|  |  |
| --- | --- |
| **Chapter 9: Market Segmentation** | |
|  | **Learning Objectives:** |
|  | *Upon completion of this unit the learner should be able to:*   1. Explain what Market Segmentation is and when to use it 2. Identify and describe the steps involved in the Market Segmentation process 3. Describe the ways that markets can be segmented 4. Construct a Market Product Grid and use it to decide which markets to focus on. |
|  | **Overview of this Unit** |
|  | Marketing products in today's world is complex.  Consumers are more educated and discerning than ever.  Marketers need to segment or break up the market so they can respond more effectively.  This unit looks at market segmentation and how to use it effectively |
|  |  |
|  | |

MR1100 Marketing I - PT (CL) - Unit 9.  Market Segmentation -    Market Segmentation

|  |
| --- |
| **Market Segmentation** |
| ***Market Segmentation*** is placing prospective buyers into groups (segments) that:   * have common needs and * will respond similarly to a given set of marketing actions   ***Why Segment a Market?***  Organizations have limited budgets.  Because of this and coupled with the need to maximize profits or maximize shareholder value, most organizations have to make choices.  Picking one or a few key segments to target sales allows organizations to channel their scarce resources most effectively.  ***When to Segment a Market***  You should segment your market only if in doing it you can either:   * Increase sales * Increase profits * Increase Return on Investment (ROI)   Organizations often achieve this by:   * *Selling a single product to several markets* - selling baking soda to bakers and baking soda to athletes as deodorizer. * *Selling several products to several markets* - usually the domain of larger firms - car companies make different models for different types of markets/consumers * *Mass-customization* - this is a new trend that harnesses the power of logistics management and information management systems in such a way that companies can build a product to meet an individual's taste while at the same time carefully controlling the costs of doing this.   ***Product differentiation*** is when an organization:   * Uses different marketing mixes to help gain competitive advantage with a specific segment. * Sells two or more products with different features targeted to different market segments   https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/segmentation.gif |

MR1100 Marketing I - PT (CL) - Unit 9.  Market Segmentation -    Steps in Segmenting & Targeting Markets - Steps 1 & 2

|  |
| --- |
| **Steps in Segmenting & Targeting Markets - Steps 1 & 2** |
| |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/step1.jpg | ***Form Prospective Buyers into Segments***  *Do so only if:*   * You can increase profit/ROI by doing it; * Only if you can clearly form segments that contain enough people with similar needs * The difference between the segments are substantial to warrant the segment * It is feasible - the cost of reaching the segment is less than the potential revenue received from that segment   *Ways to segment a consumer market:*   * Geographic or Region * Demographic such as family size, gender, age, etc * Psychographic such as lifestyle or personality * Behavioural such as potential benefits offered * Usage Rate   *Ways to segment an organizational market:*   * Geographic or location * Demographics such as SIC code, NAICS or number of employees * Behavioural such as benefits sought | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/step2.jpg | ***Form Products to be Sold into Groups***   * Break products into categories that match buyers   + e.g. Skidoo offers 7 lines of snowmobile models to meet every taste | |

MR1100 Marketing I - PT (CL) - Unit 9.  Market Segmentation -    Steps in Segmenting & Targeting Markets - Steps 3 & 4

|  |
| --- |
| **Steps in Segmenting & Targeting Markets - Steps 3 & 4** |
| |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/step3.jpg | ***Develop Market Grid and Estimate Size of Markets***   * Estimate size, growth, competitive position, cost of reaching each market as well as assessing the organization's objectives * Choose a segment or segments that best suits the organization's needs | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/step4.jpg | ***Take Marketing Actions to Reach the Target Markets***  *There are two basic strategies to sell products in a competitive environment*   * *Head to head* - direct competition, comparing your product with the competitors on similar attributes.  Duracell versus Energizer * *Differentiation* - Emphasizing differences among your products and competitor's products.  Stress unique aspects of the product   Perceptual maps give a 2 dimensional view of 2 product attributes relative to other competitive products  https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/perceptual.gif |      |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/link.gif | To read more on ***Market Segmentation***, read this article on the QuickMBA Site:  <http://www.quickmba.com/marketing/market-segmentation/> | |

|  |
| --- |
| **Unit 9 Ch9 Study Questions** |
| MARKETING CONCEPTS AND PERSPECTIVES   1. What variables might be used to segment these consumer markets? (a) lawn mowers, (b) frozen dinners, (c) dry breakfast cereals, and (d) soft drinks.  [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit9/unit9_answers/unit9_ch9q1_answer.html) 2. What variables might be used to segment these organizational markets?  (a) industrial sweepers, (b) photocopiers, (c) computerized production control systems, and (d) car rental agencies.  [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit9/unit9_answers/unit9_ch9q2_answer.html) 3. In Table 1 below, the dormitory market segment includes students living in college-owned residence halls, sororities, and fraternities.  What market needs are common to these students that justify combining them into a single segment in studying the market for your Wendy's restaurant?  [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit9/unit9_answers/unit9_ch9q3_answer.html) 4. You may disagree with the estimates of market size given for the rows in the market-product grid in Table 1 below.  Estimate the market size and give a brief justification for these market segments: (a) dormitory students, (b) day commuters, and (c) people who work in the area.  [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit9/unit9_answers/unit9_ch9q4_answer.html) 5. Suppose you want to increase revenues from your fast food restaurant even further.  What advertising actions might you take to increase revenues from (a) dormitory students, (b) dinners, and (c) after-dinner snacks from night commuters?  [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit9/unit9_answers/unit9_ch9q5_answer.html) 6. Look back at Table 1 below.  Which question would you pair to form a cross tabulation to uncover the following relationship?  (a) frequency of fast food restaurant patronage and restaurant characteristics important to the customer, (b) age of the head of household and source of information used about fast food restaurants, (c) frequency of patronage of Wendy's and source of information used about fast food restaurants, and (d) how much children have to say about where the family eats and number of children in the household.  [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit9/unit9_answers/unit9_ch9q6_answer.html) 7. Look at Table 2 below.  (a) Run the percentage vertically and tell what the percentages mean.  (b) Express all numbers in the table as a percentage of the total number of people sampled (586) and tell what the percentages mean.  [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit9/unit9_answers/unit9_ch9q7_answer.html) 8. In Table 2 below, (a) what might be other names for the three patronage levels shown in the columns? (b) Which is likely to be of special interest to Wendy's and why?  [***Answer***](https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/unit9/unit9_answers/unit9_ch9q8_answer.html)  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **Table 1** | **Products: Meals** | | | | | | **Markets** | **Breakfast** | **Lunch** | **Between-Meal Snack** | **Dinner** | **After-Dinner Snack** | | **Student** |  |  |  |  |  | | Dormitory | 0 | 1 | 3 | 0 | 3 | | Apartment | 1 | 3 | 3 | 1 | 1 | | Day commuter | 0 | 3 | 2 | 1 | 0 | | Night commuter | 0 | 0 | 1 | 3 | 2 | | **Non-Student** |  |  |  |  |  | | Faculty or staff | 0 | 3 | 1 | 1 | 0 | | Live in area | 0 | 1 | 2 | 2 | 1 | | Work in area | 1 | 3 | 0 | 1 | 0 |      |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Table 2** | | | | | | **A. Absolute Frequencies** | **Frequency** | | | | | **Age of Head of Household (Years)** | **Once a Week or More** | **2 or 3 Times a Month** | **Once a Month or Less** | **Total** | | 24 or less | 144 | 52 | 19 | 215 | | 25 to 39 | 46 | 52 | 29 | 133 | | 40 or over | 82 | 69 | 87 | 238 | | *Total* | 272 | 179 | 135 | 586 | |  |  |  |  |  | | **B. Row Percentages: Running Percentages Horizontally** | | | | | |  | **Frequency** | | | | | **Age of Head of Household (Years)** | **Once a Week or More** | **2 or 3 Times a Month** | **Once a Month or Less** | **Total** | | 24 or less | 67.0% | 24.2% | 8.8% | 100.0% | | 25 to 39 | 34.6% | 43.6% | 21.8% | 100.0% | | 40 or over | 34.4% | 29.0% | 36.6% | 100.0% | | *Total* | 46.4% | 30.6% | 23.0% | 100.0% | |

MR1100 Marketing I - PT (CL) - Unit 9.  Market Segmentation -    Unit 9 Text book Quiz

|  |
| --- |
| **Unit 9 Text Book Quizzes** |
| |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/Images/practice.gif | Try these Quizzes to test your knowledge of Unit 9 - Chapter 9 of the Book  McGraw-Hill Site  [Unit 9 Quiz 1 Link](http://highered.mcgraw-hill.com/sites/0070898332/student_view0/chapter9/multiple_choice_quiz.html)  [Unit 9 Quiz 2 Link](http://highered.mcgraw-hill.com/sites/0070898332/student_view0/chapter9/multiple_choice_quiz_2.html)  [Unit 9 Quiz 3 Link](http://highered.mcgraw-hill.com/sites/0070898332/student_view0/chapter9/multiple_choice_quiz_3.html) | |

MR1100 Marketing I - PT (CL) - Unit 9.  Market Segmentation -    Unit 9 Concept Check and Internet Exercises

|  |
| --- |
| **Unit 9 Concept Check and Internet Exercises** |
| |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/practice.gif | Unit 9 - Chapter 9 of the Book - Concept Check and Internet Exercises  McGraw-Hill Site  [Concept Checks](http://highered.mcgraw-hill.com/sites/0070898332/student_view0/chapter9/concept_checks.html)  [Internet Exercises](http://highered.mcgraw-hill.com/sites/0070898332/student_view0/chapter9/internet_exercises.html) | |

MR1100 Marketing I - PT (CL) - Unit 9.  Market Segmentation -    Unit 9 Video Case

|  |
| --- |
| **Unit 9 Video Case** |
| |  |  | | --- | --- | | https://d2l.cna.nl.ca/content/On_Campus_Course_Support/MR1100_On_Campus_PT_CL/images/practice.gif | Unit 9 - Chapter 9 of the Book - Video Case  McGraw-Hill Site  [Video Case - Nokia](http://highered.mcgraw-hill.com/sites/0070898332/student_view0/chapter9/video_cases.html) | |