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Market Segmentation and Target Marketing



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LEARNING OBJECTIVES

- L01** Explain market segmentation and differentiate among the different forms of market segmentation. (pp. 118–123)
- L02** Describe the process used and information needed to identify and select target markets. (pp. 123–132)
- L03** Explain the concept of market positioning and its role in contemporary marketing practice. (pp. 132–140)

A REDESIGNED...

Ford Focus and a new innovative communications strategy was exactly what Ford needed to compete in the small-car segment in Canada. What's different about this campaign is the way in which Ford approached the situation. This new Focus was the first true global car for Ford, as it is to be sold in many countries around the world.

While the TV campaign was created by a global marketing team to be broadcast in many markets, Ford of Canada extended the campaign heavily into the digital and social worlds, marketing spaces that are both crucial to reaching the Focus target.

The key to the new campaign lies in Ford's understanding of the target market it was pursuing. They like music, consumer electronics, and socializing online. New message and media techniques would be needed to get the attention of the key demographic.

Ford decided to concentrate on a technology-themed activity that aligns with the fact that Focus is the first to offer Ford's MyFord Touch in-dash infotainment system. While television commercials and print ads were part of the media mix, the campaign had a web-heavy component that showed the benefits of the MyFord Touch system as much as the car itself.

The campaign included a multiple screen approach (TV, mobile, and computer) delivering custom content such as immersive digital product demonstrations and in-show TV content on popular TV shows as well as custom video content on Facebook and MSN.

Did the change pay off? You bet! Ford of Canada's Focus Facebook fan page quickly became #3 in the world, up from #11 before the campaign launched. Sales, brand health, and earned media all increased measurably as a result of the multifaceted launch. Good results based on good input about customers! That's what this chapter is about.

Before discussing market segmentation let us review what a market is. A market is a group of people who have a similar need for a product or service, the resources to purchase the product or service, and the willingness and ability to buy it. The reality of this explanation is that most products and services are marketed to smaller groups (called segments) that fall within the larger mass market. This practice is referred to as *market segmentation*.

Essentially, a firm adopts a market segmentation strategy that is best suited to achieving its goals and objectives while staying within the financial resources that are available. Organizations now have the ability to reach individual consumers with unique marketing strategies. This is the ultimate form of market segmentation, a concept that will be discussed in detail in this chapter.

MARKET SEGMENTATION

L01 Explain market segmentation and differentiate among the different forms of market segmentation.

Marketers choose among four basic segmentation alternatives: mass marketing, market segmentation, niche marketing, and direct (one-to-one or individual) marketing. Depending on the size of an organization and the resources available, an organization may employ several of these alternatives at one time. By no means are these strategies exclusive.

Mass Marketing

mass marketing The use of one basic marketing strategy to appeal to a broad range of consumers without addressing any distinct characteristics among them.

An organization practicing **mass marketing** isn't really segmenting the market. Instead, the organization implements one basic marketing strategy to appeal to a broad range of consumers. It does not address any distinct characteristics among the consumers. In effect, the nature of the product or service is such that it enjoys widespread acceptance.

Perhaps the best example of mass marketing today is Walmart. While positioned as a discount department store, Walmart offers everyday prices and product selection that attracts a wide cross-section of the North American population. It seems that people of all income brackets like a bargain! And talk about success—Walmart is the largest private

retailer in Canada with sales in the range of \$22.3 billion annually—well ahead of competitors such as Costco Wholesale, Sobeys, and Hudson's Bay Company.¹

The presence of Walmart has created financial hardship for many established Canadian retailers. Zellers, once the largest discount mass merchandiser in Canada, is out of business and Sears is facing declining sales revenue. Sears has been forced to close some of its largest stores and sell the properties in order to remain financially viable.

In the retailing sector consumers are either trading up or trading down in terms of the quality of goods they are buying and the stores they are shopping in. Consumers shopping for fashion goods, for example, will shop less frequently at stores such as Hudson's Bay and Sears, and more often at upscale boutiques and mid-range specialty stores where there is a better selection of goods and better service. Stores such as Harry Rosen or Holt Renfrew are more to their liking. Such a distinction refers to the concept of market segmentation and a firm's ability to distinguish itself from its rivals.

At the lower end Walmart markets fashion goods of reasonable quality and low prices—a value proposition that brings in customers. The sheer variety and selection that Walmart provides across an endless array of product categories makes it a destination of choice for most Canadians—the concept of mass marketing at its best!

Market Segmentation

Market segmentation is the division of a large market (mass market) into smaller homogeneous markets (segments or targets) on the basis of common needs and/or similar lifestyles. Segmentation strategies are based on the premise that it is preferable to tailor marketing strategies to distinct user groups, where the degree of competition may be less and the opportunities greater. For example, the automobile market is divided into many different segments: sub-compact, compact, mid-size, luxury, sport utility, and so on, based on the needs and lifestyles of different groups of people.

When utilizing market segmentation, a company specializes by concentrating on segments of the population.

In the coffee market, manufacturers of coffee brands such as Maxwell House and Nescafé consider the preferences and lifestyles of various customers and market a host of products to meet their needs. The at-home coffee market segments embrace roast and ground coffee, instant coffee, coffee beverage mixes, and coffee discs that are suitable for use with Tassimo and Keurig coffee makers. A well-known brand such as Nescafé offers a variety of products in many of these segments. Refer to the image in **Figure 6.1**.

Reitmans, a prominent Canadian fashion retailer, operates under banners such as Reitmans, Smart Set, RW&Co., Penningtons, Addition Elle, and Thyme. Product offerings cover virtually every segment of women's fashion. The product lines and styles in their stores appeal to women in different age groups and with different needs. For example, Addition Elle appeals to plus-size women wanting flattering and fashionable clothing

market segmentation The division of a large market (mass market) into smaller homogeneous markets (targets) on the basis of common needs and/or similar lifestyles.



Figure 6.1 Nescafé offers product lines in most segments of the at-home coffee market.

© i food and drink/Alamy; © David Lee/Alamy;
© Steve Stock/Alamy; © razorpix/Alamy

Figure 6.2 The Ashley Graham signature lingerie collection marketed by Addition Elle is aimed at a specific segment of the female fashion market.



that allows them to express their femininity. These women want to feel confident, beautiful, and included in the fashion world.² A specific illustration of this is the Ashley Graham line of lingerie, which combines affordable, sexy luxury (intricate embroideries, luxurious lace, and sultry mesh) with incredible comfort and fit for women of all ages and sizes.³ Ashley Graham is a famous plus-size model whose star quality is featured in television and print ads. The slogan for the Ashley Graham campaign—"Sexy is a state of mind"—aptly summarizes the needs and mindset of the target market described above. An illustration of Addition Elle advertising appears in **Figure 6.2**.

To maximize profits, a firm may operate in many different segments. A successful segmentation strategy enables a firm to control marketing costs, allowing it to make profits. As well, the organization may be able to develop products for many different segments of a market. For example, PepsiCo is a beverage company with prominent brands in many different segments: Pepsi-Cola, Diet Pepsi, 7Up, and Mountain Dew in the soft drink segment; Aquafina in the bottled water segment; Tropicana, Dole, and Ocean Spray in the juice segment; Gatorade and G2 in the sports drink segment; and AMP and SoBe in the energy drink segment.

On the downside, organizations employing market segmentation must be alert to shifting consumer trends and the cyclical patterns of the economy or suffer the consequences. For example, the sale of regular carbonated soft drinks has fizzled lately as consumers show preference for healthier beverages. As illustrated by the PepsiCo example cited above, the company has reacted by offering lines of bottled waters, fruit juices, and energy drinks. Coca-Cola has similar offerings in each segment of the market. Both companies get your beverage dollar through one brand or another!

A combination of demographic, psychographic, geographic, and behaviour information is commonly used to segment a market. These concepts are discussed in detail in the next main section of the chapter—Identifying and Selecting Target Markets. Refer to **Figure 6.3** for an illustration of the levels of market segmentation and a brief explanation of each level.

Niche Marketing (Sub-Segmentation)

niche marketing Targeting a product line to one particular sub-segment of a segment and committing all marketing resources to the satisfaction of that sub-segment.

Niche marketing takes market segmentation a step further. Initially, **niche marketing** strategies focused on subgroups within a market segment. The subgroup has unique and identifiable characteristics, and even though the sub-segment is small it presents sufficient opportunity and profit potential. This strategy is ideal for small companies that have limited resources and large companies wanting to target specific sub-segment with specialized

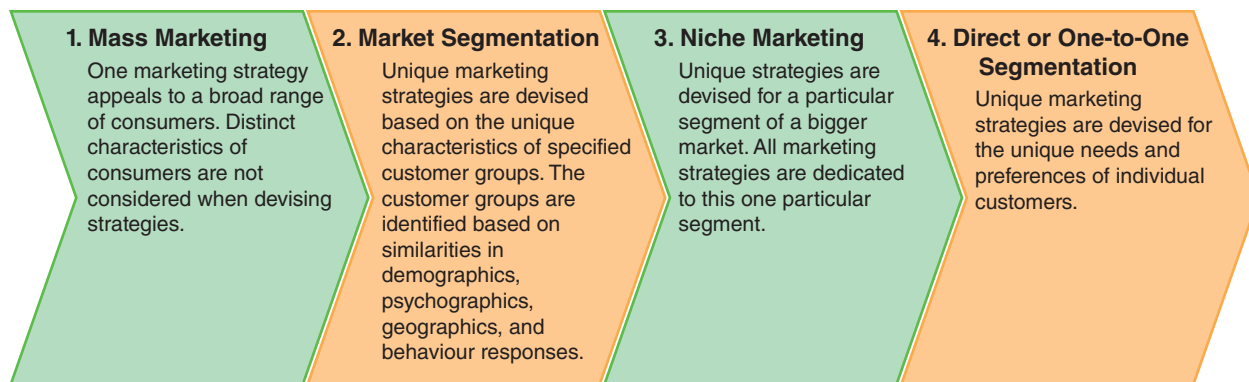


Figure 6.3 The Levels of Market Segmentation

products. Often the sub-segment pursued is quite small, so the key to success is in finding opportunities that do not require large economies of scale in production and distribution.

An organization using a niche strategy finds opportunities to customize products and services to the narrow interests of each niche. It is kind of an optimized form of segmentation.⁴ Hat World has chosen to operate in a narrow niche within the sports apparel market. Its focus is strictly on hats: branded sports caps featuring teams and schools from the NBA, MLB, NCAA, NFL, and NHL; ski hats; and pop culture-related hats. The company operates more than 1000 stores in North America under names such as Lids, Hat Shack, Hat Zone, Head Quarters, and Cap Connection. Sunglass Hut, a retailer specializing only in sunglasses, is another example of a company being successful with a niche marketing strategy. Refer to the image in **Figure 6.4**.

In the beer market, Molson and Labatt offer a variety of beers in the mainstream market and use market segmentation (described above) to differentiate brands for people of different age groups and interests. Over the past ten years or so, beer drinkers have slowly moved away from mainstream brands toward premium brands and brands brewed by microbrewers. Microbrewers have carved out their niche and now control about 5 percent of Canada's beer market. Examples of successful microbrewers include Granville Island Brewing in Vancouver, Big Rock Brewery in Calgary, and Steam Whistle Brewery in Toronto, among many others. Steam Whistle's slogan about how it operates, makes a clear statement about successful niche marketing—do one thing really well! Refer to the image in **Figure 6.5**.

Niches start out small in size or narrowly defined, but niches become larger in scope as more mainstream consumers are attracted to them. As the niche expands new competitors enter and the niche becomes more of a market segment than a niche. If the microbrewery niche described above suddenly controlled 10 percent of the market (a reflection of changing consumer preferences) it would no longer be considered a niche, it would truly be a segment of the market and a more significant threat to mainstream brewers such as Molson, Labatt, and Sleeman.

Direct Segmentation and Behavioural Targeting

In the context of market segmentation, **direct segmentation** (or *one-to-one marketing* or *individual marketing*) refers to a situation in which unique marketing programs are designed specifically to meet the needs and preferences of individual customers. Advancing technology encourages and enables such a definitive marketing practice. Marketers are empowered by more detailed consumer data that allow for a much higher degree of intimacy and frequency of contact with customers—

direct segmentation (or *one-to-one marketing* or *individual marketing*) A situation in which unique marketing programs are designed specifically to meet the needs and preferences of individual customers.



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Figure 6.4 Sunglass Hut operates in a narrow niche of the sports apparel market—eyewear.



Figure 6.5 Successful niche marketing involves doing one thing really well.

this is the concept of customer relationship management that was discussed earlier in the textbook.

Sophisticated computer systems collect and process information from a variety of sources. Through marketing research, a company collects demographic, psychographic, and media consumption information on customers in order to target them more effectively with messages. Electronic meters in homes track television viewing, software cookies in computers monitor surfing behaviour, and electronic checkout counters capture all kinds of purchase information (what, when, how much was spent, and so on) that can be attributed to individuals. If you think big brother is watching you...he is!

Technology has fuelled the use of behavioural targeting. In an online environment, **behavioural targeting** is a database-driven marketing system that tracks a consumer's behaviour to determine his or her interests and then serves ads to that person relevant to those interests. For example, if someone spent time on a financial website looking up mortgage rates it could be inferred that that person is in the market for a new home. He or she could receive ads from a mortgage company or real estate company on whatever webpages he or she visits. If someone were searching for a new car, ads for automobiles would appear.

Behavioural targeting has forced marketers to rethink their media strategies. They are shifting away from traditional media (television, radio, newspapers, magazines, and outdoor) that reach a mass audience and toward media that reach consumers directly and more efficiently—media such as the Internet, direct mail, and text and video messaging via smartphones.

Marketers now have the ability to target customers individually based on where they live. When online, an individual's physical location can be determined and messages can be sent to a website visitor based on his or her location. The result is a new marketing technique referred to as geo-targeting. **Geo-targeting** is the practice of customizing an advertisement for a product or service to a specific market based on the geographic location of potential buyers (country, province, city, or postal code). Geo-targeting allows a marketer to specify where ads will or won't be shown on a website based on the searcher's location. Such technology allows local marketers and smaller marketers with limited financial means to compete more effectively with larger marketers who have far greater resources.

Mobile technology is also shaping individual targeting practices. Your smartphone takes geo-targeting a step further by tracking down individuals while they are on the move. Essentially, a person's location information (available through GPS chips in smartphones) is factored into a marketing communications strategy. Let's assume a fast food restaurant such as McDonald's or Dairy Queen Grill & Chill knows where you are; they can instantly send you an incentive (coupon) to encourage you to visit a nearby location. It is unexpected but you might take advantage of the offer.

behavioural targeting A database-driven marketing system that tracks a consumer's behaviour to determine his or her interests and then serves ads to that person relevant to those interests.

geo-targeting The practice of customizing an advertisement for a product or service to a specific market based on the geographic location of potential buyers.

The McDonald's and Dairy Queen illustration illustrates a new technique referred to as location-based targeting. **Location-based targeting** is an effort to integrate consumers' location information into their marketing strategy. Location-based targeting is relatively new but the growth of smartphone penetration, and the dependence that people have on them, bodes well for highly targeted marketing practices in the future. In 2012, 12.4 million Canadians had a smartphone and 79 percent of them will not leave home without it!⁵

Check-in services such as Groupon and Foursquare have capitalized on this phenomenon. Both services bring special deals to people in real time on their mobile devices. People agree to have these offers sent to them—the concept of checking in.

Groupon uses the power of scale to negotiate sizeable discounts for shoppers and takes a cut of the revenues from retailers that participate. Their location-based services have proven popular, with restaurants, spas, exercise classes, and automotive repair shops, among others, offering considerable savings—in the neighbourhood of 50 percent—to attract new customers. Technology has had a significant and positive impact on the coupon business in North America. According to Andrew Sloss, former vice-president at Indigo Books and Music, "Finding good deals online is not a trend but rather an expectation of Canadian consumers."⁶ Refer to the image in **Figure 6.6**.

With so much useful information available, companies are adopting a new concept called mass customization. **Mass customization** refers to a marketing system that can produce products and personalize messages to a target audience of one. This concept is not new to marketing, but its potential use by so many marketing organizations is a dramatic change from the past. Tailor shops, for example, have always offered ready-made suits while also providing made-to-measure suits for customers seeking the perfect fit and better quality. Mass customization is an extension of this way of doing business.

Nike capitalized on the online buying trend and customization by telling customers to "Just do it . . . yourself." Nike launched a website on which shoppers can design their own shoes, choosing everything from the colour of the famous Nike swoosh to personalizing the tongue with a word or phrase. This bid to target customers who want to stand out is part of the growing trend toward customization. It's also about building a relationship with customers. Nike is connecting with customers by giving them the power to put their personal stamp on their shoes.

The Nike example indicates that a brand liberation process is underway. Some experts have coined a phrase for this process, calling it brand democratization. With **brand democratization**, a company seeks opinions from customers, and lets the consumer interact with and make changes to the brand (as in the Nike customization illustration), giving the customer the power to take some control over the brand. According to Mitch Joel, president of ad agency Twist Image (Montreal), "By soliciting consumer opinion and participation online, companies not only give their customers a constructive outlet through which to express themselves but can 'educate' them about a brand to encourage a deeper connection."⁷ This truly is what relationship building and direct segmentation is about.

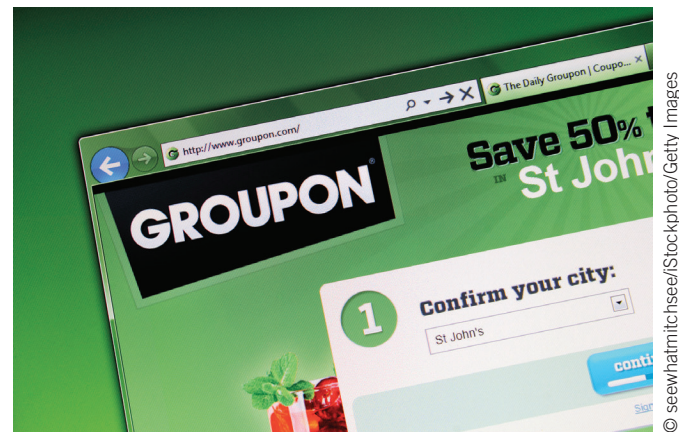


Figure 6.6 Consumers search for daily deals online

© seewhatmitchsee/Stockphoto/Getty Images

location-based targeting An effort to integrate consumers' location information into a marketing strategy.

mass customization The creation of systems that can produce products and personalize messages to a target audience of one.



Video: Jean Machine Promises a Perfect Pair of Jeans

brand democratization A situation in which the customer can interact with a brand, giving the customer some control over the marketing of a brand (as in online user-generated content).

IDENTIFYING AND SELECTING TARGET MARKETS

L02 Describe the process used and information needed to identify and select target markets.

Segmentation involves three steps: (1) identifying market segments, (2) selecting the market segments that offer the most potential (e.g., profit or future competitive position), and (3) positioning the product so that it appeals to the target market. Once these steps have been taken, an organization shifts its attention to developing a marketing mix strategy. Typically, a company pursues those target markets that offer the greatest profit potential.

When identifying target markets, an organization must consider the various social and demographic trends. Some of the key trends occurring in Canada that marketers should be following include:

- **The Aging Population** Baby boomers are a key market segment, but equally important are the large numbers of consumers, referred to as Generation X and Generation Y, who followed them.
- **Social Responsibility** Canadian consumers have a genuine concern for the environment and they show preference toward companies that act responsibly with regard to protecting the environment we live in.
- **New Household Formations** Traditional households have been replaced with single households (people are getting married later in life), same-sex households, and empty nest households, with each type of household having different needs and expectations of marketers.
- **Ethnic Diversity** In urban markets, ethnic communities are growing at a rate much higher than traditional English-language and French-language communities.

A marketer will examine these trends and identify new marketing opportunities, anything from developing new products for profitable niche markets (such as ethnic markets), to repositioning a brand's image to appeal to new groups of consumers (say, making a brand attractive to Generation X and Generation Y), to developing smaller package sizes to meet the needs of single or empty nest households. Refer to the illustration in **Figure 6.7**.

A target-market profile emerges from this kind of analysis. A **target-market profile** describes the ideal customer around which the marketing strategy will be devised and delivered. The customer is carefully described based on demographic, psychographic, geographic, and behavioural characteristics. Refer to **Figure 6.8** for a visual illustration. Let us examine each one of these segmentation variables.

target-market profile

Describes the ideal customer around which the marketing strategy will be devised and delivered.

demographic segmentation

The division of a large market into smaller segments based on combinations of age, gender, income, occupation, education, marital status, household formation, and ethnic background.

Demographic Segmentation

Demographic segmentation is defined as the division of a large market into smaller segments on the basis of combinations of *age, gender, income, education, occupation, marital status, household formation, and ethnic background*. Marketers analyze demographic characteristics and what emerges is a target-market profile embracing those characteristics judged to be relevant for the purpose of developing a marketing strategy.

Figure 6.7 Attractive target markets based on factors such as age, gender, and ethnicity present opportunities for marketers.



Digital Vision/Thinkstock/Gettyimages

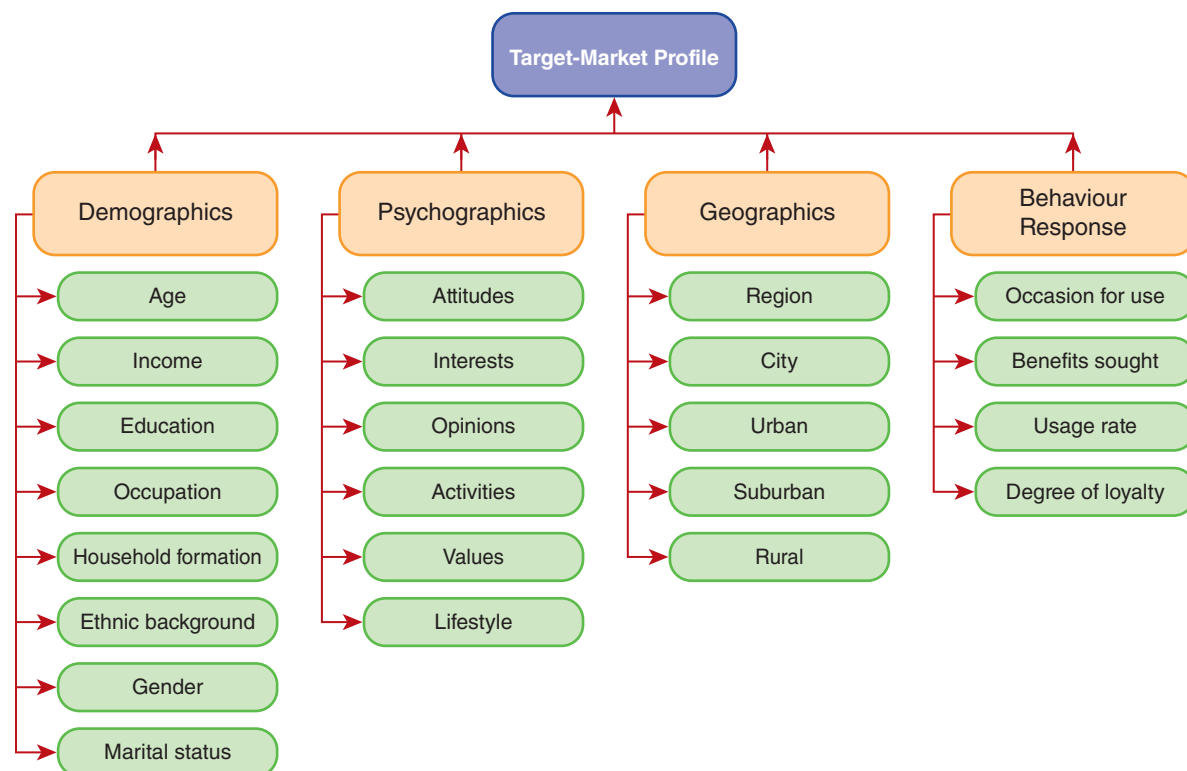


Figure 6.8 Variables for Identifying Target Markets

To demonstrate, if an organization looked only at age trends they would quickly understand that Canada's population is aging. This trend was discussed in detail in Chapter 2 in the section on demographic forces. By age, the population is divided into segments based on common characteristics. These segments include Generation X and Generation Y (younger age groups), baby boomers (middle-aged consumers), and greys (people in their senior years).

Each generation has a different outlook, different values, and different needs. Even within these generations there are sub-groups with different psychographic and behavioural profiles. A different marketing strategy (how the brand is presented to potential consumers) would be needed for each of the different segments.

For example, brands such as Mercedes-Benz and Acura market luxury automobiles. Both are successful in attracting customers in the 35- to 54-year-old age bracket—working professionals with higher education levels and healthy incomes. Consumers with this demographic profile, who are looking for a car that combines expressive design, power, and a sporty look, would probably be interested in the new Mercedes-Benz CLS or an Acura RLX. Refer to **Figure 6.9** for an image of this automobile.

A marketer must be aware of how different segments of the population consume the media. When approaching a young audience, such as Generation X and Generation Y, the Internet and cell phones are appropriate media channels, as this audience is a heavy consumer of these media. Some traditional media can then be added to the media mix. In contrast, baby boomers are also frequent users of the Internet, but newspapers and magazines remain media of choice and a fixture in most of their lives. The shift to digital media consumption among all age groups has an impact on how an advertiser allocates their media budget.

Social media networks such as Facebook, YouTube, Twitter, and Instagram are attractive media for reaching younger consumers, so you would think all companies and brands would be actively trying to engage consumers on social networks. Many have jumped in and enjoyed success while others remain reluctant or have struggled trying to figure out the medium. One study revealed that 71 percent of executives feel it is “somewhat challenging” to stay abreast of social media trends and consequently feel unprepared to meet the changes that are happening.⁸

Harley riders tend to be older, but that didn't stop Harley-Davidson from using social media effectively. In fact, a successful Twitter campaign was sourced from a member of the brand's Facebook-based Fan Machine. The fan suggested that having real riders show off

Figure 6.9 The new Acura RLX appeals to a target customer described as managerial or professional, with higher education and a healthy income.

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Print advertisement provided courtesy of Honda Canada Inc.

their own chrome would provide instant credibility to potential customers. Harley-Davidson agreed and developed a campaign that challenged assumptions about Harley riders and showcased the Harley community's surprising diversity. According to Dino Bernacchi, director of marketing, "Many of Harley's 3.3 million Facebook fans don't yet own bikes. All it takes is a little push to awaken the hog within."⁹ Since entering the social media arena, Harley's unit sales have been much higher than the industry average.

Gender trends are another factor marketers consider when developing a target market profile. With more and more women in the workforce (a significant change from earlier generations) and the changing roles of men and women in Canadian households, the marketing orientation is becoming increasingly "unisex" in nature.

Prudent marketers are aware of gender trends. They know that 31 percent of women earn more than their husbands and 20 percent earn about the same. Further, within the context of the average Canadian family, women control 51 percent of private wealth, make 58 percent of the investment decisions, and control 80 percent of household spending.¹⁰ Marketers have to capitalize on these numbers! Statistics such as these justify a unisex targeting notion, mentioned previously, or individualized targeting for such an important target.

Progressive-minded marketing organizations have reacted positively to the gender trend. Home Depot leads the way in Canada's home improvement market, largely based on its understanding of both men and women. A Home Depot survey revealed that 80 percent of women prefer to do their own home projects. It gives them a sense of accomplishment, pride, and expression, and helps them save money while improving their homes. To help women, Home Depot runs Do-It-Herself workshops on a range of subjects including tiling floors, installing fixtures, and bathroom renovations.¹¹

When communicating with such an empowered woman, an organization must be very careful not to portray women in stereotypical situations—and should be ready to suffer the consequences if it does. A message will have an impact if it communicates to a woman based on how she sees herself or wants to see herself. Nike Inc. is often cited as a brand that does it right with women. Nike communicates intelligently with women while recognizing they lead multidimensional lives. Advertising messages hit the mark by focusing on women's inner confidence and self-esteem.¹²

Canada's *ethnic diversity* presents new target-marketing opportunities for Canadian marketers. According to Statistics Canada, visible minorities will account for one in five citizens by 2017. Further, minorities will account for 70 percent of the growth in consumer spending.¹³ The largest visible minorities are South Asians, Chinese, and Blacks. These people tend to live in large cities. In Toronto, visible minorities comprise over half of the population.

Marketers must consider the size and profit potential of an ethnic marketing strategy. On the surface, such a strategy seems to make sense, but many multinational companies view Canada as a small market. Therefore, to subdivide the market further and absorb the costs of a distinctive marketing campaign for various ethnic groups may not be practical.

Some of the leaders in ethnic-oriented marketing include Walmart, The Home Depot, McDonald's, Loblaw's, RBC Financial, and Scotiabank. Loblaw's was quick to react to the ethnic trend by acquiring T&T supermarkets in 2009. T&T was the top Asian supermarket chain (23 stores) in Canada. Since then, Loblaw's has started carrying more ethnic merchandise in its mainstream stores. Home Depot has drawn overflow crowds to workshops at its stores that are offered in Cantonese (in Richmond, B.C.) and in Hindi and Punjabi (in Brampton, Ontario).

Quick-serve restaurants have been quick to target visible minorities, particularly the Asian communities. Not so long ago, the only choices were Chinese and Japanese restaurants. Now Thai, Szechwan, Vietnamese, Malaysian, and Korean cuisines are widely available. Restaurants such as Teriyaki Experience and Manchu Wok are expanding quickly.

Since there is a tendency for immigrants to migrate to large urban areas, the location characteristic of demographics is an important targeting issue. The concentration of ethnic communities in Canada's three largest cities (Toronto, Montreal, and Vancouver) gives national marketing organizations an opportunity to develop local marketing strategies to reach ethnic populations.

Walmart was among the first to see this trend developing and took appropriate action to capitalize on it. Walmart airs television commercials using real people (not actors) telling their own stories, in their own languages, about their relationships with Walmart. For more insight into how Walmart and Scotiabank are reaching out to ethnic markets read the Think Marketing Box **Ethnic Markets: A Golden Opportunity**.

In summary, demographic trends present challenges and opportunities for marketers, assuming they are keeping track of the trends. Understanding the differences in people as they age, the differences in buying behaviour of males and females, and being versed in ethnic nuances are but some of the keys to successful marketing practice.

Psychographic Segmentation

Psychographic segmentation is market segmentation on the basis of the attitudes, interests, opinions, values, and activities (the lifestyles) of consumers. Psychographic segmentation is multidimensional: it considers a variety of factors that affect a person's purchase decision. Such information is advantageous to marketers because it tells them not only who buys, but also *why* they buy. When this information is combined with demographic information, a more complete portrait of a target market emerges.

psychographic segmentation Market segmentation based on the activities, interests, and opinions of consumers.



ThinkMarketing

Ethnic Markets: A Golden Opportunity

The ethnic market is a big market in Canada. Statistics Canada reports that a vast majority of Canadians belonging to a visible minority live in major cities. In Toronto they represent 63 percent of the population, in Vancouver 59 percent, and Montreal 31 percent. Those numbers are significant! The largest visible minority group comprises people of South Asian descent, followed by Chinese, Black, Filipino, and Hispanic.

Emma Fox, when senior vice president of marketing at Walmart Canada, understood it was absolutely vital that Walmart pursue the ethnic market. “It’s really important to win a share of that market. It’s a necessity because all the future market growth in terms of spending is coming from new population growth.” She’s right. The number of new Canadians is growing at five times the rate of the overall population.

Walmart Canada is a leader in ethnic marketing. The company developed a “store of the community” concept that caters to local needs and tastes. A store in the east end of a city carries different merchandise than one in the west end. The location of various ethnic groups in a city is a determining factor in what merchandise a store carries.

Scotiabank holds similar views and is pursuing niche markets that competitors may be neglecting. Scotiabank recently focused on the Hispanic market in Toronto and Montreal. Fabiola Sicard, director, multicultural banking at Scotiabank, says, “They are a smaller market than other immigrant communities, they are fragmented geographically, and no significant research has been done on their needs.”

In demographic terms the population of the Hispanic community is 600 000+. They are highly educated—50 percent have at least a bachelor’s degree and another 12 percent have a college diploma. Scotiabank sees Hispanic



Hand-out/WALMART CANADA/Newscom

Canadians as a growth market for its StartRight bank accounts, which are tailored to the needs of newcomers.

In terms of marketing communications, Scotiabank stays away from mainstream media, preferring a more targeted grassroots approach. The bank targets professional associations, street festivals, and blogs aimed at people living in Latin American countries who are mulling a move north. To reach recent arrivals, the bank gives seminars in Spanish—as many as 150 people show up. Scotiabank does not neglect the larger Chinese and South Asian communities, but the other banks are aggressively pursuing them, as well. Scotiabank is going into areas nobody else is targeting. A wise move on its part.

Discussion Questions

How significant will ethnic marketing in Canada be in the future? Do the benefits of ethnic marketing outweigh the costs?

Adapted from Marina Strauss, “Walmart aims to cater to a more diverse palate,” The Globe and Mail, April 17, 2012, p. B7; and Simon Houpt, “Unknown, ignored and invisible,” The Globe and Mail, November 18, 2011, p. B7.

Many of the variables that comprise psychographic segmentation were discussed in Chapter 4. Variables such as needs and motivation, attitudes and perception, personality and self-concept, and reference groups combine to influence lifestyle. When organizations target psychographically, they present products in line with the lifestyle of the target market so that the personality of the product matches the personality of the target.

Various lifestyle segments were discussed in Chapters 3 and 4. The lifestyle segments are the result of studies conducted by various marketing research organizations. Marketers today are astute at using psychographic (lifestyle) profiling to market products to satisfy the requirements of the Canadian lifestyle groups. The advertisement for Acura that appeared in **Figure 6.10** appeals to the “bold achiever” or the “up and comer” lifestyle segments. These are people who reward themselves with some luxury goods—a reflection of their status, perhaps, in their careers. The advertisement for chocolate milk that appears in **Figure 6.10** appeals to a younger generation of consumers who firmly believe in living a healthy, active lifestyle. Brand messages that portray that lifestyle will have an impact on that target.

**Figure 6.10**

A message that appeals to Canadians wanting to live healthier, active lifestyles.

Dairy Farmers of Canada

Even product categories such as appliances are getting into lifestyle marketing for their products. At one time, appliances were functional kitchen items, and usually white. Now, they have the industrial look and many are stainless steel—their design is European and they exude luxury. A well-designed kitchen adorned with such appliances is now a key aspect of lifestyle. Refer to the image in **Figure 6.11**.

Geographic Segmentation

Geographic segmentation refers to the division of a large geographic market into smaller geographic or regional units. Canada can be divided into five distinct areas: the Maritimes, Quebec, Ontario, the Prairies, and British Columbia. Geographic considerations used in conjunction with demographics and psychographics provide the marketer with a clear description of the target market, and from this description marketing strategies can be developed.

It is possible that different strategies may be required for different regions, provided those differences are significant and the potential returns profitable. The most obvious difference is in Quebec, where the language and cultural characteristics require the use of

geographic segmentation

The division of a large geographic market into smaller geographic or regional units.

Figure 6.11 A well-designed kitchen that includes the latest in contemporary appliances is a key aspect of lifestyle.



original marketing strategies. Many companies simply adapt their English market campaigns into French and expect them to work. Their expectations are far from reality. The uniqueness of the French Quebec market demands unique marketing strategies. As many would say, "You get what you pay for!"

Wise marketers devise unique marketing campaigns that will resonate with French-speaking Quebecers. For example, a campaign for Dr. Pepper was successful in Quebec because it understood the sensibilities and sense of humor of French Quebecers. Here's the scenario of a Dr. Pepper television commercial: Two guys are moving a pinball machine down a staircase, when one of them is bothered by a sudden pain. A doctor arrives and offers a Dr. Pepper, which his patient enjoys before being struck by pain once again. A voiceover in thick Quebec accent says, "Dr. Pepper, c'est juste de la liqueur (it's only a soft drink), poking fun at the brand's medicinal connotation. Bernard Yeung, brand manager at Canada Dry Mott's, says "We know that Quebec, like Dr. Pepper, is one of a kind, that's why we wanted to have an original approach there, to make sure we would have immediate impact."¹⁴

Geographic regions are subdivided into urban and rural areas. Within urban metropolitan areas, the market can be divided further on the basis of location: urban downtown, suburban, and regional municipalities that surround large cities. More Canadians than ever before are living in urban metropolitan areas—in fact, close to 80 percent of Canadians. There is also a concentration of population in four broad urban regions: the extended Golden Horseshoe area of southern Ontario, Montreal and environs, British Columbia's lower mainland and southern Vancouver Island, and the Calgary–Edmonton corridor. These four areas account for about half of Canada's population.

Geodemographic segmentation combines demographic characteristics with geographic characteristics and refers to the isolation of dwelling areas (e.g., areas within a city) based on the assumption that people seek out residential neighbourhoods that include their lifestyle peers. For example, younger, higher-income households may

geodemographic segmentation The isolation of dwelling areas through a combination of geographic and demographic information, based on the assumption that people seek out residential neighbourhoods in which to cluster with their lifestyle peers.

cluster in redeveloped downtown areas, and dual-income, traditional families may reside in suburbia. Sophisticated database marketing techniques allow marketers an opportunity to target neighbourhoods if they so desire.

Whether it's a region or a neighbourhood, when a marketing strategy is developed to reach that target, the marketer is practicing micro-marketing. **Micro-marketing** involves the development of marketing strategies on a regional or local basis, giving consideration to the unique needs of the area being targeted. Many Canadian marketing organizations are moving away from "broad strokes" national marketing strategies toward strategies based on regional considerations and opportunities.

micro-marketing The development of marketing strategies on a regional or local basis, giving consideration to the unique needs of a small group of highly targeted customers.

Behaviour Response Segmentation

Behaviour response segmentation involves dividing buyers into groups according to their occasions for use of product, the benefits they require in a product, the frequency with which they use it, and their degree of brand loyalty. It is used in conjunction with other segmentation variables.

behaviour response segmentation The division of buyers into groups according to their occasions for use of a product, the benefits they require in a product, the frequency with which they use the product, and their degree of brand loyalty.

Occasions for Use In order to increase the consumption of the product, marketers using the occasion-for-use segmentation strategy show how the product can be used on various occasions. For example, advertisers show such products as breakfast cereals, orange juice, and milk being consumed at times other than the traditional meal-times. The advertisement for chocolate milk in Figure 6.10 presents milk as an alternative to water or an energy drink when a person is working out. Other products are associated with special occasions and are promoted heavily at these times. Flowers and chocolates, for example, are associated with Valentine's Day, Mother's Day, Easter, and Christmas. Branded advertising campaigns are more visible during these special time periods.

Benefits Sought Benefit segmentation is based on the premise that different consumers try to gratify different needs when they purchase a product. For example, people of all ages eat breakfast cereal, and there is much overlap in the types of cereal people buy based on the benefits they are looking for. Post Foods Canada Corporation markets a variety of cereals that offer unique benefits to consumers of all ages. For the sweet tooth there's Post Alpha-Bits, Sugar Crisp, and Honeycomb. Those wanting a healthier experience can choose from Shredded Wheat, Great Grains, Shreddies, and 100% Bran.

A shampoo buyer may be looking for shinier hair, wavier hair, curlier hair, and so on. To meet such a variety of benefits a brand such as Garnier Fructis offers many variations under one brand name. Among them are Garnier Sleek & Shine, Garnier Body & Volume, Garnier Curls & Shine, and Garnier Anti-Dandruff. Why people buy one variety or another has little to do with demographics or psychographics. The key issue is the benefit the consumer is seeking.

Usage Rate Frequency of use is an important segmentation variable. Marketers will conduct research to distinguish the characteristics of a heavy user from those of a medium or light user. Very often, an 80/20 rule applies; that is, 80 percent (or some figure close to that) of a product's sales volume comes from 20 percent of its users (heavy users). The trick is to identify the profile of the heavy users and then attract more of them. Beer marketers are very familiar with this principle. They know that younger male adults account for the most per-capita consumption and that the popularity of beer declines as consumers age. Therefore, beer marketers focus much of their advertising on younger audiences (think Coors Light, Budweiser, Molson Canadian, Blue, and so on). The battle rages on to attract the 19- to 25-year-old beer drinker!

Loyalty Response The degree of brand loyalty a customer has also influences segmentation strategy. As with usage-rate segmentation, the marketing organization should conduct research to determine the characteristics of brand-loyal users and what motivates

them to buy a particular brand. Strategies would then be developed to attract users with similar profiles and behaviour tendencies. Consideration must be given to users with varying degrees of loyalty. For example, defensive activities (for defending or retaining market share) are directed at medium and heavy users to maintain their loyalty. Distributing coupons on the package for use on the next purchase is an example of a defensive activity. Offensive tactics, such as trial coupons delivered by the media, are employed to attract new users and users of competitive brands. Because brand switching does occur, marketers must be conscious of customers at both ends of the loyalty spectrum.

Much marketing activity is devoted to building brand loyalty for a loyal customer is a profitable customer. Generally speaking, truly loyal customers have a strong relationship with a brand and they are unlikely to switch to another brand. Perhaps this explains why brands such as Nike and Coca-Cola remain leaders in their respective markets. Nike presently controls 40 percent of the active-wear market and is well ahead of any other competitor. Its rivals have to work very hard to convince people to switch to their brand.

To summarize the discussion about target marketing, the marketing manager must carefully describe who the primary customer will be. The customer profile is based on any combination of demographic, psychographic, geographic, and behaviour response variables deemed to be relevant. For example, the following profile might represent the target market for an upscale (luxury) automobile or watch:

- **Age:** 35 to 49 years old
- **Gender:** Male or female
- **Income:** \$100 000 plus annually
- **Occupation:** Executives, owners, and professionals
- **Education:** College or university
- **Location:** Cities with a population of 500 000 plus
- **Lifestyle:** Progressive thinkers and risk takers who like to experiment with new products; they are interested in the arts, entertainment, and adventure travel.
- **Behaviour Response:** Present users are extremely brand loyal and were attracted to the brand based on its heritage, image, and reputation. Potential users will be attracted to the brand based on similar intangible characteristics—image is very important.

This profile represents a good fit for an automobile like a Mercedes-Benz or a watch like a Rolex. Refer to the image in **Figure 6.12** for details.

MARKET POSITIONING CONCEPTS

L03 Identify the external forces that influence marketing.

positioning Designing and marketing a product to meet the needs of a target market, and creating the appropriate appeals to make the product stand out from the competition in the minds of customers.

Once a target market has been identified and a product developed to meet the needs of the target, the next step is to position the product. **Positioning** refers to the place a product occupies in the customer's mind in relation to competing products. It involves (1) designing and marketing a product to meet the needs of a target market, and (2) creating the appropriate appeals to make the product stand out from the competition in the minds of the target market (through marketing mix activities). How a consumer perceives a product is initially influenced by image (pre-purchase stage) and actual experience with a product (post-purchase stage).

Marketers describe how a brand will be positioned in a *positioning strategy statement*. It is an important statement around which all marketing activities revolve. The positioning strategy statement includes the essential benefits offered to customers and the desired image or brand personality the brand hopes to instill in the customer's mind. A good positioning strategy statement is fairly short and written in easy-to-understand language. The positioning strategy should be attractive to customers, distinctive from the competition, deliverable by the company, and durable over time.¹⁵



Figure 6.12 Mercedes Benz targets an upscale audience.

An advertising slogan is often the execution of a brand's positioning strategy statement. A brand such as Nike is positioned on the basis of empowerment. Advertising messages encourage consumers to try new things, to meet new challenges, to do the best they possibly can. The now famous slogan "Just do it" aptly captures the essence of Nike's positioning strategy.

Considered conceptually, a *position* is a mental space that a marketer can own with an idea that is compelling to the target audience. Here is a potential positioning statement for Apple-branded products:

The core of Apple's brand is innovation, beautiful design, and an ability to bring warmth and passion to those customers who may be averse to technical gadgetry, but need it nonetheless to survive in today's world.

Now think of the way Apple markets its products: clear, simple images for innovative products such as the iMac, iPhone, iPod, and iPad. Refer to the image in **Figure 6.13**.



Figure 6.13 Innovation, design, and simplicity are core components of Apple's positioning strategy.

Neil Godwin/MacFormat Magazine/Getty Images



ThinkMarketing

Soul of a Sports Car

A sound positioning strategy is the foundation upon which a marketing strategy is built. Its importance cannot be overstated. At Mazda, the positioning statement is very clear: “The soul of a sports car is built into every car we make.” Where did this positioning strategy come from?

The spirit stems from the popularity of the Mazda MX-5 Miata, a classic model in the Mazda franchise. The tagline Mazda uses in its communications—“Zoom-Zoom”—captures the essence of the brand’s positioning. The MX-5 was an inexpensive little sports car people enjoyed driving; it was a vehicle that connected with people. In fact, there is a network of Miata clubs in North America, a sure sign of brand loyalty.

The company developed the Zoom-Zoom mantra as a way to extend the MX-5’s equity to the rest of the brand. The sleek and sporty designs of models such as the Mazda3, Mazda6, and Mazda CX-7 exude the same spirit. While Mazda no longer advertises the MX-5 (it has a loyal following in a niche segment of the market), its design and spirit has influenced all other vehicles in the lineup.

Internally, Mazda refers to the MX-5’s impact as a *halo* effect. All Mazda vehicles appeal to people who desire excitement and want to have some fun when they drive. In contrast, competitors may offer a sports car that is fun to drive, but few can claim that their other models offer the same enjoyment.

The positioning strategy is working. Success is often measured on the age of buyers. Any car company that is



Courtesy of Mazda Canada Inc.

attractive to younger buyers is in good shape moving forward. The median age of Mazda buyers is 40, one of the youngest in the industry. Smaller cars like the Mazda2 and Mazda3 appeal to Generations X and Y—Zoom-Zoom has had an impact on them. The Mazda6 appeals to the 55-year-old guy who loves to drive—Zoom-Zoom has had an impact on him. Mazda has a common strategy that appeals to young and old, an enviable position to be in. The moral of the story is clear: a sound positioning strategy truly is the foundation of a successful marketing strategy.

Discussion Questions

Is a solid positioning strategy absolutely necessary before developing a marketing strategy? Explain.

Adapted from Karl Greenberg, “Mazda’s Miata MX-5 still magnetic north for brand,” Media Post Marketing Daily, November 3, 2010, www.mediapost.com.

For more insight into the importance of having a sound positioning strategy, read the Think Marketing box **Soul of a Sports Car**.

Brands are positioned within the context of competing brands. Marketers collect information about a brand’s attributes and the attributes of its competitors. Such attributes may include quality, variety, price (high or low), services offered, and so on. Marketers can plot all brands on a positioning map (sometimes referred to as a perceptual map). Once plotted, a marketer can see where changes in marketing strategy are necessary if a brand is to improve or alter its image with consumers. As well, gaps on the map (places not occupied by any existing brands) may show where new marketing opportunities exist.

To understand the concept of a positioning map, consider the Canadian hotel market. Refer to **Figure 6.14** for an illustration. For simplicity’s sake, let us assume that the market can be segmented into three broad categories: top-end (high price and quality), middle-of-the-road (average price and quality), and low-end (lower price and quality).

Competitors are plotted on a two-dimensional axis that considers the attributes of price and quality. In the higher-price and higher-quality quadrant are brands such as Four Seasons, Intercontinental, and Hilton. In the middle segment where price and quality are somewhat lower are brands such as Holiday Inn, Radisson, and Best Western.

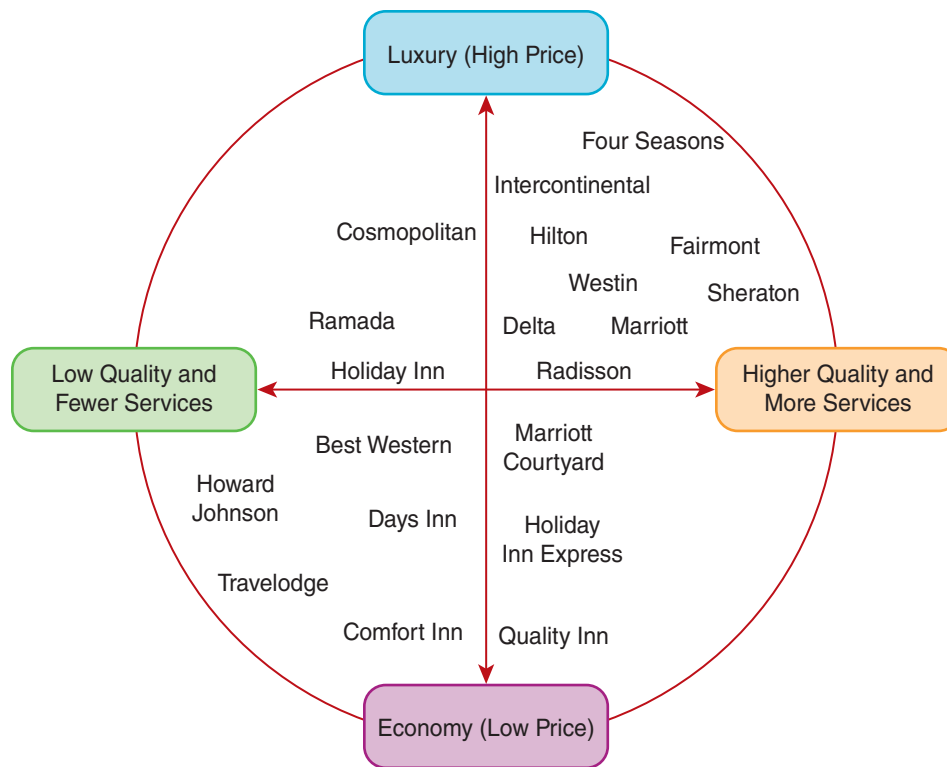


Figure 6.14
A Positioning Map of the
Canadian Hotel Market

In the lower-price or economy quadrant are brands such as Comfort Inn, Quality Inn, and Holiday Inn Express. Both Comfort Inn and Holiday Inn Express have been successful by offering good quality at a reasonable price. This segment of the market is growing faster than the other segments, as both leisure and business customers are looking for better value when they travel.

Types of Positioning

When developing a marketing strategy, the positioning strategy is determined first and it acts as the foundation. All marketing activities revolve around what a company or brand wants the customer to understand about itself. Volvo wants to be known as a safe automobile, Mountain Dew wants to be known for its edgy attitude, Ford wants its trucks to be known for their rugged durability—this is what the consumer learns about these brands when exposed to their marketing and marketing communications activities. Refer to the image in **Figure 6.15**.

The impression or perception a consumer holds about a product is directly influenced by the impact of the marketing strategy. Tangible factors such as price, quality, where a product is available, and the style of advertising influence consumers' perceptions positively or negatively. In the implementation stage, several common strategies are used to position a product. Following are a few of them.

Head-On Positioning In **head-on positioning**, one brand is presented as an alternative equal to or better than another brand. It may not be the leader in the market but it wants to instill that thought in the customer's mind. This strategy is

head-on positioning A marketing strategy in which one brand is presented as an equal or better alternative to a competing brand.



Gabe L'Heureux/Getty Images

Figure 6.15 Mountain Dew presents an “edgy” image to better identify with the attitude and lifestyles of the youth market.

usually initiated by a brand challenger, typically the number-two brand in the market. One approach for this strategy is to show people who declare they regularly use one brand actually choosing another brand.

The Pepsi Challenge is now a classic example of such head-on positioning. In the television commercials for this campaign, non-believers were challenged to a taste test. Once they experienced the taste of Pepsi, their conclusion was rather obvious. In one television commercial, a Pepsi truck driver and a Coke truck driver are sitting at a diner counter. The Coke driver tries a sip of Pepsi, not knowing that the Pepsi driver is taking his picture and uploading it to the Internet for the world to see. A fight ensues between the two. Pepsi effectively delivered its message in the commercial.

Challenger brands are often brands with an attitude. In terms of volume and market share they may be far behind other brands, but they do what they can to attain *thought leadership* in the customer's mind. They typically have something innovative to offer consumers. For example, Apple's iMac computer is positioned as being intuitive and easy to use, it is a sleek tool to use compared to a PC. Refer back to the image in Figure 6.14.

Head-on positioning requires financial commitment, because the brand leader is likely to react with increased marketing spending. In the past, a direct counterattack by the brand leader was unlikely. A brand leader preferred to let its number-one position and product benefits speak for it. In many markets today, the level of competition is so intense even brand leaders resort to using head-on strategies.

Brand Leadership Positioning Brands that are market leaders can use their large market share to help position themselves in the minds of consumers. Their marketing communications are designed to state clearly that the product is successful, a market leader, and highly acceptable to a majority of users. Coca-Cola has successfully used the leadership approach to build the world's most recognized brand. "Coke is it," "Can't beat the real thing," "Always Coca-Cola," and, more recently, "Open happiness" are examples of universally recognizable signatures. The brand name, unique bottle, and popular slogan are a deadly combination for Coca-Cola—they are instantly recognizable by consumers everywhere. Refer to the image in Figure 6.16.

Figure 6.16 Visa communicates its brand leadership position by using phrases such as "More people go with Visa" in its advertising.



Imaginechina via AP Images

Brand leaders usually share some common characteristics over competing brands: they have greater consumer awareness and household penetration, are readily available, and have significant marketing budgets to protect their position. In the debit and credit card market, Visa positions itself as a leader. Its most recent effort involves a global positioning strategy that is summed up in the tagline, “More people go with Visa.”

Product Differentiation Positioning Product differentiation is a strategy that focuses squarely on the unique attributes or benefits of a product—those features that distinguish one brand from another. BAND-AID® brand adhesive bandages compete with many other brands. BAND-AID®s unique attribute is a super-stick adhesive. The benefit to the consumer is that the bandage stays on longer, even in the toughest, wettest conditions, offering better protection.

BAND-AID® brand adhesive bandages compete with many other brands. One of BAND-AID®s unique attributes is Quiltvent technology. As stated in the advertisement in **Figure 6.17** this technology wicks away fluids and offers superior breathability—benefits of interest to consumers. Refer to the image in **Figure 6.17**.

Technical Innovation Positioning Technical innovation is often more important for a company as a whole than for individual products. Of course an innovative company markets innovative products! Companies seeking to project an image of continued technical leadership will use this strategy to position themselves as representing the leading edge of technology.

Apple is one such company—it is well known for designing easy-to-use yet technologically advanced products. Apple has had its share of innovative products, including the Macintosh computer, iMac computers (the first product marketed in the trendy “i” line of products), iTunes (digital music store), iPod, iPhone, and iPad. Apple is also a market leader in these product categories. Producers of competing products in all these categories have to be concerned about the technological advances Apple is making.

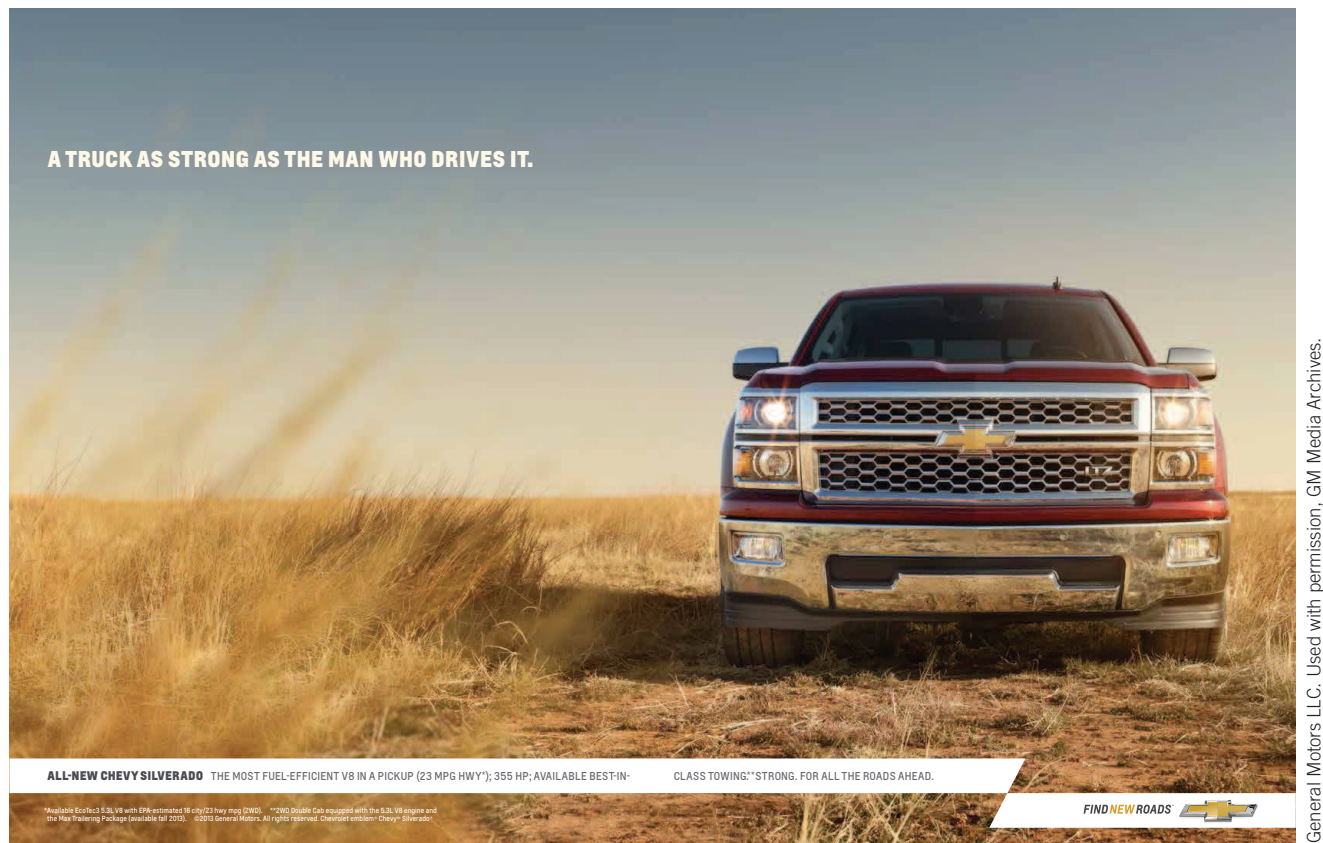
In the razor-blade market, the battle has been traditionally waged through advertising messages showing how various blades perform their functions. Gillette just recently launched the new Gillette Fusion ProGlide razor with flexball technology, which promises men a smoother, closer shave. The flexball innovation offers an additional benefit to current and potential customers. As part of the launch, men in Boston were invited to an executive trial event at a Boston barbershop. Refer to the image in **Figure 6.18**.



Figure 6.17 Offering a significant benefit to consumers helps differentiate BAND-AID® brand bandages from competitors.



Figure 6.18 Innovations such as new flexball technology help keep Gillette at the forefront of the male razor market.



General Motors LLC. Used with permission, GM Media Archives.

Figure 6.19 Chevy Silverado trucks are positioned to appeal to hardworking, adventurous males.

Lifestyle Positioning

In crowded markets where competing-product attributes are perceived to be similar by the target market, firms must look for alternative ways of positioning their products. The addition of psychographic information has allowed marketers to develop marketing communications on the basis of the lifestyle of the target market. Essentially, the product is positioned to “fit in” or match the lifestyle of the user, or to appeal to potential users on the basis of satisfying esteem needs. Brand messages appeal to consumers on an emotional level and are delivered using sex, love, fear, and adventure. Coors Light uses such a strategy—young guys, beautiful girls, party situations, and cottage country (the desired lifestyle of the 20-something target audience) are common backdrops for television commercials.

In the truck market all of the major brands such as the Ford F-150, Chevrolet Silverado, and Ram appeal to the lifestyle of hardworking, outdoor-oriented, adventurous males. The message focuses on the strength and toughness of the vehicle. Advertisements for Silverado use phrases such as “Strong . . . for all the roads ahead” to establish the desired brand image. Refer to **Figure 6.19**. The image of the truck exudes strength and power.



Simulation: Segmentation, Targeting and Positioning

repositioning Changing the place a product occupies in the consumer’s mind, relative to competitive products.

Repositioning

In a competitive marketplace, marketing organizations must be ready to alter their positioning strategies. It is unrealistic to assume that the positioning strategy adopted initially will be appropriate throughout the life cycle of a product. Therefore, products will be repositioned on the basis of the prevailing environment



General Motors LLC. Used with permission, GM Media Archives.

Figure 6.20 The launch of the Buick Verano and the advertising associated with it helped position the Buick brand in the minds of younger female customers.

in the marketplace. **Repositioning** is defined as changing the place that a product occupies in the consumer's mind in relation to competitive products. There are two primary reasons for repositioning or adapting a product. One, the marketing activities of a direct competitor may change, and two, the preferences of the target market may change. Marketers must continuously monitor these changes.

Out of necessity, Buick (a vehicle marketed by General Motors Canada) launched a new vehicle called the Verano with a completely new image in 2013. Buick, traditionally, is the preferred ride of older men. While GM can't ignore its older target, the path to future success lies with the brand's ability to attract new, younger customers. For more insight into this story read the Think Marketing box, **Melina: Buick's New Target**. Also, refer to the image in **Figure 6.20**.

The concepts of positioning and repositioning are important to understand. Potential marketers must realize that marketers do not position brands, consumers do. Once a brand's basic positioning has become set in the customer's mind, there is little marketers can do to influence it, and any change that can be effected tends to happen extremely slowly. Therefore, if a positioning strategy is working a company should avoid the temptation to change things. Perhaps the old expression should apply: "If it ain't broke, don't fix it." For a summary of the steps involved in market segmentation, identifying target markets, and positioning, see **Figure 6.21**.

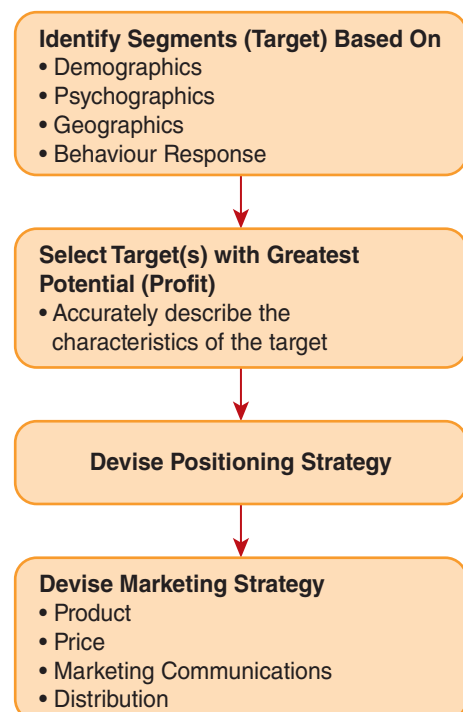


Figure 6.21 Steps Involved in Market Segmentation, Target Market Identification, and Positioning.



ThinkMarketing

Melina: Buick's New Target

When a brand is facing declining sales and its primary target market is aging, what must it do to get things back on track? Many marketers try to reposition their brand so that it appeals to a younger target market. That said, can the same product appeal to diverse age groups? Making it happen is more difficult than it sounds.

Buick, a product line marketed by General Motors faced this very situation. The brand had always been popular with older men and image-wise it had become rather stale. While Buick cannot ignore its primary target, future success depends on attracting new, younger customers. The product and the marketing behind it had to change.

The solution was Melina, the internal name GM gave to the new target market Buick would pursue. Melina is a tech-savvy urbanite making a good salary who likes to treat herself to nice things—spa treatments, nice clothes, and nights out with the girls.

For Melina, Buick launched a completely new vehicle called the Verano. A new style of advertising featured young women enjoying fine coffee, relaxing in beach settings, and driving the new compact, fuel-efficient vehicle. A well-balanced, traditional media buy, combined with a campaign using new social media and experiential marketing, introduced the vehicle to the market. Buick actually lent the Verano to young people who had high Klout scores—people who had influence on social media. The goal was to get the influencers to spread the word via Facebook, Instagram, and Twitter.



General Motors LLC. Used with permission, GM Media Archives.

General Motors is happy with the results. Buick sales are trending upward with the increase fully attributed to the launch of the new Verano. As well, the buyers are younger, and non-GM buyers—a sure sign that the advertising campaign had an impact on the new target market.

In more general terms, GM has its eye on younger targets moving forward. Rob Assimakopoulos, director of marketing and communications for Buick, says, “The products we’re building for Buick today reinforce the needs of a modern consumer, in many cases a younger consumer.”

Question:

Pursuing a new target worked for Buick. Are there any other options Buick could have considered to reverse the declining sales trend?

Adapted from Susan Krashinsky, “There’s something about Melina,” The Globe and Mail, November 23, 2012, p. 5.



ExperienceMarketing

To experience marketing you have to assess situations and then make changes to marketing strategy when necessary. What would you do in the following situation?

You are the marketing manager for 7Up, a reasonably popular soft drink among Canadian adults. The product is not on the radar of younger age groups who prefer brands like Coca-Cola, Pepsi-Cola, and Mountain Dew. For 7Up to grow in the market, you have determined that you must attract a younger customer. You have also determined the only way to do so is to market some

new flavours that will appeal to the new target group. The tentative plan is to market two new flavours: raspberry and tangerine. You envision a brand name like 7Up Razzle Dazzle Raspberry to get the attention of the younger age group.

The specific market you are going after is the *tween* market. You lack information on this market segment. Your immediate challenge is to conduct a Web-based search to uncover relevant demographic, psychographic, and behaviour information about tweens.

On the basis of the information you uncover how will you position the new flavours of 7Up? What marketing strategies would you recommend to market the new flavours?

CHAPTER SUMMARY

L01 Explain market segmentation and differentiate among the different forms of market segmentation. (pp. 118–141)

A market was defined as a group of people having a similar need for a product or service, the resources to purchase the product or service, and the willingness and ability to buy it.

When an organization offers a product or service to a wide range of consumers it is practising *mass marketing*. Market *segmentation* involves the division of a large market into smaller segments (or targets) based on common need and/or similar lifestyles. The marketer concentrates on segments of the population by marketing different products to segments with different characteristics. Other market segmentation alternatives are niche marketing, where an organization targets a very small or narrow segment of the market, and direct segmentation, where the organization targets customers on an individual basis.

With marketing segmentation the goal is to reach customers effectively. Advancing technologies have enhanced the marketer's ability to do so. Marketers can target customers individually and send messages to where they live, a practice referred to as *geo-targeting*. Through smartphones and GPS technology a marketer can track an individual's whereabouts and send messages to them as they move around, a practice referred to as *location-based targeting*.

L02 Describe the process used and information needed to identify and select target markets. (pp. 123–132)

Segmenting a market involves three steps: identifying market segments, selecting the most attractive segments to pursue, and positioning the product to appeal to the target market. The marketer will use his or her knowledge of demographic trends in the population when identifying potential markets to pursue. The marketer will identify a profile of the target customer. The profile is based on demographic, psychographic, geographic, and behaviour response characteristics—whatever information is relevant to the situation.

Demographic characteristics include age, gender, income, education, occupation, marital status, household formation, and ethnic background. Psychographic characteristics relate to the lifestyle of the target and consider the target's attitudes, interests, and opinions. Geographic characteristics relate to where the target lives: urban, suburban, or rural locations. Behaviour response segmentation considers the target's occasion for using the product, the benefits they require in the product, the frequency with which they use it, and their degree of brand loyalty.

The marketer develops a target market profile that considers relevant demographic, psychographic, geographic, and behavior response characteristics. The target market profile is a key element of a marketing plan, since all marketing strategies are based on how well a marketer understands the customer.

L03 Explain the concept of market positioning and its role in contemporary marketing practice. (pp. 132–140)

Positioning involves designing a product or service to meet the needs of a target market and then creating the appropriate marketing appeals so that the product stands out in the minds of consumers. The goal is to plant a desirable image of the product in the customer's mind. Marketers describe how a brand is positioned in a positioning strategy statement, another key element of a marketing plan. Many experts believe a sound positioning strategy is the foundation of a marketing plan. Its importance is demonstrated by the fact that all marketing mix strategies (product, price, distribution, and marketing communications) must fit with the positioning strategy. Such integration is what creates the desirable image for the brand in the customer's mind.

Some common positioning strategies include head-on comparisons with competitors, brand leadership, product differentiation, technical innovation, and lifestyle approaches. As a product matures, such factors as competitive activity and changing consumer preferences will force the re-evaluation of positioning strategies.

MyMarketingLab

Study, practise, and explore real marketing situations with these helpful resources:

- **Interactive Lesson Presentations:** Work through interactive presentations and assessments to test your knowledge of marketing concepts.
- **Study Plan:** Check your understanding of chapter concepts with self-study quizzes.
- **Dynamic Study Modules:** Work through adaptive study modules on your computer, tablet, or mobile device.
- **Simulations:** Practise decision-making in simulated marketing environments.

REVIEW QUESTIONS

1. What is the difference between mass marketing and market segmentation? Briefly explain. (L01)
2. What is niche marketing and what are the risks associated with this form of market segmentation? (L01)
3. What is direct segmentation? Briefly explain. (L01)
4. What is the relationship between behavioural targeting and the concept of mass customization? Briefly explain. (L01)
5. What is a target-market profile? (L02)
6. What is the difference between demographic segmentation, psychographic segmentation, and geographic segmentation? Briefly explain. (L02)
7. Why it is important for marketing organizations to monitor demographic and social trends in Canada? Briefly explain. (L02)
8. What is geodemographic segmentation and how may it be applied in marketing practice? (L02)
9. Briefly describe the four types of behaviour response segmentation, and provide an example of each. (L02)
10. Explain the relevance of positioning and repositioning in marketing practice. (L03)

DISCUSSION AND APPLICATION QUESTIONS

1. Can one branded product be successfully positioned to be attractive to several different target markets (e.g., Generation Y and baby boomers) at the same time? Discuss and provide examples to strengthen your position.
2. How important is it for an organization to devise specific marketing strategies for the Quebec market? Should unique strategies be developed for other regions and other cultural groups that exist in major urban areas? Discuss and offer an opinion on the issue.
3. Conduct some secondary research to update the status of location-based marketing in Canada. Has this marketing tool benefited Canadian companies? Provide some examples to verify the benefits of this form of marketing.
4. Provide a new example of a company or brand that employs a brand leadership positioning strategy. With regard to the consumer they are trying to reach, and their competition, how effective is this strategy? Assess and offer an opinion.