

PRINCIPLES OF  
**Marketing**

## **Chapter Seven**

### **Customer-Driven Marketing Strategy:**

### **Creating Value for Target Customers**



# Customer-Driven Marketing Strategy: Creating Value for Target Customers

## Topic Outline

- Market Segmentation
- Market Targeting
- Differentiation and Positioning



# Market Segmentation

**Market segmentation** is the process that companies use to divide large heterogeneous markets into small markets that can be reached more efficiently and effectively with products and services that match their unique needs



# Market Segmentation



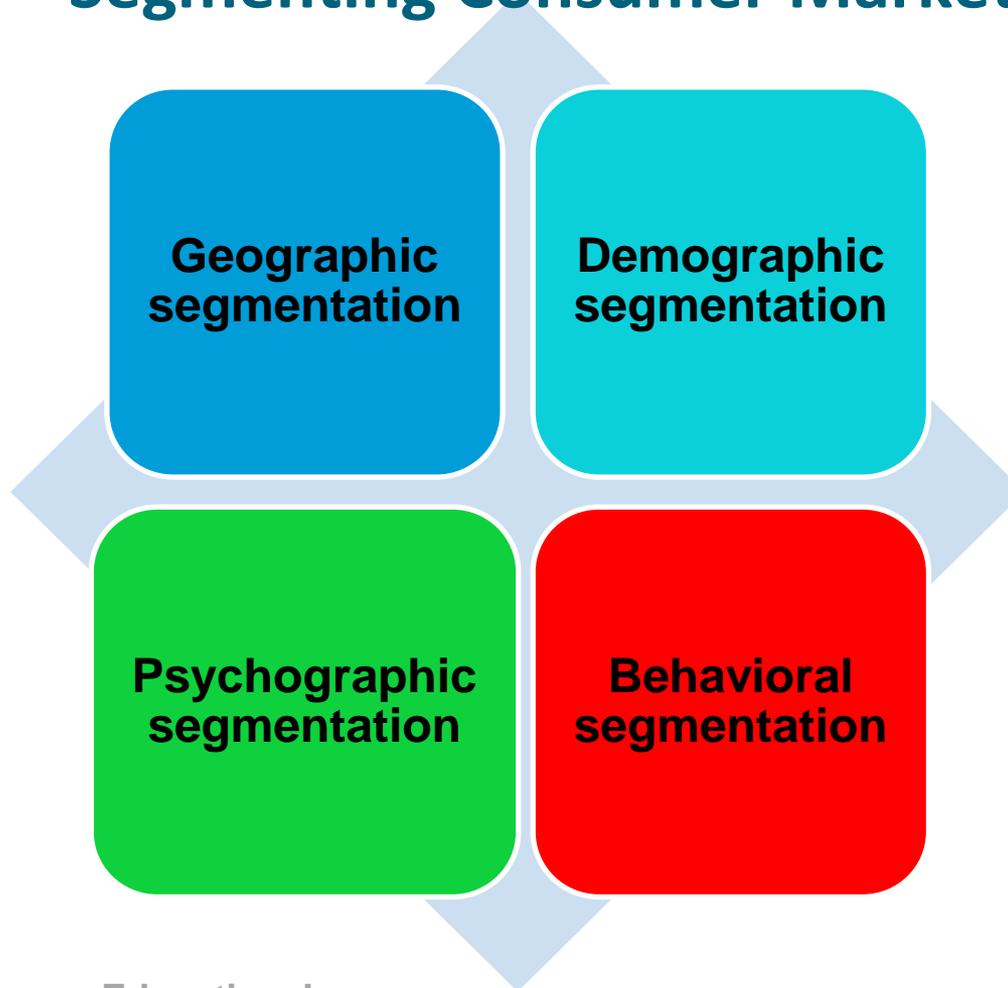
# Market Segmentation

- Segmenting consumer markets
- Segmenting business markets
- Segmenting international markets
- Requirements for effective segmentation



# Market Segmentation

## Segmenting Consumer Markets



# Market Segmentation

## Segmenting Consumer Markets

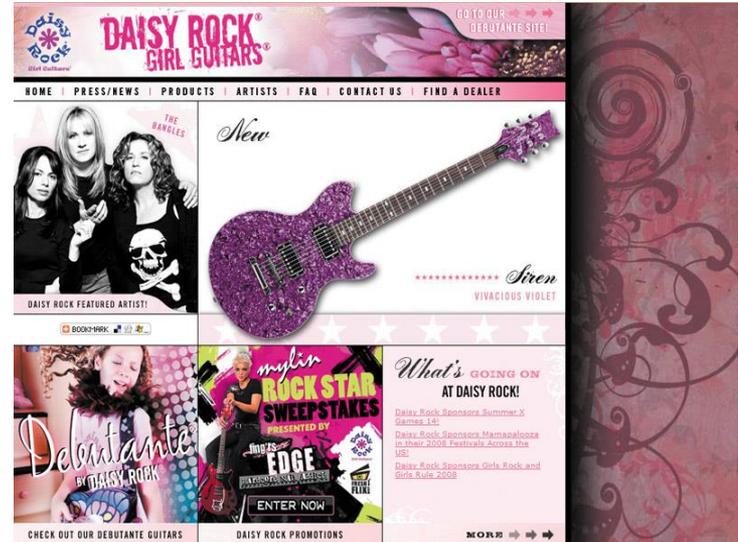
- Geographic segmentation divides the market into different geographical units such as nations, regions, states, counties, or cities



# Market Segmentation

## Segmenting Consumer Markets

**Demographic segmentation** divides the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality



# Market Segmentation

**Age and life-cycle stage segmentation** is the process of offering different products or using different marketing approaches for different age and life-cycle groups

**Gender segmentation** divides the market based on sex (male or female)

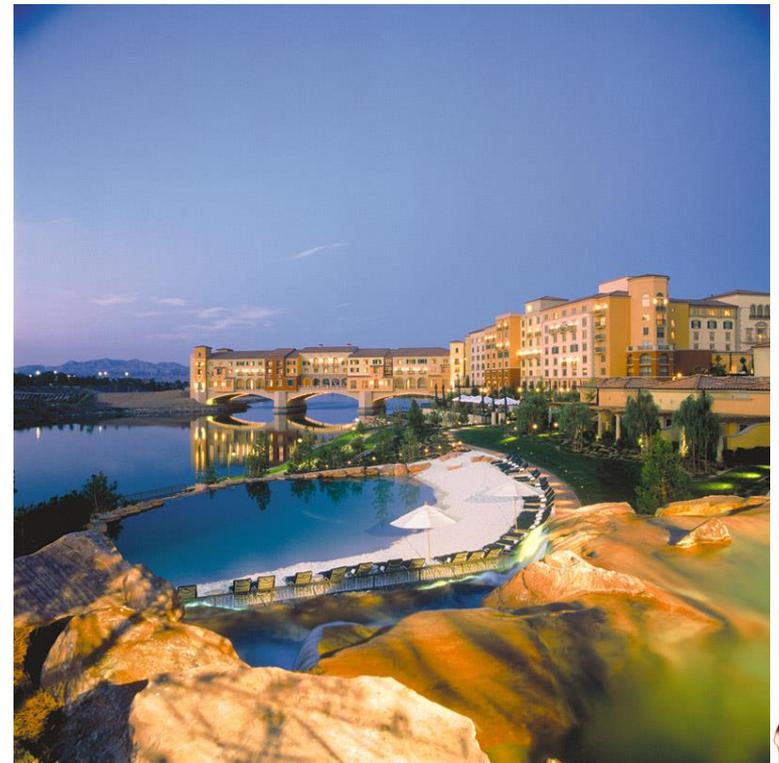


# Market Segmentation

## Segmenting Consumer Markets

**Income segmentation** divides the market into affluent or low-income consumers

**Psychographic segmentation** divides buyers into different groups based on social class, lifestyle, or personality traits



# Market Segmentation

## Segmenting Consumer Markets

**Behavioral segmentation**  
divides buyers into groups based on their knowledge, attitudes, uses, or responses to a product

- Occasions
- Benefits sought
- User status
- Usage rate
- Loyalty status



# Market Segmentation

## Using Multiple Segmentation Bases

**Multiple segmentation** is used to identify smaller, better-defined target groups

**Geodemographic segmentation** is an example of multivariable segmentation that divides groups into consumer lifestyle patterns



# Market Segmentation

## Using Multiple Segmentation Bases

**PRIZM NE** classifies every American household into 66 unique segments organized into 14 different social groups.

- These groups segment people and locations into marketable groups of like-minded consumers that exhibit unique characteristics and buying behavior based on a host of demographic factors



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**#18 Kids & Cal-de-Sacs**  
Livable, suburban, married couples with children—think the sitcom on Kids & Cal-de-Sacs, an enviable lifestyle of large families in recently built subdivisions. With a high rate of Hispanic and Asian Americans, the segment is a refuge for college-educated, white-collar professionals with administrative jobs and upper-middle-class incomes. Their needs of education, affluence and children translate into large outlets for child-oriented products and services.

**#21 Gray Power**  
The steady rise of older, healthier Americans over the past decade has produced one important by-product: middle-class, home-owning suburbanites who are aging in place rather than moving to retirement communities. One Power refers to this trend, a segment of active, multiple singles and couples who live in quiet comfort.

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# Market Segmentation

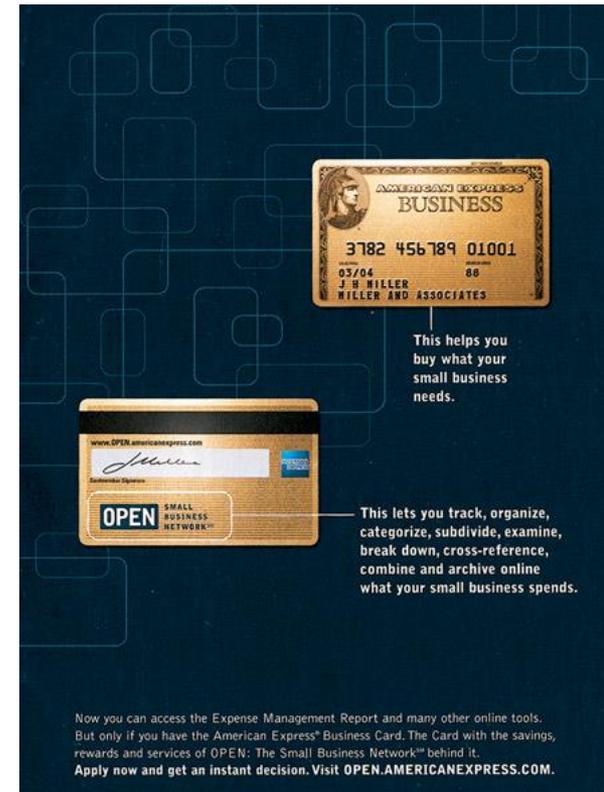
## Segmenting International markets

Geographic  
location

Economic  
factors

Political-  
legal factors

Cultural  
factors



The advertisement features two American Express cards. The top card is a gold American Express Business Card with the number 3782 456 789 01001 and the name J. H. MILLER. The bottom card is a gold OPEN Small Business Network card with the name J. H. MILLER. Text next to the top card says: "This helps you buy what your small business needs." Text next to the bottom card says: "This lets you track, organize, categorize, subdivide, examine, break down, cross-reference, combine and archive online what your small business spends." At the bottom of the ad, it says: "Now you can access the Expense Management Report and many other online tools. But only if you have the American Express® Business Card. The Card with the savings, rewards and services of OPEN: The Small Business Network™ behind it. Apply now and get an instant decision. Visit [OPEN.AMERICANEXPRESS.COM](http://OPEN.AMERICANEXPRESS.COM)."

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# Market Segmentation

## Segmenting Business Markets

**Intermarket segmentation** divides consumers into groups with similar needs and buying behaviors even though they are located in different countries

