

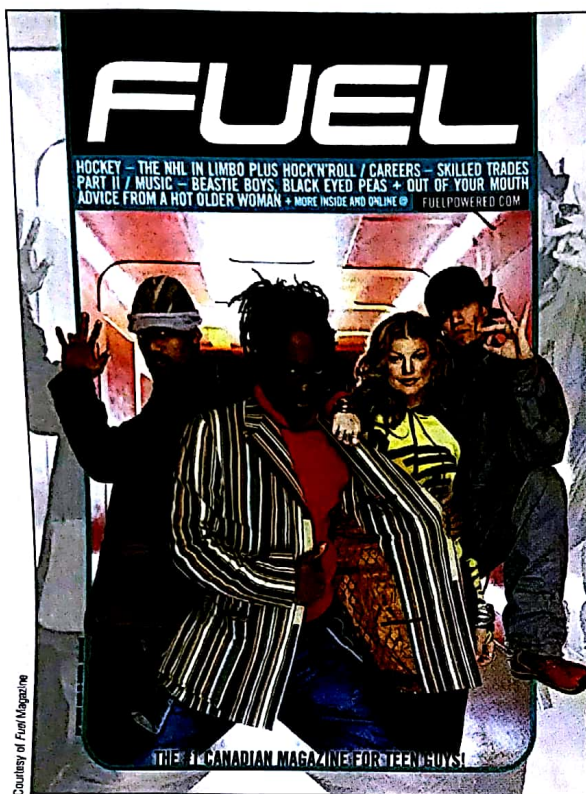


Exhibit 6.10

Fuel magazine targets a segment of young males.

tweens

Boys and girls age 9–12 who are “in-between” stages in their development, when they are considered “too old for toys” but “too young for dating.”

born in 1967–1979), the baby boom echo (generation Y; those born in 1980–1995), and the millennium busters (those born in 1996–2010).¹¹

While each of these groups of consumers presents needs that some marketers are interested in, the largest demographic segment in Canada, the baby boomers, accounts for about

women for women.⁹ Similarly, companies such as Home Depot Canada, Marriott Hotels, and Mr. Lube, which have traditionally focused on marketing to men, have started developing products and messages specifically targeting Canadian women. Youth Culture’s *Fuel* magazine is focused on male teens (Youth Culture also publishes *Verve* for girls), its research finding that boys and girls liked and wanted to learn and read about different things (Exhibit 6.10). Its biggest hurdle has been convincing advertisers that boys do shop and develop brand loyalty, but for different products than girls.¹⁰

Segment by Demographics: Age

Consumers in different age groups have very different needs and wants with respect to *product categories*. Members of a generation tend to share the same outlook and spending priorities, and these outlooks and priorities change as people age (what you spend your discretionary money on is likely different from what your parents spend their discretionary money on). However, unless brands specifically reflect differences in product category needs and wants (such as the content of *Fuel* magazine being directed to the interests of teenage boys, and Disney’s TV show *Hannah Montana* being directed to **tweens** (girls and boys age 9 to 12), age is less useful for identifying differences in *brand* preferences than for identifying differences in product category preferences.

Canadian demographer David Foot has identified several segments of Canadian consumers based on age. These include members of the baby boom (those people born in 1947–1966), the baby bust (generation X; those

one-third of the Canadian population and is, therefore, a segment of prime importance to many marketers. Several companies have achieved success by monitoring the changing needs of this group of consumers. Coca-Cola, for example, can attribute part of its success in North America to the fact that boomers drank a lot of pop when they were young. Coke has now modified its marketing efforts to keep up with the changing tastes of the boomers. It changed its product line to include juice and bottled water to cater to the concerns that aging boomers have for their health.¹²

Marketers need to remember one key characteristic of boomers; they invest a lot of money, time, and energy to maintain a youthful image (Exhibit 6.11). Boomer women in their fifties, for example, are becoming a hot new market for “reward cars”: sexy, extravagant vehicles that are a reward for all those years of driving kids around in a minivan. Since many people are now retiring younger than age 65, these consumers are enjoying increased leisure time, making them an ideal target for travel and other leisure products. Health is also a major concern for these consumers; some of them may be experiencing failing health, and others are simply interested in maintaining good health as they age. The Healthwatch service provided by Shoppers Drug Mart, which provides advice from pharmacists, a database of individualized health information, and a health magazine, is a good example of a service targeted to the needs of these consumers. Boomers will arguably become the most important demographic segment in years to come. Companies seeking growth will want to consider boomers because of their wealth, time available, and the fact that most boomers had fewer children than their own



Exhibit 6.11

Boomers are willing to invest a lot of money, time, and energy to maintain their youthful image.

parents. Exhibit 6.12 shows that many marketers are starting to tailor products to meet the needs of older consumers.

The group of consumers born between 1967 and 1979 are **Generation Xers**, sometimes labelled busters or the lost generation. Many of these people, now over 35 years old, have a cynical attitude toward marketing, and most don't have the spending power of boomers or even Gen Y. However, because **baby boomers** have taken and held on to the top jobs in the country, Gen Xers have had to be much more entrepreneurial. They have been responsible for upwards of 70 percent of the new start-up businesses in North America. According to 2010 Investors Group's research, 62 percent of Gen Xers believe they will have to fund their own retirement and half (51 percent) expect they will have to fund their own medical and personal care.¹³

Gen Y (the echo boom) comprises the children of the baby boomers, typically born between 1980 and 1995. The largest proportion of the estimated 9.2 million Gen Y's in Canada are now late teens and young adults, and represent a lucrative group of consumers, the second-fastest growing segment in Canada.¹⁴

Gen Y is the first generation to grow up online, and is ethnically diverse and more socially and environmentally aware than earlier generations. These consumers tend to spend their money on items such as clothing, personal grooming, entertainment, sports, and eating out. (See Exhibit 6.13.) Montreal-based La Senza successfully targeted Gen Y girls when they were tweens with La Senza Girl stores and now tries to attract them to their regular stores. Banks such as TD Canada Trust, the Royal Bank, and CIBC have savings programs and debit cards specifically aimed at kids.¹⁵ VanCity Credit Union recently targeted youth with a banking service "Not for the majority," offering free banking service to anyone under the age of 25. The campaign is backed with a combination of street marketing, Web promotions, contests, special events, and a text messaging campaign targeting 5000 youth in Vancouver who had been given cellphones by research company Digital Youth in exchange for volunteering to receive promotional messages and advertising.

Gen Y are hard to reach because they resist reading, increasingly turn off the TV, and, on average, spend four or more hours online a day. When they do watch TV, they tend toward alternative fare such as the late-night lineup. As a result, marketers are increasingly using online marketing techniques and guerrilla marketing techniques to reach these consumers. The older part of Gen Y, those born in the early to mid-1980s, are now either in graduate school or have joined the workforce and are starting to make major purchases on their own. The younger college- and university-age group is an important target group for companies like DirectProtect, which sells insurance to students, and brewers such as Moosehead, Molson, and Labatt, who realize that many of the heavy users of their products can be found on campuses across Canada.

Teens are also an attractive segment. The 12 to 17 age group now represents more than 26 million consumers in North America, who spend almost \$200 billion.¹⁶

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Exhibit 6.12

A phone with a feature adapted specifically to the needs of older callers.

Generation X

The group of consumers born between 1965 and 1978.

baby boomers

The segment of people born between 1946 and 1964.

Gen Y

The children of baby boomer parents is the second largest demographic segment in Canada.

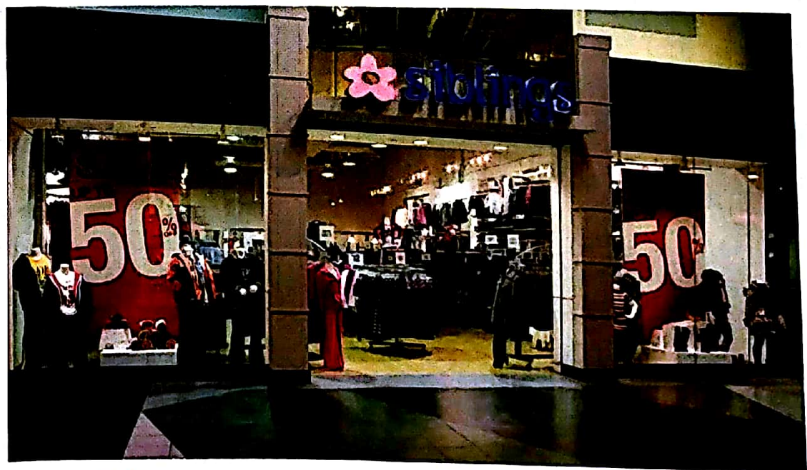


Exhibit 6.13

Siblings stores target tweens and young teens.

Tech and Trends

Ford Fiesta Looks for Gen Y "Where They Live"

Ford's Fiesta launched in Canada in 2010, but a year earlier the company gave away 100 of the cars to influential Gen Y's in the hope of building some buzz from the ground up. The "recruitment call" went out for 100 "agents" to receive the car in April 2009, complete Ford-assigned "missions," and chronicle their experiences through their social networks such as Facebook, Flickr, and YouTube. The company has dubbed this effort its "Fiesta Movement," and it's the anchor of a plan to build excitement and spread the word about the arrival of the new Ford Fiesta to the next generation of customers—clearly strong targets for this economy-priced vehicle. Sam De La Garza, small car marketing manager for Ford, says, "Socially vibrant campaigns are so important because

of their power in delivering authentic and genuine messages across a broad spectrum of media, which will only help us deliver a more positive consumer experience when the car launches in North America next year."

The company set up a Web site where people could upload a two- to five-minute video to explain why they want to become one of the agents. By 2010, Gen Y will account for 28 percent of North America's driving population (a total of about 77 million new drivers). The movement gives Ford an opportunity to connect with the group before they have established brand loyalty, while the company also appeals to their affinity for social networking and technology. Using social networking as a way to reach Gen Y is a sound strategy, provided that the company is upfront about its relationship with the agents and is willing to let them craft the message as they see fit.¹⁷

Much of this money goes to consumer electronics like iPhones or "feel good" products like cosmetics, posters, and fast food—with the occasional nose ring or tattoo thrown in as well. Many marketers are attracted to this group, hoping to groom them into lifelong customers. Avon, for example, has developed a new product line called mark (www.meetmark.com), so named in celebration of young women making their mark in the world today. Apple is a masterful marketer to teens, yet its product line appeals to other age groups as well. The iPod in its various forms (Exhibit 6.14) enables teens to be content creators and empowers them to be masters of their own music world. This satisfies a strong need among this age group for individuality.

Segment by Demographics: Family Life Cycle

Because family needs and expenditures change over time, one way to segment consumers is to consider the stage of the family life cycle they occupy (you learned about the family life cycle in Chapter 4). Not surprisingly, consumers in different life cycle segments (such as young adults, married with children, empty nesters) are unlikely to need the same products, or at least in the same quantities. For example, many food companies cater to the needs of people who live alone by providing single-portion frozen and prepared foods but also offer "jumbo" packs for those people who live in larger households.

As we age and move into new life situations, different product categories ascend and descend in importance to us. Young singles and newlyweds are the most likely to exercise, to go to bars, concerts, and movies, and to consume alcohol. Young families are heavy users of disposable diapers and toys and games for children. They are also interested in household appliances, furniture, and such vehicles as minivans or SUVs. Older couples and singles are more likely to use maintenance services, and older people are a prime market for retirement communities and golf products. Condominiums that are built in Canadian cities, for example, are often designed with different family structures in mind. Some target single divorced men and women, others go after young families and include amenities such as on-site day care, and still others target vacation home buyers. Canadian department stores also consider family life cycle by specifically targeting brides- and grooms-to-be with wedding registry services.

Segment by Demographics: Income and Social Class
The distribution of wealth is of great interest to marketers, because it determines which groups have the greatest buying



Exhibit 6.14

The iPod and iPhone are iconic symbols of modern youth—stylish, nonconforming, and an expression of a clear difference from the past.

Ethical and Sustainable Decisions in the Real World

Most major brands are gearing up to more deeply target consumers in emerging markets. China has 1.3 billion people. India has 1.1 billion. Other nations such as Brazil and Russia offer the dazzling prospect of massive revenue for savvy brands. Coca-Cola is particularly known for successful targeting, for many reasons, including the firm's ability to identify untapped target markets and win over consumers not only by aggressively pursuing them, but also by wanting to know them.

Currently 30 million people, one in three of India's population, constitute the BOP "bottom-of-pyramid" marketplace. The BOP refers to the masses in developing countries that account for over 65 percent of the world's population. Buyers at the BOP behave differently not only from their counterparts in developed countries but also from the upper- and middle-income consumers in their own societies.

Now, Coke is reaching out to this group in India with Vitingo, a new drink aimed at lower-income consumers. Coke isn't alone as it pursues this target market, and for good reason. Statistics show that 40 million Indian families are moving from outright poverty to the BOP demographic every year. Remember,

that's not 40 million people, it's 40 million families. Like Coke, Glaxo Smith Kline, the pharmaceutical firm, knows there is no greater brand advocate than a family member. In fact, GSK is launching its own milk-based drink in India, Asha, designed to appeal to the BOP demographic. Also like Coke, GSK is doing more than offering a product. It is selling the product to a specific group of consumers that the brand values and actively targets. Says Zubair Ahmed, managing director at GSK India: "We are building a robust go-to-market model to ensure the products reach the right consumers because it's not enough just to have the right products."

Other familiar brands investing in India's BOP market are Nestlé, Pepsi, and Hindustan Unilever, all with the idea that the successful brands of tomorrow are already courting these up-and-coming BOP consumers that will provide important revenue streams in the years to come.

ETHICS CHECK:

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power. It should come as no surprise that many marketers yearn to capture the hearts and wallets of high-income consumers. In Canada, the average family income is about \$77,300, but the top quartile of the population has a household income above \$178 300.¹⁸ These high-income consumers are a good target market for such luxury products as expensive jewellery, as well as financial services of brokers and investment products. At the same time, other marketers target lower-income consumers—the majority of Canadian consumers. The Hudson's Bay Company successfully targets these income groups with its Bay and Zellers department stores, as will Target when it takes over Zellers in 2013.

In the past, it was popular for marketers to consider social class segments, such as upper class, middle class, and lower class. However, many consumers do not buy according to where they actually fall in that framework, but rather according to the image they wish to portray. For example, over the years, readily available credit has facilitated the sale of many BMWs to consumers whose income doesn't easily support the steep price tag. The recent global financial crisis nipped a good portion of this free-flowing credit, and it remains to be seen over the long run how much the new era of credit austerity changes consumer buying behaviour.

Segment by Demographics: Ethnicity

As was discussed in Chapter 4, many Canadian marketers are adopting a multicultural approach to their marketing activities in recognition of the ethnic diversity of the Canadian population. Ethnicity can have a strong impact on a consumer's preferences for products and services, such as magazines or television shows, foods, apparel, and choice of leisure activities.

French Canadian consumers, who account for about 22 percent of Canadians, are the second-largest ethnic market in Canada (after those people of British origin) and are, therefore, an important segment for marketers.¹⁹ Most French Canadian consumers live in Quebec, but there are also large segments of French Canadian consumers in New Brunswick and Ontario. As will be discussed further in Chapter 8, national marketers often decide to specifically target the French-Canadian market through the development of different products to suit the needs of this group and the use of French-language advertising. For example, MusiquePlus and MusiMax are the French-language music video TV stations owned by CHUM, the same company that operates MuchMusic and MuchMoreMusic in

Is it appropriate for firms such as Coke and GSK to target the BOP market in countries like India?

☐ YES ☐ NO

the English-Canadian market. While MusiquePlus and MusiMax show many of the same videos as do the English stations, French music and programming is featured to appeal to the music tastes of French-Canadian consumers. As the vice president of sales for CHUM Specialty Television observes, "They are not MuchMusic and MuchMoreMusic in French. They have an identity of their own with a more regional than national focus."²⁰ So when Procter & Gamble was looking for a French-Canadian spokesperson for Cover Girl cosmetics, it chose Geneviève Borne, a MusiquePlus VJ, because of her appeal to female French-Canadian teens.

Over 1.2 million people in Canada are of Aboriginal origin; they are located in various regions throughout the country, and 42 percent live off-reserve.²¹ The Aboriginal population is growing at four times the rate of any other segment, with half of the Aboriginal people in Canada currently under the age of 25. The income of Aboriginal consumers is rising faster than that of other Canadians, and there are more than 20 000 Aboriginal-owned businesses.²² The combined income of Aboriginal households, business, and government sectors is expected to rise sharply in the next five years to \$32 billion (more than the combined GDP of Newfoundland and Labrador and Prince Edward Island).²³

The banking sector in Canada has also been proactive in targeting both Aboriginal consumers and business owners. All the major Canadian banks operate branches in Aboriginal communities, with services targeted to meet their needs, as illustrated by the ad for the Royal Bank in Exhibit 6.15. The Aboriginal Peoples Television Network (APTN) and *Spirit* magazine are examples of media targeting Aboriginal peoples. A key challenge in marketing to Aboriginal peoples is to recognize the ethnic diversity within this group: Inuit, Métis,

and First Nations (such as Cree, Maliseet, Dene, Anishinabe, Mohawk, Haida) have significantly different languages, histories, traditions, and environments that influence current thinking, attitudes, and behaviours. As this segment has traditionally been misunderstood and under-researched, it is particularly important to conduct research (see Chapter 3) to understand these consumers.

Other than people of British, French, and Aboriginal origins, the three largest ethnic groups in Canada are German, Italian, and Chinese. Of these three, the fastest growing is the Chinese Canadian community.²⁴ Tropicana Products Ltd. considers the Chinese Canadian community to be one of the most important target markets for its orange juice product. It communicates with this target with Chinese-language print ads placed in Chinese-Canadian newspapers and promotions such as coupons for 68 cents (both six and eight are considered to signify prosperity in the Chinese culture). The company is careful to avoid the use of the number four (which signifies death) in any of its pricing and advertising.²⁵

Other large ethnic groups in Canada include the South Asian community, which accounts for 2.8 percent of the population, and the black community, which makes up 2.1 percent of the Canadian population.²⁶ Bell Canada provides customer service representatives who speak Hindi, Punjabi, Urdu, and Tamil to better serve its South Asian customers. To reach the over 351 000 people in Canada of Jewish origin, companies such as Baskin-Robbins offer kosher food products, Hallmark offers cards and festive products targeted to Jewish holidays, and the Liquor Control Board of Ontario offers 80 different types of kosher wines.²⁷

Partners in Your Future



Original art by Natalie Rossini

Royal Bank Financial Group has long been a leading provider of services to Aboriginal communities through our specialized products, educational programs, career opportunities and initiatives to assist Aboriginal economic development. We have specialized teams all across Canada that understand the financial requirements of Aboriginal peoples.

Our Aboriginal Banking initiatives reflect the bank's commitment to all of its customers - understanding their financial services requirements, offering flexible solutions, and treating clients as they want to be treated. We are committed to ensuring your financial and banking requirements are being met. Royal Bank will continue to be "Partners in Your Future".



ROYAL BANK

Exhibit 6.15

Aboriginal consumers are an important segment for the Royal Bank.

Segment by Demographics: Geography

People's preferences for products and services often depend on which region of the country they live in. For example, a recent study of how upper-income people across Canada spend their money showed significant regional differences. Compared to the average Canadian, upper-income people living in Edmonton were more likely to spend their money on skiwear and snowmobile suits; in Saskatoon it would be home exercise equipment; in Montreal, leather and fur coats and jackets; in Halifax, art goods and decorative ware; in St. John's, snow blowers; while those in the north were more likely to purchase outboard motor boats. Similarly, a study of snacking behaviour found that Maritimers consume more potato chips than consumers in other regions (almost double the national average), and Quebec consumers eat less than half of the average amount of corn chips of consumers in other regions.²⁸

Recognition of these kinds of regional differences can lead marketers to focus efforts on one or more regions, or to have different marketing strategies in different regions. When marketers want to segment regional markets even more precisely, they sometimes combine geography with demographics by using a technique called **geodemography**. A basic assumption of geodemography is that "birds of a feather flock together"; people who live near one another share similar characteristics. Sophisticated statistical techniques identify geographic areas that share the same preferences for household items, magazines, and other products. This allows marketers to construct segments consisting of households with a common pattern of preferences, so that a company can home in on those customers who are most likely to be interested in its specific offerings—in some cases, so precisely that families living on one block will be included in a segment whereas those on the next block will not.

One Canadian geodemographic system, PSYTE, is a large database developed by Compusearch Micromarketing Data and Systems. This system classifies Canadian consumers into 60 clusters, based on postal code and demographic information. The resulting clusters include boomers and teens, conservative homebodies, young city singles, brie and chablis, and suburban nesters.²⁹ PSYTE system is used by Canada Post in its GeoPost Plus program, which allows marketers to target direct mail to clusters of consumers that match their target segment. For example, the boomers-and-teens segment is described as "late middle-aged consumers who are university and college educated with children over the age of six. Mostly double income families who live in their own homes." The cluster named young city singles are "young singles and some couples who rent predominantly newer, downtown apartments and other dwellings." Using a geodemographic system like GeoPost Plus, a marketer of home improvement products like outdoor paint and fencing can identify precisely which postal codes will be the best prospects for direct mail advertising for their product, while avoiding other postal codes where residents aren't likely to be interested.

geodemography

Segmentation technique that combines geography with demographics.

Segment Business-to-Business Markets

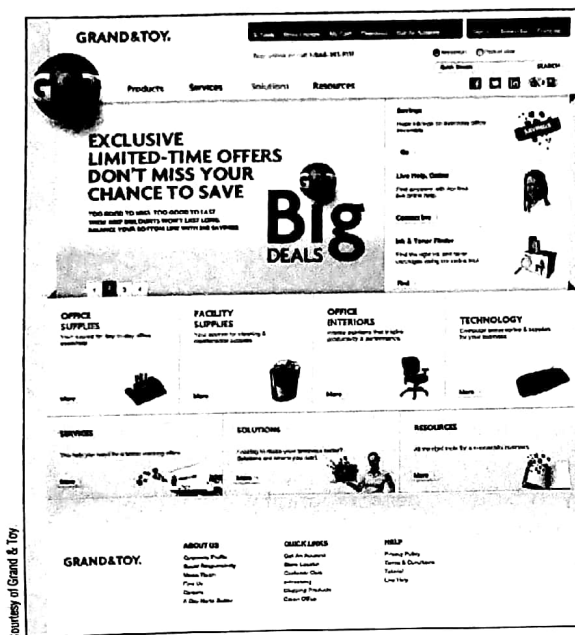
We've reviewed the segmentation variables marketers use to divide up the consumer pie, but how about all those business-to-business markets out there? Adding to what we learned about business markets in Chapter 5, it's important to know that segmentation also helps **B2B marketers** better understand their customers. Though the specific variables may differ, the underlying logic of classifying the larger market into manageable pieces that share relevant characteristics is the same whether the product you sell is pesto or pesticides.

B2B marketers

Marketers who work in business-to-business markets.

Segment by Organizational Behaviour

Just as in consumer segmentation, it is often fruitful to consider the behaviour of the people making business and organization decisions. Organizational buying behaviour was the focus of Chapter 5, and it is important to recognize that organizations act and behave in ways that are both similar to and different from consumers, and that the way they behave and operate is influenced by the types of products and services they both sell and need. Consequently, one way to segment business-to-business markets is by the unique way each operates.



Courtesy of Grand & Toy

Exhibit 6.16

Grand & Toy targets behaviour-based business segments.

Organization buying and consumption behaviour is influenced by the production technology used; the type of purchases made; the business customer's degree of technical, financial, or operations expertise; how they make purchase decisions and who is involved in those decisions; whether the prospect is a current user or nonuser of the product; and the frequency or size of the transactions. These operating variables are all useful bases of segmentation. For example, Grand & Toy (Exhibit 6.16) recognized the differences in the buying behaviour of large and small businesses when it launched The Stockroom (www.thestockroom.ca), an Internet-based office supplies store that targets small businesses. While the Grand & Toy Web site is geared to the needs of large businesses (offering benefits like large volume discounts), The Stockroom site caters to small businesses with its products and pricing policies. The general manager of The Stockroom describes the company's approach this way: "... we felt it was important to take a very aggressive, focused stance, purely aimed at the small business segment."³⁰

Business marketers also must consider how different customers will use their products or services. They must focus on identifying different end-use applications for these offerings. The personal computer industry is a good example of how firms can segment a market based on end use. Some major PC manufacturers, such as Dell, have divided the market into four

segments—corporate, small business, government, and home or home office—each with its own computer-use profile. IBM segments its mainframe market into user "verticals"—different applications (such as health care or manufacturing) for which the mainframe computers might be used.

Segment by Industrial Psychographics

Being concerned with psychology, thinking, feeling, and other mental states, the concept of psychographics relates only indirectly to organizations, but it does relate to the people who run and work in those organizations. **Industrial psychographics**, the application of psychographics to the business-to-business context, has mainly been applied to understanding buyers (purchasing agents or multiple people in a buying centre) to help salespeople better understand their one-on-one relationships with clients. It may also be fruitful to segment business markets by the mission, goals, and values of an organization and its management team, since purchase and consumption decisions and behaviours are likely to be consistent with those missions, goals, and values. This is the thinking of Steve Munden, director of research at the Toronto-based marketing firm Warrillow and Co. Munden is developing a psychographic profile of Generation Xers who own small- and medium-sized businesses. These entrepreneurs are people in their mid-twenties to thirties who are increasingly leaving the workforce to take control of their lives and find financial independence. Munden thinks a psychographic profile of these entrepreneurs will help his clients better target these business organizations—as the beliefs, values, and orientation of these entrepreneurs are expected to play a large role in their company's purchase decisions.³¹

Segment by Organizational Demographics

Demographic data help business marketers understand the needs and characteristics of their potential customers. For example, a manufacturer of work uniforms needs to know which industries currently provide uniforms for employees. For each industry that uses uniforms, from chemical processing to pest control, a marketer needs to know how many companies are potential customers, the number of employees in each company, what types

Industrial psychographics

The application of psychographics to the business-to-business context.

of uniforms are needed, and so on. That information enables the manufacturer to offer its services to the prospects that are most likely to be interested in outfitting employees in its protective clothing.

Many industries use the North American Industry Classification System (NAICS) to obtain information about the size and number of companies operating in a particular industry. Other government information sources, such as Statistics Canada and Strategis (www.strategis.gc.ca), provide valuable business demographic information.

3

Step 2: Targeting

OBJECTIVE

Explain how marketers evaluate segments and choose a targeting strategy.

(pp. 193–199)

We've seen that the first step in a target marketing strategy is segmentation, in which the firm divides the market into smaller groups that share certain characteristics. The next step is targeting, in which marketers evaluate the attractiveness of each potential segment and decide in which of these groups they will invest resources to try to turn them into customers. The customer group or groups they select are the firm's target market.

In this section, we'll review the three phases of targeting: evaluate market segments, develop segment profiles, and choose one or more target segments (see Figure 6.6).

Evaluate Market Segments

Just because a marketer identifies a segment does not necessarily mean that it's a useful target. A viable market segment should satisfy the criteria identified in Figure 6.2 (page 177) but also meet two other key requirements before being added to the consideration set:

- Is the segment actionable? Marketers must know something about the characteristics of the customers in each segment—their number (segment size), purchasing power, buying behaviour, and consumption behaviour—before they decide if it's worth their efforts to target them, and these characteristics need to be actionable in the sense that they allow the marketer to create an offer that uniquely appeals to a particular segment and that the differences between the groups are meaningful enough to warrant a separate marketing strategy.
- Can the marketer adequately serve the needs of the segment? Does the firm have the expertise and resources to satisfy the segment better than the competition? Some years ago, consumer-products manufacturer Warner-Lambert (now a part of Pfizer) made the mistake of trying to enter the pastry business by purchasing Entenmann's Bakery. Entenmann's sells high-end boxed cakes, cookies, pastries, and pies in supermarkets. Unfortunately, Warner-Lambert's expertise at selling Listerine mouthwash and Trident gum did not transfer to baked goods and it soon lost a lot of dough on the deal.

Develop Segment Profiles

Once a marketer identifies a set of usable segments, the next task is to develop a brief **segment profile**, or description of each segment, with sufficient depth to be able to understand the segment so that it can be evaluated and either be targeted or rejected. Years ago, when the R.J. Reynolds Company made plans to introduce a new brand of cigarettes called Dakota that it would target to women, it created a segment profile of a possible customer group, the "Virile Female." The profile included these characteristics: her favourite pastimes are



Catharine Downes

APPLYING Market Segments

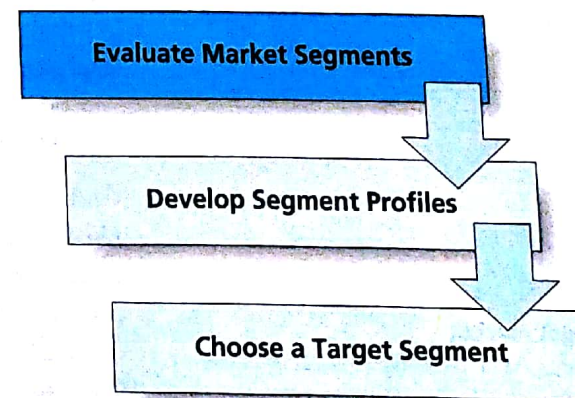
Catharine Downes of NSCU is confident that the West Coast affluent market segment is actionable. NSCU knows a lot about their attitudes, interests, and opinions, knows where they live, and knows their media habits and their consumption behaviours. NSCU could tailor their financial services offering to this target market and communication that offer to this segment. ➔

segment profile

A description of the "typical" customer in a segment.

Figure 6.6 Phases of Targeting

Targeting involves three distinct phases of activities.



cruising, partying, going to hot-rod shows and tractor pulls with her boyfriend, and watching evening soap operas, and her chief aspiration is to get married in her early 20s.³² Just as consumer behaviour changes over time, so do segment profiles. Does the "Virile Female" still exist in your community?

To make this "typical" customer more tangible or real, marketers often put a name to the customer and then describe him or her in as much detail as possible. In 2010, Buick's marketers named their target consumers Greg and Laurie Robbins. They say they're in their early 40s with two kids, and, together, they make \$130 000 a year and live in a \$363 000 house. They are Facebook fans of Target, Starbucks, Apple, J. Crew, Whole Foods, and the Westin. This (fictional) couple is younger than Buick's current user and their interests extend beyond the golf course, which is where many older Buick drivers spend their time. To woo this target customer, the company is cutting back on ads in golf magazines and instead promoting Buick in culinary- and travel-related venues and on *The Wall Street Journal's* iPad application. The goal of this psychographic exercise is to "Put a Buick in the Robbins's garage where a Lexus is probably parked now."³³

One useful template for developing these profiles is illustrated in Figure 6.7. A detailed profile would normally include a description of (1) who is in the segment (using demographics, psychographics, and geographic variables); (2) what people or organizations in this segment want (benefits, features, and attributes) and why (needs, motivations); (3) when and where they expect to buy and use the product; (4) how they typically buy the product (such as purchase decision process, influences, sources of information, media preferences); and (5) how they typically use the product (consumption behaviour). In addition, marketers try to estimate the size of each segment and its expected growth rate. (An example of the application of this framework can be found in the S&S Smoothie marketing plan in the Appendix to this text.) For the purposes of selecting market segments to target, these profiles are usually created based on experience and judgment. Sophisticated marketers, however, use market research and analytic tools such as **cluster analysis** to verify profile assumptions or to more scientifically identify the segments and their characteristics. The profiles of the segment(s) chosen for targeting (see below) are developed in much more detail and provide, in part, the basis for making marketing mix decisions.

To estimate the size and growth of a segment, marketers try to forecast each segment's **market potential**. This is the maximum demand expected among consumers or customers in that segment for a particular product. To determine market potential, the firm must identify the number of consumers or customers in the segment and how much they spend in the product category. Then it must determine the sales potential for its product if it targets this segment—how many consumers or customers would buy this product during the forecast period and with what frequency or quantity. This number is the total dollar potential. The firm then projects its market share—what percentage share of the market is likely to buy its particular brand(s). Multiplying total dollar potential by market share gives the likely actual dollar amount the firm might make. Forecasting is an advanced topic that you will likely learn more about in senior-level courses. For the initial, brief profiles, an estimate of the relative size of each segment is expected. This would be based on experience, observation, analysis, and/or market research.

Choose One or More Target Segments

Once marketers have divided a market into actionable segments and developed a brief profile of each segment, they need to evaluate the attractiveness of each potential segment and decide which one or more of these segments they will target with marketing programs. The consumer or customer group(s) selected are the firm's **target market(s)**.

Earth's Own Food Company, previously SoyaWorld, a Canadian soy beverage marketer, has attained 60 percent of the dairy alternative market by carefully considering

cluster analysis

Computer software that groups survey respondents based on the commonality of their answers to questions, putting respondents with similar answers in the same group, while maximizing the differences between the groups or segments.

market potential

The maximum demand expected among consumers in a segment for a product or service.

target market

A group that a marketing organization focuses on when developing marketing programs.

Figure 6.7 Framework for Creating Rich Segment Profiles.

Who are they?

- What are their demographic characteristics?
- What are their psychographic characteristics?
- What are their geodemographic characteristics?
- How price sensitive are they?

What do they want and why?

- What are the benefits, features, attributes, or characteristics sought by consumers in this segment?
- What do they need and want?
- What motivates the purchase and consumption decision?

When do they buy and use it?

- What triggers the purchase decision?
- What is the context in which they buy the product?
- How often do they buy the product?
- What time of day, part of the week, or month, or year is it purchased?
- What time of day, part of the week, or month, or year is it used or consumed?

Where do they buy and use it?

- What stores or other distribution channels do they use?
- Where are they when they use the product?

How do they buy and use it?

- How do they decide what to buy? (decision-making process used)
- What or who influences the purchase decision?
- What media do they use/access in making the decision?
- Is it a thinking (cognitive) or feeling (emotional) decision?
- Is it a high-involvement (important or risky) decision or a low involvement (not important or risky) decision?
- How do they use or consume the product?
- How much of it do they use?

Segment Size

- What is the market potential?
- What is the expected growth rate of the segment?

specific target markets. Soy beverages make up the fastest-growing beverage category in Canada, and Earth's Own has identified three main targets in the total market: the mainstream dairy market, the Asian market, and the organic market. For the mainstream dairy segment, Earth's Own introduced So Good, a soy beverage with an improved taste that comes in several flavours. Since the product was being promoted as an alternative to milk, So Good was packaged to look like milk and was placed in the dairy cases of major supermarkets. Billboards, TV, and magazine ads, such as the one shown in Exhibit 6.17, were all used to reach the mainstream market. Earth's Own targets Asian consumers with its Sunrise brand, a product that has a more traditional soy taste. For the organic target segment, it offers So Nice, a soy beverage, and Rice Choice, a fortified rice beverage. To reach the organic and Asian segments, the Earth's Own products are distributed through specialty retailers, such as Chinese grocery stores and health food stores, in addition to selected larger grocery stores.³⁴ In this section, we'll review how marketers like Earth's Own assess the customer groups in the market and the selection strategies they use for effective targeting.

Target Market Selection

There are three basic criteria for deciding which market segments are attractive to an organization: segment size and growth, the external decision environment, and the internal