

Chapter 2
Market Segmentation

True and False Questions

1. A target market is a group of current and prospective customers with common needs and wants (Exercise 2.1)
True.
2. Behavioristic segmentation includes internal and external personal factors such as personality and lifestyle, motivation, and attitudes, interests, and opinions. (Exercise 2.1)
False.
3. Psychographic information is the most readily available information for marketers. (Exercise 2.1)
False.
4. Positioning entails physically and/or psychologically differentiating the firm's offering for each target market from those of competitors pursuing the same or similar segments. (Exercise 2.1)
True.
5. Market aggregation is a means of pursuing the entire market or the largest segment of the market with one marketing program. (Exercise 2.1)
True.
6. Value positioning differentiates a brand by suggesting it gives the consumer more for their money. Brands like Wal-Mart use this competitive differentiation, and high-end brands like Lexus use value positioning as well. (Exercise 2.2)
True.
7. Product class positioning is the staking out of a new and different brand position due to marketplace dynamics. (Exercise 2.2)
False.
8. Three dimensions of psychological brand positioning are by uses, target market users, and the competition. (Exercise 2.2)
True.
9. Benefit segmentation is considered the most direct and useful means of market segmentation. (Exercise 2.3)
True.
10. A heated pool is an example of a product benefit. (Exercise 2.3)
False.

Multiple Choice Questions

1. The following are all marketplace requirements for effective market segmentation **except** _____. (Exercise 2.1)
 - a. Identifiability
 - b. Measurability
 - c. Responsiveness
 - d. Durability**
 - e. Accessibility
2. Three very general variables or predictors of consumer behavior are _____. (Exercise 2.1)
 - a. Demographics, psychographics, and behavior**
 - b. Demographics, psychographics, and market factor sensitivity
 - c. Target marketing, market attractiveness, and brand positioning
 - d. Target marketing, market attractiveness, and behavioral marketing
 - e. Market factor sensitivity, buyer readiness state, and benefits sought
3. What does Pareto's law say? (Exercise 2.1)
 - a. The most popular consumer products have multiple uses.
 - b. Half of a brand's customers account for the largest amount of a brand's overall sales volume.**
 - c. Brand loyalists are the key to growing and establishing a brand against competitors.
 - d. As the Internet makes it easy and cheap to offer a vast array of content, consumers turn away from mass-market hit products they only sort of want.
 - e. The measure of market attractiveness is the most important element in market segmentation.
4. Which variable for market segmentation is the most inexpensive and easiest to obtain via secondary data? (Exercise 2.1)
 - a. Behavioristic
 - b. Psychographics
 - c. Usage rates
 - d. Demographics**
 - e. Social class
5. Which target marketing strategy incorporates the idea of co-creation? (Exercise 2.1)
 - a. Individualized marketing**
 - b. Direct marketing
 - c. Niche marketing
 - d. Differentiated marketing
 - e. Undifferentiated marketing
6. Differentiating a brand by suggesting it gives consumers more for their money is _____. (Exercise 2.2)
 - a. Comparative advertising

- b. **Value positioning**
 - c. Product class positioning
 - d. Advertising appeal
 - e. Repositioning
7. In 1986, the release of Sega Genesis yielded the catchphrase: “Genesis does what Nintendon’t.” What is this an example of? (Exercise 2.2)
- a. **Comparative advertising**
 - b. Perceptual value
 - c. Product category positioning
 - d. Physical positioning
 - e. Repositioning
8. The four bases for psychological positioning are uses, target markets, competitors, and _____. (Exercise 2.2)
- a. Customs
 - b. Behavioral standards
 - c. **Technology**
 - d. Prices
 - e. Substitutes
9. Brand name awareness, perceived brand quality, brand associations, brand image, and brand loyalty all factor into the makeup of _____. (Exercise 2.2)
- a. Brand repositioning
 - b. Selling premise
 - c. **Brand equity**
 - d. Psychological positioning
 - e. Benefit positioning
10. Which is theoretically the most effective way to segment a market? (Exercise 2.3)
- a. Demographic segmentation
 - b. Psychographic segmentation
 - c. Behavioristic segmentation
 - d. **Benefit segmentation**
 - e. Psychological segmentation

Short Answer Questions

1. What is product differentiation? Cite two of the three competitive advantages of product differentiation. (Exercise 2.1)

Product differentiation is the distinguishing of the marketer’s product from the competition via product characteristics or by making it of better quality or higher performance. Three competitive advantages that product differentiation offers are (1) satisfying customers better than competitors, (2) offering customers better variety, and (3) satisfying various groups of people with different needs.

2. List four of the seven marketplace prerequisites for effective market segmentation. (Exercise 2.1)

- Differentiability
- Identifiability and divisibility
- Measurability
- Substantiality
- Accessibility
- Actionability
- Responsiveness

3. Cite and briefly describe three of the eight behavioral bases. Provide examples if necessary. (Exercise 2.1)

- **End use (function).** Many items have multiple uses. Cotton swabs or q-tips can be used for household cleaning, makeup removal, and to clean the ears.
- **Usage rate (usage status).** Typical categories are heavy users, medium users, light users, lapsed users, nonusers, first-time users, and potential users. An example of a heavy user would be a person who purchases her morning coffee from Starbucks daily.
- **Usage experience.** A high-tech-gadget user could be a neophyte versus an “old pro.”
- **Purchase (usage) occasion.** Some products can be used for various activities or events. Each usage constitutes a basis for segmentation. Nuts are eaten for individual snacking and at parties.
- **Loyalty status/commitment level.** A buyer could be a first timer or a regular user. The buyer may be brand loyal or a brand switcher. An example of a brand switcher is someone who frequently changes the brand of shampoo that she purchases due to a need for change or because of promotional sales/value packs.
- **Marketing factor sensitivity.** Price sensitivity, deal proneness, and advertising responsiveness all describe people who are highly receptive to certain marketing mix variables.
- **Buyer readiness state.** This is a measure of learning: degree of awareness, interest, or information; attitude toward a product or brand; and any prior purchase and usage experience. An example of this is when a person wants to purchase a tech product like the new iPad and does not know much about the brand or the product. They will seek information with interest.
- **Benefits sought.** Benefits are the satisfaction of buyers’ needs and wants.

4. What are two market situations where undifferentiated marketing is typically useful? (Exercise 2.1)

- In less competitive markets where precise customer satisfaction is not necessary.
- In small markets where segmentation would result in groups too small to profitably serve.
- For commodities, such as milk, sugar, salt, fruits and vegetables.
- For “All-American” brands satisfying universal needs, such as Hershey, “The great American chocolate bar,” and USA Today, “The nation’s newspaper.”

5. Which target marketing strategy is deemed “the ultimate market segmentation” strategy? Explain the strategy further. (Exercise 2.1)

The ultimate marketing strategy is individualized marketing. This strategy serves each individual consumer with a tailor-made marketing program. It is used for many personal services, such as fitness trainers, financial advisers, and lawyers, but it also includes mass customization (mass production of goods with differing individual specifications through the use of components that may be assembled in a number of different configurations).

6. What is concentrated marketing? Cite one strength and one weakness of this particular target market strategy. (Exercise 2.1)

Concentrated marketing divides the market into groups and then focuses exclusively on one, often narrowly defined, small, underserved segment with one product and one marketing mix. Strengths of concentrated marketing include higher levels of customer satisfaction, less competition, a specialist reputation, lower costs, and attractiveness to small firms. Weaknesses include the risk that the market could dry up, possibly limiting the marketer’s entry into other lucrative markets due to a fixed image, and the risk that the marketer is putting all eggs in one basket.

7. What is the relationship between psychological value-added and brand positioning? (Exercise 2.2)

Psychological positioning is creating “induced” brand differences in buyers’ minds by way of advertising and promotion. Although a brand’s physical position is tangible and concrete, its psychological position is abstract and intangible, creating a subjective consumer meaning concerning what the brand represents. Psychological value added is what results from psychological positioning. Psychological value added is part of the design and positioning of a brand, differentiating that brand from its competitors.

8. Cite three marketplace dynamics that might necessitate the repositioning of a brand. (Exercise 2.2)

- New uses come from changes in society, such as evolving values, behavioral standards, and customs.
- Changes in the demographic composition of the population or changing needs within target groups result in new and desirable target markets.
- A shifting competitive landscape where new competitors enter the marketplace and old ones grow, decline, or exit lead to new competitive positioning.
- Changes in the technological environment lead to changed physical as well as psychological positioning.

9. You purchase a medium Dunkin Donuts coffee every morning before class. Please provide a competitive set for your morning coffee. (Exercise 2.2)

A competitive set is the set of various alternative products and brands that a consumer considers a substitute for his or her brand. A competitive set for a Dunkin Donuts coffee includes includes immediate, direct competitive brands such as Starbucks, Honey Dew, Tim Horton's, and Juan Valdez, as well as mom and pop coffee shops. Indirect competitors include energy drinks such as Monster and Red Bull, as well as Maxwell House and Folgers as well as other brands sold for brewing in homes. Other caffeinated beverages can be substituted for the product as well, such as Coke and Pepsi.

10. Why can benefit segmentation be considered the most direct and useful means of market segmentation? (Exercise 2.3)

Benefit segmentation is the most effective way to segment a market because it is based on the notion that a market segment consists of people who want the same satisfactions from a product. For example, some people prefer a low price while others seek high product quality. Other market segmentation variables are substitutes for the real reasons that consumers purchase. Benefits sought are the consumer needs satisfied by the brand's features and define market segmentation much more accurately than demographics and psychographics.