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天津外国语大学(天外)  
Tianjin Foreign Studies University  
School of International Business

# Marketing

Class starts at 14:00

(Beijing Time, GMT+8)

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September 18, 2023



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# Expected Learning outcomes

<b>3.0</b>	<b>Segmentation and targeting</b>	Determine market segments and target customers
3.1	Segmentation and Targeting Rationale	Explain the purpose of segmentation and targeting in marketing
3.2	Different Segmentation Approaches	Describe several segmentation approaches
3.3	Segmentation Decisions	Explain the process of selecting an appropriate segmentation approach and deciding which customer segments to target for marketing activities
3.4	Targeting and Marketing Mix	Explain how targeting influences each element of marketing mix



# Module 3: Segmentation and Targeting

Why determine market segments and target customers?

Learning Outcomes

- Explain the purpose of segmentation and targeting in marketing
- Describe common segmentation approaches
- Explain the process of selecting an appropriate segmentation approach and deciding which customer segments to target for marketing activities
- Explain how targeting influences each element of the marketing mix



# Outcome: Segmentation and Targeting Rationale

What you'll learn to do: explain the purpose of segmentation and targeting in marketing

Segmentation and targeting are essential building blocks of marketing because they help marketers answer a basic question: Who am I trying to reach?

In this module, first we will focus on why segmentation and targeting are so important. Then we will discuss how to conduct segmentation and targeting and use these tools to guide marketing activity.

## Learning Activities

The learning activities for this section include the following:

- Reading: The Purpose of Market Segmentation and Targeting
- Self Check: Segmentation and Targeting Rationale



# What Is Market Segmentation All About?

Segmentation helps marketers answer the following set of fundamental questions:

- To whom should company be marketing?
- Why them?
- How can company reach them most effectively?



<https://pixabay.com/photos/athletes-audience-competition-court-1866487/>

Because marketers have finite resources, they have to make decisions about how and where to focus their efforts. Market segmentation provides useful information about prospective customers to guide these decisions and to ensure that marketing activities are more buyer focused.



# Defining a Market

In order to understand the purpose and benefits of segmentation, it's helpful to step back momentarily and look at markets as a whole and how segments help us understand a market. A market is a group of potential buyers with needs and wants, as well as the purchasing power to satisfy those needs and wants. These buyers might be individuals, groups, businesses, or organizations.



# Defining a Market

In order for a market to exist, the following five criteria must be met:

- There must be a true need and/or want for the product, service, or idea; this need may be recognized, unrecognized, or latent.
- The person/organization must have the ability to pay for the product via means acceptable to the marketer.
- The person/organization must be willing to buy the product.
- The person/organization must have the authority to buy the product.
- The total number of people/organizations meeting the previous criteria must be large enough to be profitable for the marketer.





# Segments within a Market

Markets are generally large entities that require significant investment to serve effectively. In fact, markets may be so large that it isn't feasible for a marketing organization to market their products effectively to all potential customers at the same time. A product provider might ask, "Given that my product will not be needed or wanted by all people in the market, and given that my organization has certain strengths and weaknesses, which target group(s) should I focus on?"

The answer to this question comes through market segmentation. Segmentation is a twofold process that includes:

- Identifying and classifying people into homogeneous groupings, called segments
- Determining which of these segments are viable target markets.



# Segments within a Market

In essence, the marketing objectives of segmentation are:

- To improve an organization's understanding of who their prospective customers are and how to serve them
- To reduce risk in deciding where, when, how, and to whom a product, service, or brand will be marketed
- To increase marketing efficiency by directing effort toward designated segment(s) in ways that are consistent with that segment's characteristics



# Focusing on the Target Market

It is rare that any single product will be an ideal fit for every member of an entire market. For example, no single shampoo is perfect for everyone on the planet. No single printer or cleaning service is ideal for every organization in the world. Buyers have different sets of needs. Segmentation acknowledges that different people and groups have different needs. Successful marketers use segmentation to figure out which groups (or segments) within the market are the best fit for the products they offer. These groups constitute their target market.



# Self Check: Segmentation and Targeting Rationale

## Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does not count toward your grade in the class

A bicycle repair company conducted segmentation research and then targeted their direct mail coupons for a first bike tune-up to that identified customer segment. What basic question did targeting and segmentation answer for the company?

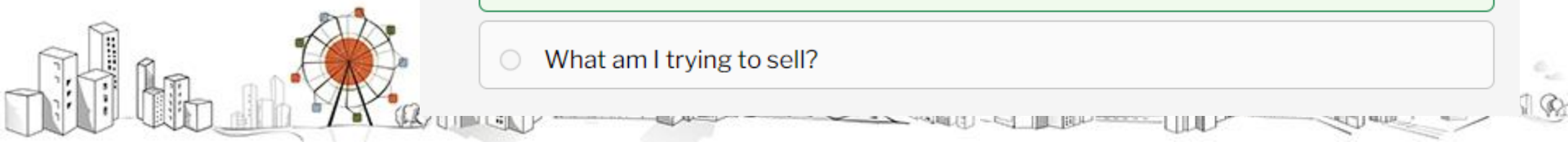
☐ How can I improve my product?



☒ Who am I trying to reach?

Correct

☐ What am I trying to sell?





# Outcome: Common Segmentation Approaches

What you'll learn to do: describe common segmentation approaches

The next section of this module walks through several common approaches to market segmentation. Some approaches will probably seem familiar, or even obvious—like segmenting by gender or income level—but others, like “psychographic” segmentation, may not. These methods are common because they provide useful guidance to marketers about how to identify and reach prospective buyers.

## Learning Activities

The learning activities for this section include the following:

- Reading: Segmentation Criteria and Approaches
- Self Check: Common Segmentation Approaches



# Segmentation Criteria and Approaches

## Common Approaches to Market Segmentation

Segmentation starts by identifying all the potential buyers for your product: individuals with the need and the means to buy what you offer. In most cases, this represents a large universe of people or organizations that are similar in some ways but different in many other ways. Segmentation is a process that helps marketers narrow their focus on the most promising groups within that universe.



# Segmentation Criteria and Approaches

The following is a list of common market segmentation approaches:

- Geographic: nations, states, regions, cities, neighborhoods, zip codes, etc.
- Demographic: age, gender, family size, income, occupation, education, religion, ethnicity, and nationality.
- Psychographic: lifestyle, personality, attitudes, and social class.
- Behavioral: user status, purchase occasion, loyalty, readiness to buy.
- Decision maker: decision-making role (purchaser, influencer, etc.)



# Geographic Segmentation

Geographic criteria—nations, states, regions, countries, cities, neighborhoods, or zip codes—define geographic market segments. Geography represents the oldest basis for segmentation. Regional differences in consumer tastes for products are well known, such as the affinity for barbecue in the southern U.S. or preferences for health-conscious menus in coastal California. Geographic segmentation suggests that in areas prone to rain, for instance, you can sell things like raincoats, umbrellas, and rubber boots. In hot regions, you can sell summer wear; in cold regions, you can sell warm clothes.





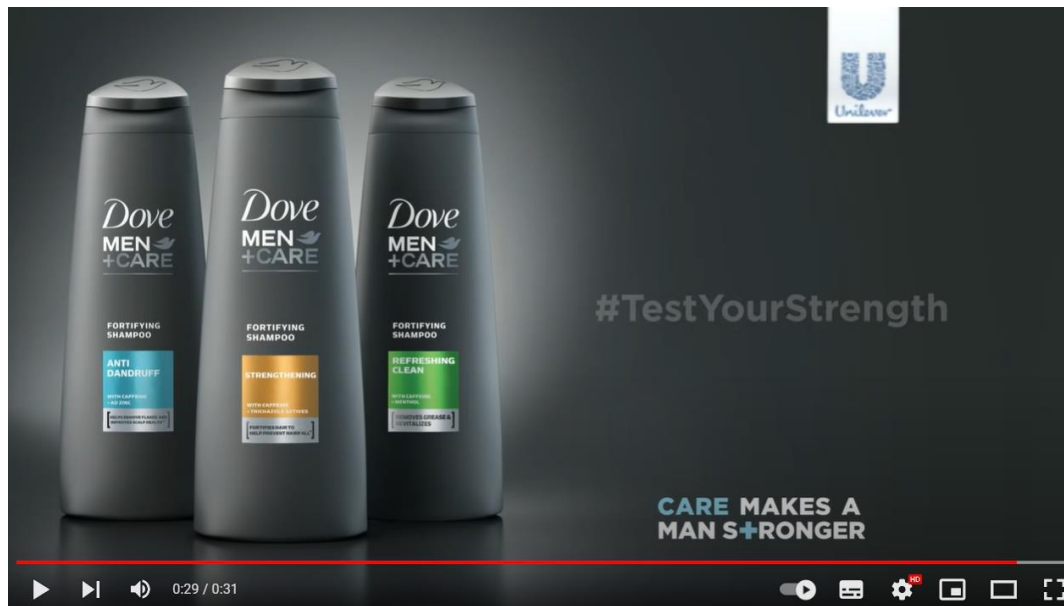
# Demographic Segmentation

Demographics are statistical data that describe various characteristics of a population. Demographic segmentation consists of dividing the market into groups based on demographic variables such as age, gender, family size, income, occupation, education, religion, political opinions, ethnicity, and nationality. Demographic segmentation variables are among the most popular bases for segmenting customer groups because demographic data are plentiful and customer wants and needs often link closely to these variables.



# DOVE SHAMPOO

The following advertisement illustrates how the advertising and marketing promotion of Dove's Men+Care product line focuses on the unique needs and interests of the young to middle-aged male segment.



Source: <https://www.youtube.com/watch?v=MnbXAGk0QpQ>





# Demographic Segmentation

Life stage is another demographic trait associated with age, gender, marital, and family status. There is evidence that individuals and families go through predictable behavioral patterns associated with buying behaviors. For example, a young couple with one young child has far different purchasing needs than empty-nesters in their late fifties or single, middle-aged professionals.





# Psychographic Segmentation

In psychographic segmentation, consumers are divided according to common characteristics in their lifestyle, personality, attitudes, and social class. Evidence suggests that attitudes of prospective buyers toward certain products influence their subsequent purchase or nonpurchase of them. If persons with similar attitudes can be isolated, they represent an important psychological segment. Attitudes can be defined as predispositions to behave in certain ways in response to given stimulus



# Psychographic Segmentation

Social class segmentation identifies individuals based on a combination of socioeconomic factors such as education, occupation, income, family background, and attitudes related to these factors.



# Behavioural Segmentation

Consumers are divided into groups according to common behaviors they share. Typically these behaviors link to their knowledge of, attitude toward, use of, or response to a product.



# Other behavioral bases for market segmentation include the following:

- User status
- Purchase occasion
- Loyalty
- Readiness



Source: <https://pixabay.com/photos/airport-airplane-aircraft-fly-3511342/>





# Decision-Maker Segmentation

This segmentation approach groups people according to who makes the purchasing decision in an organization or household. Typically there is a “primary buyer”: the individual who makes the final decision about what to buy and allocates the budget for the purchase. Many purchasing decisions also involve “influencers.” These are people who do not make the final purchasing decision, but they can influence the final choice about what to buy.



<https://www.istockphoto.com/photo/young-family-having-fun-traveling-together-gm1357530144-431406930>



# Segmenting Business-to-Business Markets

All of the segmentation approaches above apply to consumer markets. There are many similarities between consumer and business behavior, and therefore similar segmentation bases and variables apply. Common business segmentation approaches include:

- Organization size
- Geography:
- Industry:
- User status:
- Benefits sought:
- End use
- Purchasing approaches



# Combining Multiple Bases for Segmentation

Marketers may find it most useful to combine different bases for segmentation in order to create a richer picture of their target market. For example, a “geo-cluster” approach combines demographic data with geographic data to create a more accurate profile of a specific consumer. Geographic data combined with behavioral data can point companies toward locations where customers are clustered who demonstrate behaviors that make them a good target for a company’s product. Overlaying demographic data onto lifestyle or behavioral segments helps marketers understand more about their target customers and how to reach them effectively with the marketing mix.



# Self Check: Common Segmentation Approaches

## Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does not count toward your grade in the class

### Check Your Understanding: Different Segmentation Approaches

What type of segmentation criteria are included in demographic segmentation?



☒ gender, education, ethnicity

Correct

☐ loyalty, readiness to buy, purchase occasion

☐ cities, neighborhoods, regions



# Outcome: Segmentation Decisions

What you'll learn to do: explain the process of selecting an appropriate segmentation approach and deciding which customer segments to target for marketing activities

The following section explains the process of aligning your goals with your segmentation approach and target market.

## Learning Activities

The learning activities for this section include the following:

- Reading: Choosing a Segmentation Approach and Target Segments
- Self Check: Segmentation Decisions





# Choosing a Segmentation Approach and Target Segments

## Conducting a Market Segmentation

As you have seen, there are many different ways a company can segment its market, and the optimal method varies from one product to another. Good market segmentation starts by identifying **the total market** for the product: all the individuals who might conceivably need a product and have the means to purchase it.



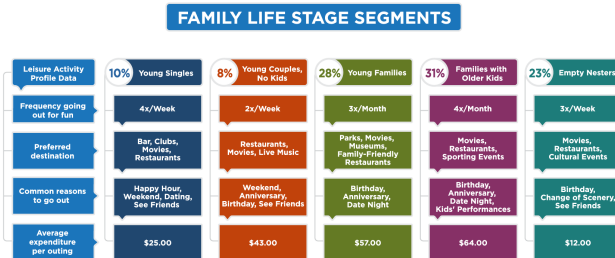
<https://pixabay.com/photos/tangerines-oranges-segments-citrus-1721633/>



# Choosing a Segmentation Approach and Target Segments

The next step is to identify marketing goals you want to achieve with the segmentation strategy. Do you want to generate awareness and sales in a local community that has never heard of your company? Do you want to get occasional customers to buy your product regularly? Do you want loyal supporters to dig deeper into their pockets and spend more of their money on your goods or services? Your segmentation approach should offer the best fit for your specific marketing goals.

SAMPLE MARKET SEGMENT PROFILES



# SAMPLE MARKET SEGMENT PROFILES

## FAMILY LIFE STAGE SEGMENTS

### Leisure Activity Profile Data

Frequency going  
out for fun

Preferred  
destination

Common reasons  
to go out

Average  
expenditure  
per outing

**10%** Young Singles

4x/Week

Bar, Clubs,  
Movies,  
Restaurants

Happy Hour,  
Weekend, Dating,  
See Friends

\$25.00

**8%** Young Couples,  
No Kids

2x/Week

Restaurants,  
Movies, Live Music

Weekend,  
Anniversary,  
Birthday, See Friends

\$43.00

**28%** Young Families

3x/Month

Parks, Movies,  
Museums,  
Family-Friendly  
Restaurants

Birthday,  
Anniversary,  
Date Night

\$57.00

**31%** Families with  
Older Kids

4x/Month

Movies,  
Restaurants,  
Sporting Events

Birthday,  
Anniversary,  
Date Night,  
Kids' Performances

\$64.00

**23%** Empty Nesters

3x/Week

Movies,  
Restaurants,  
Cultural Events

Birthday,  
Change of Scenery,  
See Friends

\$12.00

# Evaluating Your Segmentation Approach

An ideal market segment meets all of the following conditions:

- It's possible to measure.
- It's profitable.
- It's stable.
- It's reachable.
- It's internally homogeneous.
- It's externally heterogeneous.
- It's responsive.
- It's cost-effective.
- It helps determine the marketing mix.



## 5-minute break

# Evaluating Your Segmentation Approach

If your segmentation approach fails to meet any of these conditions, you should go back to the drawing board to refine it. If any one of these factors is not in place, your market segmentation may actually undermine the effectiveness of your marketing and business. But with all these factors in place, market segmentation will point you toward the most promising customer groups in your target market.



<https://www.istockphoto.com/photo/leader-and-c-suite-reaching-concept-business-man-puts-the-wooden-cube-with-success-gm1347033782-424626367>



# Selecting Target Segments

Once an actionable segmentation approach is in place, marketing organizations typically follow one of two major segmentation strategies: a **concentration strategy** or a **multisegment strategy**.

- In the concentration strategy, a company chooses to focus its marketing efforts on only one market segment
- In the multisegment strategy, a company focuses its marketing efforts on two or more distinct market segments







# How do you choose?

Selecting the target segments boils down the following questions, which connect to the “ideal segment” conditions listed above:

- Whose needs can you best satisfy?
- Who will be the most profitable customers?
- Can you reach and serve each target segment effectively?
- Are the segments large and profitable enough to support your business?
- Do you have the resources available to effectively reach and serve each target segment?



# Self Check: Segmentation Decisions

## Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does not count toward your grade in the class

HandMaster sells garden gloves and decided to conduct market segmentation to better understand its customers and identify new markets. The first step it took was to identify the total market for its gloves. Next it conducted focus groups and store demonstrations to collect more detailed data. However, HandMaster forgot one important step. What was it?



☒ identifying its marketing goals to direct its segmentation strategy

Correct

☐ conducting behavioral segmentation

☐ creating the company's organizational structure diagram





# Outcome: Targeting and Marketing Mix

What you'll learn to do: explain how targeting influences each element of the marketing mix.

## Learning Activities

The learning activities for this section include the following:

- Reading: Targeting Strategies and the Marketing Mix
- Case Study: Red Bull Wins the “Extreme” Niche
- Simulation: Segmenting the Ice Cream Market
- Self Check: Targeting and Marketing Mix



# Targeting Strategies and the Marketing Mix

## Using the Marketing Mix to Reach Target Segments

Once target segments are identified, the marketing manager selects a targeting strategy that will be the best fit for reaching them. Targeted marketing enables the marketing and sales teams to customize their message to the targeted group(s) of consumers in a focused manner. The targeting strategy is where the marketing mix comes together to create the right offer and marketing approach for each target segment. A summary of common targeting strategies is provided in the table below.

Common Target Strategies		
Strategy	Target Market	Example
Mass marketing	Everybody everywhere	Target
Differentiated marketing	Large groups within the total market	Costco, Sam's Club
Niche marketing	High penetration within smaller, narrowly defined target segments	Trader Joe's, Whole Foods
Micromarketing	Individual customers or localized microsegments	Groupon



# Targeting Strategies and the Marketing Mix

Common Target Strategies

Strategy	Target Market	Example
Mass marketing	Everybody everywhere	Target
Differentiated marketing	Large groups within the total market	Costco, Sam's Club
Niche marketing	High penetration within smaller, narrowly defined target segments	Trader Joe's, Whole Foods
Micromarketing	Individual customers or localized microsegments	Groupon





# Mass Marketing

Mass marketing, also called undifferentiated marketing, involves marketing to the entire market the same way. Mass marketing effectively ignores segmentation and instead generates a single offer and marketing mix for everyone. The market is treated as a homogeneous aggregate. Mass marketing aims to reach the largest audience possible, and exposure to the product is maximized. In theory, this would directly correlate with a larger number of sales or buy-in to the product.

All-purpose toothpaste isn't targeted to one particular market segment.



<https://pixabay.com/photos/teeth-brushing-teeth-dentist-4818711/>



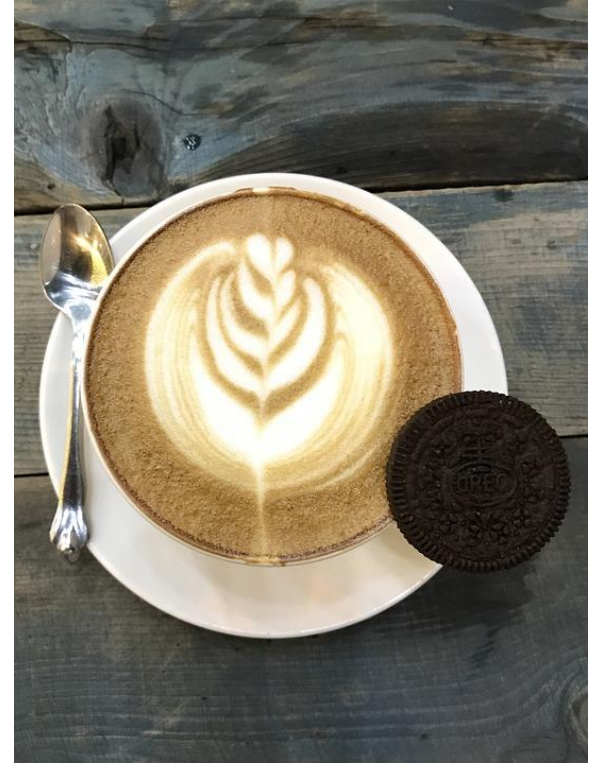
# Differentiated Marketing

A differentiated marketing strategy is one in which the company decides to provide separate offerings to each different market segment that it targets. It is also called multisegment marketing. Each segment is targeted in a particular way, as the company provides unique benefits to different segments. The goal is to help the company increase sales and market share across each segment it targets. Proctor and Gamble, for example, segments some of its markets by gender, and it has separate product offerings and marketing plans for each: Secret-brand deodorant for women, and Rogaine (a treatment for hair loss) for men



# OREOS for the Chinese market

For a large company such as Kraft, the cost of this kind of marketing is well worth it, since its products are sold all over the world. An example of its differentiated marketing strategy are the many surprising variations of the famous Oreo cookie developed for the Chinese market.



# Niche Marketing

Niche marketing (also called concentrated marketing) is a strategy that targets only one or a few very defined and specific segments of the consumer population. The goal is to achieve high penetration among the narrowly defined target segments. For example, the manufacturer of Rolex watches has chosen to concentrate on only the luxury segment of the watch market.



# Micromarketing

Micromarketing is a targeting strategy that focuses even more narrowly than niche marketing. It caters to the needs of individuals (“individual marketing”) or very small segments in a targeted geography (“local marketing”). Micromarketing can be very powerful by giving consumers exactly what they want, when they want it. However, to achieve large-scale success with this approach, companies must figure out how to meet highly individualized needs efficiently and profitably.

Individual marketing is sometimes referred to as “mass customization” or “one-to-one marketing.”









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September 25, 2023



# 18-09 we stopped here

## Micromarketing

Achieving wide-scale success with individual marketing requires product providers to develop production strategies and an entire marketing mix that can ramp up as demand grows. Frequently this involves offering a baseline product with parameters customers can customize to fit their needs. For example, you can order custom M&M candies, selecting colors, packaging, and even custom-printed with words or images you select.

<https://www.mms.com/en-us/configurator?method=load&customerType=B2C>



# Custom M&M candies! Wow!



**m&m's**

  
DESIGN YOUR OWN M&M'S

  
SHOP PRODUCTS

  
OCCASION & IDEAS

  
EXPERIENCE M&M'S

  
FOR YOUR BUSINESS

Great   
16,434 reviews on  Trustpilot







Great   
16,437 reviews on  Trustpilot

**CHRISTMAS IS COMING,  
GET YOUR PERSONALISED GIFTS READY!**

DESIGN YOUR OWN **m&m's**

# Local marketing

Local marketing is a targeting strategy focused expressly on a small, clearly defined neighborhood or geographic area. Organizations using this technique strive to generate a strong local presence, and targets may include any person or organization within that small area.



<https://pixabay.com/photos/apples-fruits-farm-food-harvest-1004886/>



# Applying the Marketing Mix to Target Segments

With any of the strategies described above, the marketing team must come together to develop a marketing mix tailored to the needs of each segment being targeted. This marketing mix is the unique combination of product, promotion, place, and price designed expressly to fit a designated market segment.

THE MARKETING MIX





# Applying the Marketing Mix to Target Segments

## THE MARKETING MIX



### Product

What would make the ideal product for your target segment?  
 What special features or capabilities are critical for this segment?  
 What unique problems does your product help this segment solve?

### Promotion

What are the best ways to get your target segment's attention?  
 What do you want this segment to remember about your product?

### Place / Distribution

Where does this segment look or shop for your product?  
 What is the best way to get your product to your target customers?

### Price

What price(s) are your target customers willing to pay for your product?  
 How much is too expensive? How much is too cheap?



# Case Study: Red Bull Wins the “Extreme” Niche

Red Bull is an Austria-based company started in 1987 by Dietrich Mateschitz that sells one product: an energy drink containing taurine (an amino acid) that's sold in a slim, silver-colored 8.3-ounce can. The drink has been an enormous hit with the company's target youth segment around the globe. In the year 2018, Red Bull boasted sales of \$1.06 billion USD in the United States alone, and has held the majority of the energy-drink market share for years, with a 35.3% market share in 2019 (Monster Energy, their closest competitor, held 25.4%). From Stanford University in California to the beaches of Australia and Thailand, Red Bull has managed to maintain its hip, cool image, with virtually no mass-market advertising.



The Art of FLIGHT | Official Trailer  
18M views • 11 years ago



The Art of FLIGHT follows Travis Rice, John Jackson,

Source: [https://www.youtube.com/watch?v=kh29\\_SERH0Y](https://www.youtube.com/watch?v=kh29_SERH0Y)





# Self Check: Targeting and Marketing Mix

## Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does not count toward your grade in the class

If the company Target is marketing the same way to an entire market, trying to reach the largest audience possible, which targeting strategy is it using?

☐ micromarketing

☐ differentiated marketing



☒ mass marketing

Correct



Thank you for your attention

