



IDENTIFYING TARGET CUSTOMERS

SEGMENTATION:

IF MARKETS ARE TO BE SEGMENTED AND CULTIVATED,

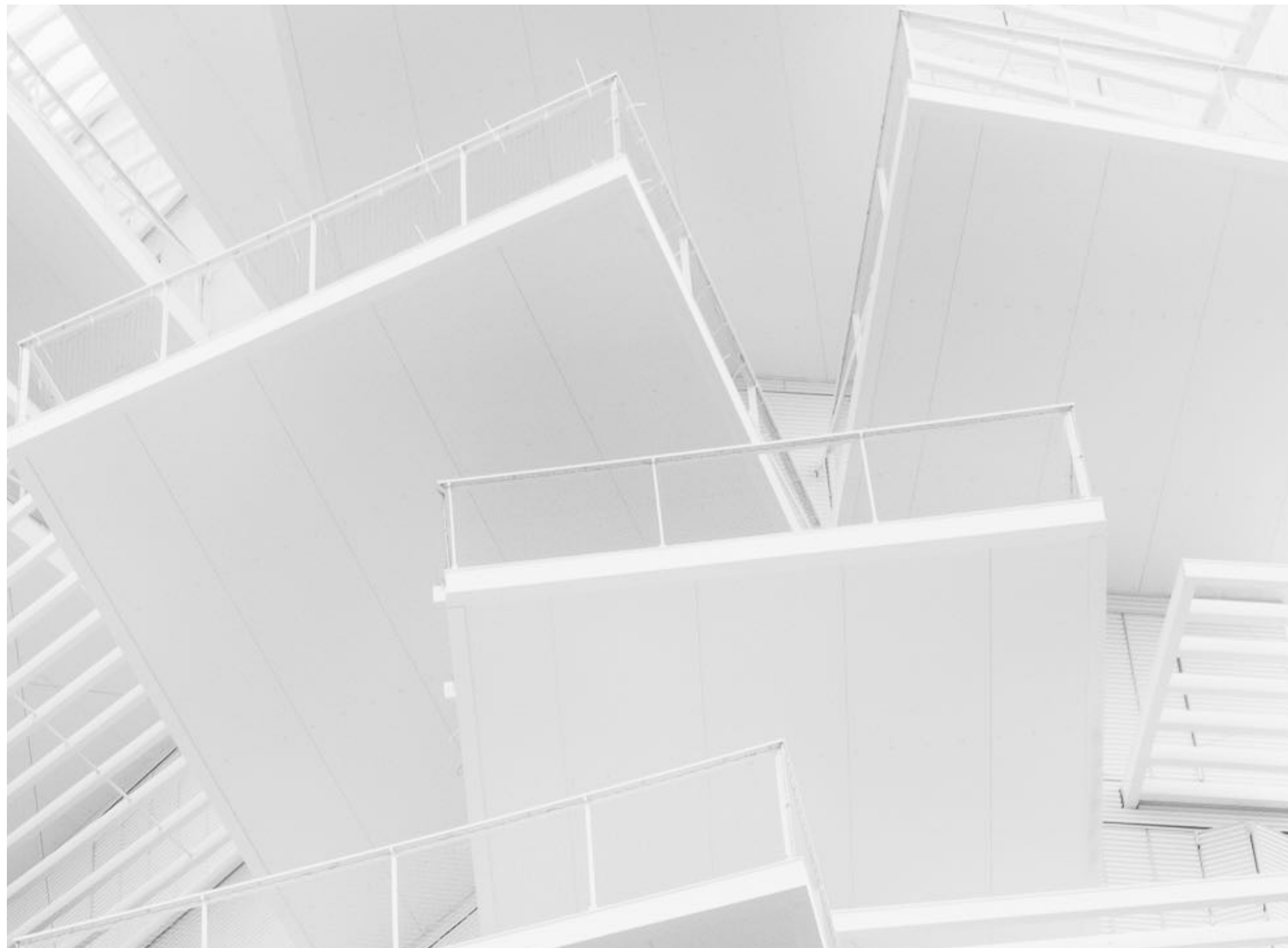
THEY MUST MEET CERTAIN REQUIREMENTS.

SEGMENTS MUST BE MEASURABLE, SUBSTANTIAL,

ACCESSIBLE, DIFFERENTIABLE, AND ACTIONABLE.

MARKET SEGMENTATION

Definition



If the total market consists of a multitude of potential customers who are characterized by different needs concerning a company's offering, then:

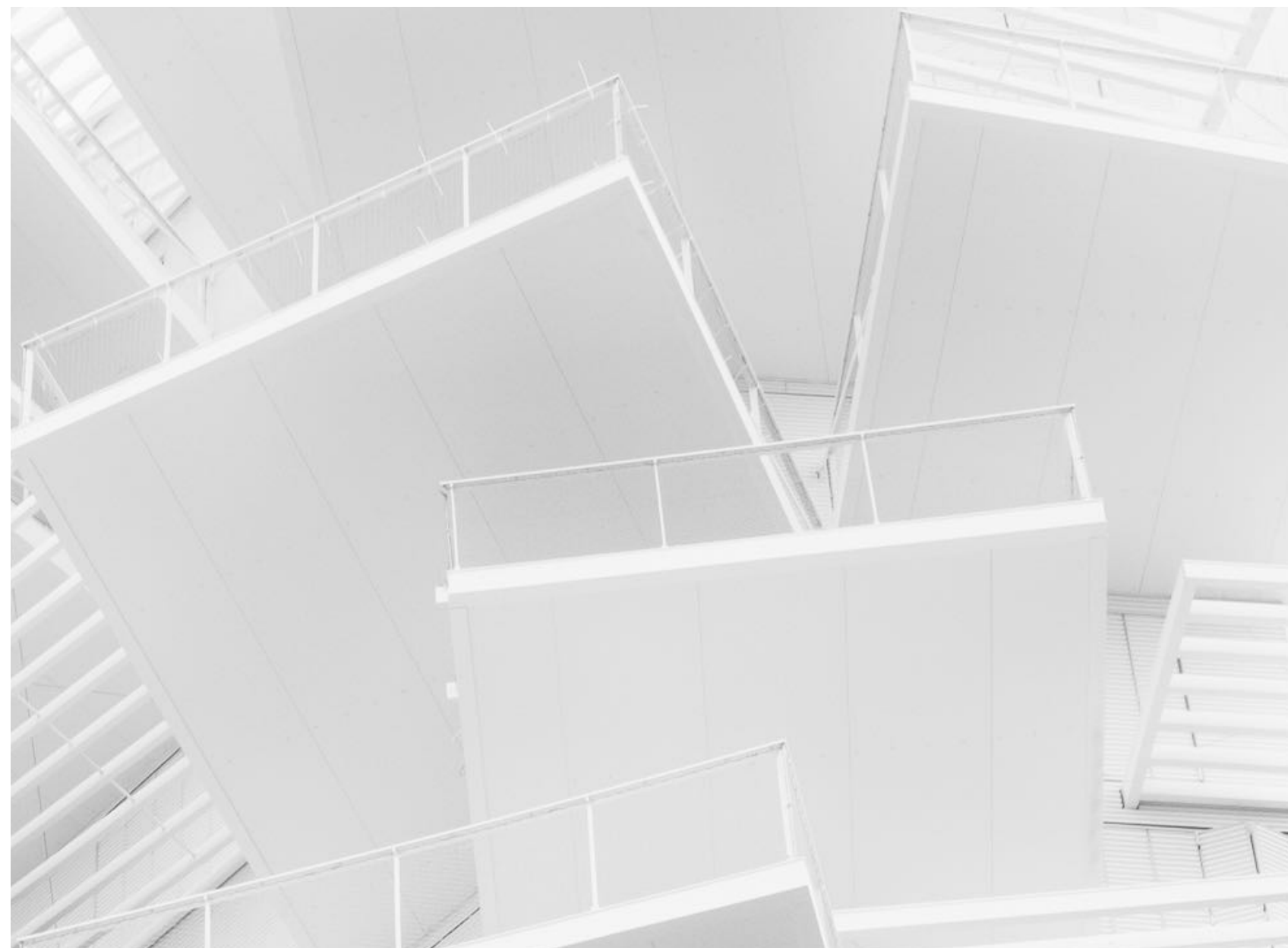
- the possibility exists to divide the market in different sub-markets – segments – comprising consumers with similar needs (internal homogeneity),
- and the company can satisfy heterogenous customer needs in the overall market.

MARKET SEGMENTATION

Dividing a market into smaller segments with distinct needs, characteristics, or behavior that might require separate marketing strategies or mixes.

MARKET SEGMENTATION

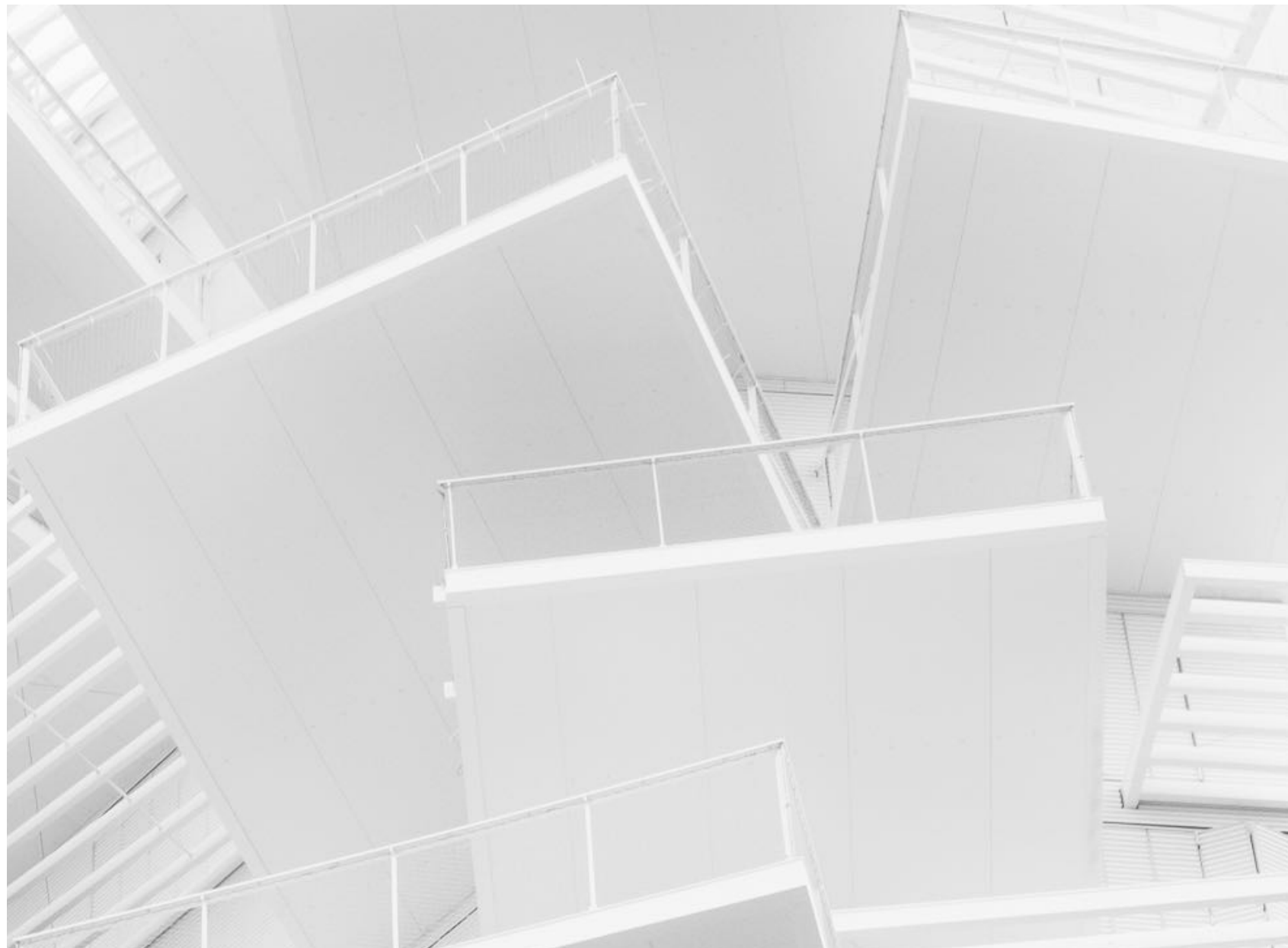
Criteria



- **RELEVANCE** (buying and behavior)
- **MEASURABILITY/OPERATIONABILITY** of characteristics
- **TEMPORAL STABILITY** of characteristics
- **ACTIONABILITY** and **ACCESSIBILITY**
- **PROFITABILITY** of measurement/segments

MARKET SEGMENTATION

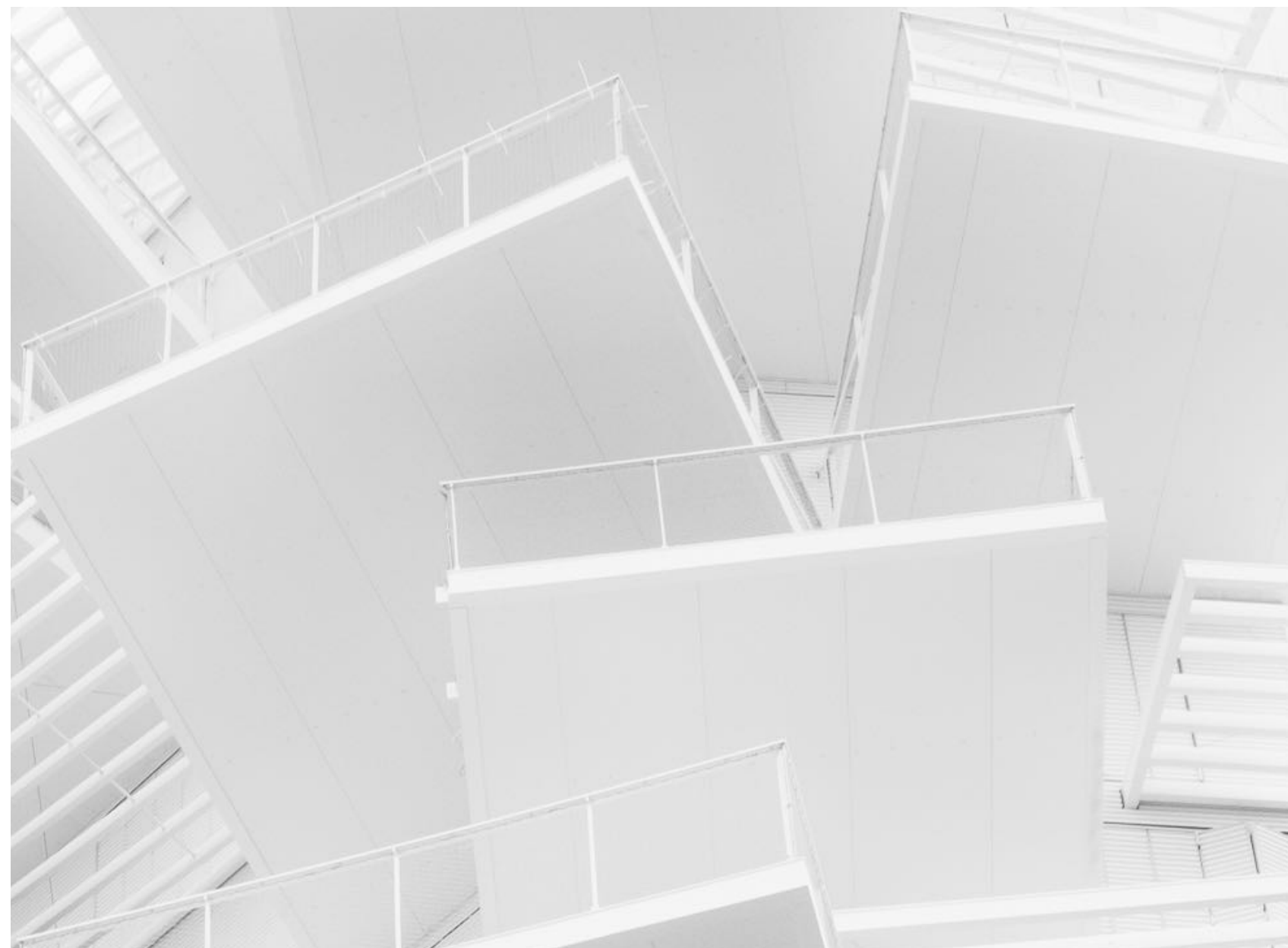
Criteria for the identification of target groups



	General criteria	Function-specific criteria
Directly observable criteria	<p>STATISTICAL CHARACTERISTICS</p> <ul style="list-style-type: none"> -Cultural variables -Geographic variables -Demographic variables -Socio-economic variables 	<p>DIFFERENCES IN BEHAVIOR</p> <ul style="list-style-type: none"> -Consumption intensity -Information and buying behavior -Store loyalty -Reaction and sensitivity for marketing activities
Indirectly observable criteria	<p>PSYCHOLOGIC CHARACTERISTICS</p> <ul style="list-style-type: none"> -Psychographic variables -Personality (values, beliefs) -Attitude -Lifestyle, social class 	<p>REQUIREMENTS</p> <ul style="list-style-type: none"> -Buying motives -Value expectations -Perception -Preferences -Intentions

MARKET SEGMENTATION

Personal characteristics



GEOGRAPHIC

- ▶ Borders (e.g. national borders)
- ▶ Urban areas

DEMOGRAPHIC

- ▶ Age
- ▶ Gender
- ▶ Family status
- ▶ Family lifecycle

SOCIOGRAPHIC

- ▶ Income, purchasing power
- ▶ Formal education
- ▶ Professional occupation
- ▶ Social class belonging

PSYCHOGRAPHIC

MARKET SEGMENTATION

Sociographic segmentation: Sinus-Milieus - Approach

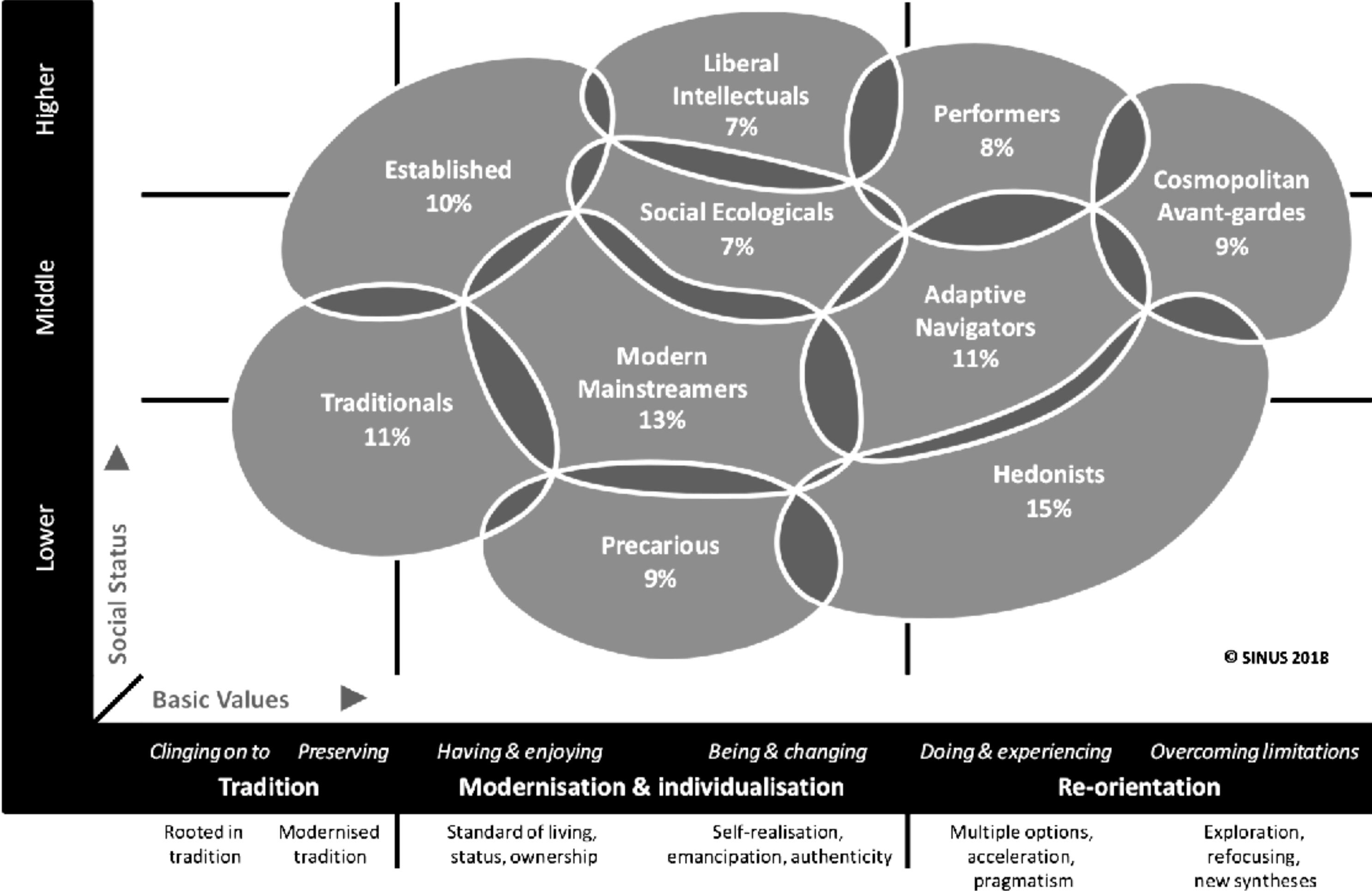
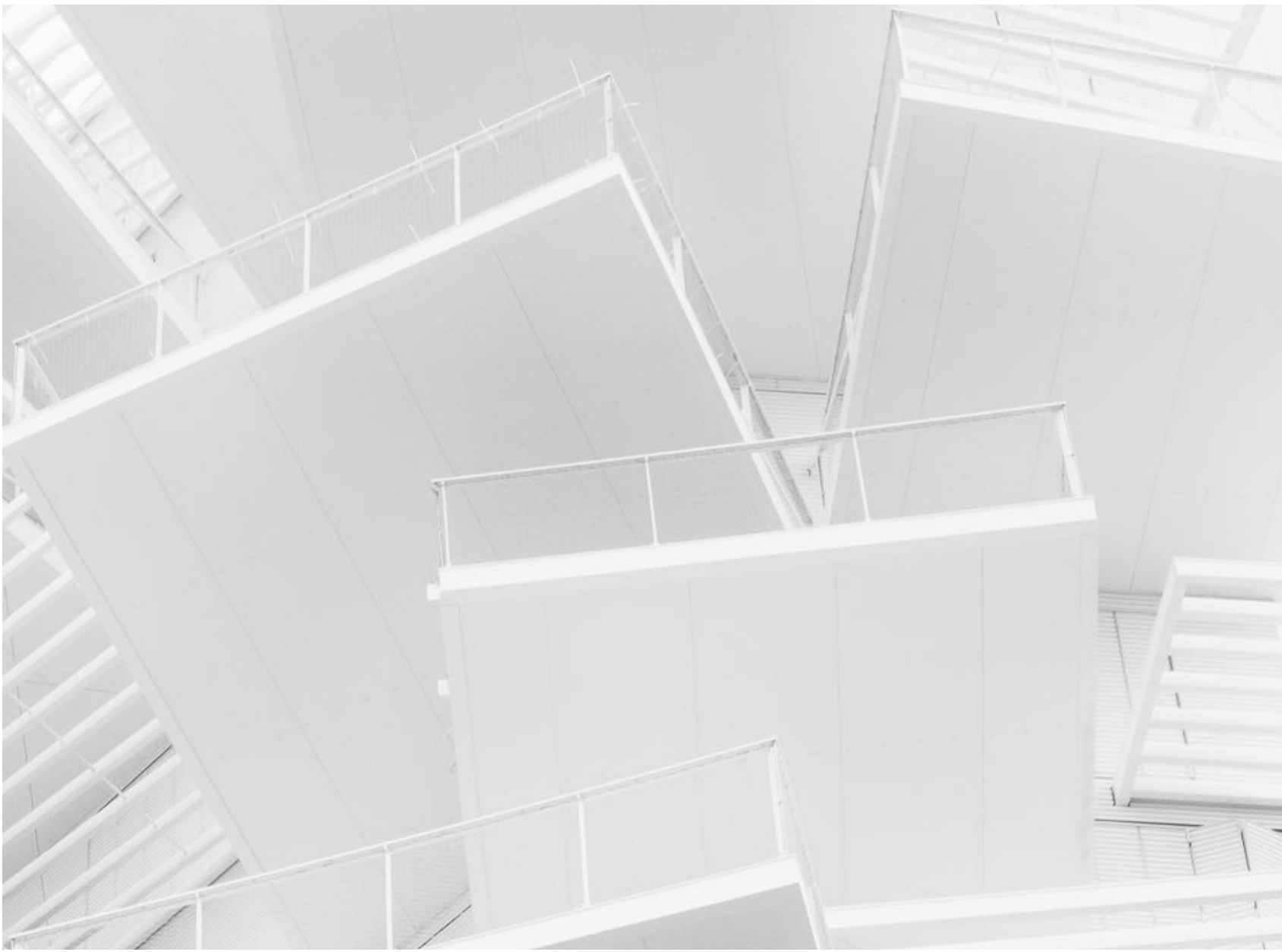


What are **SINUS-MILIEUS**?

- In defining the Sinus–Milieus, the Sinus Institut works on the basis of people's everyday– life world and lifestyle rather than formal demographic criteria such as schooling, occupation or income
- The analysis thus embraces fundamental values, along with everyday attitudes (towards work, the family, leisure, media, consumption)
- This means that the Sinus–Milieus group together people with similar outlooks and lifestyles. The Milieus could be described loosely as "groups of like–minded people".
- As basic target groups for strategic marketing, the Sinus–Milieus have already proven their worth in a variety of markets.

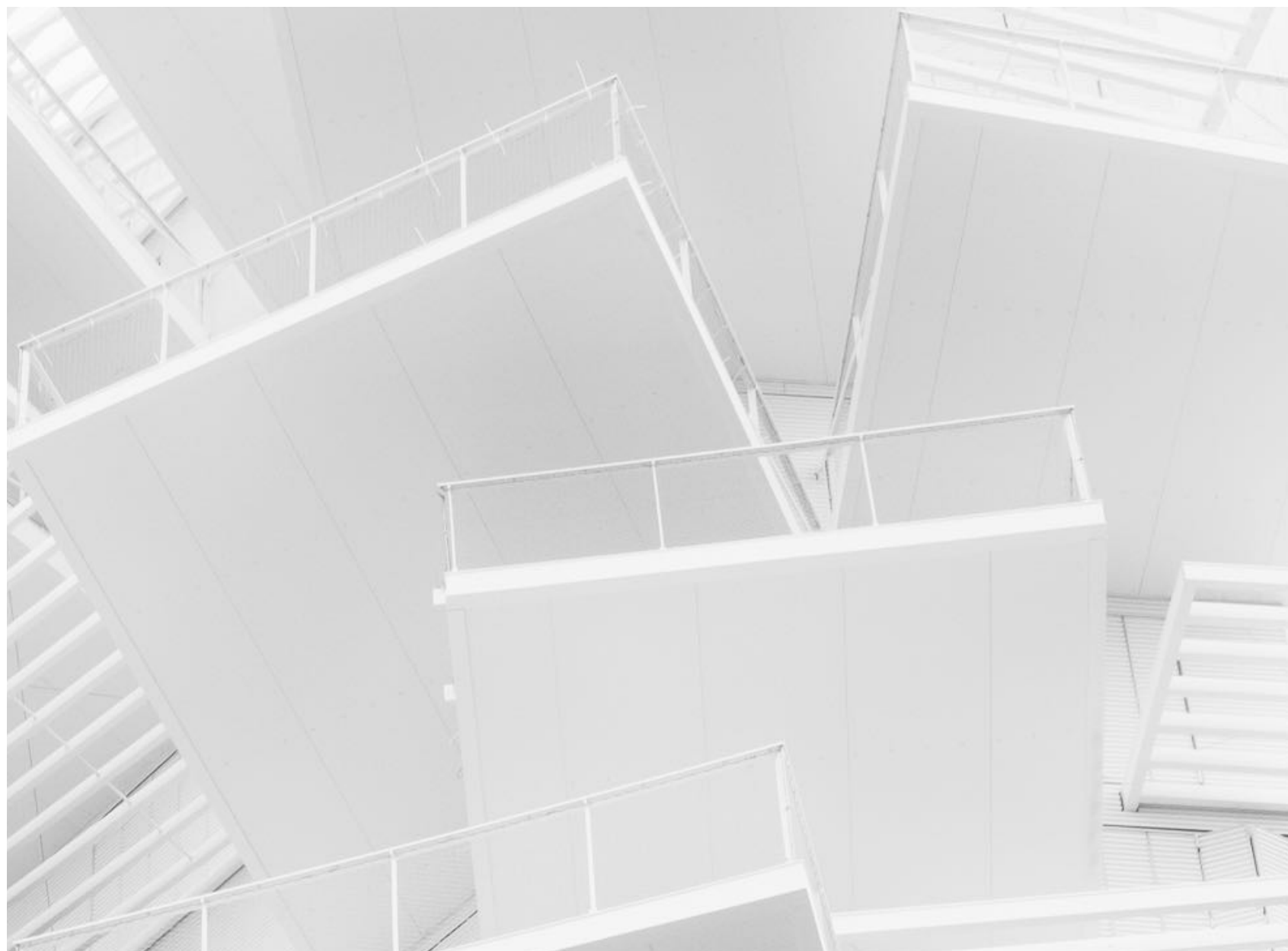
MARKET SEGMENTATION

Sinus-Milieus in Germany



MARKET SEGMENTATION

Benefits of Sinus Milieus for marketers



Benefit	Description	Application
True-to-life target groups	via demarcation and description of different Social Milieus with their own characteristic basic values and lifestyles	➔ Milieu concept
Greater validity	and illustration of social reality thanks to the use of a model based on respondents' everyday knowledge and actions	➔ Everyday-life world
Current relevance and prognostic power	thanks to ongoing trend monitoring and model updates, while target groups remain relatively stable over time	➔ Trend research
Quantifiability	of the everyday life model via development of a standardized, economically viable instrument with which to determine the Milieus	➔ Milieu indicator
Descriptiveness	and practicability of results via systematic research and visual documentation of stylistic worlds for specific target groups	➔ Everyday aesthetics

MARKET SEGMENTATION

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PSYCHOGRAPHIC

- ▶ Motives
- ▶ Lifestyles, values, preferences
- ▶ Attitudes
- ▶ Satisfaction

MARKET SEGMENTATION

Behavioral characteristics



INFORMATION BEHAVIOR

- ▶ Media usage
- ▶ Communication behavior

BUYING BEHAVIOR

- ▶ Store and brand choice
- ▶ Store and brand loyalty
- ▶ Buying intensity
- ▶ Price sensitivity

USAGE BEHAVIOR

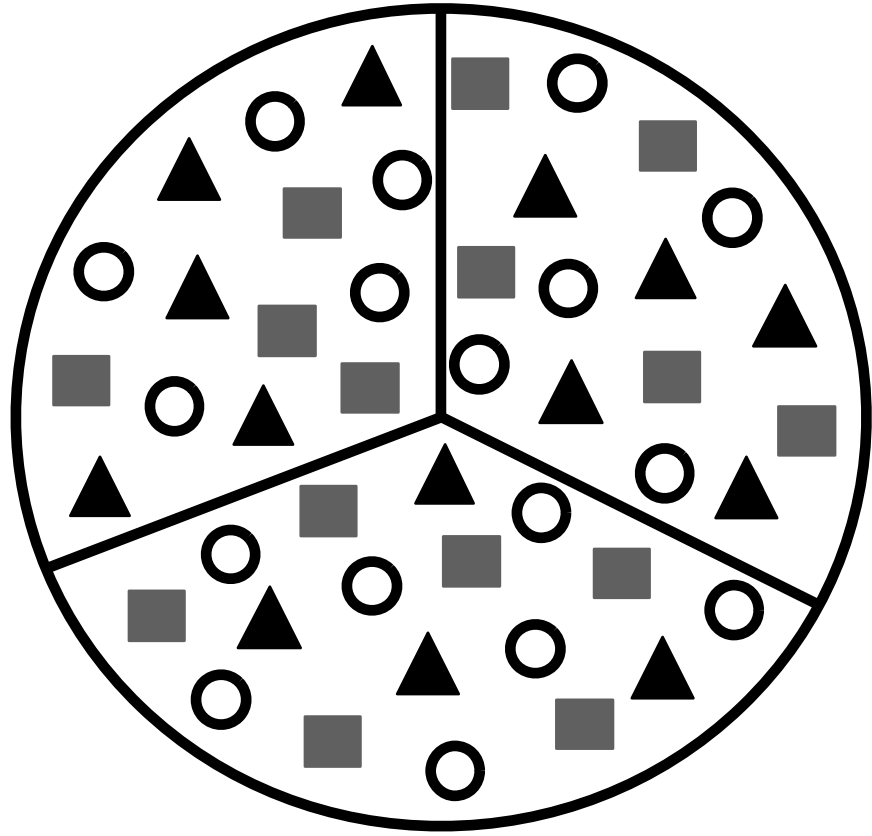
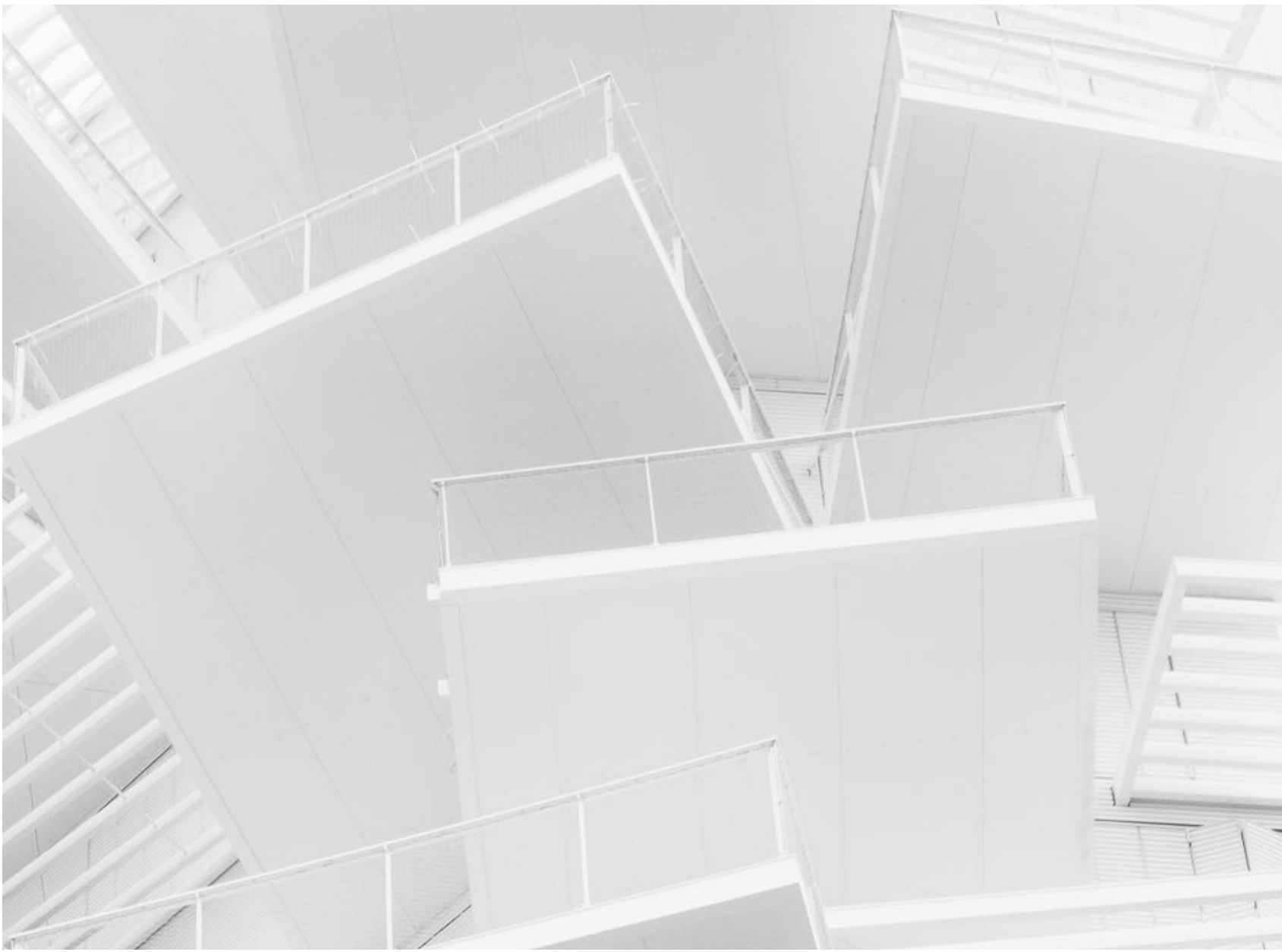
- ▶ Usage intensity, type, time and environment
- ▶ Word-of-mouth behavior

AFTER-BUYING BEHAVIOR

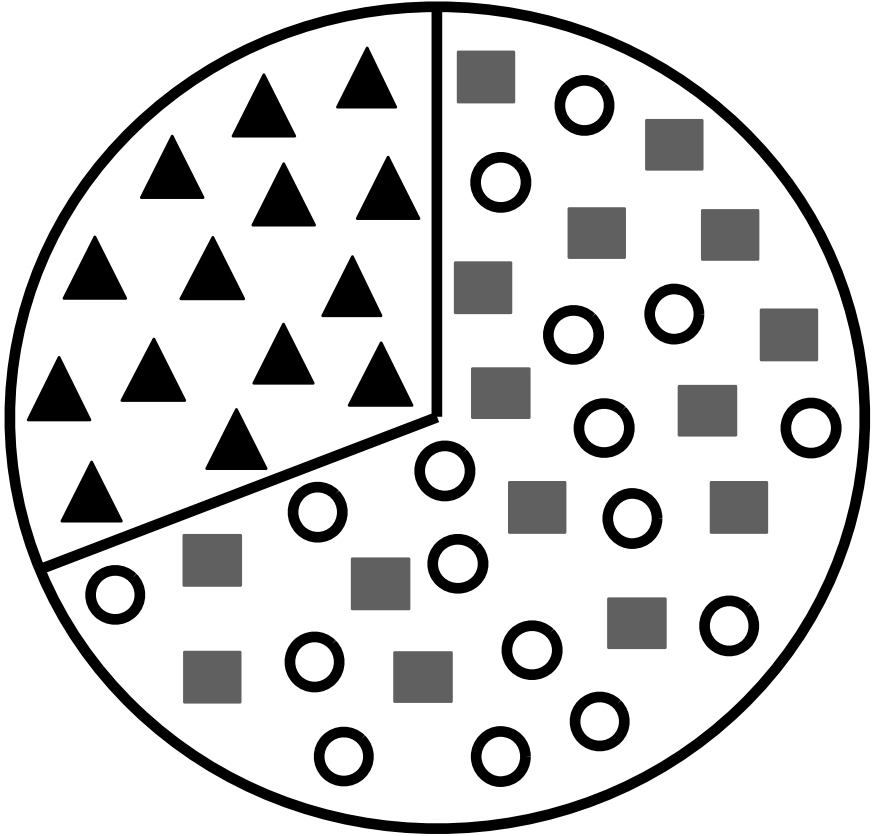
- ▶ Complaining behavior
- ▶ WOM
- ▶ Cross buying
- ▶ Repeat buying

MARKET SEGMENTATION

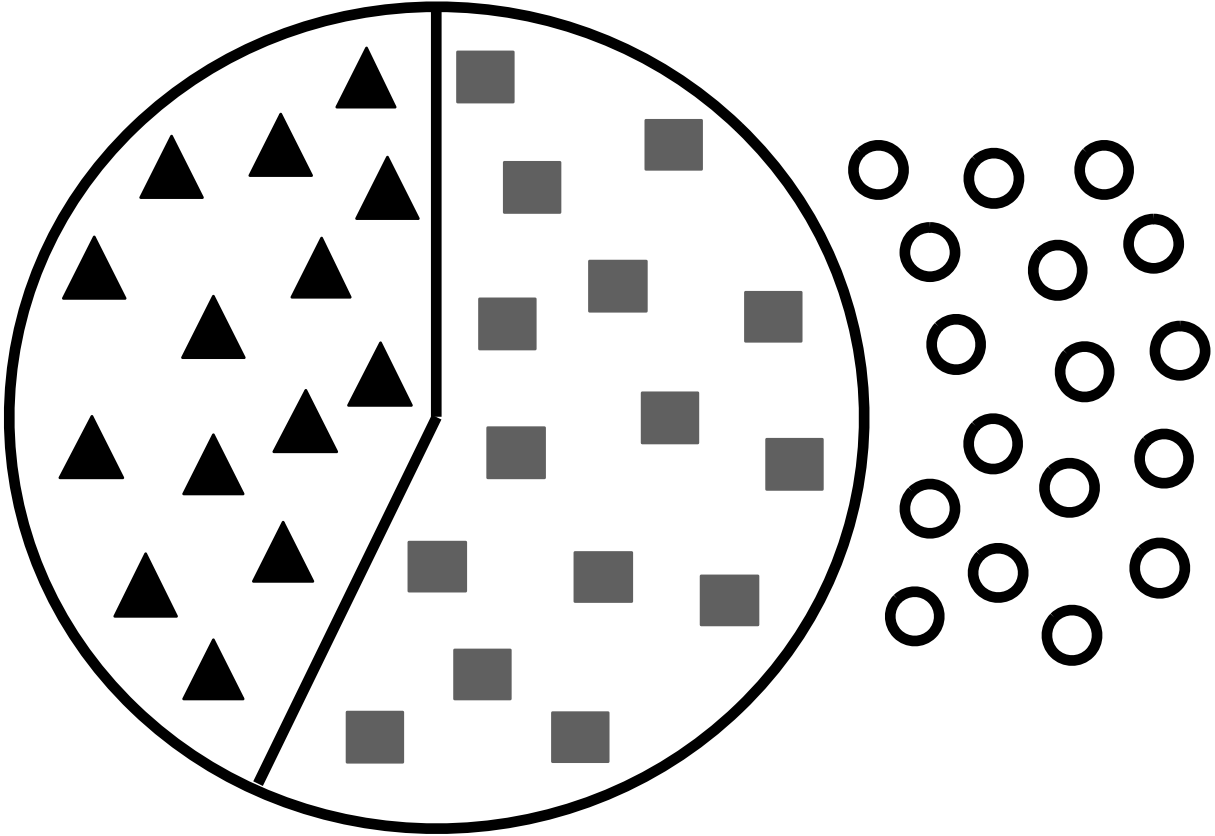
Common segmentation errors



A. IRRELEVANT



B. HETEROGENEOUS



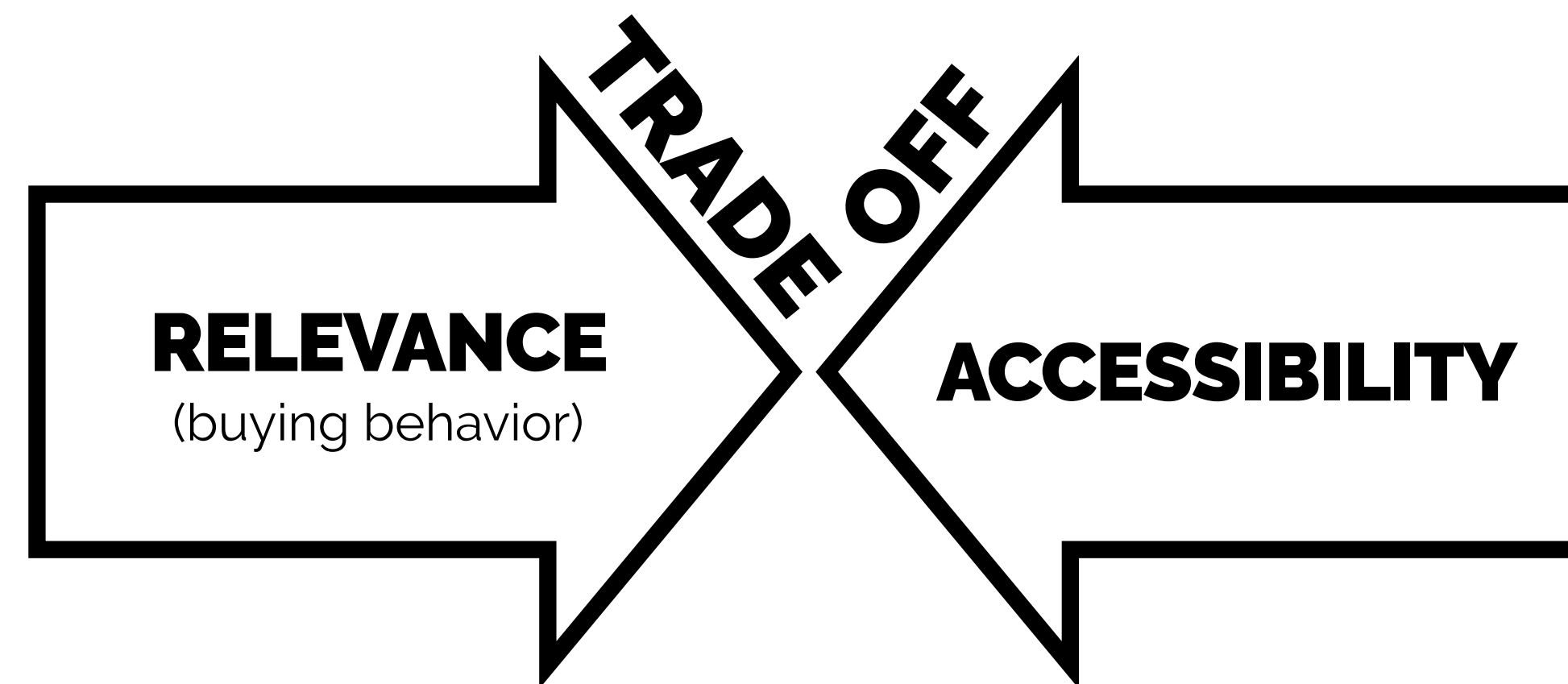
C. NOT EXHAUSTIVE

MARKET SEGMENTATION

The Relevance-Accessibility-Trade-Off



- Segmentation on the basis of geographic and sociodemographic characteristics feature good accessibility and availability but low (buying behavior) relevance.
- Psychographic and behavior-related criteria show higher relevance for the buyer's behavior and help to better understand the behavior but the identified segments are less accessible.



TARGETING:

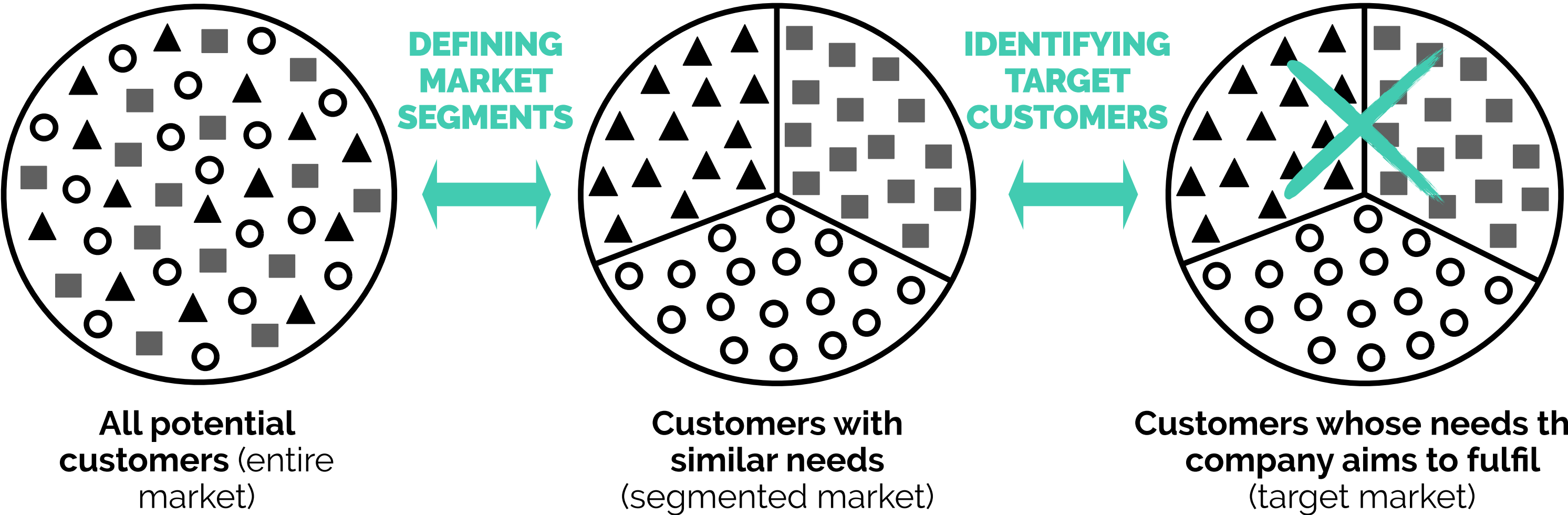
THE PROCESS OF IDENTIFYING CUSTOMERS FOR WHOM

THE COMPANY WILL OPTIMIZE ITS OFFERING.

Chernev (2018), p. 43.

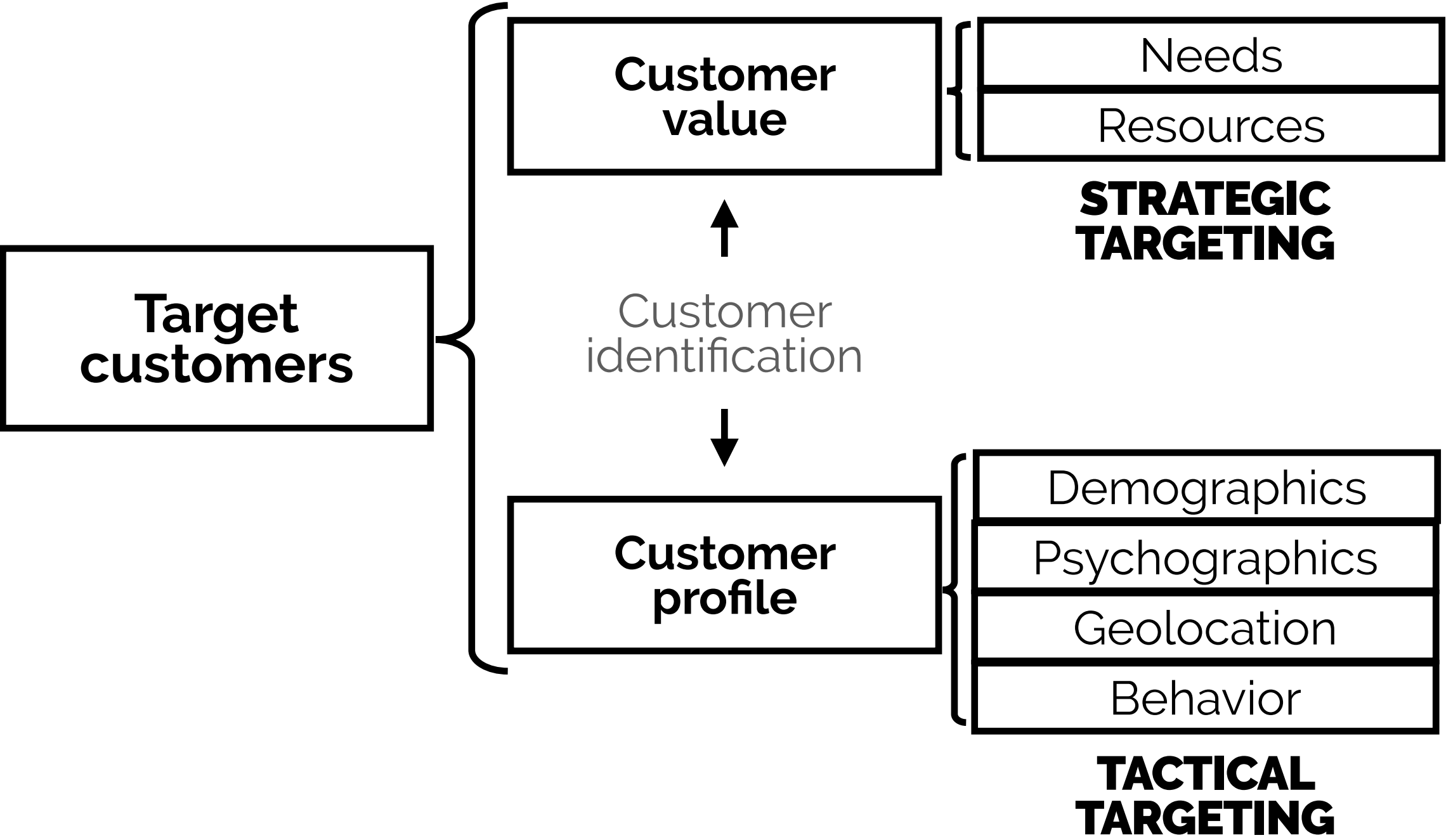
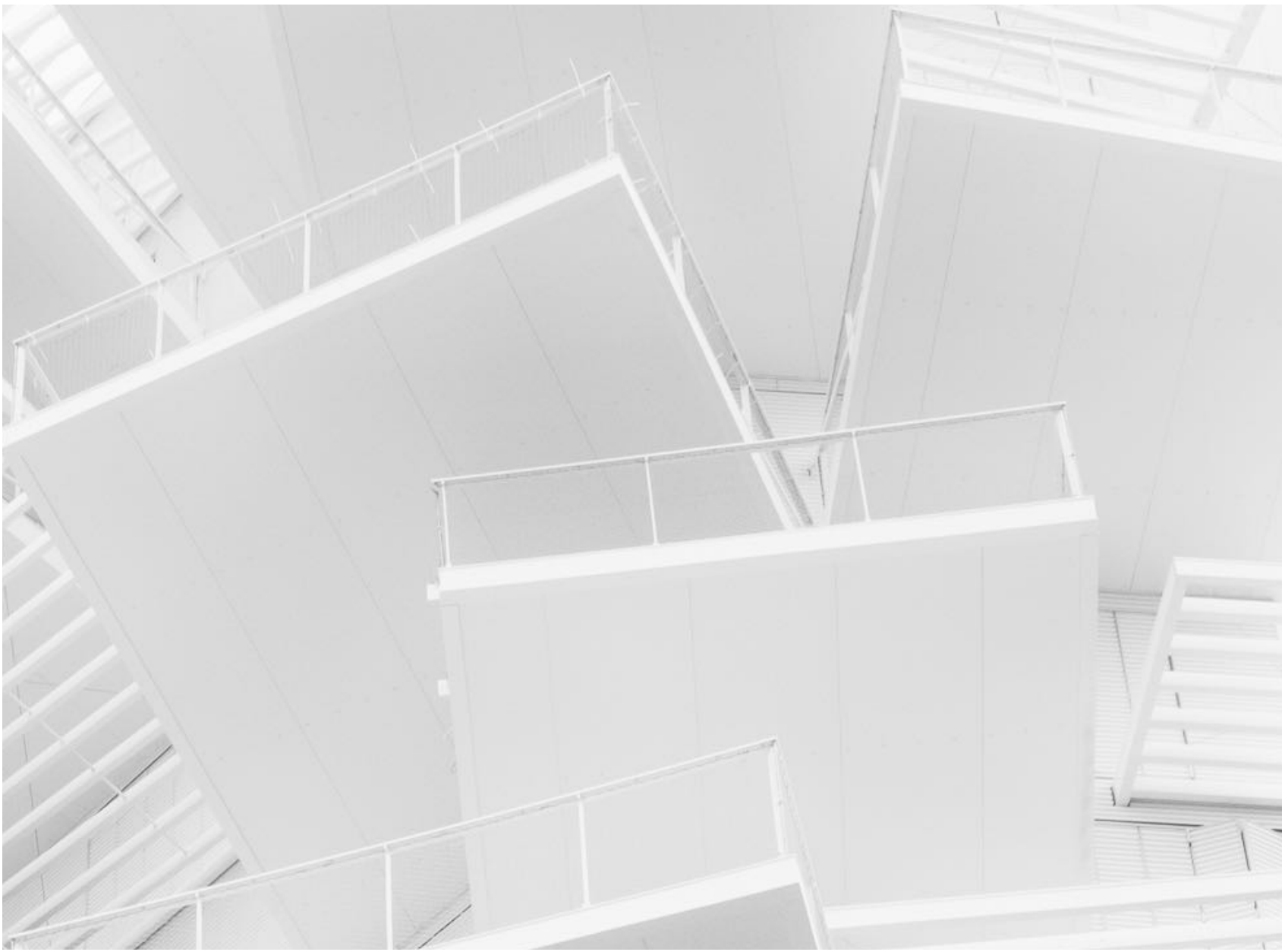
FROM SEGMENTATION TO TARGETING

Defining segments and identifying target customers



SEGMENTATION AND TARGETING

Linking customer value to customer profile

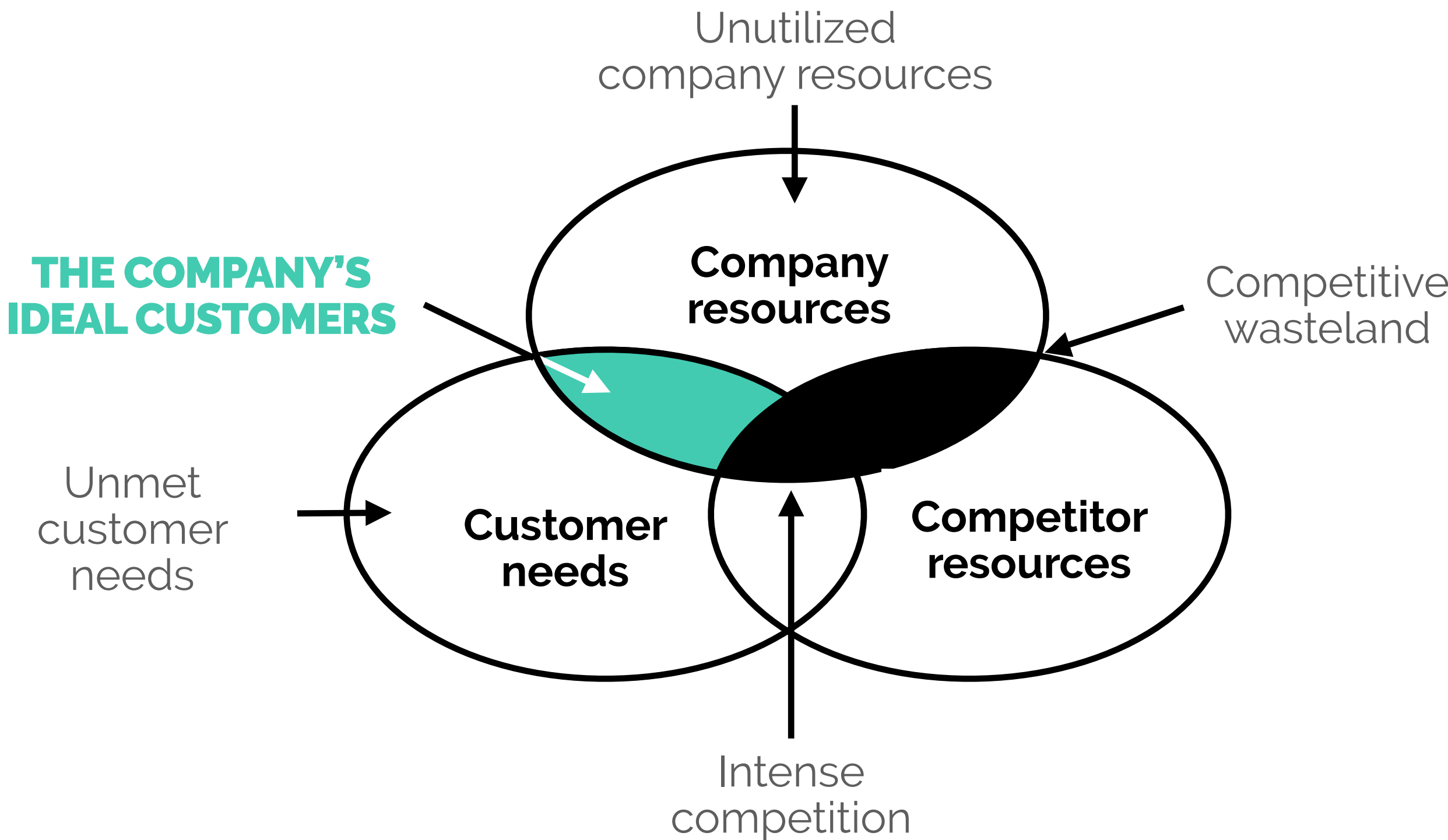


TARGETING

The Resource Advantage Principle



© Andreas Munzel



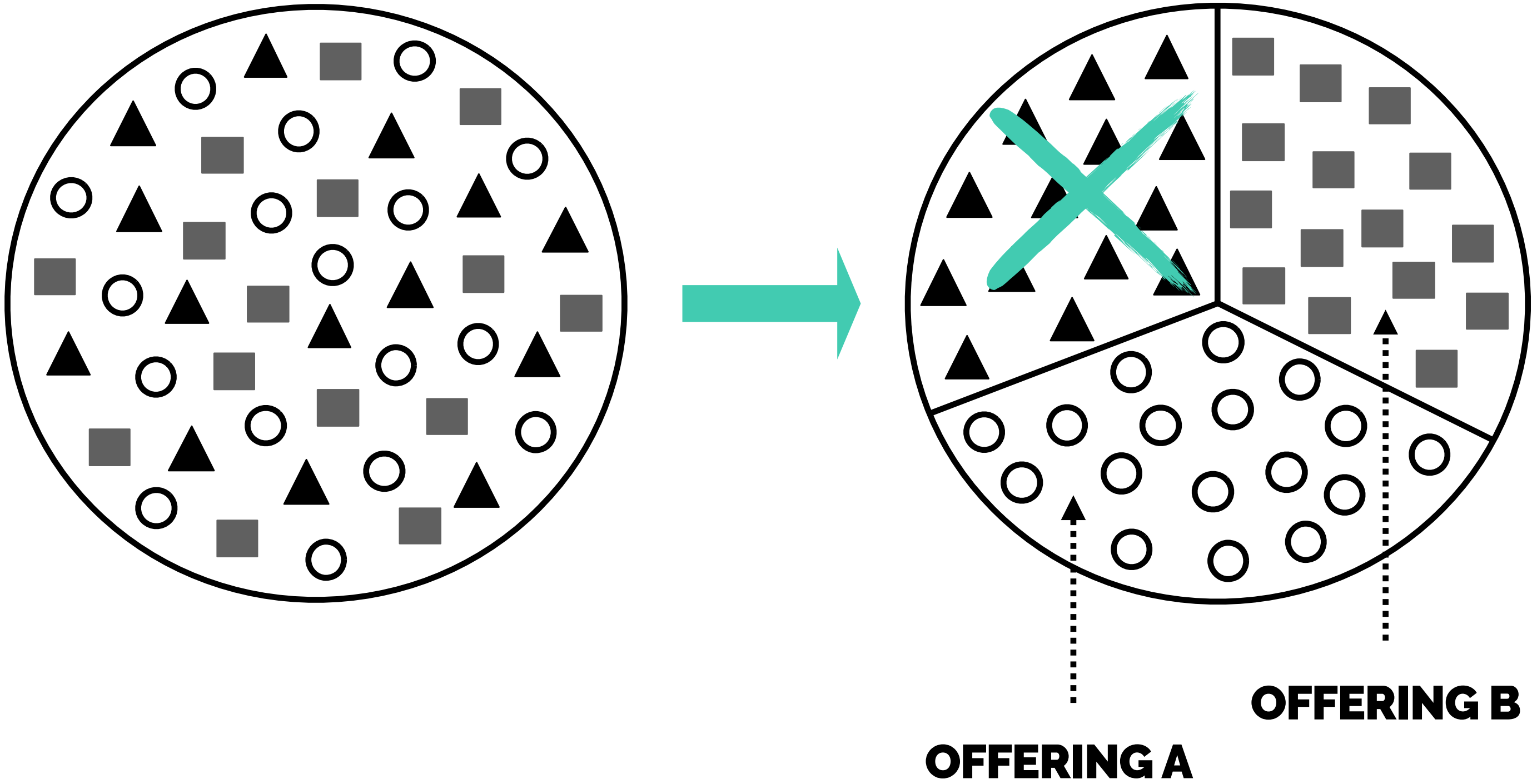
Source: Chernev (2018), p. 50.

TARGETING

Targeting multiple segments



Source: Chernev (2018), p. 55.

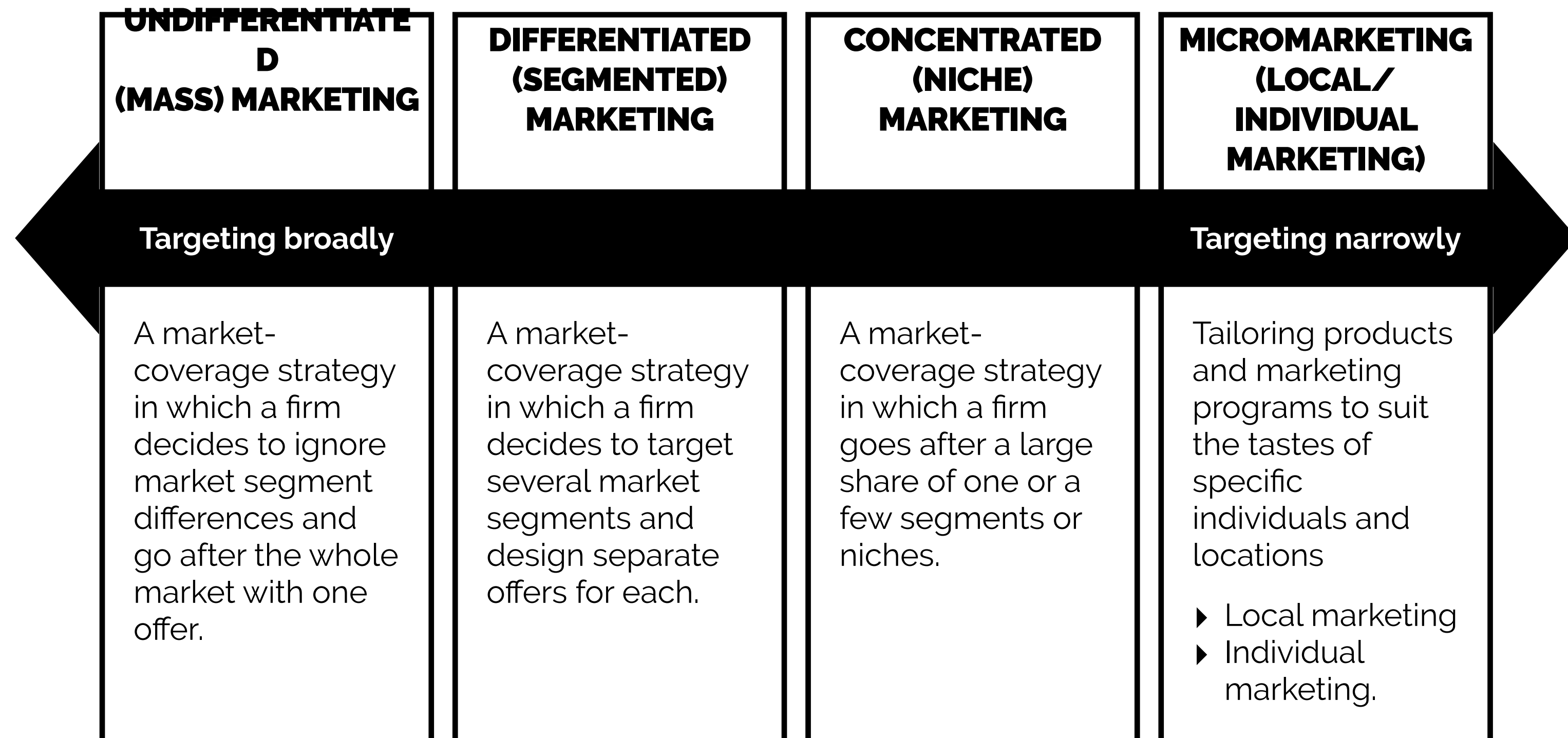


FROM SEGMENTATION TO TARGETING

Selecting target markets



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



FROM SEGMENTATION TO TARGETING

Complete overview

