Chapter Objectives

To describe the process of planning a target market strategy
To examine alternative demand patterns and segmentation bases for both final and organizational consumers
To explain and contrast undifferentiated marketing (mass marketing), concentrated marketing, and differentiated marketing (multiple segmentation)
To show the importance of position in developing a marketing strategy
To discuss sales forecasting and its role in target marketing

A Market consists of all possible consumers for a good or service.

- A target market strategy consists of analyzing consumer demand, targeting the market, and developing an appropriate marketing strategy.
- Market segmentation divides the market into distinct subsets of customers.

The Steps in Planning a Target Market Strategy

1. Determine demand patterns
2. Establish possible bases of segmentation
3. Identify potential market segments
4. Choose a target market approach
5. Select the target market
6. Position the company's offering in relation to competition
7. Outline the appropriate marketing mix(es)

Alternative Consumer Demand Patterns for A Good or Service Category

- Homogeneous Demand: Consumers have relatively similar needs and desires for a good or service category.
- Clustered Demand: Consumer needs and desires can be grouped into two or more identical clusters (segments), each with its own set of purchase criteria.
- Diffused Demand: Consumer needs and desires are so diverse that no clear clusters (segments) can be identified.

Geographic Demographics

These describe basic identifiable characteristics of town, cities, states, regions, and countries. One, or a combination of factors, such as: size, location, density, climate, transportation network, media, competition, growth pattern, legislation, cost of living, and operations may comprise an identifiable locale.

California's high-tech industries, great weather, high educational attainment, etc., all contribute to its geographic demographic profile.
Personal Demographics

These are basic identifiable characteristics of individual final consumers and organizational consumers, groups of final consumers and organizational consumers. Demographics are often used as segmentation bases because groups of people, or organizations, with similar demographics often have similar needs and desires that are distinct from those with different backgrounds.

Consumer Lifestyles

These are the ways in which people live and spend time and money. Many lifestyle factors can be applied to final and organizational consumers.

Selected Factors:
- Social class
- Family life cycle
- Usage rate & experience
- Brand loyalty
- Personality & motives
- Perceived risk
- Innovativeness
- Opinion leadership

Selected Factors:
- Product use
- NAICS codes
- Company size
- Type of industry
- Growth of business
- Age of company
- Language used
- Corporate culture

The Heavy-Half

A heavy-usage segment is at times called the “heavy-half.” This is when a consumer group, or one market segment, accounts for a large proportion of a good’s or service’s sales relative to the size of the market.

The Swiss drink 30 times more iced tea than do the French, Spanish, or Portuguese.

Classifying Consumers

- Benefit segmentation: groups consumers based on their reasons for using products. It relates to the different benefits sought from goods and services by various market niches.
- Blending demographic and lifestyle factors also sets up possible bases of segmentation.
- VALS and Social Styles are two models describing market segments in terms of a broad range of factors.

VALS 2 Network

Social Styles Model for Organizational Consumers

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Target Market Approach

Undifferentiated Marketing (Mass Marketing)—One product, one plan to one basic market.

Concentrated Marketing—One product/plan to one group of consumers.

Differentiated Marketing (Multiple Segmentation)—Appeals to two or more market segments with a different plan for each.

Contrasting Target Market Approaches

<table>
<thead>
<tr>
<th>Undifferentiated Marketing (Mass Marketing)</th>
<th>Concentrated Marketing</th>
<th>Differentiated Marketing (Multiple Segmentation)</th>
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<tbody>
<tr>
<td>The firm tries to reach a wide range of consumers with one basic marketing plan. These consumers are assumed to have a desire for similar goods and service attributes. One product for everybody.</td>
<td>The firm concentrates on one group of consumers with a distinct set of needs and uses a tailor-made marketing plan to attract this single group. One product to one market niche.</td>
<td>The firm aims at two or more different market segments, each of which has a distinct set of needs, and offers a tailor-made marketing plan for each segment. Two or more products to two or more groups.</td>
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Majority Fallacy (1)

- This is a false assumption that the largest market segment holds the greatest marketing opportunities.
- It may cause a firm to fail because competition is intense.

The firm in green faces heavy competition, and intense brand loyalty to time-honored products because it picked a saturated segment.

Majority Fallacy (2)

Smaller market segments may hold far greater opportunities.

Developing a Sales Forecast

<table>
<thead>
<tr>
<th>Industry Forecast</th>
<th>Sales Forecast</th>
<th>Expected Performance of Firm</th>
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<tbody>
<tr>
<td>Expected Environment</td>
<td>Sales Potential</td>
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Methods of Sales Forecasting (1)

2. Market Share Analysis—similar to trend analysis but assumes market share will stay the same.
4. Sales Force Surveys—salespeople share experiences and customer feedback.
5. Consumer Surveys—measure attitudes, purchase intentions, expectations, consumption rates, and SWOT.
6. **Chain-Ratio Method**—firm starts with general market information and then computes a series of more specific information. Combined data yield a sales forecast.

7. **Market Build Up Method**—firm gathers data from small, separate market segments and aggregates them.

8. **Test Market**—sales estimate from short-run, geographically limited sales of new products.

9. **Advanced Statistical Analyses**—methods for sales forecasting that include computer simulations.

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- It shows the importance of positioning in developing a marketing strategy.
- It discusses sales forecasting and its role in target marketing.