Market Segmentation

"The identification of individuals or organizations with similar characteristics that have significant implications for the determination of marketing strategy"

“a group of present or potential customers with some common characteristic which is relevant in explaining and (predicting) their response to a supplier’s marketing stimuli”

The need for market segmentation

- Marketers understand that they cannot be all things to all people, all of the time. Buyers and markets are too complex and diverse for one simple marketing formula to adequately address the needs of all.

- **Market segmentation** is the process that companies use to divide large heterogeneous markets into small markets that can be reached more efficiently and effectively with products and services that match their unique needs.

The Company’s Micro-environment

**Actors in the Microenvironment**

- Suppliers
- Marketing intermediaries
- Competitors
- Public
- Customers

The Company’s Macro-environment

**Marknadssegmentering**

“Marknadssegmentering” is the process that companies use to divide large heterogeneous markets into small markets that can be reached more efficiently and effectively with products and services that match their unique needs.

**Select customers to serve**

- Segmentation
  - Divide the total market into smaller segments

- Targeting
  - Select the segment or segments to enter

**Create value for targeted customers**

- Positioning
  - Position the market offering in the minds of target customers

- Differentiation
  - Differentiate the market offering to create superior customer value

**Decide on a value proposition**

- Create value for targeted customers
Marknadssegmentering

- Bynner på idén att vi har olika önskemål, olika mängder resurser, beter oss på olika sätt och bor på olika ställen
- Fast inte helt olika, utan det finns mönster som gör att man kan...
- ... dela upp en marknad (køparna) i distinkta grupper (mindre marknader) baserat på köparnas olika behov, karakteristik och beteende gentemot vilka man kan jobba med samma marknadsföringsmix till
  - Produkt
  - Pris
  - Påverkan
  - Plats

Marknadssegment

Market Segmentation

Segmenting Consumer Markets

- Geographic segmentation divides the market into different geographical units such as nations, regions, states, counties, or cities

Demographic segmentation

- divides the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality

Psychographic segmentation

- divides buyers into different groups based on social class, lifestyle, or personality traits
Market Segmentation

Segmenting Consumer Markets

Behavioral segmentation divides buyers into groups based on their knowledge, attitudes, uses, or responses to a product
- Occasions
- Benefits sought
- User status
- Usage rate
- Loyalty status

Requirements for Effective Segmentation

- To be useful, market segments must be:
  - Measurable
  - Accessible
  - Substantial
  - Differentiable
  - Actionable

Övningsuppgift segmentering

- Segmentera marknaden för sportskor.

Market Targeting

Selecting Target Market Segments

- Target market consists of a set of buyers who share common needs or characteristics that the company decides to serve

Market Targeting

Evaluating Market Segments

- Segment size and growth
- Segment structural attractiveness
- Company objectives and resources

Market Targeting

Target Marketing Strategies

- Unsegmented mass marketing
- Differentiated individual marketing
- Concentrated niche marketing
- Micromarketing (microtargeting or segmenting)

To be useful, market segments must be:

- Measurable
- Accessible
- Substantial
- Differentiable
- Actionable
## Market Targeting

### Target Marketing Strategies

<table>
<thead>
<tr>
<th>Undifferentiated marketing</th>
<th>Differentiated marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>targets the whole market with one offer</td>
<td>targets several different market segments and designs separate offers for each</td>
</tr>
<tr>
<td>- Mass marketing</td>
<td>- Goal is to achieve higher sales and stronger position</td>
</tr>
<tr>
<td>- Focuses on common needs rather than what’s different</td>
<td>- More expensive than undifferentiated marketing</td>
</tr>
</tbody>
</table>

*“in any color, as long as it is black”*

### Target Market Strategies

<table>
<thead>
<tr>
<th>Concentrated marketing</th>
<th>Micromarketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>targets a small share of a large market</td>
<td>is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations</td>
</tr>
<tr>
<td>Limited company resources</td>
<td>- Local marketing</td>
</tr>
<tr>
<td>Knowledge of the market</td>
<td>- Individual marketing</td>
</tr>
<tr>
<td>More effective and efficient</td>
<td></td>
</tr>
</tbody>
</table>

### Local Marketing

<table>
<thead>
<tr>
<th>Local marketing</th>
<th>Individual marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>involves tailoring brands and promotion to the needs and wants of local customer groups</td>
<td>involves tailoring products and marketing programs to the needs and preferences of individual customers</td>
</tr>
<tr>
<td>Cities</td>
<td>Also known as:</td>
</tr>
<tr>
<td>Neighborhoods</td>
<td>- One-to-one marketing</td>
</tr>
<tr>
<td>Stores</td>
<td>- Mass customization</td>
</tr>
<tr>
<td></td>
<td>- Markets-of-one marketing</td>
</tr>
</tbody>
</table>
Market Targeting

Choosing a Target Market

Depends on:
- Company resources
- Product variability
- Product life-cycle stage
- Market variability
- Competitor's marketing strategies

Differentiation and Positioning

Product position is the way the product is defined by consumers on important attributes—the place the product occupies in consumers' minds relative to competing products
- Perceptions
- Impressions
- Feelings

Choosing a Differentiation and Positioning Strategy

Identifying a set of possible competitive advantages to build a position by providing superior value from:
- Product differentiation
- Service differentiation
- Channel differentiation
- People differentiation
- Image differentiation

Choosing the Right Competitive Advantage

Difference to promote should be:
- Important
- Distinctive
- Superior
- Communicable
- Preemptive
- Affordable
Choosing the positioning is often easier than implementing the position.