

Introduction to Business

Topic 5: Marketing

Lecture 1: Marketing and Market
Segments

Learning Objectives

- What are:
 - Marketing
 - Market Segments



What is Marketing?

- Marketing is a business term referring to the promotion of products, especially advertising and branding.



The Term Marketing

- The term developed from the original meaning which referred literally to going to market, as in shopping, or going to a market to sell one's products.



Marketing and Customers

- Marketing is about achieving the organisation's objectives through customer satisfaction.
- A satisfied customer is the best envoy that a company can have.
- He or she will recommend a good product or service to others.

Marketing

- Marketing **is about:**
 - Meeting the needs and wants of customers.
 - Understanding customers and finding ways to provide the products or services which customers demand.

What are Customer Needs?

- A need is a basic requirement that an individual wishes to satisfy.
- People have basic needs for food, shelter, affection, esteem, and self development.

What are Customer Wants?

- A want is a desire for a specific product or service to satisfy the underlying need.
- Customer demand is a want for a specific product, supported by an ability and willingness to pay for it.

Example of Customer Wants

- Many consumers around the globe want to live in a £Million house.



- But relatively few are able and willing to buy one!

Affordable Products

- Businesses have not only to make products that customers want, but they must also make them affordable to a sufficient number of people to create *profitable demand*.

The Difference between a Customer and a Consumer

- A customer
 - purchases and pays for a product or service.
- A consumer
 - is the ultimate user of the product or service; the consumer may not have paid for the product or service.

Class Activity

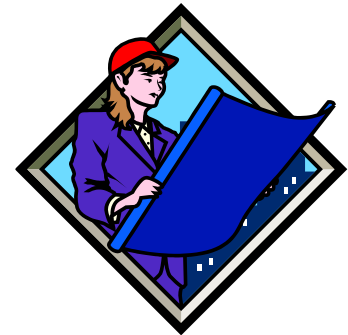
- In groups consider the following:
 - To what extent do you think the media influences customers and/or consumers. Use examples to illustrate and justify your answer.
 - In terms of marketing effort – who should organisations target? (The customer or the consumer?)

Who Creates Needs?

- Businesses do not create customer needs
- Or the social status in which customer needs are influenced
- It is not McDonald's that makes people hungry!

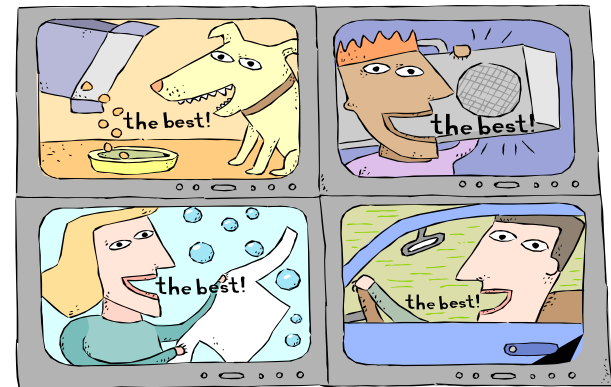
Influence Demand

- However, businesses do try to influence demand by designing products and services that are:
 - Attractive
 - Work well
 - Are affordable
 - Are available



Communicate

- Businesses also try to communicate the relevant features of their products through advertising and other marketing promotion.



The Need for Market Segmentation

- The marketer needs to understand that customers have different needs, and it is hardly ever possible to satisfy all customers by treating them all alike.
- The first step in understanding the different needs is to identify different market segments.

Market Segments

- You can divide the population as a whole into different groups of people or *segments* that have something in common.
- Segmenting the market makes it easier to identify groups of people with the same consumer needs and wants.

Benefits of Market Segmentation

- Segmentation of the market allows the business to improve its marketing strategy by:
 - Better understanding the needs and wants of different groups
 - Highlighting the requirements of particular customer groups
 - Delivering the required benefits to its potential customers
 - Being able to style the advertisements to interest the customers who are most likely to buy the product

Segment Categories

- Marketers look for categories they can use to divide up the population so they can target their goods at the most appropriate group.
- There are several different ways to segment the marketplace. For example geographical areas, demographics, buyer behaviours, lifestyle analysis etc.
- The five most commonly used categories are:
 - Age
 - Gender
 - Culture
 - Income
 - Lifestyle
- We will explore these in more detail on the next few slides.

Age - 1

- Different age groups look for different kinds of goods.
- These can sometimes be the same goods but only slightly different
 - for example teenage girls and older women may both like to buy lipstick, but the colours and styles chosen will be different.
- Toothpaste is another example of this.
 - Strawberry flavoured for young children
 - Teeth whitening properties for teenagers and adults
 - Tablets for cleaning false teeth - targeted towards older people?

Age - 2

- The population can be divided by age in years
 - For example: 0 years to 5, 6 – 12, 12- 16, 17 – 25, 26 – 40 etc.
- It is also possible to divide by the stage of life reached
 - For example: Baby, Schoolchild, Teenager, Young adult etc.
- Segmenting the population into these different groups helps companies ensure that the product or service offered match closely to the needs of potential customers
- For instance, a pensioner will have similar needs to those of other pensioners, but different needs from those of a teenager.

Gender - 1

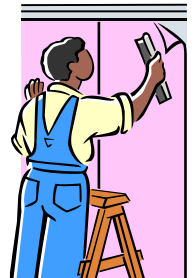
- Dividing the population by gender usefully halves the potential customers for some products.
- Gender segmentation is widely used in consumer marketing. The best examples include hairdressing, magazines, clothing, toiletries and cosmetics.

Gender - 2

- For example:



- Cosmetics have been traditionally targeted at women
- DIY has been targeted at men.



Culture - 1

- Culture is the most basic cause of a person's wants and behaviour.
- Culture varies according to geographical area, religion, language, social customs and ethnic background.
- Every culture has established habits and general daily routines that become a part of peoples life from birth.

Culture - 2

- Growing up in a society, a child learns basic values, perceptions, wants, and behaviours from the family and other important institutions.
 - For example, in Italy children are introduced to coffee at a very early age and it is understood from the beginning that well prepared coffee is a natural part of daily Italian life. However, in the USA, most people think of the daily cup of coffee as a stimulant only, and children are discouraged from drinking coffee until the late teen years.
- Using cultural references that are easily understood in advertising can ensure that the consumer feels more comfortable with the product, since it corresponds with their cultural values.

Income - 1

- The population can be segmented according to:
 - annual salary (e.g. £15,000, £30,000 etc.)
 - type of job
 - social class.
- Establishing a group's *disposable income* is important so that products can be targeted to the relevant income group.

Income - 2

- In today's competitive environment, brands are specifically developed and positioned within particular income segments in order to get the most profit available.
- Some companies target affluent consumers with luxury goods and convenience services.
 - For example, Gucci, Armani, Moet & Chandon champagne, etc. are predominantly aimed at the wealthy market.
- Other companies, focus on marketing products that appeal to consumers with relatively low incomes.
 - For example, Daewoo aim their vehicles at price sensitive buyers who require a bundle of benefits for the price.

Lifestyle - 1

- People are grouped according to the way they lead their lives and the attitudes they share.
- Peoples feelings, beliefs, needs and desires influence what they buy.
- Studying the way consumers live and spend their money as well as how they make purchase decisions can help towards targeting a product to the appropriate customers.

Lifestyle - 1

- Separating consumers into groups, based on their hobbies, interests, holiday choices and other aspects of their lifestyles.
- For the tourist industry, looking at peoples lifestyles can influence the way they promote certain types of holiday packages
 - For example over 35's may require luxury cruises; athletic types might require sporting holidays or families with young children may require holidays such as camping.

Class Activity

Answer the following questions – true or false:

A market segment is a group that has been identified as having the same needs or wants.	
A target market is a specific segment that you are trying to sell to.	
Targeting football boots at men is an example of cultural segmentation.	
Disposable income describes the amount of money you spend.	
A company would target a sports car at a family group.	
Targeting kosher food at Jewish communities is an example of cultural segmentation.	

Conclusions

- Marketing is concerned with the promotion of products, including pricing and promotion.
- Segmentation is important to allow organisations to cater for different categories of people – meeting their needs and wants.

Topic 5 Lecture 1

- Any questions?