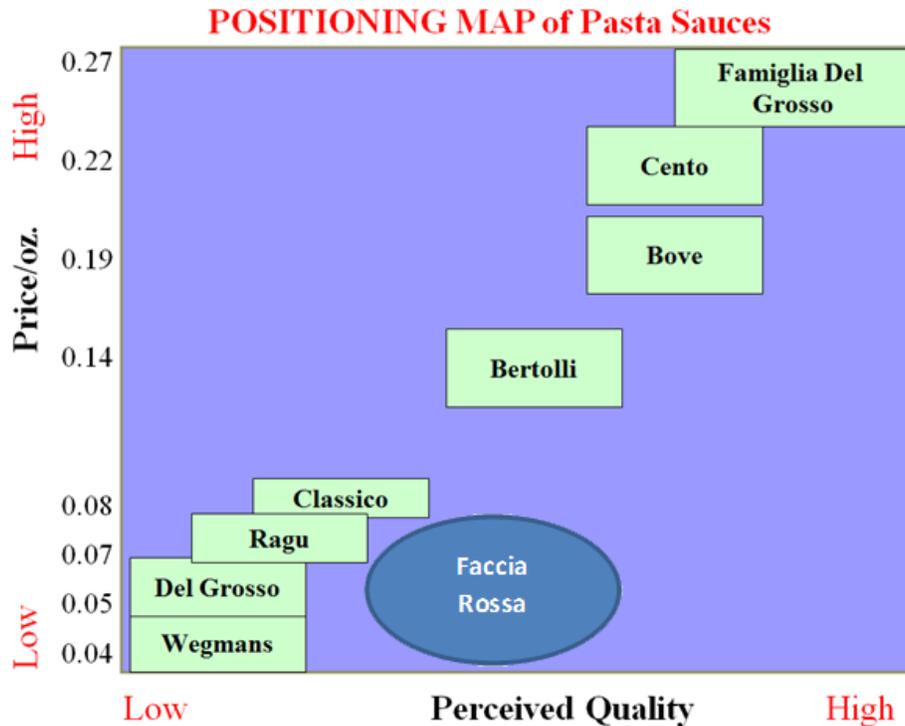
Consider the following price data for pasta sauce. This data can be combined with another product attribute (other than price) to graphically represent the *position* of related products. For example, survey data of consumer perceived quality may be collected and used to create a positioning map.



Table 4.4. Survey data for pasta sauce

Brand	Size	Flavor	Unit Price	Price/oz.
Del Grosso	24 oz.	Meat Flavored	\$1.29	\$0.05
Famiglia Del Grosso	26 oz.	Vodka	\$6.99	\$0.27
Wegmans	24 oz.	Chunky Marinara	\$0.99	\$0.04
Classico	24 oz.	Fire Roasted Tomato	\$1.99	\$0.08
Bertolli	24 oz.	Tomato Basil	\$3.27	\$0.14
Bove	26 oz.	Vodka	\$4.99	\$0.19
Ragu	24 oz.	Chunky Tomato	\$1.79	\$0.07
Cento	26 oz.	San Marzano	\$5.59	\$0.22

Figure 4.15. Positioning map of pasta sauces



The most striking aspect about this positioning map is that the products form a line that moves from low cost / low perceived quality to high cost / high perceived quality. This is exactly what you'd expect.

How is this useful?

Price and Perceived Quality

You may have an unusually depressed price as a penetration pricing strategy. That may be a good strategy if you are having difficulties getting consumers to try the product. But you run the risk of brand tarnishing. Also, consumers (often incorrectly) use price as a signal for quality. In fact, simply telling consumers that the product costs less will induce them to experience an inferior taste in taste tests. Conclusion: Don't sell your product short.

Positioning Maps Example

Suppose you have a new pasta sauce called *Faccia Rossa* (Italian for "red face"). You conduct consumer taste tests and interviews and determine that given your current market price, your product is in the position shown in the figure. *What does that tell you?* It tells you that your product is underpriced!

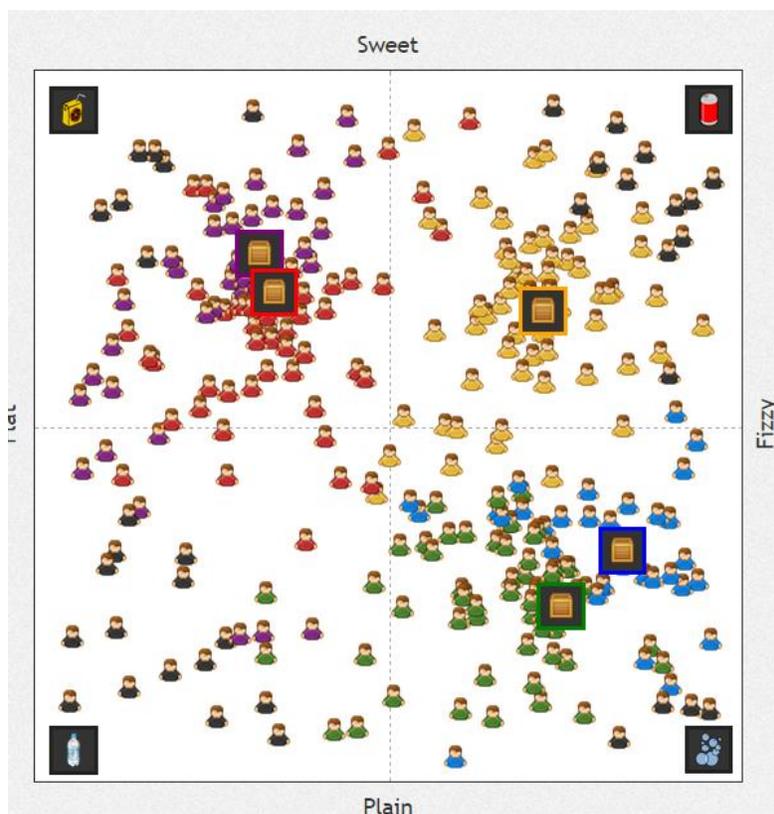
On the other hand, if you found your product on the other side of the trend line, and cannot lower your price without making a profit, pack your bags and go home: you have a dud of a product.

Positing maps can also be used to see if there are gaps in the market that represent marketing opportunities. For example, in the pasta sauce positioning map it appears there might be room for Faccia Rossa to compete with Bertolli in the medium price / medium perceived quality area.

There's only one problem with that inference: there is no indication of consumer demand in that picture. That can be remedied by obtaining consumer data and overlaying it on the positioning map.

For example, consider the following positioning map for soft drinks.

Figure 4.16. Positioning map for soft drinks



Source: From a marketing simulation at Pennsylvania State University

Firms (squares) compete for consumers (busts of people) by positing themselves in sweet-carbonation space. The quadrants going clockwise starting with the upper left are sweet-flat (e.g. Gatorade), sweet-fizzy (Coke), not sweet-fizzy (flavored carbonated water), not sweet-flat (bottled water). Consumer locations reflect their preferences. Their color indicates the closest product.

Pause to Reflect

Where is the best opportunity to enter the market in the above soft drink positioning map?

Answer:

Either (i) sweet-fizzy or (ii) not sweet-flat.

Why?

- (i) Has a firm already there, but the market is big and may be able to accommodate an entrant.
- (ii) Is unserved, but is a smaller market. Questionable whether or not the market can sustain a firm. Plus, would be competing with tap water—a product with a severe cost advantage.

Could consider locating in the middle of the figure, but that is a dangerous strategy because subsequent entrants could completely cut you off from consumers. In fact, first movers commonly made the mistake of positing themselves in the central location when playing the simulation against other student. Once again, do not make the mistake of trying to please all consumers. Other firms will move in and target clusters of segments better than you and you will be left with a product that is tolerable to all, but demanded by none.

Psychographic Segmentation

If only we could look under the hood and see the internal dynamics that drives the choices that consumers make. Needs are internal to the individual. They do not exist in data files containing demographic or geographic info. They are the result of the inner workings that make us unique individuals. Psychographic segments are groupings of individuals that have similar inner worlds.



Psychographic segmentation—The practice of dividing consumers into subgroups according to psychological characteristics, values, and lifestyle.

Lifestyle—People’s decisions about how to live their daily lives, including family, job, social, and consumer activities



Caption: Psychographic characteristics may be highly correlated with demographics or geography. That’s what makes segmenting in those ways useful. Segmenting by psychographic profile allows marketers to tailor plans to what consumers really care about.

Video 5.1. The Persuaders - Frontline

<http://www.pbs.org/wgbh/pages/frontline/video/flv/generic.html?s=frol02p74&continuous=1>

[See segment 4: “The Science of Selling”] (Time 18:03)

Consumer Profiles

The information obtained from psychographic and other data—such as demographic and geographic data—is often used to provide consumer profiles. These are rich personality constructs that are useful not only because they coherently organize data, but also because they lend themselves to inferences that are supported by the intuition about personality types that we have developed from lifetimes of interpersonal relationships and introspection.

Susie-types



Susie-types don’t have time to cook a meal but are hesitant to eat “fake” convenience food. They are high achievers, believe they are creative, and value social equity, and environmental stewardship, even if they can’t afford it.

Where will Susie shop? What will Susie buy?

Pause to Reflect

What types shop at Walmart?



What types shop at Whole Foods?



Psychographics and Brand Identities

Rich psychographic information is useful in developing company identities and brand personalities that resonate with their target markets. Brands that consumers identify with—especially with respect to their *ideal self*—are more effective than those that don't. Many brand's primary differentiating factor is their brand's personality. This is the case, for example, with many domestic beer brands.

Often, analysis of psychographic segments allows food marketers to identify under-served consumer groups. We saw this already with the introduction of Coke Zero. Despite there being products on the market that suited the *usage needs* of health conscious male consumers—e.g. Diet Coke—those products did not satisfy their *psychographic needs*. Namely, male “diet” soda drinkers did not identify with the word “diet” as they interpreted it as having an effeminate connotation. Furthermore, promotional materials did not reflect the male segment's *attitudes, interests, and opinions*. This further alienated male health conscious soda drinkers who had *unmet needs* that otherwise would have been met with diet soda. Attempts to accommodate male psychological needs would have compromised the product's appeal to the larger female target. With competitive brands such as Diet Pepsi being differentiated mainly on the basis of brand image, this would have resulted in precipitous loss of market share.

Brand appeal often erodes over time. This can be a vexing problem to a food marketer who can't understand why their market share is slipping despite sticking to a marketing plan that was the foundation of past successes. Often, the cause is the psychographic profile of the target has changed in subtle but profound ways. This lends itself to a particularly tricky form of *market myopia* with producers identifying with a passé brand image that satisfies a dwindling target market. The solution is to continuously (or at least periodically) monitoring of the target's psychographic profile and brand adjustments that keep it fresh and resonate.

The Evolving Bud Light Brand

Compare a 1981 Bud Light commercial

Video 5.2. 1981 Budweiser Light “Bike Race” Commercial

<http://www.youtube.com/watch?v=mzh2WNMZ5xk>

to one from 2013

Video 5.3. Bud Light NFL Quinoa HD

<https://www.youtube.com/watch?v=TobvW77tuwQ>

What can you infer about the psychographic segments targeted in the two time periods?

In 1981, Bud Light targeted middle aged and young men who strove for achievement. These men were willing to sacrifice some satisfaction from even approved Bacchic pleasures such as beer, in order to advance their sex lives, social lives, careers, and athletic prowess. Bud Light's brand personality was designed to reflect their target's ideal self.

In 2013, Bud Light targeted middle aged and young men who were irreverent, witty, less driven, and more likely to spend their weekends celebrating the achievements of others than striving for their own. Bud Light's brand personality evolved substantially from 1981 to resonate with this categorically different psychographic segment.

This target likely emerged as the most profitable segment as a result of an unanticipated product usage that is highly correlated to the psychography. Large quantities of light beer are more comfortably consumed than non-light beer.

See Miller Lite's "Great Taste, Less Filling" campaign:

Video 5.4. Miller Lite commercial 1987 - The story of "Tastes Great, Less Filling"

Link: <https://www.youtube.com/watch?v=argdPEmD9bI>

This makes light beer well suited for consumption over long time periods such as at parties and sporting events. Beer consumers in those settings have psychographic profiles distinct from those seeking health.

A Closer Look at Marketing "Healthy" Beer

There are other reasons why it may have made sense for Bud Light to change its brand identity.

First, as we will see shortly, it is generally a bad idea to accentuate health attributes in indulgence goods such as beer. This is because consumers believe—perhaps subconsciously—that there is a tradeoff between taste and healthfulness. In fact, simply highlighting beneficial health aspects often decreases consumer taste evaluations, and hurts sales.

Second, alcoholic beverages are not required to display a FDA regulated nutrition panel. This makes it virtually impossible for consumers to make calorie comparisons between light and regular beer. Thus differentiating attribute of light beer is obscure. One could argue that this has resulted in a market failure for "healthy beer," leaving the "less filling" market the only

remaining viable option. We will see later that regulation of information such as caloric content often benefits not only consumer but also producers.

Obtaining Psychographic Information

Psychographic data tends to be more expensive to obtain than other data that are useful for identifying target markets. Because of the large time commitment typically required of consumers participating in efforts to obtain psychographic data, consumers are compensated for their time.

Psychographic data tends to be more *qualitative* than *quantitative*. This means statistical analysis is insufficient to fully exploit the potential of psychographic data (although, statistical analysis remains useful). This is exasperated by often small sample sizes.

The next few pages outlines ways that food marketers obtain psychographic information, including

- Surveys
- Attitudes, Interests, and Opinion (AIO) Statements
- Focus Groups
- In-Depth Interviews

Surveys

Surveys may be issued to acquire psychographic information. Surveys should be constructed *very carefully* because it is costly to re-do surveys. Yet it is a rare for a marketing survey to be completed without the survey designers *not* regretting some survey design decision, be it the omission of a useful question, poor wording, inclusion of uninformative questions, or issuance to a suboptimal population. For this reason, it is advisable to first test a survey on a small sample using a pilot survey. Then the survey can be amended for a larger scale survey.

Survey Tips

1. *Do not suggest the answer in the question.* For example, “How much more organic produce do you plan to buy next year?” is a bad question because it suggests the potentially false premise that the consumer *is* going to purchase more organic produce. Furthermore, it suggests they *should* purchase more next year.
2. *Do not try to sell anything in your survey.* Similar to tip 1, you do not want to persuade your respondents in any way. This deserves special note because often novice food product marketers have a difficult time turning off the part of them that wants to convince the whole world that their product is great (this applies to marketing plans too). Avoid adjectives and other language that communicates or suggests the value of products or attributes (unless your intention is to test the effect of the language). For example, you would not want to ask, “Does Deli Select’s *easily* re-sealable packaging make the product *more attractive* to you than other deli meat products?”

3. *Do not ask useless questions.* Participants will supply a limited amount of time and effort to your questions. Every question should be useful to you. If one isn't, delete it and come up with another one. A useless question might be, "Do you want to eat a more healthy diet?" This is a bad question because almost everyone will say "yes." If you're interested in *how important* an improved diet is to your sample, be creative in eliciting that information. For example, a Likert scale can be used to quantify the level of interest. Alternatively, questions can be designed that make participants rank healthfulness relative to other attributes, or to reveal their willingness to pay for healthfulness.
4. *Your questions should serve a purpose.* Before you even write survey questions, first decide the purpose of the survey. Your survey should be designed to answer specific questions that *you* have about your sample. Consider the possible responses to your questions. If answers to the survey questions do not answer *your* questions, then your survey is not useful.
5. *Order your questions strategically.* Prior questions contaminate subsequent questions. If you're interested in views about soy protein isolate, don't start the survey with questions about *that*. Instead start with general questions such as, "Would you prefer your diet to contain more/less/the same of carbohydrates/fat/protein?" This way the general question will not be read through the lens of the specific questions.
6. *Your survey should be vanilla.* Avoid imbuing your survey with personality, judgment, slang, wordiness, superfluous information, or anything else that makes the participant wonder about the survey itself. You want the respondent to be looking inward, not trying to peer behind the curtain.
7. *Only your target matters.* If you have 100 respondents ($n = 100$) but only 40 report that they would "definitely" or "probably" purchase your product, do not use the other 60 respondents' answers when making marketing decisions. That 40 is your target market. For example, if you are creating a marketing plan for an energy drink, you would not want to dilute your brand image to appeal to the 60 respondents that are not going to purchase your product no matter what you do.
8. *Beware of selection bias.* Not all people are the same and shouldn't be treated the same when analyzing your survey data. For example, if 50% of your sample is college students but they comprise only 10% of your sample, your data will be biased towards your college student respondents' answers. To correct for this you may want to weight their responses by 1/5 so that their answers' weight is in proportion to their presence in the market. More easily, you could perform analysis for "college" and "not-college" separately.

Summary: Garbage in, garbage out. Do not be so cautious about designing a survey that you never actually conduct it. That said, a poorly designed survey will give you useless or even misleading results. The good news is thoughtfulness and common sense is usually enough to create useful surveys.

Selection Bias

Voluntary surveys all suffer from one type of pernicious bias: selection bias. Simply put, people that *choose* to participate in surveys are different from people that choose *not to* participate in surveys. Generally, participants tend to be more passionate and have a lower value of time. For this reason always report “Response Rates” so that readers can choose how big of a grain of salt they should use when interpreting your results. Of course, if the response rate is 100%, then the only source of selection bias is in how *you* selected participants.

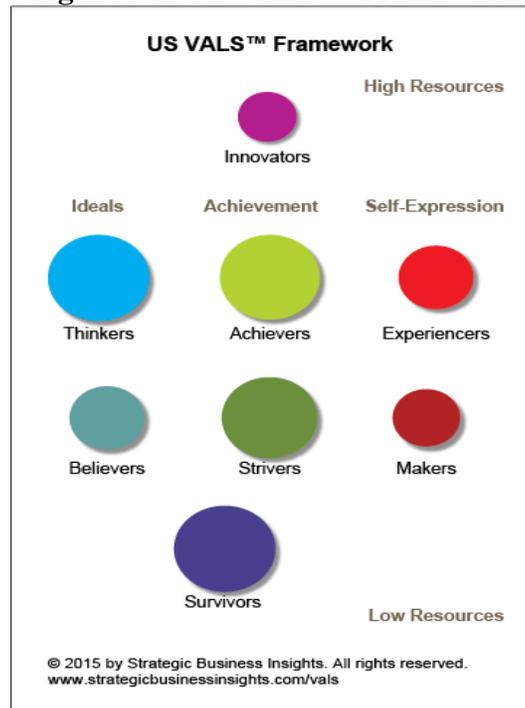
Problem with Surveys

Surveys are a(n) increasingly cost effective way to obtain psychographic and other consumer information. There is a major shortcoming with surveys, however. Because there is no repeated interaction between the market researcher and respondents, there is no opportunity for the market researcher to probe deeper pursuant of surprising or interesting responses. Some of the (more costly) techniques below do not have this shortcoming.

AIO Statements

Attitudes, Interests, and Opinion (AIO) Statements are surveys or interviews in which marketing scientists ask consumers of a product group a series of questions to elicit information regarding their activities, interests, and opinions. Patterns are sought to identify a target market to build marketing plans around. For established products, AIO Statements are used to fine-tune products and marketing plans to better match the psychography of the target.

Figure 5.1. US VALS™ Framework



The VALS (Values, Attitudes, and Lifestyles) system by the marketing firm Strategic Information Insights is a prominent example of an AIO Statement. The system relies on participants to complete a survey that is designed to elicit information useful to construct psychographic “typologies.” Since demographic and geographic information is correlated with consumer psychology, that information is used as well.

Figure 5.2. Characteristic Snapshots Emphasize Important Differences by VALS™

Characteristic Snapshots Emphasize Important Differences by VALS™

Ideals			Achievement		Self-Expression		
Innovators	Thinkers	Believers	Achievers	Strivers	Experiencers	Makers	Survivors
Are confident enough to experiment	Plan, research, consider before acting	Believe in right/wrong for a good life	Have a me-first, my-family-first attitude	Are the center of street culture	Go against the current mainstream	Are distrustful of government	Are cautious and risk averse
Are information ready	Are the old guard	Want friendly communities	Are fully scheduled	Live in the moment	Want everything	Believe in sharp gender roles	Are oldest
Are future oriented	Enjoy historical perspective	Not looking to change society	Are peer conscious	Wear their wealth	Are spontaneous	Protect what they think they own	Spend most of their time alone
Are receptive to new ideas and technologies	Have “ought” and “should” benchmarks for social conduct	Have no tolerance for ambiguity	Are anchors of the status quo	Desire to better their lives; have difficulty in doing so	Have a heightened sense of visual stimulation	Have strong mechanical and automotive interests	Take comfort in routine and the familiar
Enjoy problem-solving challenges	Use technology in functional ways	Have strong me-too fashion attitudes	Believe money is the source of authority	Experience revolving employment	Introduce new sayings	Have strong outdoor interests	Are loyal to brands and products
Are self-directed consumers	Are not influenced by what’s hot	Watch TV; read romance novels	Are committed to family and job	Are fun loving	See themselves as very sociable	Are not concerned with being fashionable	Are least likely to use the internet
Are skeptical about advertising	Follow traditional intellectual pursuits	Find advertising a legitimate information source	Value tech that provides a productivity boost	Use video and video games as a form of fantasy	Are first in, first out of trend adoption	May be perceived as anti-intellectual	Are heavy TV viewers

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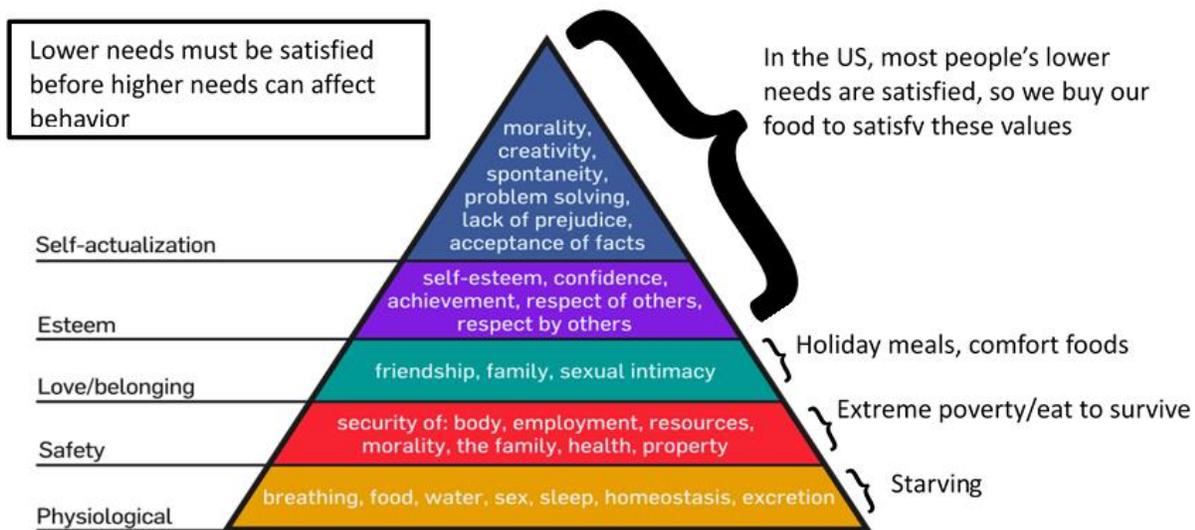
Income and Psychography

VALS put heavy emphasis on income (i.e. “resources”). This is for good reason. As a person’s income increases, their more basic needs get taken care of and they seek satisfaction of higher level needs. This is consistent with Maslow’s Hierarchy of Needs framework.

Destitute consumers struggle to consume adequate nutrition. Thus their primary concerns are physiological. As incomes increase, consumers are able to use discretionary income to pay for food attributes that are not necessary. These foods tend to be comfort foods and standard treats that provide a sense of security, or foods that have cultural or familial significance. As incomes rise further, consumers begin to focus their attention to food products that differentiate themselves with respect ethics and other “more distant” concerns.

This provides a basis for understanding why some foods are luxuries while others are not. High energy density foods (foods with a lot of calories, little bulk, and few nutrients) tend to be less expensive than low density foods both in terms of volume and calories. Therefore destitute consumers purchase them. Consumers tend to concern themselves with ethical dimensions of food only once baser needs are met. This is why products such as organic and fair trade are luxury goods.

Figure 5.3. Maslow's Hierarchy of Needs and Food



Focus Groups and In-Depth Interviews

Focus Groups

Focus groups are used to elicit the opinions of prospective targets through conversations and interactions with trained marketing professionals. The idea is to create a comfortable setting conducive to introspection in which a small number of participants provide insight into their relationship with products. These relationships include behaviors, attitudes, interests, and opinions.

In-Depth Interviews

Data of market behavior does little to tell you the process by which consumers make their decisions. To fully understand those hidden mechanisms, in-depth interviews are required. These are similar to focus groups only the market researcher interacts with only one consumer at a time. This eliminates the possibility of groupthink wherein participants influence each other. The downside is it is much more costly to interact with each participant one at a time.

Next we will consider a particular kind of in-depth interview.

Laddering Interviews and Mental Maps

Laddering interviews are a technique used for conducting in-depth interviews in food marketing. The aim of laddering interviews is to understand the “true” reasons consumers purchase a particular product. The interviewer asks a series of simple, non-suggestive, open-ended questions with the intention of peeling back the subconscious reasons that compel the consumer to ultimate purchase and use a food product.

None of this would make much sense if you think people like rice because it’s “rice.” The underlying assumption of laddering interviews is that consumers’ motives are hierarchical.



When consumers are asked why they purchase a product, they will typically respond with *attributes* that are physical characteristics. For example, a consumer may say they eat tofu because of its protein content. Obviously, people care about protein. “Protein” is a perfectly good reason and should be noted. But protein is a proximate motivator of tofu consumption, not an ultimate motivator.

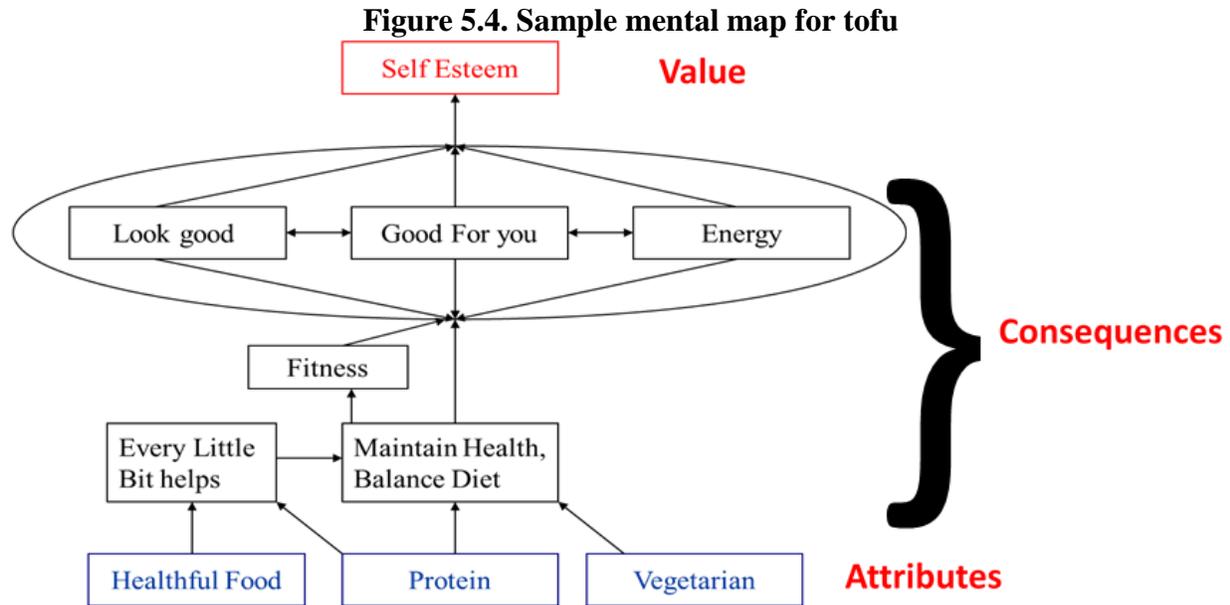
To go deeper you simply ask, “Why is protein consumption important to you?” The answer might be to “maintain health.” Already you see that asking a follow-up question has provided some insight. The consumer does not want protein because they want to be a muscle builder. You now know a *consequence* of the attribute “protein” that motivates the consumer to purchase tofu. Hey, if it worked once, maybe it will work again: ask another question. Instead of interpreting this information in terms of your preferences and biases—health maintenance to you may mean longevity so you can see your kids experience life—you ask, “Why is health maintenance important to you?” They answer because they want to live an “energetic” life. This is another consequence of protein.

Don’t stop there! And don’t start projecting yourself onto their responses! Ask them why living life full of energy matter to them. You may find out that they feel better about themselves when they have the energy to take care of their responsibilities and experience life to its fullest. You have arrived at an ultimate *value* that motivates their purchases of tofu: self-esteem. This is a deep need that the consumer satisfies with tofu.

Constructing a Mental Map

Now you can construct a *mental map* of the attributes, consequences, and values for one consumer. But $n = 1$ is not a big sample. Maybe you interviewed a strange nut. So you conduct

laddering interviews on other consumers that champion your product. Because people are unique and heterogeneous, you get different answers. From the first interview and subsequent interviews you are able to see general re-occurring patterns. You superimpose these patterns—disregarding some odd ball patterns—to construct the following composite mental map.



With large enough sample sizes patterns may emerge that do not overlap with others. When this occurs you have found additional psychographic segments that champion your product. For example, the following mental map for tofu consumers represents a different consumer profile from that depicted in the first mental map.

How are they different? Even without having demographic data for these two psychographic segments it is easy to infer other information to construct richer consumer profiles.

The first psychographic segment consumes tofu primarily for bodily and mental well-being. That is to say, they are a *health-oriented* segment that consumes tofu as a means to an end. They seem likely to exercise regularly and struggle with body image. They likely watch a below average amount of TV, preferring instead an active lifestyle.

The second psychographic segment may value the healthfulness of tofu, but is likely more *taste oriented*. This is supported by the emphasis on how it is used in cuisine: easy to use, familiar, and allows for creative cooking. They probably are more likely to be cooks and involved in household food decisions. Ultimately this segment consumes tofu to fulfill more social needs as they serve others.

Note that while both segments use tofu as a means to deeper ends, this second segment values the tofu-ness of tofu more than the first psychographic segment. Many foods provide dietary protein, but tofu is a unique ingredient in recipes that is not easily mimicked by other foods. There is no escaping it: if you want tofu, tofu is your only option.

Figure 5.5.

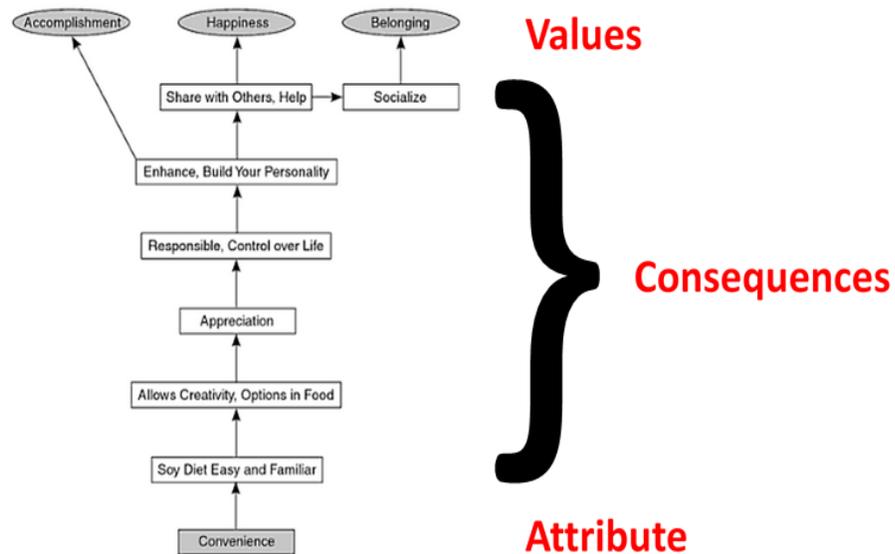


Figure 5.3. Convenience-happiness chain.

Beer Psychographic Information

Beer marketers administered AIO statements to domestic beer consumers to identify psychographic segments. Responses to survey questions formed clusters. That is to say responses to some questions were highly correlated. This allowed marketing scientists to identify the following four psychographic segments. You will surely recognize these beer drinking types in beer commercials you have seen throughout your lifetime.

Impulse drinkers

Agreed with

- "I am not very good at saving money"

Disagreed with

- "I like to work on community projects"
- "I find myself checking prices even for small items"

Macho male

Agreed with

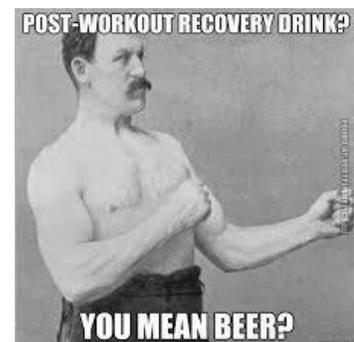
- “Beer is a real man’s drink”
- “Playboy is one of my favorite magazines”
- “I am girl watcher”
- “Men should not do the dishes”
- “Men are smarter than women”



Sports/Physical Orientation

Agreed with

- “I would like to be a pro football player”
- “I like bowling”
- “I would do better than average in a fist fight”
- “I prefer a good western on TV than a sitcom”



Party Animal

Agreed with

- “I like to play poker”
- “I like to take chances”
- “I would much rather go to a party than spend a quiet evening at home.”



Putting It All Together

We have explored multiple ways to segment a market. We treated each of the ways independently strictly for pedagogic reasons. In reality, any combination of demographics, geographic, psychographic, or product-related information may be used to construct useful consumer segments that can be targeted.



Market Segmentation Process

1. *Develop a relevant profile for each segment*

Perform in-depth analysis that helps you accurately match buyers’ needs with your firm’s offerings.

2. *Forecast market potential*

Sets upper limit on potential demand and maximum sales potential.

3. *Forecast probable market share*

Comes from analysis of competitors' market position and development of marketing strategy.

4. *Select specific market segments*

Use demand forecasts and cost projections to determine return on investment from each segment.

Assesses non-financial factors such as a firm's ability to launch a product.

How to Identify the Target for a New Product

So far it seems so simple. Just collect some data and group people together. Position your product where there are gaps and there is a sufficient number of consumers.

The problem is obtaining relevant data may be very expensive especially when psychographics and product usage is involved. And we've argued—hopefully convincingly—that ultimately those are the consumer characteristics that reflect the needs that drive their purchasing behavior. In other words, demographics and geography may provide relatively inexpensive insights, but ultimately they provide only rough hints.

Even when you have seemingly ideal psychographic and product relation data, it's still not easy. The following examples illustrate the use of psychographic and product related consumer data to create consumer segments and unearth rather surprising results of critical operational significance. In both cases, the most important segments will be between health- and taste-motivated consumers.

Getting People to Eat White Ooze

Despite being introduced in the U.S. by Danone in 1942, yogurt was not widely consumed in the 1970s. At that time yogurt was widely considered novel and exotic, but healthful. In 1978, 7.8% of the population consumed 75% of yogurt indicating that it was not a widely consumed food product like it is today.



Marketing research indicated that yogurt consumers were primarily nutrition-motivated. As a result, yogurt marketers abided by common sense and targeted nutrition-motivated consumers since nutrition and health were the benefits being sought.



Common sense was wrong. While it was true that the nutritional profile of yogurt was attractive to nutrition-motivated consumers, and nutrition-motivated consumers were the primary consumers of yogurt, closer analysis suggested that the unique tastes texture of yogurt should be accentuated in marketing efforts.

Why? What are people more likely to say?

You should try this yogurt. It's so healthy.

OR

You should try this yogurt. It tastes so good.

For this reason, taste-motivated consumers were more likely to influence similarly predisposed but uninitiated people through powerful word-of-mouth endorsements. Furthermore, people that consume yogurt for the unique yogurt-ness of the product would find few substitutes (cottage cheese?). This was a profitable advantage over targeting nutrition-motivated consumers who could easily find substitute products of comparable nutritional profile such as milk.

Yogurt remains unique, but is no longer exotic today. Seventy-five percent of Americans eat yogurt with annual sales of \$4.4 billion, and consumption of 12.8 lbs./person/yr. Countries with similar cultures, cuisines, and demographics such as Canada (22.2 lbs./person/yr.) and many European countries consume much more than Americans (some > 60 lbs./person/yr.), thereby suggesting plenty of room. Market growth is high and expected to continue as yogurt continues to be used in cuisine in novel ways that Americans would not have considered in the 1970s when it was seen as a nutritional food with merely tolerable taste and texture.

Despite all this, yogurt remains a food that is considered a nutritious food. Although, over the years, it has been candy-ified as fat has been removed and large amounts of sugar have been added to compensate. Scientific evidence that the bacteria in yogurt contributes to healthful intestinal microbiota that promotes autoimmune and digestive health has strengthened the nutritional profile of yogurt. But it is the Greek yogurt varieties that celebrate the creamy texture and taste that is the biggest driver of current growth.

Takeaway

Yogurt could never have gained its prominent place in American food markets without well-focused marketing efforts towards targeting taste-motivated consumers.

Getting People to Eat Spongy Cubes

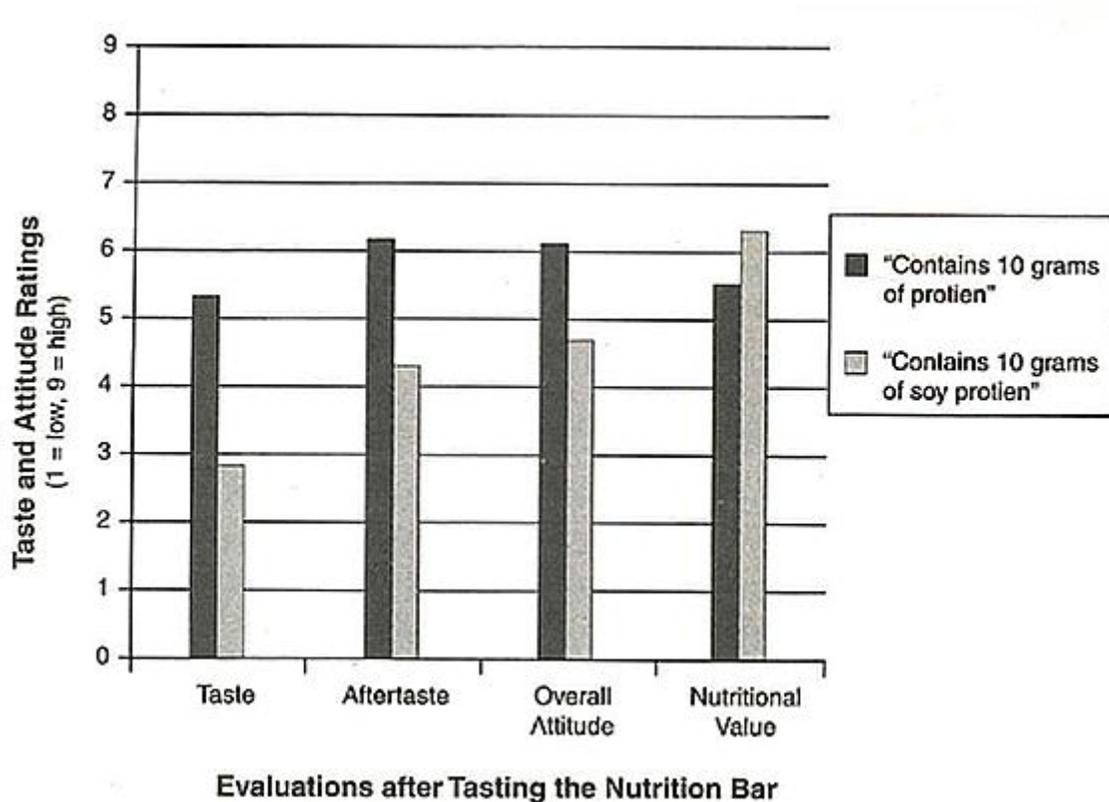
Soy products, such as tofu, are in a similar situation as yogurt was in in the 1970s. They're perceived to be novel and exotic, but healthful; are consumed primarily by health-motivated consumers; and have penetrated only a small share of the market with vast amounts of growth potential.



How closely is soy tied to its nutritional profile in the minds of Americans? The belief that a food contains soy (even if it doesn't) causes non-vegetarian Americans to rate the product as “grainy,” “chalky,” “dry,” “unappealing,” but also “tasting healthy.”

How should soy products be marketed? That's a marketing research question.

Figure 5.6. Soy labels' effects on taste evaluations and perceptions of nutritional value



Source: Wansink, B. (2005). Marketing nutrition: Soy, functional foods, biotechnology, and obesity. University of Illinois Press.

Laddering Interview Results

Participants were paid \$20 to give laddering interviews. The purpose of the interviews was to uncover the deep values that motivate moderate and heavy soy users to regularly purchase and consume soy products. The general characteristics that make soy consumers different from non-soy consumers were of interest as well. The results are shown below.

Figure 5.7. Convenience-happiness chain for soy

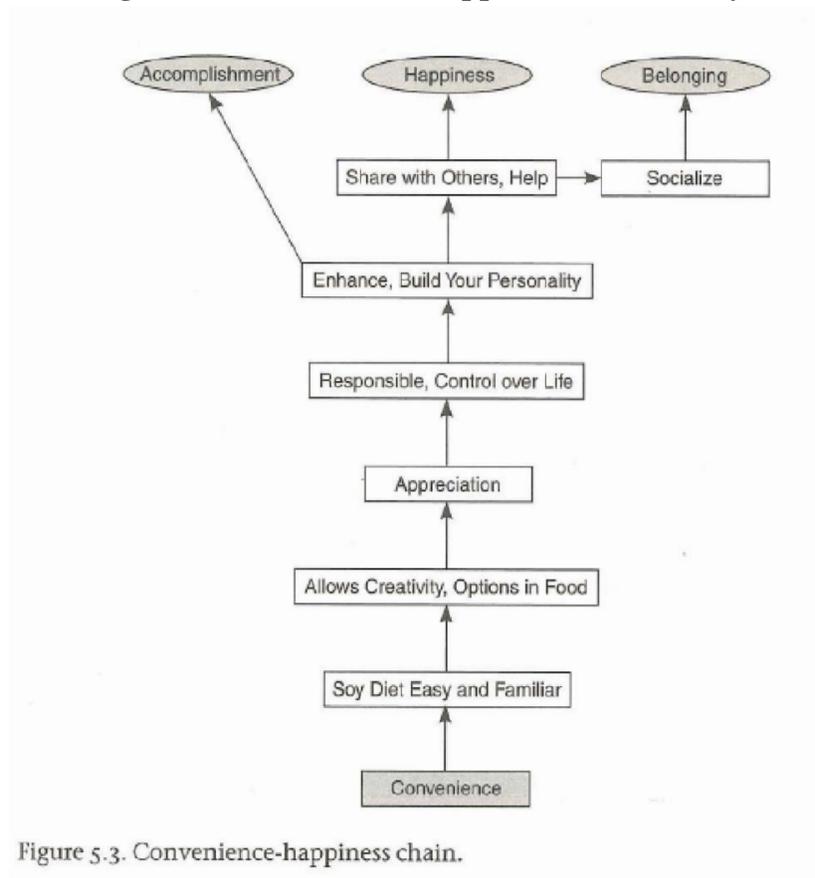


Figure 5.3. Convenience-happiness chain.

Figure 5.8. Health food-self-esteem chain for soy

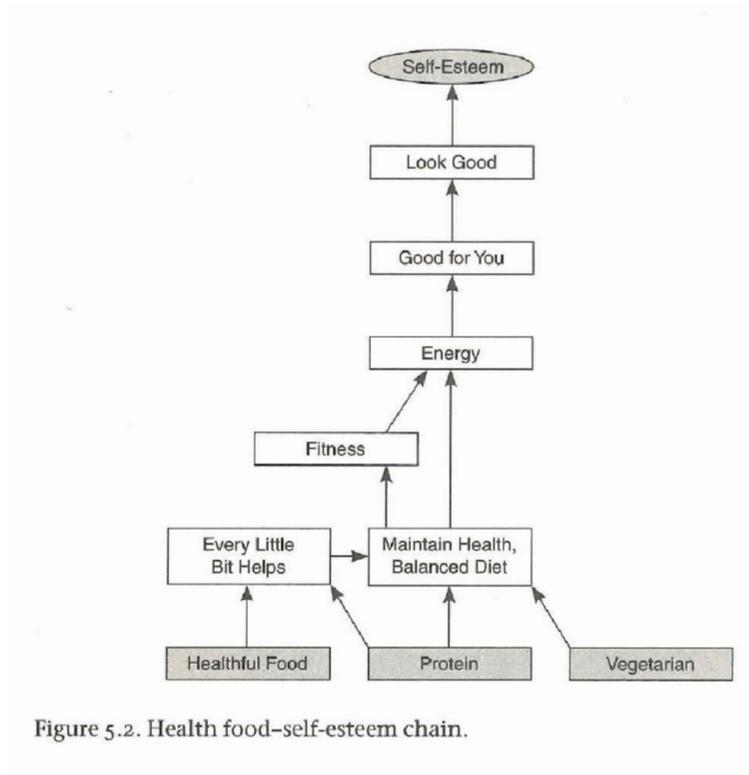


Figure 5.2. Health food-self-esteem chain.

Figure 5.9. Cost-happiness chain for soy

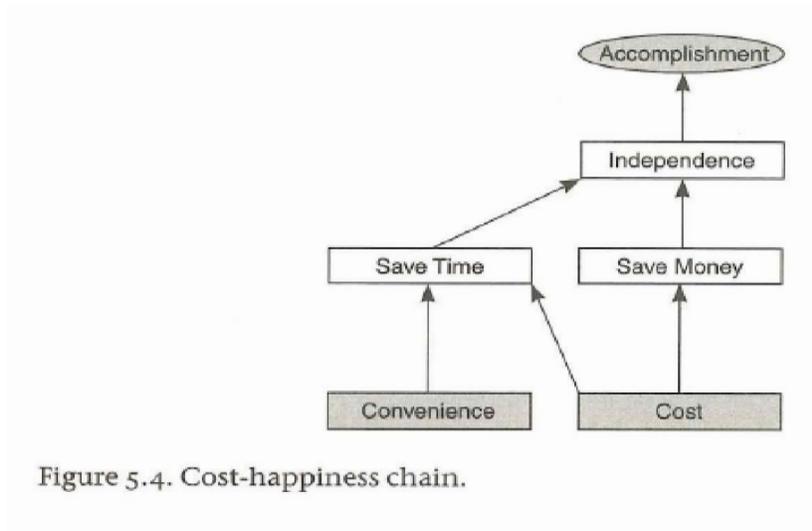


Figure 5.4. Cost-happiness chain.

Source: Wansink, B. (2005). Marketing nutrition: Soy, functional foods, biotechnology, and obesity. University of Illinois Press.

Taste- versus Health-Motivated Segments

The marketing researchers then looked at why infrequent consumers of soy products became frequent consumers. They found that the answer was either for taste or for health. That led them to investigate the characteristics of these two segments separately.

One important finding was that taste-motivated consumers would become frequent soy consumers *even if soy was not good for them*. This is of crucial importance because it suggests they are likely to be long-term consumers since they see soy as an end in itself (pleasure) instead of a means to an end (health) with many substitutes. In other words, the repeat purchasing rate of new taste-motivated soy consumers is likely to be higher than the repeat purchase rate of health-motivated soy consumers, *ceteris paribus*. That is to say, if it costs the same to get consumers that have the same traits as those in the taste-motivated soy consuming segment as it does to get consumers that have the same traits as those in the health-motivated soy consuming segment, taste-motivated consumers should be targeted since they will provide the greatest return per marketing dollar invested.

A survey was conducted to get more information about differences between taste- and health-motivated soy consuming segments as well as non-soy consumers. Surveys were sent through the mail in the U.S. and Canada. The 606 respondents who mailed back their answers received \$6 in compensation. Consumers were asked to describe their food behavior and provide rate their personality traits on a 9 point Likert scale. In the final analysis, consumers were categorized by whether they ate soy foods for health reasons (23%), taste reason (8%), or they did not eat soy (69%). See the Table for results.

Taste-motivated soy consumers were significantly different from health-motivated soy consumers. They were much more likely to be or live with great cooks, appreciate fine food, be adventurous, and be an opinion leader among their peers. They were even less like non-soy consumers with respect to these traits.

These data suggest two important hypotheses:

- Taste-motivated soy consumers are more likely to try new foods; and
- Taste-motivated soy consumers influences others' food choices.

These two facts (in conjunction to previously made arguments) suggest that targeting taste-motivated consumers will be more effective than targeting health-motivated consumers.

First, taste-motivated consumers will be more willing to try new foods since they appreciate fine dining, are cooks, and adventurous.

Second, taste-motivated consumers are more likely to be long-term consumers of soy products since there are fewer soy taste substitutes than soy nutrition substitutes.

Third, taste-motivated consumers are likely to get their peers and family to consume soy products since they choose foods for others (are cooks), will be better able to make soy delicious (great cooks and appreciate fine foods), and convince others to consume soy (opinion leaders).

In sum, potential taste-motivated soy consumers are: cheaper to attract, cheaper to retain, and convince others to become soy consumers.

Table 5.2. Taste and Behavior Profiles Associated with Soy Consumers

TASTE AND BEHAVIOR PROFILES ASSOCIATED WITH SOY CONSUMERS			
9-Point Likert Scale: 1=strongly disagree... 9=strongly agree	<i>Soy consumer segments</i>		
	Non-consuming segment (n=410)	Health-motivated segment (n=141)	Taste-motivated segment (n=55)
I live with (or am) a great cook	2.3	5.8	7.2
I am traditional	5.3	4.2	3.1
I appreciate fine food	3.8	6.3	7.8
In general, I am an adventurous person	4.1	4.6	5.8
I believe that I eat healthier than most	4.1	8.3	5.9
I am an opinion-leader among my peers	3.4	5.8	6.7

Source: Wansink B., and R. Westgren (2003), *Appetite*, Vol. 41, Issue 3, pg 325

Taste-Motivated Profiles and the Four P's

Next, 50 taste-motivated soy lovers who cook with soy products regularly were interviewed in-depth. Each participant was paid \$40.

Cooks were chosen because they are the food gatekeepers who make food choices for others. Therefore, they disproportionately influence the eating habits of friends and family. Furthermore, their cooking talent increases the likelihood the uninitiated accepting the unfamiliar soy products.

Taste-motivated users were chosen because they are more likely to be

- try new things
- use the product over the long-term
- opinion leaders

Four general profiles emerged. See the Table.

Two of the profiles turned out to be ultimately health-motivated despite the researchers intending to only interview taste-motivated consumers.

Table 5.3. Taste- and Health-Motivated Profile Types

Taste-Motivated Cooks	Health-Motivated Cooks
Creative	Carpe Diem
Ethical	Achiever

The profiles represent different personalities distinguished by their

1. Psychography
2. Usage
3. Demographics

While each of these profiles is distinct from the others, note that they are very similar. Most notably, all are female. Two of them are college students. Despite the Carpe Diem cook being health-motivated and the Ethical cook being taste-motivated, they are very similar. In fact, it is not hard to imagine the former profile being the same as the latter, only at a different stage of their life-cycle. Carpe Diem cooks are older with kids and therefore have more health and practical day-by-day concerns.

Finally, from these rich profiles, soy marketers are able to choose the four Ps with a high degree of effectiveness that focuses on these narrow profile targets.

Table 5.4. Taste- and Health-Motivated Profiles

	Creative Cook (Taste-motivated)	Ethical Cook (Taste-motivated)	Carpe Diem Cook (Health-motivated)	Achiever Cook (Health-motivated)
Background (typically)	Female college student	Female vegetarian	Female, mid 30s active	Female college student
Needs	Taste, versatile, health content	Protein variety in diet	Be healthy & have energy	Health & convenience
Self-perception	Creative, achiever, artistic	Introspective, thoughtful	Thin, very informed	Responsible, reliable, educated
Social life	Well-rounded	Not very social, few close friends	Little free time, spent with kids	Many friends, close with family
Other people's opinion	////	Not concerned; wants to convince others	Not very concerned	Not concerned; wants to impress family
Hobbies	Cooking, arts, reading, nature	Outdoors, close to nature	Learn new things, outdoors	////
Goals	Degree, feel good about self	Lofty goals, subjective	Interesting life, care for family	////
Product	Firm texture; versatile & variety	Protein and variety; meat substitute	Low fat, versatile, variety, convenient; child-friendly (esp. packaging)	Easy to use; large quantities; re-sealable; prep guidelines
Promotion	Show creative cooking; healthful/natural image; cooking books; healthful/natural image	Healthful/natural image; health mags; use 3 rd party e.g. Drs.	Direct sampling /communication on health; family/ convenience benefits	Show healthy people socializing & health benefits
Price	Insensitive; will pay high a premium	Will pay a premium, but not too high b/c doesn't "buy" image	Must be good value, but will pay a moderate price	Must be good value; will pay a lot more for convenience
Place	Supermarkets, Gourmet/health stores; college towns	Health/ethnic specialty stores, co-ops, supermarkets; meat section	Supermarkets, traditional grocery stores	Soy snacks near cereal bars (they use soy to "cancel out" junk food); college towns

Source: Adapted from Wansink, B. (2005), *Marketing Nutrition—Soy, Functional Foods, Biotechnology, and Obesity*, Champaign: University of Illinois Press.

Lessons from Yogurt and Soy: Conclusions on Marketing Novel, Healthful Foods

Do Not Punt on Taste

Excessively emphasizing the healthfulness of foods at the exclusion of accentuating their taste and other hedonic pleasures will dictate the benefits sought from consumers. If consumers are consuming your product for health, don't expect them to stick with it for long or become evangelical about it.

Perhaps most damning, marketing your healthful food as if it is a vitamin will *make* your food taste like a vitamin.

Target Gatekeepers

Some people dramatically influence other people's food choices. If you have a product with a high degree of consumer elusivity—reluctance to try your product—gatekeepers are effective targets that multiply your efforts by getting non-consumers to try your product. Examples of food gatekeepers include household cooks and cafeteria managers. Targeting these groups has the benefits of a social network segmentation strategy.

Do In-Depth Marketing Research

There is no way you could have predicted everything we learned from the marketing research on soy and yogurt. Yeah, most of the findings jibe with your intuition. You probably had a rough idea of who consumes soy in the U.S. Not the 40 year old men that like NASCAR! But there was no way you could have anticipated that you should market those healthful foods to taste-motivated consumers.

Target Repeat Purchasers

What would you rather have: 1 repeat purchaser or 20 one-offs? That depends on how many times the repeater repeats, but it is not hard to imagine a lifetime repeater purchasing your product 100 times.

Focus on consumers that will repeat purchase. Courting one-offs is generally unprofitable. In any event, it's less profitable than courting those are actually going to like your product.



- Gate-Keeper or Opinion Leader**
- Follow**

Marketing Nutrition for Policy and Non-Profits

Historically, policy makers’ efforts towards getting the U.S. population to eat more healthful have failed miserably. This is because their approach has been to, “Just tell them that it’s healthy.” *This does not work.*

Let’s add that to our list of lessons: *Don’t Just Tell ‘em “It’s Good For You”*

In recent years, policy makers and have begun using the techniques we have learned from yogurt and soy, and other techniques from food marketing science. While most of you are probably in this program with the intention of entering private industry, there are employment opportunities for you in the public sector as well.

Got Milk?

The following is based on “Got Milk? Marketing by Association” by Jeff Manning in the July 2006 Associations Now.

In 1980 per capita consumption of milk in California was 29 gallons; in 1993, 23.

When Jeff Manning took over the California Milk Processing Board (CMPB), he brought the thorough analytical approach that characterizes the cutting edge of food marketing. But first, he had to end all the useless “It’s Good For You” campaigns.

Here’s the 1992 “Milk, It does the body good” commercial:

Video 5.5. Mile Boy in A Mirror Ad from 1992

<https://www.youtube.com/watch?v=0G6JymgFusw>

“A global review of milk marketing revealed a stunning finding: Every branded and generic campaign was based on a “good-for-you” strategy aimed at improving consumer attitudes. The problem? Some 96 percent of U.S. consumers already believed that milk was healthy; more than half said that they should drink more; and all the “good-for-you” stuff hadn’t increased sales.

“Obviously, we needed a campaign founded on an entirely different strategic platform. Toward that end, we recognized that milk (unlike sodas, bottled water, and sports drinks) is seldom consumed as a standalone beverage. More than 90 percent of all milk occasions are with food, especially “codependent food” such as cookies, brownies, peanut butter and jelly sandwiches, chocolate flavorings, and, of course, cold cereal. (In fact, 25 percent of all milk is consumed from a bowl.) Most important, though, was that the only time people care passionately about milk is when they run out--that common, terrible situation when they pour the cereal, slice the banana, and then find that the carton has been returned to the fridge empty. Got Milk? was born.” - Jeff Manning

The solution was based on consumers’ usage-relation to milk and the needs it satisfies as a comforting and dependable staple. Instead of talking about unappetizing and already known attributes such as calcium in their ads, the CMPB depicted consumers struggling with mouths of peanut butter (see the next two videos).

Video 5.6. Original “got milk?” commercial - Who shot Alexander Hamilton?

<https://www.youtube.com/watch?v=OLSs5wr6z9Y>

Video 5.7. Top 10 Got Milk? Commercials

<https://www.youtube.com/watch?v=0PAj5X4oYro>

Jeff Manning explained why this new approach was so successful:

- “1. The premise is true. It reflects the way people actually consume milk.*
- 2. It was a radical departure from everything that had been done before and was incredibly newsworthy.*
- 3. It led to smart, humorous advertising that people coveted.*
- 4. Milk-deprivation was inclusive. Running out of milk was just as aggravating for an 80-year-old man as it was for an eight-year-old kid.*
- 5. It was intensely competitive. You simply could not dunk your Oreos in Coke or Snapple.*

Every company, every brand, every organization, every association should fight for this type of differentiating competitive strategy.” (Manning, 2006)