

# So What?

Have you ever noticed that people who seem different from each other can share certain things in common?

Take your classmates, for example. Who likes pumpkin pie? Who has a younger brother? Who has braces? Whatever the category, your classmates can be grouped in many ways—

You might find things in common with your classmates that are more exciting than you—because grouping is how marketers discover the best ways to match producers with their customers. It's how marketers figure out what it takes to meet their customers' needs.

How do you think marketers are grouping YOU?

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# What's Your Problem?

Anyone can buy a product, right? Well, not really. The people who can buy a product are those who *want* to, who *also* have the resources, *and* who are willing to make it a reality. For marketers, knowing which people fit these requirements is key. In any business, *a customer or potential customer who has an unfulfilled desire and is financially able and willing to satisfy that desire* is a **market**.

Let's look at a market more closely...



## Market

Anytime you have an unfulfilled desire (you need a good or service), there's a marketer somewhere who wants to meet your need. If you need a new lawnmower, you have a "problem," which the marketer "solves" by providing a lawnmower for you to buy.

But having a problem isn't enough. If you can't *pay* for a new lawnmower, the marketer can't consider you part of the lawnmower-buying market. You see, to a marketer, knowing which customers have the money—the financial ability or the resources—to get the problem solved is just as important as knowing who has an unfulfilled desire.

One more thing. If you need a new lawnmower and have the money to buy one—do you? Not unless you're willing to spend your money on a particular lawnmower right now. This means that marketers have to look carefully at which customers have the desire, the capability, *and* the willingness to have their needs met—soon. Customers who match all of these requirements form a market.

## Objectives:



1 Explain the importance of market identification.



2 Discuss ways that a market can be segmented.



# The Gray Zone



Sometimes, when businesses identify (and target) their markets, their methods raise eyebrows. Take credit-card companies, for example...

Credit-card companies that target college students are taking a chance on whether or not the students will be able to repay—since many students don't yet have a full-time job. It's a risk some credit-card companies are willing to take because students typically use a portion of the credit they're extended—increasing the credit-card companies' revenue through fees and interest.

But, when credit-card companies offer credit-card applications to students, colleges are positioned to encourage them to distribute credit cards to students. But should they?

Look at some general facts about college students:

1. Many haven't yet established good credit histories.
2. Many haven't yet developed credit-managing skills.

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Since it's a risky situation for everyone involved—especially for the students—should colleges encourage students to sign up for credit cards? And, should credit-card companies use this method to target college students?

# How You Slice It

Objective **B**



How do marketers divide their markets? First, they identify their customers' similarities, and then they group their customers by what they have in common. You can think of it as if you're preparing to plant a vegetable garden. First, you examine the types of seeds you see at the store, and then you group the seeds into categories—according to what you want to achieve.

Let's look at some common ways to group customers...

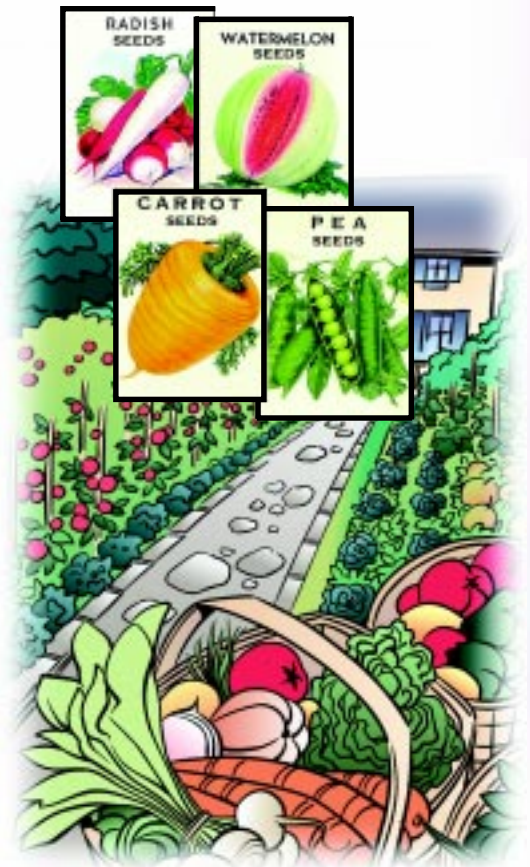
## Demographic Segmentation

When you look at seeds or plants to purchase, you might begin by sorting the seeds or plants by their characteristics. You might ask questions like:

- ◆ Is the seed young or old?
- ◆ Is the plant a male or female plant?
- ◆ Has the seed sprouted already?
- ◆ Has the plant ever been relocated?

The answers to these questions will provide you with general information regarding the seeds or plants. But do the answers help you achieve the vegetable garden you've planned? Not necessarily. You probably need to do a little more investigation.

In the same way, many marketers *begin* their sorting process by noticing some basic customer attributes—like gender or heritage. *Dividing a market on the basis of its physical and social characteristics* is called **demographic segmentation**, which provides a profile of potential customers. On its own, this method does not provide enough information for marketers to make informed decisions about how to *market* products to each segment. But, as a starting point, demographic segmentation helps marketers discover some valuable information.



## Psychographic Segmentation

So, imagine your seed or plant is in the ground. It has the right amount of sunlight, moisture, and nutrition. But it would grow really well if it had something it really preferred. What is it? The *best* it can have.

If you gave your plant the most expensive plant food, removed any chance of disease, repelled all the bugs, kept it toasty-warm during a frost, and played enchanting music for it—then your plant would have life's *best*. And it would flourish, right?

Customers are no different. They want whatever it is they feel will give them the *best* in life. But customers stand on their own principles, view life from their own perspectives, play at their own hobbies, and repeat their own routines. Each customer is different—and each has different preferences. So, how do marketers pick the *best* things?

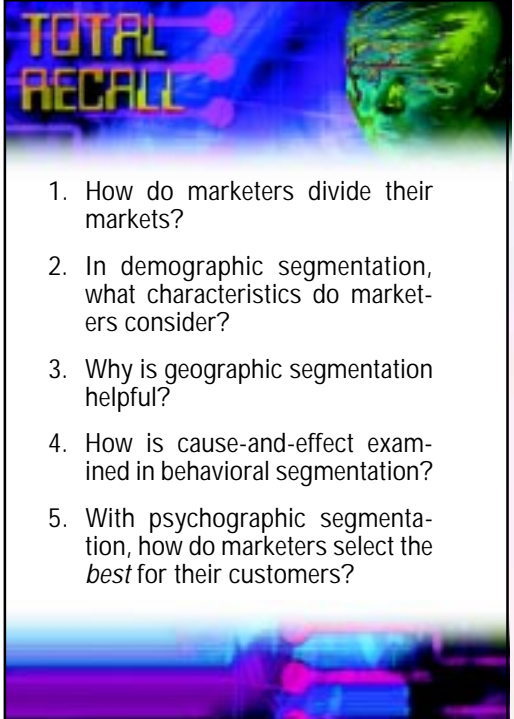
As you might expect, marketers group customers by their similarities—according to their values, motives, attitudes, opinions, interests, activities, personalities, and lifestyles. Marketers try to find out what's driving their customers to make the choices they do. To help them answer this riddle, marketers use **psychographic segmentation**, *the division of a market on the basis of consumers' lifestyles and personalities*. Is the customer motivated by greed? Or does the customer just like to stockpile products for a rainy day?

Like plants, customers want what they feel will give them the *best* in life. Since each customer is different, it is up to marketers to find out just what drives customers to make the choices they do.

Psychographic segmentation is popular with marketers because it fleshes out the demographic profile. It gives a clearer picture of customers' needs and wants based on personality and lifestyle. To use this method effectively, marketers could define their own objectives first—and then examine customers' buying motives.

### Summary

As we've seen, marketers use customers' similarities to group them into categories useful for predicting purchase behavior. Common grouping methods include demographic segmentation, geographic segmentation, behavioral segmentation, and psychographic segmentation. Whether by general characteristics, residential location, typical responses, or lifestyle preferences—marketers learn more about their customers' needs through market segmentation.



1. How do marketers divide their markets?
2. In demographic segmentation, what characteristics do marketers consider?
3. Why is geographic segmentation helpful?
4. How is cause-and-effect examined in behavioral segmentation?
5. With psychographic segmentation, how do marketers select the *best* for their customers?

## Make It Pay!

If marketers were grouping you, what categories do you think they would use? Where would *you* fit in the demographic, geographic, behavioral, and psychographic segments? Are you a middle-income, East-coast, brand-loyal trendsetter? Or, perhaps, a high income, trendsetter, or a high income, trendsetter?

Take a moment to think about your unique similarities and differences from your friends. How do you think your similarities and differences affect your purchase decisions?

Now, ask yourself what you think marketers would do to target you—if they knew what *you* know!

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