

Chapter 6

Objective Outline

1. Identify the steps in the target marketing process. (pp. 176–178)
TARGET MARKETING STRATEGY: PROCESS OVERVIEW (p. 176)
2. Understand the need for market segmentation and the approaches available to do it. (pp. 178–193)
STEP 1: SEGMENTATION (p. 178)
3. Explain how marketers evaluate segments and choose a targeting strategy. (pp. 193–199)
STEP 2: TARGETING (p. 193)
4. Understand how marketers develop and implement a positioning strategy. (pp. 199–207)
STEP 3: POSITIONING (p. 199)
5. Explain how marketers increase long-term success and profits by practising customer relationship management. (pp. 208–211)
CUSTOMER RELATIONSHIP MANAGEMENT (CRM): TOWARD A SEGMENT OF ONE (p. 208)

market fragmentation

The creation of many consumer groups due to a diversity of distinct needs and wants in modern society.

target marketing strategy

Dividing the total market into different segments on the basis of customer characteristics, selecting one or more segments, and developing products to meet the needs of those specific segments.

1

OBJECTIVE

Identify the steps in the target marketing process.

(pp. 176–178)

Target Marketing Strategy: Process Overview

By now, you've read over and over that the goal of the marketer is to create value, build customer relationships, and satisfy needs. But in our modern, complex society, it's naive to assume that everyone's needs are the same. Understanding people's needs is an even more complex task today because technological and cultural advances in modern society create a condition of **market fragmentation**. This means that people's diverse interests and backgrounds divide them into numerous groups with distinct needs and wants. Because of this diversity, the same good or service will not appeal to everyone.

Consider, for example, the effects of fragmentation in the health and fitness industry—one that has gained increasing attention due to recent data about skyrocketing rates of obesity among adults and children. Back in the 1960s, dieting was simple. Pritikin was a best-selling weight loss system that emphasized very low fat and high fibre, and health-conscious consumers thought that this combination would surely yield a lean body and good health. Today's consumers, however, have a cornucopia of diets from which to choose including such brands as NutriSystem, Weight Watchers, Jenny Craig, the Atkins diet, and many more. Calories, fat, carbs, or all of the above—which to cut?

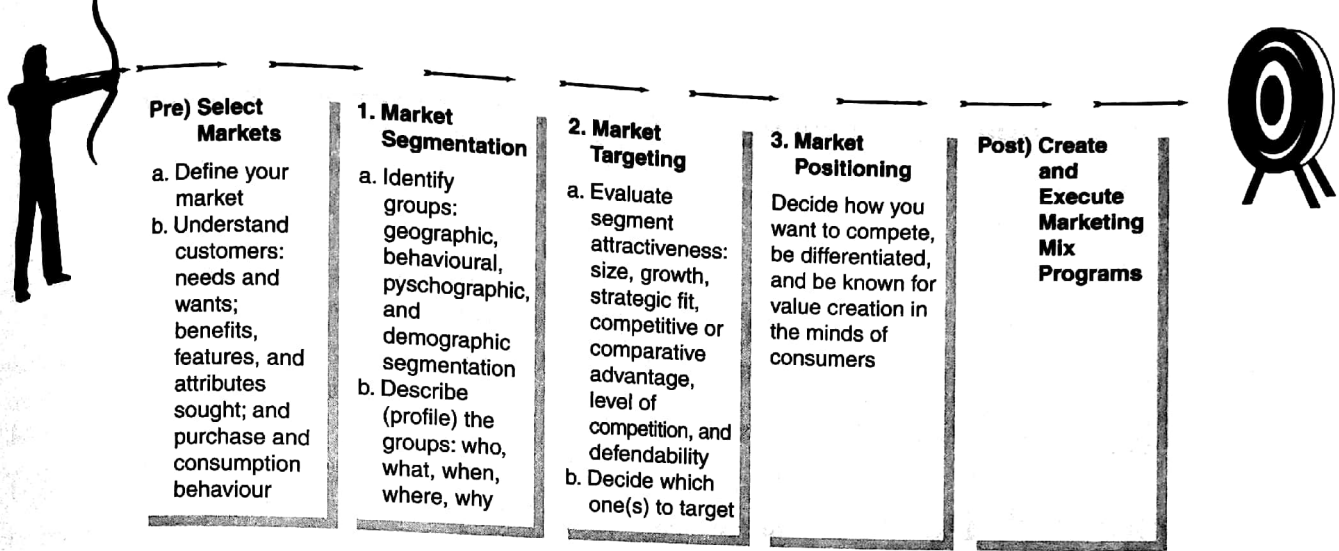
Marketers must balance the efficiency of mass marketing, where they serve the same items to everyone, with the effectiveness that comes when they offer each individual exactly what he or she wants. Mass marketing certainly costs much less; when we offer one product to everyone we eliminate the need for separate advertising campaigns and distinctive packages for each item. However, consumers see things differently; from their perspective, the best strategy would be to offer the perfect product just for them. Unfortunately, that's often not realistic. To this day, Burger King touts its longtime motto "Have It Your Way," but BK can only deliver this promise to a point. "Your way" is fine as long as you stay within the confines of familiar condiments such as mustard or ketchup. Don't dream of topping your burger with blue cheese, mango sauce, or some other "exotic" ingredient.

Instead of trying to sell something to everyone, marketers select a **target marketing strategy** in which they divide the total market into different segments based on customer characteristics, select one or more segments, and develop products to meet the needs of those specific segments. Figure 6.1 illustrates the three-step process of segmentation, targeting, and positioning, and it's what we're going to check out in this chapter.

Identify and Select Market(s)

One of the challenges in developing a target marketing strategy is determining what market you are in and what market you should be segmenting. For example, should beer marketers be segmenting the beer market, the alcoholic beverage market, or the social beverage market? Kodak redefined itself from being in the film business to being in the imaging business—leading Kodak to venture into new markets. Deciding what "market" you are competing in has significant implications for the segments you might identify. You must also consider the geographic scope of the market—are you segmenting the

Figure 6.1 Steps in the Target Marketing Process



beverage market in North America, Canada, or in one or more provinces? The decision about how to define the markets you are competing in is typically done at the executive (strategic planning) level of an organization. As an entrepreneur or consultant, you may need to make this decision yourself—based on your experience; your understanding of the consumer, competitive, and technological environments; and your understanding of the mission, strategic directions, and competencies of your organization.

Criteria for Identifying Market Segments

Before discussing how to segment a market, let's review the criteria for a successful segmentation scheme. There is no right or wrong way to segment a market, but some segmentation schemes are more useful than others for identifying market opportunities and being able to position products that uniquely appeal to a well-defined group of consumers or customers—the term used to describe organizational or business-to-business buyers.

A viable segmentation approach should satisfy the requirements outlined in Figure 6.2.

- Members of the segment must be similar to each other in their product needs and wants, such that the same marketing programs (product offers) would be appealing to most members of the group.
- At the same time, consumers in each segment should be sufficiently different from consumers in other segments so that different marketing programs or product offers would be appealing to the different segments. Segment differences need to be actionable—that is, they require different product, pricing, distribution, and/or communication strategies to create a product offer that appeals to each segment. Without real differences in consumer needs and wants, firms might as well use a mass-marketing strategy. For example, it's a waste of time to develop two separate lines of skin care products for working and non-working women, if both segments have the same needs and wants with respect to skin care.
- The segment must be large enough now and in the future to warrant targeting. What is large enough is a judgment call, and usually depends on the size of the company doing the segmentation scheme. Large organizations like Procter & Gamble may be interested only in market segments with sales potential in the millions of dollars. A smaller company may be interested in segments with sales potential in the tens or hundreds of thousands of dollars. In considering the BC market, for example, the Beef Information Centre evaluated the Chinese Canadian community as a possible

- Similar Enough Within the Group
- Different Enough Between the Groups
- Large Enough
- Measurable Market
- Reachable

Figure 6.2 Criteria for Effective Segmentation Approaches

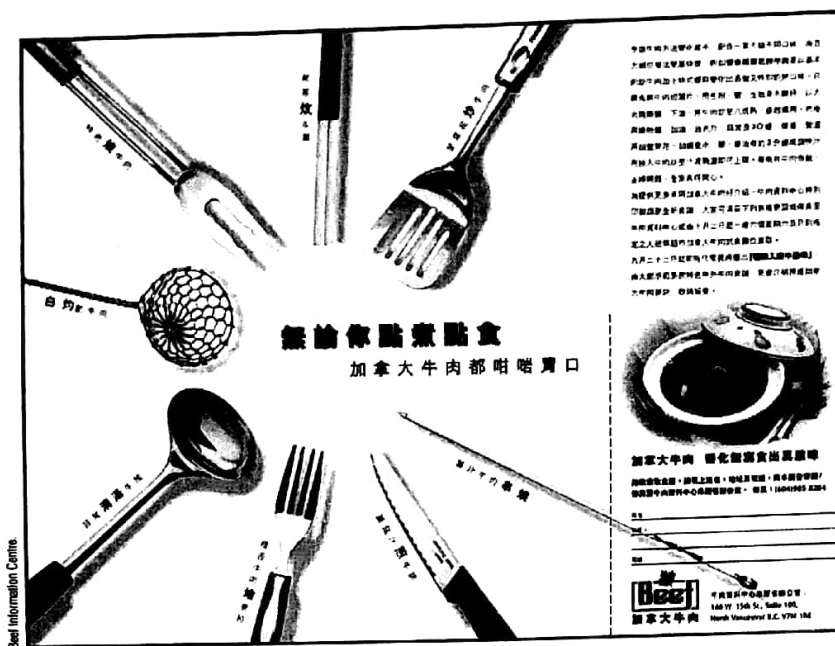


Exhibit 6.1

Chinese Canadian consumers were identified as a large segment for the Beef Information Centre of British Columbia.

segment. Chinese Canadians spend more money on food than any other ethnic group, and if just 25 percent of the close to 300 000 Chinese Canadians in British Columbia ate one more beef meal a month, sales of beef in British Columbia would increase by 77 000 kilograms per year. This analysis led the organization to target the Chinese Canadian segment in Vancouver through magazine ads like the one in Exhibit 6.1, recipes distributed at grocery stores, and the sponsorship of a Chinese cooking show on TV.

- The segment must represent a measurable market—that is, people in the segment have purchasing power: the authority, willingness, and ability to make a purchase decision. Children, for example, may not have the authority to make a purchase. Religious or cultural beliefs may impact willingness to buy (such as beef-based hamburgers in India). Low-income consumers may not have the ability to buy.

- Finally, the segment must be reachable. Marketers must be able to identify consumers or organizational customers in the segment and communicate the product offer to them in a cost-effective manner. It is easy to select television programs or magazines that will efficiently reach older consumers, consumers with specific levels of education, certain ethnic groups, or residents of major cities, because the media they prefer are easy to identify. It would be more difficult, however, for marketing communications to effectively and efficiently reach left-handed blond people with tattoos who listen to hip-hop. Therefore, our segments need to be defined in such a way that we can actually find those customers to present them with our offer.

2

Step 1: Segmentation

segmentation

The process of dividing a larger market into smaller pieces based on one or more meaningfully shared characteristics.

OBJECTIVE

Understand the need for market segmentation and the approaches available to do it.

(pp. 178–193)

Segmentation is the central tenet or cornerstone of marketing strategy. Because consumers have different needs and wants and the same marketing program is unlikely to appeal to all consumers, marketers identify the key groups in a market, choose which group(s) to focus on (target), decide how they want their brand to compete and be known by these consumers (positioning), and design marketing programs (make marketing mix decisions) to create product offers that uniquely appeal to the chosen target groups. There are very few, if any, products with universal appeal. Even for products as popular as cola soft drinks, some consumers choose Coca-Cola over Pepsi or Pepsi over Coke, some

prefer diet colas and others flavoured colas (e.g., Dr. Pepper, Vanilla Coke; Exhibit 6.2), some prefer caffeine-enhanced colas like Jolt, and others prefer non-soft drink beverages. Theresa Bergeron, president of Thermohair Inc. (Exhibit 6.3), has developed a product line of specialty socks made of kid (baby goat) mohair. Not everyone would be interested in a \$25 pair of durable, warm, comfortable socks, but people involved in outdoor recreational sports like hiking and camping might be.

Doing a good job at segmentation is the first step in the target marketing process, and taking a different approach to segmentation than your competitors can often provide competitive advantage. During the late 1990s, for example, Converse began falling well behind its competitors such as Reebok and Nike, which successfully targeted the younger demographic

demographic as they tied their shoes (pun intended!) to popular athletes who acted as marketing machines for the brands. Converse needed to find a way to appeal to the younger generation as they sought markets beyond traditional sports. The marketers at Converse (which Nike acquired in 2003) identified the segment of socially aware and involved Generation Y consumers—people born between 1979 and 1994 who were “optimistic rebels” looking for a “blank canvas for self-expression.”² Converse gained considerable market share when they reminded these consumers that the cultural icons that they admired, such as Kurt Cobain, once wore Converse shoes, and that Converse was a hip brand with deep roots with the avant-garde.

So, just how do marketers segment a market? We’ll show you how to do this for consumer markets and then for organizational (business-to-business) markets for which the process is quite similar. But we will discuss some of the differences shortly.

Segment Consumer Markets

Several **segmentation variables**, or bases for segmentation, can be used to group consumers into actionable segments. For example, consider the sports shoe industry. At one time, it was sufficient to divide the sports shoe market into athletes and nonathletes. But take a walk through any sporting goods store today, and you’ll quickly see that the athlete market has fragmented in many directions. Shoes designed for jogging, basketball, tennis, cycling, cross training, and even skateboarding beckon us from the aisles. Some sports, such as running, are more popular in some provinces than others, so marketers consider geography. Not everyone is willing or able to pay \$150 for the latest running shoe, so marketers consider disposable and discretionary income. Men may be more likely to participate in some sports, such as basketball, whereas women may be more likely than men to want the latest aerobics styles, so marketers also consider gender. Not all age groups are going to be equally interested in buying specialized athletic shoes, and some kids may be more inclined to “extreme” sports than others. As this example shows, the larger consumer “pie” can be sliced into smaller pieces in a number of ways, including geographic, demographic, psychological, and behavioural differences (see Figure 6.3). These segmentation variables are used to identify the groups. Then we create detailed descriptions or profiles of the groups.

In the sections that follow, we’ll consider each of these segmentation approaches in turn, but first a note of caution. When it comes to marketing to some groups—in particular, lower income individuals, the poorly educated, non-native language speakers, and children—it is incumbent on marketers to exercise the utmost care not to take undue advantage of their circumstances. Ethical marketers are sensitive to the different conditions in which people find themselves and proactively work to uphold a high level of honesty and trust with all segments of the public. Doing so is nothing short of marketing’s social responsibility.

Segment by Behaviour

People may use the same product for different reasons, on different occasions, and in different amounts. Savvy marketers realize that if the objective is to create groups that want very different product offers, it makes sense to try to group them by the similarity of their needs, wants and preferences, the benefits they seek, the features and attributes they desire, or their purchasing or consumption behaviour. This approach to segmentation is called **behavioural segmentation**, and marketers as diverse as Research In Motion and McDonald’s have found it a useful place to start because it identifies groups that require distinct



Exhibit 6.2

Coca-Cola developed Vanilla Coke to appeal to a flavoured-cola-seeking market segment.

segmentation variables

Dimensions that divide the total market into fairly homogeneous groups, each with different needs and preferences.

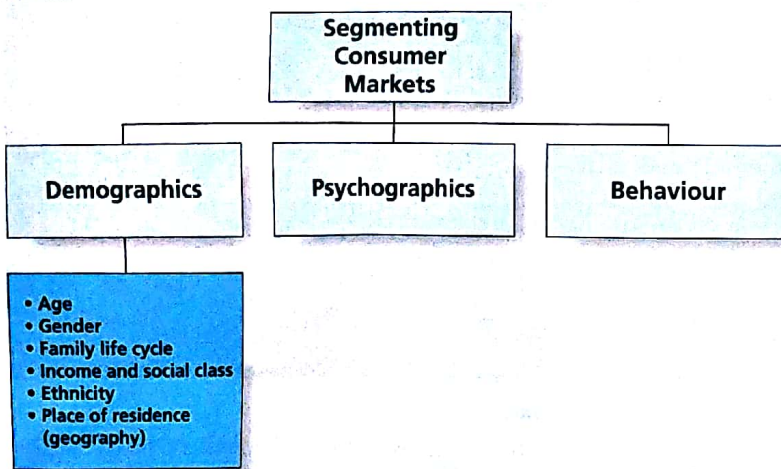


Exhibit 6.3

Thermohair Inc. focuses on a narrow segment interested in warm, comfortable, durable socks that are made for cold weather (they even have a rib-free line for people with circulation problems).

Figure 6.3 Segmenting Consumer Markets

Consumer markets can be segmented by demographic, psychographic, or behavioural criteria.

**behavioural segmentation**

A technique that divides consumers into segments on the basis of how they act toward, feel about, or use a good or service.

benefit segmentation

A segmentation approach that groups consumers or customers based on the benefits or value they seek in buying and using products.

usage segmentation

A segmentation approach that groups consumers or business customers based on the amount of a product purchased or consumed or how the product is used.

80/20 rule

A marketing rule of thumb that 20 percent of purchasers typically account for 80 percent of a product's sales.

motivated to use the technology behind the service.⁴ In many industries, consumers seek different types of benefits from products and can be grouped accordingly. For example, the following benefit-based groups (among others) might be identified as restaurant industry segments: convenience seekers, fun seekers, health oriented, fine-dining experience seekers, novelty seekers, cost oriented, family oriented, image or status oriented, or culture seekers. Each of us may fall into more than one of these benefit-seeking categories at different times or in different contexts, but restaurant owners know that different consumers seek different benefits from a restaurant and select restaurants based on the benefits they wish to receive at a particular time. That is why restaurants are usually clearly positioned to appeal to one or more of these benefit segment groups. Think of all the restaurants you know—what benefit(s) do they primarily focus on delivering? The advantage of segmenting by benefits is that the resulting groups are usually seeking very different product solutions, which makes the segmentation scheme very actionable in terms of designing appropriate marketing programs.

Another common approach to behavioural segmentation is **product usage segmentation**. In this approach, groups are identified based on how they use a product or how much they use a product. Baking soda, for example, is marketed to a variety of end-use segments, including deodorizing fridges, sinks, or rugs; cooking; and teeth brushing. Airlines often identify consumer and business traveller segments, which is a proxy for describing the frequency of product use (light users versus heavy users) and how consumers use the service. Many marketers (particularly those in business-to-business markets) abide by a rule of thumb called the **80/20 rule**: 20 percent of purchasers account for 80 percent of the product's sales (this ratio is just an approximation). Therefore, it often makes more sense to focus on the smaller number of people who are heavy users of a product rather than on the larger number who are just casual users. This is what NSCU is thinking of doing by targeting the West Coast affluent.

While the 80/20 rule still generally holds in the majority of situations, the Internet's ability to offer an unlimited choice of goods to billions of people

**Exhibit 6.4**

Palm and other PDA manufacturers often use behavioural segmentation to target segments that use communication devices differently.

is starting to change how marketers think about segmentation. A new approach called the **long tail** is turning traditional thinking about the virtues of selling in high volume on its head. The basic idea is that we no longer need to rely solely on the big hits (like blockbuster movies or bestselling books) to find profits. Companies can also make money by selling small amounts of items that only a few people want—if they sell enough different items. For example, Amazon.com maintains an inventory of 3.7 million books compared to the 100 000 or so you'll find at a Chapters retail store. Most of these will sell only a few thousand copies (if that), but the 3.6 million books that Chapters *doesn't* carry make up a quarter of Amazon's revenues! Similarly, about a fifth of the videos Netflix delivers to its customers are older or obscure titles that Blockbuster does not stock. Other examples of long tail include successful microbreweries and TV channels that make money on reruns of old shows.

Some marketers find it useful to divide the market into users and nonusers of a good or service so that they can reward current users (as Air Canada does with frequent flyer miles) or try to win over new ones. However, nonusers are often not clearly identifiable and reachable, thus failing to satisfy the fifth criterion for identifying market segments outlined above. And current users may not be a very homogeneous group, which is the first criterion (see Figure 6.2), and they may not reflect the users desired by the marketing organization.

Another way to segment a market based on behaviour is to look at **usage occasions**, or the context in which consumers use the product most. Many products are associated with specific occasions, including time of day and holidays, whether for a business function or casual situation. Greeting cards, for example, are a product associated with specific occasions. Carlton Cards, Canada's leading greeting card marketer, experiences peak demand related to four special occasions: Christmas, Valentine's Day, Mother's Day, and Easter. In addition to meeting the demand for these occasions with specialized cards, advertising, and in-store promotions, Carlton engages in marketing efforts designed to encourage the giving of cards on other occasions, such as Earth Day. Similarly, ski resorts like Mont Tremblant, which experiences heavy demand during vacation periods, might offer great bargains during the off-season to tempt vacationers who would otherwise just visit the resort during Christmas vacation.

Being strongly associated with a particular occasion can be a mixed blessing for a product. On the one hand, sales can be almost guaranteed at that time (think about how many people cook a whole turkey on Thanksgiving); on the other hand, a product can become locked into an occasion (few people cook whole turkeys as a standard menu item). For the past 10 years, Ocean Spray has worked hard to expand cranberry consumption beyond the holiday season, introducing new cranberry foods like Craisins Dried Cranberries, spritzers, and cranberry-based beverages. Now it's trying to increase consumption frequency by communicating the health benefits of its products and encouraging consumers to take the Ocean Spray Cranberry Cocktail "One Glass A Day Challenge" (Exhibit 6.5).

In a similar vein, Google enables its advertising clients to target certain ads to certain segments of search engine users, based on data such as Google domain, query entered, IP address, and language preference. This way, companies can have Google automatically sort and send the intended ad to certain market segments. Thus, it is possible for advertisers on Google to tailor their automatically targeted ads based on seasonality—you will see more TurboTax ads on Google pages during tax season, even if people aren't querying tax software.⁵

Segment by Psychographics

Consumers and customers often make purchase decisions that reflect or support their attitudes, values, interests, opinions, emotions, personality, and lifestyles. Discussed in Chapter 4, these concepts are collectively referred to as **psychographics**. **Psychographic segmentation** groups consumers by these and other variables that are related to an individual's psychology, mental state, or self and is concerned with consumers' motivation to buy products.

long tail

A new approach to segmentation based on the idea that companies can make money by selling small amounts of items that only a few people want, provided they sell enough different items.

usage occasions

Indicator used in one type of market segmentation based on when consumers use a product most.

psychographic segmentation

A segmentation approach that groups people based on their attitudes, beliefs, values, lifestyles, or other psychological orientations.

Read below to discover the many ways
**CRANBERRY FILLS YOUR
GLASS WITH GOODNESS.**



Once folklore. Now fact.



- ✓ HELPS PROMOTE GOOD URINARY TRACT HEALTH
- ✓ 1 CUP = 100% RECOMMENDED DAILY INTAKE OF VITAMIN C
- ✓ NO ARTIFICIAL PRESERVATIVES, FLAVOURS OR COLOURINGS

For over 60 years, Ocean Spray has been actively researching the cranberry to understand its role in maintaining urinary tract health. Cranberries contain natural compounds (called proanthocyanidins or condensed tannins) that help prevent certain bacteria from sticking to the urinary tract and causing infection. Research shows that drinking 250 mL of Ocean Spray® Cranberry Cocktail twice a day helps provide protection against urinary tract infections. There are a variety of ways to get cranberry health benefits across different products.

CRANBERRY EQUIVALENCES ON A PROANTHOCYANIDIN BASIS



Take the
**ONE GLASS
A DAY
CHALLENGE**



Simple and Healthy
Meal Solutions >>



Read the latest on
Cranberry Health
from Lois Ferguson,
Registered
Dietitian >>

Courtesy of Ocean Spray International Inc.

Exhibit 6.5

Ocean Spray wants to expand cranberry consumption beyond traditional holiday usage occasions.

Grouping consumers by their psychological orientation to a purchase often results in a useful segmentation scheme that meets the criteria of Figure 6.2, since differences in these psychological considerations usually reflect differences in needs and wants and are precursors to purchase and consumption behaviour. For example, Covenant House, a charitable organization that helps homeless people, recognized that donors care more about the homeless than nondonors do, and believe their donations will make a difference. With this understanding, Taxi Advertising and Design of Toronto developed a series of highly effective (and award-winning) campaign elements to increase the number of people who care about the homeless, thus increasing the pool of potential donors. One showed black and white images of homeless people sitting alone on the ground in a transit shelter replaced by images of young children in the same position, with the tag line, "How old do they have to be before you give a damn?" The Covenant House print ad in Exhibit 6.6 is another execution of the concept, enabling readers to physically take people off the street.

Over the years, Harley-Davidson has done a great job of understanding buyers on the basis of psychographics. A Harley user's profile includes both thrill-seeking and affinity for a countercultural image (at least on weekends). In fact, your doctor, banker, lawyer, or even marketing professor may be a member of HOG (the Harley Owners

Group). Over the past decade, the age of the typical Harley buyer has risen to about 46, older than the motorcycle industry average of 38. But because the company knows the psychographics of its target buyers, it isn't lulled into age stereotypes of safety and conservatism. Harley-Davidson knows that in spite of their older age, their buyers (Exhibit 6.7) are

still a thrill-seeking bunch (they may just need a little more time and some Aspirin to recover after a long ride).

Lifestyles are a powerful segmentation variable because they capture a number of behavioural, psychographic, and demographic characteristics that reflect how different groups of people live, what they care about, and how they behave. Think about your high-school experience. Were there cliques or groups of students like Jocks, Nerds, Preppies, Stoners, and others who hung out together, dressed similarly, had similar attitudes and values, and behaved similarly? You could probably describe each of those groups in some detail. That's what marketers do. Some advertising agencies and manufacturers develop their own psychographic classifications of consumers, identifying lifestyle segments like Yuppies



An actual peel-off sticker was placed on this magazine ad.

When readers peeled the sticker off, a message was revealed.

Exhibit 6.6

Removable stickers of homeless children in this Covenant House public service announcement demonstrate that donations make a difference: "Your donation gets kids off the street."

Reproduced by permission of Covenant House. Created by Taxi Advertising.

(young urban professionals), Dinks (dual income, no kids), Shredders (boarders), Granolas (earthy, environmentally concerned peaceniks), Metrosexuals (urban heterosexual males who are sensitive, well educated, and in touch with their feminine side), and others. Products are communicated to people in these segments by showing how the brand supports or is consistent with a particular lifestyle. Beer marketers like Molson, for example, often use lifestyle advertising to demonstrate what your life (or at least your social life) would be like if you adopted their particular brand. Similarly, car marketers like Toyota, Mazda, Volvo, Saturn, and Mercedes try to show you a lifestyle that they suggest could be yours if you drive their cars. The Toyota hybrid ad in Exhibit 6.8 relates Toyota hybrid cars to a natural, environmentally-responsible lifestyle. Web-based services like GeoCities (geocities.yahoo.com) allow people to sort themselves into lifestyle communities based on specific shared interests. Online marketers can then target these specific lifestyle groups. Apple's use of lifestyle segmentation has been particularly effective. Apple positions Macs and iPods as being for people with a young, hip, unconventional outlook on life.

Other marketers choose to subscribe to larger services that divide the population into segments and sell pieces of this information to clients for specific strategic applications. The best known of these systems is **VALS (Values and Lifestyles)**. The original VALS system was based on social values and lifestyles. Today VALS is based on psychological traits that correlate with consumer behaviour. If you go to www.strategicbusinessinsights.com and click on "VALS Survey" you can complete a brief, free questionnaire to find out your own VALS type (you might be surprised).

VALS divides the US population into eight groups according to what drives them psychologically as well as by their economic resources. As Figure 6.4 shows, three primary consumer motivations are key to the system: ideals, achievement, and self-expression. Consumers who are motivated primarily by ideals are guided by knowledge and principles. Consumers who are motivated primarily by achievement look for goods and services that demonstrate success to their peers. Consumers who are motivated primarily by self-expression desire social or physical activity, variety, and risk.

VALS helps match products to particular types of people. For example, VALS survey data show that 12 percent of North American adults (many of whom are on the younger side) are Experiencers who tend to be thrill seekers. VALS helped Isuzu market its Rodeo sport-utility vehicle by repositioning it to Experiencers, many of whom believe it is fun to break rules. The company and its advertising agency repositioned the car as a vehicle that lets a driver break the rules by going off road. To do this, it used images like kids jumping into mud puddles or purposefully colouring outside the lines, illustrating "rule breaking." Isuzu sales increased significantly after this campaign.

VALS is one of the most comprehensive psychographic systems available, but because its conclusions are based on residents of the United States (there are also Japanese and UK versions), many Canadian firms prefer to use Canadian psychographic systems, such as the one developed by the Environics Research Group (www.environics.ca). Like VALS, Environics segments people on the basis of attitudes, values, and lifestyles.

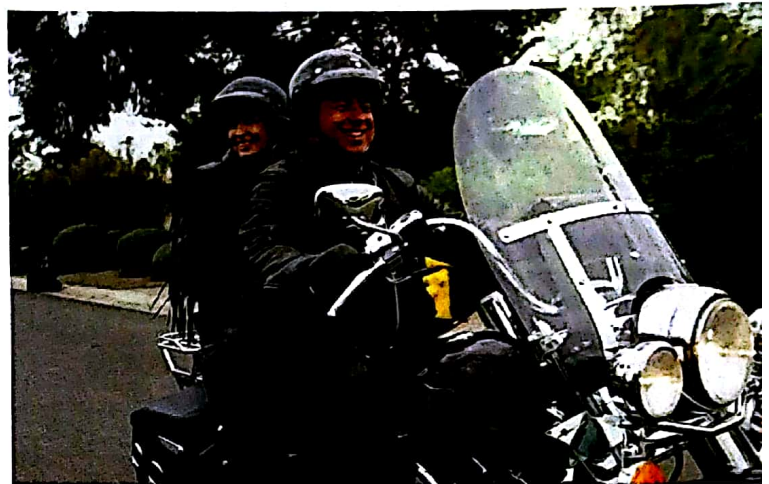


Exhibit 6.7

Harley-Davidson uses psychographic segmentation to understand that their buyers, while older, are still thrill-seekers with an affinity for countercultural image.

You'll see less up here

Every Toyota hybrid vehicle produces up to 70% less smog-forming emissions.* And with over a million Toyota hybrids worldwide on the road today, that's a whole lot of less smog each and every day. Prius, Camry Hybrid, and Highlander Hybrid are Toyota's innovative Hybrid Synergy Drive. A fuel-efficient gas engine and a powerful electric motor that work together to deliver reduced emissions, outstanding fuel efficiency, and quiet power. Take the Prius for instance. Somewhere right now, there is some driving through a city's streets. From initial acceleration to low speeds, the Prius is powered solely by its electric motor, producing zero tailpipe emissions. At the same moment a Highlander Hybrid approaches a school crossing, its 150-hp gas engine and electric motor combine to deliver a smooth, powerful drive. As the Highlander Hybrid crosses a highway, its gas engine takes over, recharging the battery that powers the electric motor. As it passes a school crossing to stop, the electric motor takes the gas engine, providing an extra burst of power without the usual emissions. Highlander Hybrid's quiet ride is the result of over 10 years of Toyota's hybrid innovation. It's also the reason why more than a million people worldwide choose to drive a vehicle powered by Toyota's Hybrid Synergy Drive. cleaner, efficient, powerful.

TOYOTA

Exhibit 6.8

Car manufacturers like Toyota often use lifestyle segmentation to identify groups of people interested in different types of cars.

VALS (Values and Lifestyles)

A psychographic system that divides people into eight segments.

The 12 "tribes" identified by Environics range from the Rational Traditionalists (who are motivated by financial independence, security, and stability, and whose key values include respect for authority, duty, and delayed gratification) to the Social Hedonists (who are motivated by experience seeking, and who value hedonism, immediate gratification, and sexual permissiveness).⁶ While the Rational Traditionalists may be a good target market for certain financial and insurance services, the Social Hedonists would probably be a prime target for *Tribe Magazine* and such leisure activities as snowboarding. Another Canadian-based segmentation system is the Goldfarb segments (Figure 6.5) that identify six groups of Canadian adults: structured, discontented, fearful, resentful, assured, and caring.

Segment by Demographics**demographics**

Variables that describe objective characteristics of a population or group.

Demographics are vital for identifying the best potential customers for a product or service because objective characteristics like a person's sex or age are (usually) easy to identify, and demographic information about a consumer market can be easily obtained from government sources like Statistics Canada (www.statcan.ca). Demographics are extremely useful in the development of profiles or descriptions of market segments (you will learn how to develop these profiles soon) because demographic variables help identify people in seg-

ments so that they can be reached with a marketer's communication strategy. Communications media publish demographic information about their viewers, listeners, or readers to help marketers decide which media are best for reaching which audiences.

However, with a few notable exceptions, demographic variables like age, sex, income, family structure, social class, ethnicity, geography, and education do not usually provide a good starting point or main basis for segmentation, because demographic-based segmentation schemes usually do not meet the criterion that the people within each group be similar enough that the same marketing programs (product offers) would appeal to most members of that group (first criterion, Figure 6.2). For example, one might be tempted to segment the music market by age, suggesting that teenagers may listen to different music than people in their twenties, forties, or sixties. However, while teenagers may be more likely than other age groups to listen to grunge or hip-hop music, not all teens like and listen to this style of music, and there are people in their twenties, thirties, forties, and perhaps even older, who do. By creating age segments we are suggesting that most people in a particular age category have similar needs, wants, preferences, and buying behaviour with respect to music and that they would likely purchase the same or similarly positioned artists or brands, which are different from the artists or brands that consumers in other segments would likely purchase. If you thought this were true, then age would be an appropriate basis for segmenting the music market. However, it might make more sense to segment the music market by psychographic variables such as values, attitudes, interests, opinions, or lifestyles, and then use age and other demographic variables to describe each of the psychographic groups created. This is a subtle but

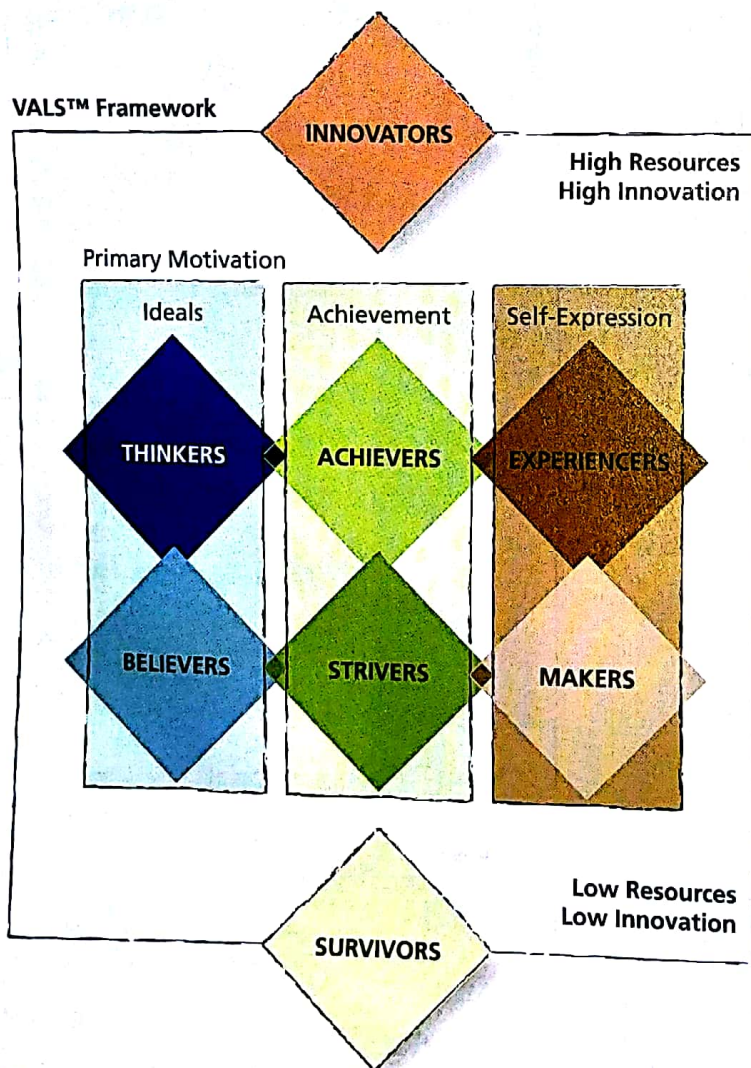


Figure 6.4 VALS

VALS uses psychological characteristics to segment the US market into eight unique consumer groups.

Figure 6.5 Goldfarb Segments

Goldfarb is a Canadian segmentation framework.

Segment	Percentage	Characteristics
Traditionalists		
Day-to-Day Watchers	24	Represent the status quo; don't like the fast pace; motivated by familiarity, loyalty, and security; influenced by quality, brand name, and authority figures.
Old-Fashioned Puritans	18	Prefer simpler times, express conservative values, motivated by price and quality, influenced by value-oriented messages, motivated by sales and other forms of discounts.
Responsible Survivors	12	Frugal shoppers who look for best price; have money but do not like to spend it; motivated by price; shop at low-end stores; heavy television viewers, so it is a good medium to reach them with.
Non-traditionalists		
Joiner Activists	16	Idealists; liberal-minded; careful decision makers; willing to spend; motivated by information, and therefore receptive to advertising messages; rational appeals have influence (quality, service, dependability, etc.).
Bold Achievers	15	Aggressive and confident individuals; success- and responsibility-oriented; innovators who lead in attitude and purchase decision; motivated by status, prestige, and success; products purchased reflect success; want higher-priced goods and exclusivity.
Self-indulgents	14	Resent authority; motivated by self-gratification, and therefore often buy impulsively (even on major purchases); price not a factor; want easy road to success; messages should stress gratification as source of motivation.

important point for creating useful segmentation schemes—demographics are extremely useful for describing market segments and for directing communication messages but are generally limited as the primary basis for segmentation. As Peter van Stolk, the Vancouver-based founder of Jones Soda (Exhibit 6.9, www.jonessoda.com), told the Beverage Forum in Manhattan, "It's not about demographics. It's psychographics. You didn't grow up with the computer and crack and AIDS. Our consumers did."⁷

There are some notable exceptions where demographic variables are related to differences in needs, wants, preferences, and purchase behaviour, and it would make sense to use these variables as the main basis for segmentation.

Segment by Demographics: Sex

It makes sense to segment the clothing, fashion, footwear, or fragrance industries by sex, for example, because physiological and socialization differences between men and women can result in different needs, wants, and preferences. However, men and women may also seek different benefits, features, or attributes, so, in many cases, starting with benefit segmentation would result in a similar segmentation scheme as if starting with sex. Socialization by sex starts at a very early age and markets need to be responsive to consumer preferences; even diapers come in pink for girls and blue for boys. As proof that consumers take these differences seriously, market researchers report that most parents refuse to put male infants in pink diapers.⁸ Ford Canada recognizes that women and men may have different needs when it comes to purchasing and servicing cars and trucks, which is why the company is now focusing efforts on trying to better understand and serve the needs of Canadian women. Volvo has created a concept car designed by



Exhibit 6.9

Jones Soda targets psychographic segments.