



Marketing



Lecture 3. Market Segmentation

Marketing chain

- producer ->
- product ->
- consumer



Segmentation definition

- Market segmentation is the market fragmentation process based on specific criteria for possible homogeneous groups of customers (market segments), requiring different marketing strategies to influence the purchases made by buyers.



Segmentation functions

- Helps to choose the market in which the company's operations will be profitable.
- Allows the company to better adapt to customers' needs.
- Makes it easier to monitor market changes and adapt to them.
- Isolating segments facilitates communication between the manufacturer and the customer.
- Helps to reach those consumers whose preferences were taken into account when designing marketing activities.



Segmentation results

- Segmentation indicates how many segments of the market there are and what is the size of the individual segments.
- Each segment represents a different type of buyer, such as belonging to a different income group, social, occupational, demographic, or control in their decisions to purchase other attitudes, preferences and consumption patterns.
- Segmentation is not only a tool for a better understanding of the market, but also one of the main instruments of a market strategy that allows efficient adaptation of the product or other item to the Marketing Mix requirements.





Consumer segmentation criteria

- socio-economic (income, education, place of residence),
- demographic (age, gender, household size)
- geographic (place to live, place to work)
- psychographic (lifestyle, activity, interests, personality).

Product criteria

- patterns of consumption (frequency of use of the product, brand loyalty),
- conditions of purchase (store type, time of purchase, the size of a single purchase, frequency of purchase)
- offered benefits (consumer knowledge about the product, the perceived benefits of a purchase, the consumer predisposition)
- ranking of brands in the product group and individual associations triggered by the brand.



Segmentation procedures

- A priori segmentation - determines in advance dependent variables (criteria), assuming their relationship with the intentions and acts of shopping, preferences, etc.
- Post hoc segmentation – criteria are identified in the reduction of the large number of variables, the most common method of factor analysis.



Features of a segment

- Measurability
- Extent
- Availability
- Sensitivity



Polish psychographic segmentation

- Success-oriented. 38% of the adult population of Poles, the share of the urban population of 72%. Mainly men <50 years old - willing to risk, open to change, valuing branded products.
- Pragmatics. Moderate group, 30% of the population, especially women over 30 years of age.
- Traditional. About 32% of the population, the share of the rural population - 48%.



AIO segmentation

- In 1971, William Wells and Douglas Tigert introduced the concept of attitudes, interests and opinions (AIO) as a basis for market segmentation.
- An attempt to sketch easily recognizable portraits of consumers.



VALS Segmentation

- The Values and Lifestyles System - VALS), created in 1978 by SRI International, combined with distinctive demographic characteristics of consumers' lifestyles in order to describe their habits, related to the acquisition of products. Formula VALS analyzed three main categories of consumer: the need driven (11 percent of the adult U.S. population), driven by external factors (67 percent) and led by internal factors (22 percent), which reflects the psychological motivations of consumers.



VALS 2

- At the end of the 80's VALS 2 was created in order to better reflect the psychological motivation of decision making by consumers, by introducing categories due to the self-esteem, defined as "a set of attitudes and actions that strengthen, sustain, or even change the consumer's own image."
- Modification of the classification was based on the assumption that the expression of their attitudes can be done not only by the choice of career, build relationships with other people and shaping role in the community, but also through the acquisition of products complying with its own image.



VALS 2 self-evaluation criteria

- Self-evaluation based on the principles of: consumer behavior is consistent with their views on how the world looks or should look like (realists, idealists)
- Self-evaluation based on status: consumers looking for a safe place in a specific social environment; compare themselves with others in terms of its activities and its position (winners, seekers)
- Self-evaluation based on performance: Consumers like to have an impact on their environment, engaging in various activities at home and in the workplace (experimenting, creating)
- + Dynamic, fighting



PRISM

- In the 70's Claritas Corporation of Alexandria developed a market segmentation system based on the theory of "geodemography," which argues that people with similar interests, income, origin and purchasing patterns tend to settle and hold the clusters together in the neighborhood .
- Although the PRIZM system is based on geography and demography, the signs applied to individual groups and their descriptions can also refer to a lifestyle characteristics and scale of values.





Segmentation process

- Analysis of the market in terms of the criteria
- Market fragmentation
- Rating attractive segments
- Target market definition
- Determining the current position of the brand
- Positioning or repositioning