Reading Assignment

Chapter 4:
Focusing Marketing Strategy with Segmentation and Positioning

Chapter 5:
Final Consumers and Their Buying Behavior

Suggested Reading

See information below.

Course Learning Outcomes for Unit II

Upon completion of this unit, students should be able to:

4. Explain how the marketing mix is used to reach the target market.
   4.1 Recommend a target market for a company.
   4.2 Explain the importance for a company to clearly define and understand its target market.

5. Describe the process of market segmentation leading to the identification of the target market.
   5.1 Apply market segmentation to a company utilizing the behavioral, psychographic, demographic, and geographic criteria.
   5.2 Explain the importance for a company to meticulously segment its market.

Unit Lesson

Identification of the target market, in its very basic sense, requires that a company completely understands its customers. The process begins with *segmentation*, which Perreault, Cannon, and McCarthy (2015) define as the process of clustering people with similar needs into a certain market segment or group. As a marketer attempts to segment their market, they will select criteria that are relevant to the customer type. These criteria are typically broken down into four categories as identified below:

- Behavioral—this involves segmenting the market based upon interests, thoughts, benefits sought, or even brand equity.
- Psychographic—this involves segmenting the market based upon personality, perceptions, values, and other personal motivations.
- Demographic—this involves segmenting the market based upon income, sex, age, family size, family life cycle, occupation, education, ethnicity, and social class.
- Geographic—this involves segmenting the market based upon the region of the country, neighborhood, or size of city in which the consumer lives.

Once the marketer has thoroughly analyzed the population and segmented the market as necessary, the target market can more easily be identified. Perreault et al. (2015) define the target market as a fairly homogeneous (similar) group of customers to whom a company wishes to appeal. The importance of target market identification is realized as a marketer understands that there are limited and precious marketing funds available. In order to maximize these scarce funds, it makes logical sense to focus on the consumers that are the most interested in your product/service and the most likely to purchase. Additionally, we live in a “time poor” society today where consumers are interested in viewing marketing that pertains to them and not necessarily in viewing massive amounts of advertising focusing on the general public. This is exemplified to an even greater extent with the increased use and dependence upon the internet as both an information source as well as a buying tool.

At this point in the process, the marketer should have a clear understanding of their target market, providing them with the opportunity to differentiate their product mix. In other words, this provides the company with the ability to ensure that their product/service is different from that of their competitors. This ensures that a company can better service the needs of their target market. Companies typically put together a *positioning statement* that defines and clarifies the perception of the company (and/or brand) in the mind of the consumer. For instance, Nike's positioning statement as established through their mission statement is "Bring Inspiration and Innovation to Every Athlete in the World... If You Have a Body, You Are an Athlete" (Our Mission, 2015). Nike has attempted to position itself in a very crowded market as one of the best with respect to embracing and enhancing the athletic life style. Perreault et al. (2015) point out the importance of positioning when companies within an industry are providing similar products/services.

In the continued quest to understand the consumer, marketers need to understand how the target market's economic needs, psychological variables, social influences, culture, and purchasing situation will affect their buying decisions. Within the economic needs, marketers realize the consumer's economy of purchase, convenience, efficiency, and dependability. The psychological variables review the target market's level of motivation, perception, learning, attitude, trust, and lifestyle. Within the social influences, marketers need to understand the target market's influences such as family, social class, and their reference groups. Another area of impact is the target market's ethnicity and international status. Finally, the purchase reason, time available for the purchase and the surroundings of the purchase will have an impact on the target market's decision process. Think about the last time you went shopping. Was it a leisurely shopping trip or were you hurried? Think about the surroundings of your favorite store. Retailers create atmospheres or themes which tend to create interest and increase comfort for a certain target market. Think about the atmospheres of American Eagle and how that impacts the target market. What about the atmospheres of an Olive Garden restaurant or an Abercrombie & Fitch clothing store? Now, think about the atmosphere of a Walmart versus that of a Macy's retail store.

Perreault et al. (2015) identify the adoption process as the steps that a consumer moves through as they work towards making the buying decision. These steps are identified below:

- Awareness—potential customer is aware of the product/service.
- Interest—potential customer is interested and gathers general information about the product/service.
- Evaluation—potential customer thinks about how the product/service might benefit them personally.
- Trial—potential customer actually buys the product for a trial.
- Decision—potential customer decides to either adopt or reject the product/service.
- Confirmation—customer searches for reinforcement on their decision to adopt the purchase.

Understandably, this adoption process provides marketers with another level of understanding of how their target market thinks and rationalizes leading them to the buying decision.
An important tool for analysis used for auditing an organization and its environment is the SWOT Analysis. It stands for strengths, weaknesses, opportunities, and threats. Strengths and weaknesses are internal factors of the organization and the opportunities and threats are external. The SWOT Analysis is many times set up as a table or chart with analysis following the chart. The table below provides examples of situations that might be considered under each area.

STRENGTHS	WEAKNESSES
• New or innovative product or service • High quality product • Convenient location of business • Quality processes and procedures • Lower price	• Lack of marketing expertise • Undifferentiated products or services related to competition. • Distribution is slow due to inadequate distribution channel. • Higher prices • Poor service • Poor reputation • Promotional methods do not adequately reach target market.
OPPORTUNITIES	**THREATS**
• Developing market such as the internet • Moving into new market segments that offer improved profits • New international market • Market vacated by an ineffective competitor	• New competitors • Changes in economic conditions • Significant changes in technology • Changes in laws affecting any part of business model • Changes in socio-cultural environment of target market

Analyzing each of these areas provides the marketer and organization with a realistic view of where the company stands now, which theoretically will enable the marketer to be able to more appropriately modify the marketing mix (four Ps) to match the needs of the target market.

References

Nike. (2015). *Our mission*. Retrieved from http://about.nike.com/

Perreault, W., Jr., Cannon, J., & McCarthy, J. (2015). *Essentials of marketing: A marketing strategy planning approach* (14th ed.). New York, NY: McGraw-Hill.

Suggested Reading

While viewing these PowerPoint presentations is not required, it is highly recommended. Doing so will provide you with a significantly greater level of understanding of basic marketing concepts.

Click here to access a PowerPoint presentation of the Chapter 4 material.
Click here to access a PDF version of this presentation.

Click here to access a PowerPoint presentation of the Chapter 5 material.
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