



RAMA UNIVERSITY

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E-Content BBA402- Marketing Management

Lecture 4- Segmentation and targeting, Marketing Mix

Prepared by:- Mr. Raj Kumar, Assistant Professor, Faculty of commerce and management, Rama University Kanpur

Segmentation and Targeting

- **Segmentation** is the process of dividing potential customers into groups to better understand them
- **Targeting** is determining which segments are most likely to become customers and directing marketing efforts to best satisfy them



Professional tennis players are a specific segment of the market.

Five Criteria for a Market

1. There must be a true need and/or want for the product, service, or idea; this need may be recognized, unrecognized, or latent
2. The person/organization must have the ability to pay for the product via means acceptable to the marketer
3. The person/organization must be willing to buy the product
4. The person/organization must have the authority to buy the product
5. The total number of people/organizations meeting the previous criteria must be large enough to be profitable for the marketer

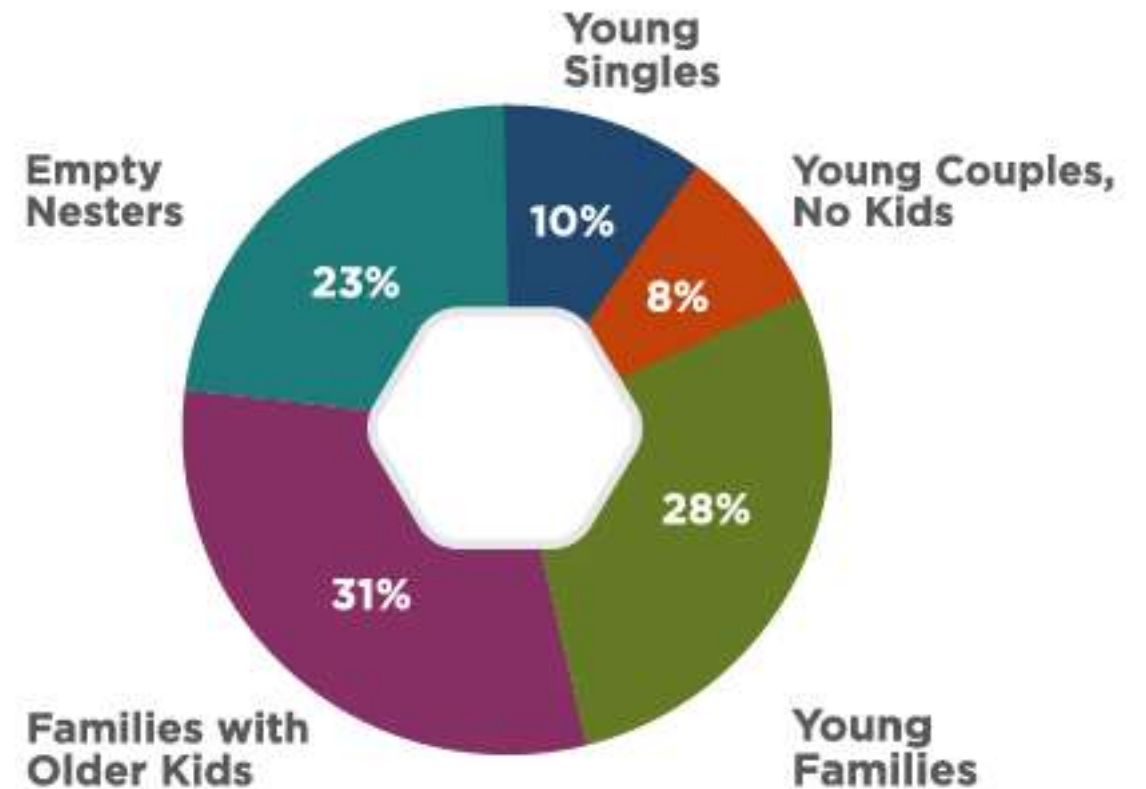
Objectives of Segmentation

- To improve an organization's understanding of who their prospective customers are and how to serve them
- To reduce risk in deciding where, when, how, and to whom a product, service, or brand will be marketed
- To increase marketing efficiency by directing effort toward designated segment(s) in ways that are consistent with that segment's characteristics

Practice Question

What products or companies would find this market segmentation by family life stage useful?

**SAMPLE MARKET SEGMENTATION:
FAMILY LIFE STAGE**



Choosing a Target Market

The target market should include only those segments of a market that are both:

- Profitable to serve
- Likely to be receptive to the products a company provides

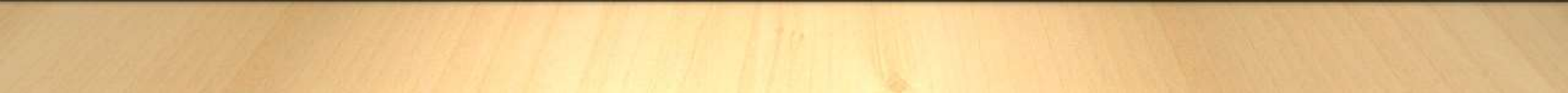


Common Market Segmentation Approaches

Type of Approach	Segmentation Criteria
Geographic	Nations, states, regions, cities, neighborhoods, zip codes, etc.
Demographic	Age, gender, family size, income, occupation, education, religion, ethnicity, and nationality
Psychographic	Lifestyle, personality, attitudes, and social class
Behavioral	User status, purchase occasion, loyalty, readiness to buy
Decision maker	Decision-making role (purchaser, influencer, etc.)



Common Business Segmentation Approaches

- Organization size: by revenue, number of employees, geographic reach, etc.
 - Geography
 - Industry
 - User status: usage frequency, volume used, loyalty, longevity, products already in use, readiness to buy, etc.
 - Benefits sought
 - End use
 - Purchasing approaches
- 

Combining Bases for Segmentation

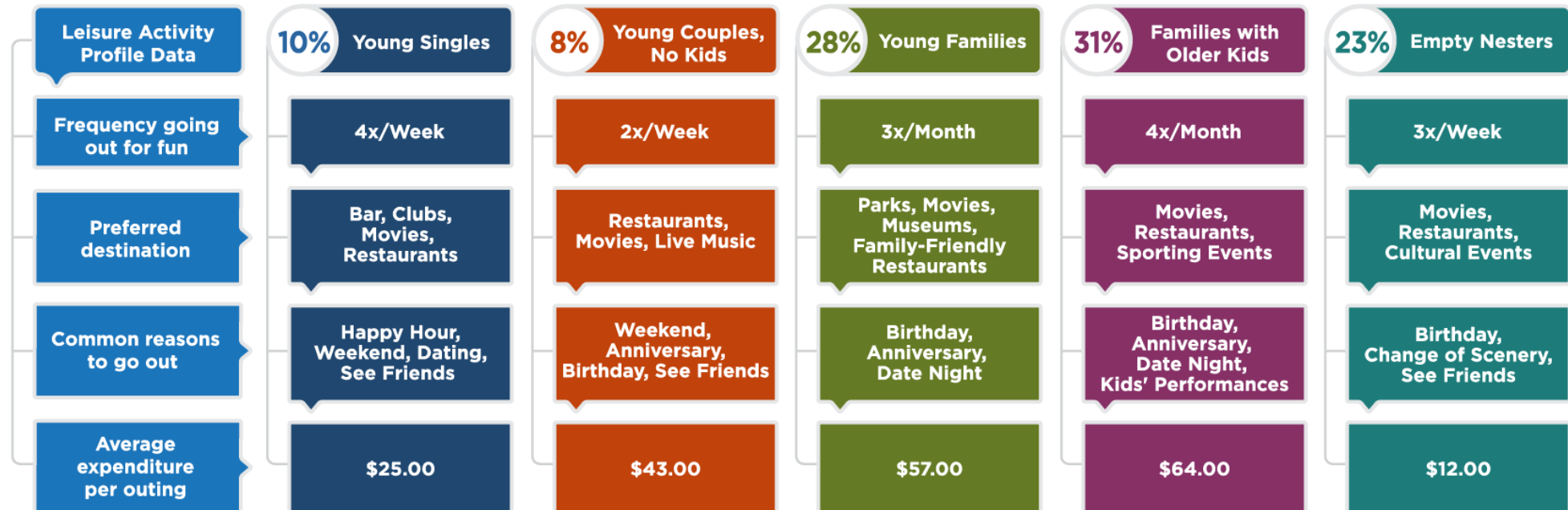
- Geo-cluster approach demographic + geographic data
- Geographic + behavioral data
 - Can point companies toward locations where customers are clustered
- Demographic + lifestyle or behavioral segments



Sample Market Segment Profiles

SAMPLE MARKET SEGMENT PROFILES

FAMILY LIFE STAGE SEGMENTS



Ideal Market Segment

1. Can be measured
2. Is profitable
3. Is stable
4. Is reachable
5. Is internally homogeneous
6. Is externally heterogeneous
7. Is responsive
8. Is cost-effective
9. Helps determine the marketing mix

Questions to Consider in Selecting a Target Segment

- Whose needs can you best satisfy?
- Who will be the most profitable customers?
- Can you reach and serve each target segment effectively?
- Are the segments large and profitable enough to support your business?
- Do you have the resources available to effectively reach and serve each target segment?

Targeting Strategy

ONLY ONE MARKETING MIX IS DEVELOPED

ADVANTAGE: FOCUS

DISADVANTAGE IF DEMAND IN SEGMENT DECLINES, COMPANY WILL SUFFER

CONCENTRATION

- Multi-segment

Marketing mix for each segment

- Advantage: may reach more customers
- Disadvantage: Costs of multiple campaigns and distribution channels

Targeting Strategies

Strategy	Target Market	Example
Mass marketing	Everybody everywhere	Target
Differentiated marketing	Large groups within the total market	Costco, Sam's Club
Niche marketing	High penetration within smaller, specialized segments	Trader Joe's, Whole Foods
Micromarketing	Individual customers or localized microsegments	Groupon

THE MARKETING MIX



Shaping Marketing Mix for Target Markets

Marketing Element	Targeting Criteria
Product	What would make the ideal product for your target segment? What special features or capabilities are critical for this segment? What unique problems does your product help them solve?
Promotion	What are the best ways to get your target segment's attention? What do you want this segment to remember about your product?
Place / Distribution	Where does this segment look or shop for your product? What is the best way to get your product to your target customers?
Price	What price(s) are your target customers willing to pay? How much is too expensive? How much is too cheap?

Quick Review

- What is the purpose of segmentation and targeting in marketing?
- What are some common segmentation approaches?
- How do businesses select an appropriate segmentation approach and decide which customer segments to target for marketing activities?
- How does targeting influence each element of the marketing mix?