Market Segmentation

Lecture 3
Consumer Heterogeneity and Focusing Your Marketing Plan
Overview

• Target Markets

• Segmentation Strategies

• Market Segmentation
  1. Geographic segmentation
  2. Demographic segmentation
  3. Psychographic segmentation
  4. Product-related segmentation

• Segmentation Techniques

• General Consumer Behavior Constructs
What is a Market?

- **Market**: Group of people with sufficient purchasing power, authority, and willingness to buy
  - An individual’s lifestyle, income, geographic location, age, and other factors all contribute to the likelihood that a person will buy certain products

- *How do you determine if your good is part of a market?*
  - Cross price elasticities
  - Common sense of usage
  - Demand levels
What is a Target Market?

- **Target market**: Specified segment of consumers most likely to purchase a particular product.
  - You gain a competitive advantage with customers by focusing your marketing efforts on your target.
  - Do not let your target passively happen
    - Choose!
There is no prize for second place.
2 Examples

1. Do not try to design THE CHIP

2. Store Location
Target Markets

• All marketing efforts focus on target markets (the 4 P’s)

• **Crucial:** Before a marketing mix strategy can be implemented, the marketer must identify, evaluate, and select a target market

• Marketers must **study** a market to segment and communicate with it effectively
  – data analysis and promotion

• Allows firms to develop more efficient and effective marketing strategies

• The target market may be determined by operational considerations
  – E.g. distribution constraints, competition, regulation
  – choose a target that you can service well
Choosing a Target

...An iterative process

1. Product concept
2. Hypothesize a suitable target
3. Acquire market data (e.g. surveys)
4. Refine marketing plan
   - product, product concept, 4 Ps
5. Acquire market data (e.g. surveys)
Types of Markets

• **Consumer products**: Goods or services purchased by an ultimate consumer for personal use

• **Business products**: Goods or services purchased for use either directly or indirectly in the production of other goods and services for resale

**Consumers ≠ Customers**

• The key to classification is to identify the purchaser and the reasons for buying the goods
  - Ex: Birds Eye segmented the retailer market and chose to sell only to supermarkets, not smaller grocers and smaller freezer shops
    • Downstream considerations, e.g. consumer demand, of course is a BIG part of retailers needs
Demand Is Not the Retailers Only Need

Wine Shops and Expensive Wines

• Many wine shops will have a limited number of expensive wines along side common wines

• The wine shop is not interested in demand for those wines

• Those wines are there to *induce* shoppers to upgrade from cheap wines to moderately priced wines
Demand Is Not the Retailers Only Need

Whole Foods and Junk Food
- Whole Foods has a marketing plan to brand itself as looking out for your well being
- Even if your double fudge granola cookie will kill there, WF will not risk tarnishing its image
- Whole Foods greatest asset is its brand equity

Product Selection
- Often products are available as signals or to avoid alienating a segment over one item
- Ex: exotic fruits/produce may not sell well, but they make people think the store is better
The Role of Market Segmentation

- **Market Segmentation**: Division of the total market into smaller, relatively *homogeneous* groups

- No single marketing mix can satisfy everyone
  - With one particular consumer, second place means no purchase...it is best to be *very* appealing to a subset of the market than be mediocre to all.

- Separate marketing mixes may be used for different market segments
Who’s the Target?

Diet Coke

Coke Zero
Criteria for Useful Segmentation

1. The market segments must be **measurable** in terms of both purchasing power and size
   – Otherwise the market would be ill-defined
2. Marketers must be able to effectively **promote and serve** a market segment
3. Market segments must be **sufficiently large** to be potentially profitable
4. The number of segments must **match** the firm’s capabilities
5. **Stable** enough to be worth targeting over time
Segmentation Strategies

1. Mass Marketing – treat the entire market as one big segment
   - Good strategy when
     - consumer needs are homogenous
     - the market is small (segments would be too small)
     - differentiation of the product is difficult
   - Still may require positioning within the market’s distribution
   - Requires only 1 marketing mix
   - Low cost way to produce and market products
   - Ex: food staples (milk, rice, fresh produce)
   - Becoming less common of a strategy
     - increased heterogeneity in consumer needs
     - expansion of markets
     - lower media and distribution costs
Segmentation Strategies

2. **Concentration Strategy** – use only 1 marketing mix for 1 target segment

- **Pros**
  - Smaller focus allows smaller firms to compete with larger firms
  - Production cost savings from specialization
  - Requires only 1 marketing mix

- **Cons**
  - Risky due to a lack of product portfolio diversification
  - If the target market changes in number or preferences, then sales will drop
Segmentation Strategies

3. **Multi-segment Strategy** - Use multiple marketing mixes to target multiple target markets

- **Pros**
  - Increased market coverage
  - Diversified product (marketing mix) portfolio (less risk)
  - Differential pricing maintainable
  - Premiums can be levied from differentiating for each target market (higher willingness to pay)
  - Changes in the target market may simply result in shifts to one of the other targets segment

- **Cons**
  - Expensive to maintain many market mixes
  - Production costs are higher
  - Cannibalism
Multi-Segment Strategy Example

• **TaB Cola**: launched by Coke in 1963 as a way to target dieters (and compete with RC’s Diet Rite)
  – Coca-Cola was *very* protective of its brand identity; didn’t want to associate this product with Coke.

• **Diet Coke**: launched in 1982 to benefit Coke label
  – Consumers rated the taste of Diet Coke higher if it was in a bottle labeled “Diet Coke” versus “TaB”

• **Coke Zero**: launched in 2005 as a way to target male “dieters”
  – Marketing research found young males didn’t want to be associated with “dieters”
Multi-Segments: Diet Coke vs Coke Zero

• Promotion:
  – Diet Coke: Taylor Swift
  – Coke Zero: Dude playing video games

• Product:
  – Diet Coke: Cheerful can
  – Coke Zero: Masculine black can

• Price:
  – both the same as regular Coke even though both are a lot cheaper to produce? Why?

• Distribution:
  – How do you think Diet Coke and Coke Zero’s availability differs?
Segmentation Strategies

4. Customization Strategy – treat each consumer as a segment

• Costly to produce, promote, and distribute
  – direct to consumer distribution

• Requires a high level of customer involvement
Customization Strategy
Segmentation Strategies

- 5. Social Network Marketing
Social Network Strategy

• Sell through representatives who throw a party
  – Ex: Pampered Chef, Tupperware
  – Word-of-mouth endorsements are powerful
  – Makes buying a social obligation
  – Seller assumes the risks and promo costs

• Social Media Marketing
  – Target individuals on Facebook
  – Target influential “nodes” of social networks
  – Demo-, Geo-, Psycho-graphic, and usage patterns may be shared or inferred.
    • Allows accurate targeting
Segmenting Consumer Markets

1. Geographic segmentation
2. Demographic segmentation
3. Psychographic segmentation
4. Product-related segmentation
1. Geographic Segmentation
Geographic Segmentation

• Dividing an overall market into homogeneous groups on the basis of their locations
  – Does not ensure that all consumers in a location will make the same buying decision
  – Helps in identifying some general patterns

• Big (localized) populations allow for cost effective marketing (why?)
  – Lower promotional costs per customer
  – Lower distributional costs
Geographic Segmentation

- Growing populations and economies provide strategic opportunities
  - Gain a competitive advantage by gaining high market share early
  - Gain first mover’s advantage.
    - Why do they give a 1st movers an advantage?

- Geography can proxy for other variables
  - Businesses must also consider economic and cultural variables

- May combine their marketing efforts in countries that share similar characteristics
  - Luxury foods should first be marketed where there is a lot of disposable income
  - Similar tastes
Geographic Segmentation

• With post-WWII growth of suburbs, traditional city boundaries have lost meaning for marketers

• Government now classifies urban data in several categories based on population size and characteristics

• The U.S. Bureau of Census classifies urban areas as:
  – Metropolitan Statistical Area (MSA) – General area around urban areas with > 50,000 people
  – Micropolitan Statistical Area - 10,000-49,999 people
  – Core Based Statistical Area (CBSA) = MSAs + Micro SAs
  – Primary Metropolitan Statistical Area (PMSA) – groups of adjacent counties with economic and social ties
  – Consolidated Metropolitan Statistical Area (CMSA) – largest 25 urban areas
Using Geographic Segmentation

• Demand for some goods and services can vary according to the geographic region

• Most major brands get 40-80% of their sales from what are called core regions

• Climate is often an important geo-segmenting factor
  – Ex: Summer foods may be marketed differently in the south
Where would you sell these?
I scream, you scream, does everyone scream for ice cream?

Average HH Spend on Ice Cream by Zip Code

Alaska

Hawaii

<table>
<thead>
<tr>
<th>Average Spend</th>
<th>Legend</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.00 - $25.00</td>
<td>Lightest Yellow</td>
</tr>
<tr>
<td>$25.01 - $50.00</td>
<td>Light Green</td>
</tr>
<tr>
<td>$50.01 - $75.00</td>
<td>Light Pink</td>
</tr>
<tr>
<td>$75.01 - $100.00</td>
<td>Medium Pink</td>
</tr>
<tr>
<td>$100.01 - $125.00</td>
<td>Dark Pink</td>
</tr>
<tr>
<td>$125.01 - $256.00</td>
<td>darkest Pink</td>
</tr>
</tbody>
</table>
People in the south scream at gas stations
2. Demographic Segmentation

- Dividing consumer groups according to characteristics such as age, sex, income, occupation, education, household size, and stage in the family life cycle

- A primary source for demographic data in the U.S. is the U.S. Census Bureau
  - Census “Quick Facts” for 2009:
    - Population < 5 years old 6.5%
    - Population < 18 years old 23.7%
    - Population >= 65 years old 13.3%
Cohort Effect

• The cohort effect: Tendency of generation members to be influenced and bound together by significant events in their lives.
  – formative years are most crucial: ages 17 to 22
  – think generations

  — NOT THE SAME AS AGE EFFECTS
Cohorts

- **Baby boomers**: WWII to early/mid 1960s
  - Approximately 78 million; lucrative, diverse segment that generally tends to value health and quality of life

- **Generation X**: Mid/late 1960s to 1979
  - Nearly 50 millions; family-oriented, well educated, and optimistic

- **Generation Y (Millennials)**: Born in the early 1980s to mid 1990s
  - Children of baby boomers, approximately 71 million – confident, untrusting, career/achievement driven; “seen it all – know it all”; widespread feeling of entitlement. Not open to criticism

- **Generation Z**: Late-1990s to 2000s
  - Born after the web revolution – exposed to new forms of communication and technologies (web, cell phones, twittering...); approximately 74 millions; they will be the most educated, financially well-off (sons and daughters of gen X) – when approaching the job market may lack interpersonal skills
“Campbell is also pushing out a slew of digital content to draw the attention of these [people]. The new line of soup, Campbell's Go, has Facebook and Tumblr pages, as well as partnerships with BuzzFeed and Spotify that Campbell hopes will convey the personality of the soup and appeal to its target audience.”

“Campbell Soup Company has launched a new line of bold-flavored soups in microwaveable packaging and is trying to cultivate a whimsical, humorous personality for the line to attract... Who? Millennials.
Segmenting by Age

• As people get older...
  – they become less impulsive
  – they become more savvy when it comes to ads and gimmicks
  – they care about different things... *What?*
School-Age Children

- Have significant influence over family purchases
  - $10 billion/yr. spent in marketing to children
- But these products must be jointly marketed to parents
- More than ½ of U.S. children born today are non-white
- Are impulsive
  - Will covet a product because of a cartoon character
  - Marketing practices of unhealthy options are under fire as obesity rates sky rocket
- Bright packaging is effective because all bright foods in nature are nutritious
- Barbara Rolls (here at PSU) is a pioneer in creating clever ways to get kids to eat better
  - Put air in food, putting veggies in other foods, etc
- Brian Wansink, a marketing researcher, is responsible for redesigning school lunchrooms to get kids to eat better
Segmenting by Age

- **Tweens and Teens** – spend $200 billion annually and influence billions of dollars of family purchases
  - Mostly on junk food
  - Don’t know how to cook
  - *What ate their needs?*

- **Middle Aged**
  - $11 trillion spending power
  - 75% have Facebook pages
  - value health and quality of life
  - less sensitive to food prices due to busy lives
  - *What are their needs?*
Segmenting by Age

- **Seniors** – 40 million people, older than 65
  - control about three-quarters of the country’s total assets
  - retirees spend more time preparing their own food
  - tend to be cautious, not 1st adopters
  - *What are their needs?*
Segmenting by Household Type

• Family Life Cycle Stages Segmentation
  – The process of family formation and dissolution
    • Families form in 20’s and 30’s
    • Then comes a very busy time period with children present (ave. age of mom when 1st child born = 25.4)
      • increasing (was 21 in 1970)
      • Eventually households become “empty nests” as children leave
  – Life stage, not age, is the primary determinant of many consumer purchases
  – Ex: 40 yr old couple with 3 kids... *needs*?
Segmenting by Household Type

• Today’s U.S. households are very diverse
  – Greater opportunity for segmenting the market and product differentiation
  – Many more single parent households
    • More convenient, ready-to-eat meals
  – More young couples without children
    • eat out more, spend more on luxury foods
  – More single person households
    • more single person portioned foods
when time is most valuable/scarce
when it’s not worth looking for a bargain

**Figure 6. Ratio of Consumption to Expenditure: Log Deviation from 25-29-Year-Olds**

*Notes:* Figure plots log deviation in the ratio of consumption to expenditure relative to 25-29-year-olds. The ratio of consumption to expenditure is computed using the estimated parameters of the home production technology and data from both Homescan and ATUS. See text for details.
Segmenting by Gender

• 90% of food purchases are made by women!
  – Why women’s perspective dominates ads

• Marketers must ensure that traditional assumptions are not false

• Marriage partners are becoming more interchangeable
  – Marriage is more like a team now than an exchange
  – Men cook more and spend more time with kids, while women work outside the home more
  – This has blurred the boundaries
Segmenting by Ethnic Group

- Currently nearly 37% of the U.S. population belongs to minority groups:
  - White Hispanic* 15.4%
  - African Americans 13.1%
  - Asian Americans 5.0%
  - Native Americans and Alaska Native 1.2%
  - Native Hawaiian and Other Pacific Islander 0.2%
  - Two or more races 1.7%

* Hispanics may be of any race – they are included in the applicable race categories. The total incidence of the “Hispanic or Latino origin” population is 16.7%

(Source: http://quickfacts.census.gov/qfd/states/00000.html)
Hispanic-American Consumers (16.7%)

• About 48M Hispanics in the U.S.
• The Hispanic market is large and fast-growing
• $1 trillion in buying power, but household income = $35,000
• Hispanics tend to be younger than the general U.S. population (median age is 25)
• Hispanics are geographically concentrated
• Hispanic populations have unique cuisines
• Not a homogenous group:
  – \textit{Largely un-acculturated} – about 28% of Hispanic population
    • Self-identify by country of origin, 72% speak only Spanish
  – \textit{Partially acculturated} – about 59% – Born in the U.S., largely bilingual
  – \textit{Highly acculturated} – about 13% – Born in U.S., most consider English their dominant language
African American Consumers (13.1%)

• About 50.5M today; expected to grow to more than 61M by 2050

• Purchasing power estimated to be $1 trillion

• As with other subcultures, demographic factors such as age, language, and educational level all affect how marketers appeal to different sub-segments of the African-American segment

• Predisposed to hypertension caused by salt intake
Asian-American Consumers (5.0%)

• About 14M today; expected to grow to 18M by 2020

• Purchasing power today is $579M
  – Ave HH income = $69,000

• Fastest growing segment by race

• ½ live in CA

• Many culturally diverse segments within this group, including Chinese, Filipinos, Japanese, Koreans, Indians, Vietnamese, etc.
  – Many unique cuisines and consumer behaviors
    • Ex: Chinese save a greater share of their income

• Marketers today are working to better understand the needs of this market (probably “Asian-American” is not a homogenous segment)
Asian American Food

• There are more Chinese restaurants in the U.S. than McDonald’s, Burger Kings, KFCs and Wendy’s combined!

• But in China...
  – there are no Chinese cookies,
  – no Chop Suey
    • translates as “odds and ends”
  – General Tso was a real person from Chinese history
    • but the chicken was invented in NYC in the 1970s

• See Jennifer 8. Lee’s entertaining TED talk
Segmenting by Income and Expenditure Patterns

• **Engel’s Law**: As family income increases,
  – A smaller *percentage* of expenditure goes to food

• Low income households tend not to purchase... *(what?)*
  – fresh produce
  – luxury items
  – foods with low calorie/$
3. Psychographic Segmentation

The Persuaders - Frontline
Psychographic Segmentation

- Divides a population into groups that have similar psychological characteristics, values, and lifestyles

- **Lifestyle**: People’s decisions about how to live their daily lives, including family, job, social, and consumer activities
What is a Psychographic Segment?

- Psychographic profiles produce rich descriptions of potential target markets.
- Often you use your understanding of human nature and culture to create types based on limited information.
- Ex: “Susie-types don’t have time to cook a meal but are hesitant to eat “fake” convenience food. They are high achievers, believe they are creative, and value social equity, and environmental stewardship, even if they can’t afford it.”
  
  – Where will Susie shop? What will Susie buy?
Using Psychographic Segmentation

• Greater detail aids in matching a company’s image and its offerings with the types of consumers who are likely purchasers
  – What types shop at WAL*MART?
  – What types shop at WHOLE FOODS?

• Very important when designing a brand
  – Build a brand culture, a relationship marketing notion

• Brand identity/image and the psychographic makeup of consumers can evolve together

Old Bud Light  New Bud Light
AIO Statements

- **AIO Statements**: Researchers ask consumers of a product group a series of questions to elicit their Activities, Interests, and Opinions.
  - Patterns are sought that identify target markets.
  - Gives marketers an idea of “what sort of person” to target.
  - **VALS** – “Values and Lifestyles” – is one of the most popular psychographic systems.
Beer Psychographic Segmentation

Example: crappy beer drinkers have been segmented into

1. Impulse drinkers
   - Agreed with "I am not very good at saving money"
   - Disagreed with
     - "I like to work on community projects"
     - "I find myself checking prices even for small items"

2. Macho male
   - Agreed with:
     - "Beer is a real man’s drink"
     - "Playboy is one of my favorite magazines"
     - "I am girl watcher"
     - "Men should not do the dishes"
     - "Men are smarter than women"
Beer Psychographic Segmentation

3. Sports/Physical Orientation
   – Agreed
     • “I would like to be a pro football player”
     • “I like bowling”
     • "I would do better than average in a fist fight”
     • “I prefer a good western on TV than a sitcom”

4. Party Animal
   – Agreed
     • “I like to play poker”
     • “I like to take chances”
     • “I would much rather go to a party than spend a quiet evening at home.”
4. Product-Related Segmentation

- Dividing a consumer population into homogeneous groups based on characteristics of their relationship to the product

- Segmenting can be based on:
  1. Consumers’ brand loyalty toward a product
  2. Benefits that people seek when they buy
  3. Usage rates for a product
  4. Tastes
Types of Product-Related Segmentation

Segmenting by **brand loyalty**

- Groups consumers according to the strength of brand loyalty felt toward a product
- You may want to market differently to loyal customers than 1st time ones
- Loyal customers are less price sensitive

• *How would you market to loyals vs. non-loyals?*
Types of Product-Related Segmentation

Segmenting by **benefits sought**

- Focuses on the attributes that people seek in a good or service and the benefits that they expect to receive from that good or service
- Groups consumers based on what they want a product to do for them
- Ex: Bananas are bought for their (i) nutrition, (ii) convenience, and (iii) taste
  - Ideally, you would want to market to segments that correspond to these three types differently
  - there is not many substitutes for the taste of bananas so that segment would be less price sensitive
    - Could have higher price for banana “taste” segment
Types of Product-Related Segmentation

Segmenting by usage rates

- Groups people according to the amounts of a product that they buy and use
- Typically, heavy, moderate, and light user segments
- The 80/20 principle (“Pareto’s Principle”)
- In what ways do heavy users behave differently?
  - buy more in response to quantity discounts
  - purchase large package sizes
  - respond to ads showing heavy usage
  - be different in some crucial way from light users
- Ex: Budweiser markets toward heavy users; Dos Equis seems to be targeting light users
Positioning Map

- For marketers, it is very important that each product stands out
  - i.e. be a differentiated product

- A **positioning map** uses the attribute-space to compare different products in relation to each other

- Useful to decide a competitive position and enables them to distinguish one product from those of the competition (*positioning strategy*)

- For all substitutes quantify 2 of the following
  - price, perceived quality, nutrition information, sugar content, fat content, preparation time, spoilage rate,...

and put the products on a graph.
Positioning Map

Example: Pasta Sauce

- Combine price data (below) with measures of perceived quality (not shown)

<table>
<thead>
<tr>
<th>Brand</th>
<th>Size</th>
<th>Flavor</th>
<th>Unit Price</th>
<th>Price/oz.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Del Grosso</td>
<td>24 oz.</td>
<td>Meat Flavored</td>
<td>$1.29</td>
<td>$0.05</td>
</tr>
<tr>
<td>Famiglia Del Grosso</td>
<td>26 oz.</td>
<td>Vodka</td>
<td>$6.99</td>
<td>$0.27</td>
</tr>
<tr>
<td>Wegmans</td>
<td>24 oz.</td>
<td>Chunky Marinara</td>
<td>$0.99</td>
<td>$0.04</td>
</tr>
<tr>
<td>Classico</td>
<td>24 oz.</td>
<td>Fire Roasted Tomato</td>
<td>$1.99</td>
<td>$0.08</td>
</tr>
<tr>
<td>Bertolli</td>
<td>24 oz.</td>
<td>Tomato Basil</td>
<td>$3.27</td>
<td>$0.14</td>
</tr>
<tr>
<td>Bove</td>
<td>26 oz.</td>
<td>Vodka</td>
<td>$4.99</td>
<td>$0.19</td>
</tr>
<tr>
<td>Ragu</td>
<td>24 oz.</td>
<td>Chunky Tomato</td>
<td>$1.79</td>
<td>$0.07</td>
</tr>
<tr>
<td>Cento</td>
<td>26 oz.</td>
<td>San Marzano</td>
<td>$5.59</td>
<td>$0.22</td>
</tr>
</tbody>
</table>
Market Segmentation Process

1. Develop a relevant profile for each segment
   – In depth analysis that helps managers accurately match buyers’ needs with the firm’s offerings

2. Forecast market potential
   – Sets upper limit on potential demand and maximum sales potential

3. Forecast probable market share
   – Comes from analysis of competitors’ market position and development of marketing strategy

4. Select specific market segments
   – Use demand forecasts and cost projections to determine return on investment from each segment
   – Assesses non-financial factors such as a firm’s ability to launch a product
How to Identify the Target Market for a New Product

• A useful way to go involves understanding how the market for an existing product is segmented.

• Inferring the appropriate segmentation strategy may not be easy (inexpensive) to do, especially when psychographic segmentation is involved.
  – Not all consumers are motivated by the same factors.

• The following examples show how one can separate health and taste as motivators for food products.
Getting People to Eat White Ooze

• Despite being introduced in the US by Danone in 1942, yogurt was not widely consumed in the ’70s, and was considered novel and exotic, but healthy, by most.

• In 1978 7.8% of the population consumed 75% of yogurt

• Most yogurt consumers were health-motivated, not taste-motivated
• Dannon and General Mills (Yoplait) gained valuable insights from AOLs that suggested marketing efforts should target the minority taste-motivated yogurt consumer

• Taste-motivated consumers were more likely to influence similarly pre-disposed but uninitiated people by word-of-mouth endorsements
  – What are people more likely to say?
    • “You should try this yogurt. It’s so healthy.” (credence attribute)
    • “You should try this yogurt. It tastes so good.” (experience attribute)

• Today yogurt is no longer exotic
  – 75% of Americans eat yogurt; annual sales = $4.4 billion; 12.8 Lbs/person
  – market growth expected (ave. Canadian consumes 22.2 Lbs; some European populations consume 60 Lbs/person; growth led by Greek yogurt)
Getting People to Eat Spongy Cubes

• Soy products are in a similar situation as yogurt was in in the ’70s.
  – perceived to be healthy, but novel and exotic to most consumers
  – deliberate consumers are usually health-motivated
  – belief that a food contains soy (even if it doesn’t) causes nonvegetarians Americans to rate the product as “grainy,” “chalky,” “dry,” “unappealing,” but also “tasting healthy”

• How should soy products be marketed?
  – That’s a marketing research question.
Qualitative Analysis

• Laddering interviews (see later slides) were given to determine general characteristics that make soy consumers different from non-soy consumers (paid $20).

• Infrequent consumers become frequent consumers for 1 of 2 reasons:
  – health (heart disease, blood pressure)
  – hedonic (taste, texture)

• Taste-motivated people said they would consume soy even if it was not good for them:
  – suggests they are likely to be long-term consumers because they see soy as an end in itself (pleasure) instead of a means to an end (health) that has many substitutes.
Results from a Survey

- 606 respondents in USA/Canada (paid $6 for mailing back a questionnaire)
- Consumers were asked to describe their food behavior and personality-related statements
  - Result: A mix of psychographic segmentation and product-based segmentation
- Consumers were categorized by whether they ate soy foods for health reasons (23%), taste reason (8%), or they did not eat soy (69%)

<table>
<thead>
<tr>
<th>TASTE AND BEHAVIOR PROFILES ASSOCIATED WITH SOY CONSUMERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>9-Point Likert Scale: 1=strongly disagree...9=strongly agree</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>I live with (or am) a great cook</td>
</tr>
<tr>
<td>I am traditional</td>
</tr>
<tr>
<td>I appreciate fine food</td>
</tr>
<tr>
<td>In general, I am an adventurous person</td>
</tr>
<tr>
<td>I believe that I eat healthier than most</td>
</tr>
<tr>
<td>I am an opinion-leader among my peers</td>
</tr>
</tbody>
</table>

Profiling Interviews

• 50 *taste-motivated* soy lovers *who cook with soy products regularly* were interviewed in-depth (paid $40)

• Cooks were chosen because they are the food gate-keepers
  – they disproportionately influence the eating habits of friends and family
  – their talent increases acceptance of unfamiliar foods

• Taste-motivated users were chosen because they are more likely to be
  – opinion leaders (influence others)
  – try new things (similar people will be more likely to try soy)
  – use the product over the long-term

• 4 general profiles emerged
# Identified Profiles of Soy Fanatics

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<thead>
<tr>
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</tr>
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## Identified Profiles of Soy Fanatics

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<td><strong>Product</strong></td>
<td>Firm texture; versatile &amp; variety</td>
<td>Protein and variety; meat substitute</td>
<td>Low fat, versatile, variety, convenient; child-friendly (esp. packaging)</td>
<td>Easy to use; large quantities; re-sealable; prep guidelines</td>
</tr>
<tr>
<td><strong>Promotion</strong></td>
<td>Show creative cooking; healthful/natural image; cooking books; healthful/natural image</td>
<td>Healthful/natural image; health mags; use 3rd party e.g. Drs.</td>
<td>Direct sampling /communication on health; family/ convenience benefits</td>
<td>Show healthy people socializing &amp; health benefits</td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td>Insensitive; will pay high a premium</td>
<td>Will pay a premium, but not too high b/c doesn’t “buy” image</td>
<td>Must be good value, but will pay a moderate price</td>
<td>Must be good value; will pay a lot more for convenience</td>
</tr>
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<td><strong>Place</strong></td>
<td>Supermarkets, Gourmet/health stores; college towns</td>
<td>Health/ethnic specialty stores, co-ops, supermarkets; meat section</td>
<td>Supermarkets, traditional grocery stores</td>
<td>Soy snacks near cereal bars (they use soy to “cancel out” junk food); college towns</td>
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Conclusions from Soy (and yogurt)

- Do not punt on taste and focus solely on health
- **Target segments** that
  - are food gate-keepers
  - have greater predisposition to adopt and continue to use
  - influence over others’ eating habits
  - eat the food as a means in and of itself (not a means to an end)
- Taste-motivated consumers *often* have these desired characteristics
  - Taste-motivated consumers can be segmented further for even more effective marketing mixes
Targeting Gate Keepers

Marketing Efforts

Gate Keeper or Opinion Leader

Follower
Marketing Nutrition

- Most efforts to change nutrition-related behaviors have failed
- This is because most have used a “just tell ‘em it’s healthy” marketing approach
  - This simply does not work!
- Nutrition is a plus, but it is not sufficient for the adoption of new products

**What does work is in-depth analysis of the market, market segmentation, and well-targeted marketing**

- The lessons from yogurt and soy can be used to market other unfamiliar and under-consumed healthy products
  - fruits and veggies
  - whole oats
  - foods processed in unfamiliar ways (GMO, irradiation)
  - novel/exotic items
  - unfamiliar proteins in protein-poor countries
  - cheap but unfamiliar foods to the very poor / starving
Mental Maps and Laddering Technique

- How do consumers choose their food?
- Consumers will choose a product depending upon the values that its attributes deliver.
- Laddering interviews (similar to a sequence of questions that a psychiatrist would ask the patient) aim to understand the “true” reason of a consumer’s choice.
- Goal: Understand the ultimate subconscious reasons for the purchase decision.
Mental Map

• Hierarchical organization of consumers perceptions and product knowledge

- **Attributes** are physical characteristics of a product
- **Consequences** are outcomes that consumers associate with the use of the product (because of the attributes)
- **Values** are derived from associating consequences and the *personal* value system
  - most common for foods: accomplishment, belonging, self-fulfillment, self-esteem, family, satisfaction, security
- Assumption: Every desirable attribute satisfies one or more needs (e.g. Maslow’s hierarchy of values)
Example of Laddering Interview

1. Identify “champions” of the food (X)
2. Ask them why they consume “X”
   – Most likely the answer will include an attribute (for example, because it is low in fat)
3. Ask again why they liked that attribute, you may find a deeper consequence
4. Ask about those consequences
5. Dig deeper
6. Identify common patterns and deep values
Health Food Self Esteem Chain – A Mental Map of Soy Consumers

Self Esteem

Value

Attributes

Look good
Good For you
Energy
Fitness
Every Little Bit helps
Maintain Health, Balance Diet
Healthful Food
Protein
Vegetarian

Consequences
Other Health Food Chains – Soy Consumers

Values

Consequences

Attribute

Figure 5.3. Convenience-happiness chain.
• The process through which the ultimate buyer makes purchase decisions

• Marketers borrow extensively from psychology and sociology to understand consumer behavior better

• Consumer behavior is usually understood as a function of *interpersonal* influences and *personal* factors

• Understanding consumer behavior can help
  – Design a more efficient marketing strategy
  – Persuade consumers to retain a brand in their evoked set
  – Understand that more than one person is often involved in the decision process and incorporate this into strategic and operational decisions
The Consumer Decision Process

- **High-involvement** purchasing decisions (e.g., buying a car)
- **Low-involvement** purchasing decisions (e.g., buying a candy bar)

**Personal Determinants**
1. Needs and Motives
2. Perceptions
3. Attitudes
4. Learning
5. Self-Concept

**Interpersonal Determinants**
1. Cultural Influences
2. Social Influences
3. Family Influences

**Consumer Decision Process**
- Problem/Opportunity Recognition
- Search
- Evaluation of Alternatives
- Purchase Decision
- Purchase Act
- Purchase Evaluation

Feedback
Interpersonal Determinants of Consumer Behavior

Culture

Family

Society
Cultural Influences

**Culture**: Values, beliefs, preferences, and tastes handed down from one generation to the next

- Culture is broad environmental determinant of behavior
- It is important to recognize the concept of **ethnocentrism**, or the tendency to view your own culture as the norm, as it relates to consumer behavior: **NOT EVERYONE IS LIKE YOU!**

**Core values** in U.S. culture

- Work ethic and the desire to accumulate wealth
- Importance of family and home life
- Individualism, education, freedom, youth, health, and others
- The *ritual* of eating dinner together is based in a core value

**Subcultures**: Subgroup of culture with its own distinct modes of behavior

- Cultures are not homogeneous entities with universal values
- Subcultures can differ by
  - Ethnicity or Nationality
  - Age or Gender
  - Religion
  - Social class or Profession
Social Influences

- Group membership influences an individual’s purchase decisions and behavior in both overt and subtle ways
  - **Norms**: The values, attitudes, and behaviors that a group deems appropriate for its members
  - **Status**: The relative position of any individual member in a group
  - **Role**: Define behavior that members of a group expect of individuals who hold specific positions within the group
Social Influence - Reference Groups

**The Asch Phenomenon:** Effect of a reference group on individual decision-making...much larger than people guess

- Why you behave different on vacation

**Reference groups:** Groups whose value structures and standards influence a person’s behavior

- Influence requires
  - the purchased product must be one that others can see and identify
  - the purchased item must be conspicuous – it must stand out as something unusual (a brand or product that not everyone owns)

- Children are especially dependent on reference groups

**Opinion leaders:** Trendsetters in a reference group who are 1st adopters and influence others in the group to make purchases

- Word of mouth is uber influential

- Marketers analyze online social networks to identify opinion leaders and target them
Social Classes (Status)

- Groups whose rankings are determined by occupation, income, education, family background, and residence location.

- W. Lloyd Warner identified 6 classes:
  1. Upper-Upper
  2. Lower-Uppers
  3. Upper-Middle
  4. Lower-Middle
  5. Working class
  6. Lower class
Family Influences

You need to know who is making the decision to buy (or not buy) your product so you know whom to market to:

- **Automatic** role is when the partners independently make equal numbers of decisions.
- **Husband-dominant** role is when the husband makes most of the decisions.
- **Wife-dominant** role is when the wife makes most of the decisions.
- **Syncratic** role is when both partners jointly make most of the decisions.
Family Influences - Children

- Children have $192 billion in purchasing power either directly or by influencing family purchasing decisions
- They represent over 50M consumers in their own right
- The presence of children dramatically influence household shopping behavior
Effect of Children's Age On Shopping Frequency

Time Between Grocery Shopping Trips

Compared to childless households.
Personal Determinants of Consumer Behavior

1. Needs and Motives
2. Perceptions
3. Attitudes
4. Learning
5. Self-Concept
1. Needs and Motives

- **Need**: An imbalance between a consumer’s actual and desired states
- **Motives**: Inner states that direct a person toward the goal of satisfying a felt need
  - the action triggers
Maslow’s Hierarchy of Needs

Lower needs must be satisfied before higher needs can affect behavior.

In the US, most people’s lower needs are satisfied, so we buy our food to satisfy these values.

- **Physiological**: breathing, food, water, sex, sleep, homeostasis, excretion
- **Safety**: morality, the family, health, property
- **Love/belonging**: friendship, family, sexual intimacy
- **Esteem**: self-esteem, confidence, achievement, respect of others, respect by others
- **Self-actualization**: morality, creativity, spontaneity, problem solving, lack of prejudice, acceptance of facts

- **Holiday meals, comfort foods**
- **Extreme poverty/eat to survive**
- **Starving**
2. Perceptions

• **The meaning** to which a person attributes incoming stimuli gathered through the five senses – sight, hearing, touch, taste, and smell

• Results from two types of factors
  – **Stimulus factors**: Characteristics of the physical object such as size, color, weight, and shape
    • The raw stimuli
  – **Individual factors**: Unique characteristics of the individual, including *not only sensory processes* but also experiences with similar inputs and basic *motivations* and *expectations*
    • What we “add” to the stimuli

• Getting a marketing message past consumers’ **perceptual screens** is a formidable problem
Perceptions

• Some general ways to get a subtle message across is to choose colors carefully
  – Orange, yellow, and red *innately* stimulate appetite
    • Fast food chains and children’s brands use those colors to capitalize on natural impulse
  – Green suggests that a food is low fat, healthy, and natural
  – Blue suggests clean (pure water & sky)
• Usage rates can be suggested by package size (more on this later)
3. Attitudes

• A person’s enduring favorable or unfavorable evaluations, emotional feelings, or action tendencies toward some object or idea

• Attitude components:
  – **Cognitive**: Knowledge about an object or concept
  – **Affective**: Feelings or emotional reactions
  – **Behavioral**: Tendencies to act in a certain manner
Changing Consumer Attitudes

Attitudes may not be unfavorable, just not motivating the consumer toward a purchase.

- Change consumers’ relationship to the product
- Produce consumer attitudes that will motivate the purchase of a particular product
  - Ex: sweet potato advertised nutrient info to increase sales
    - What attitude component was addressed? cognitive
Changing Consumer Attitudes

- Evaluate existing consumer attitudes and then make the product characteristics appeal to them
  - Ex: soy milk did not sell well until it was (unnecessarily) placed along side traditional milk
  - *What attitude component was addressed?* behavioral
Changing Consumer Attitudes

• Marketers can work to modify attitudes by

  1. providing evidence of product benefits and by correcting misconceptions
  2. inducing good feelings toward or associated with the product
  3. inducing habits

• Induce new behaviors

  – Ex: free samples may correct the misconception that a food tastes bad
4. Learning

• Knowledge or skill that is acquired as a result of experience, which changes consumer behavior

• The learning process includes the components of:
  
  – **Drive**: Any strong stimulus that impels action
    
    • fear, greed, love, hunger, thirst,...
  
  – **Cue**: Any object in the environment that determines the nature of the consumer’s response to a drive
    
    • ads, demos, signs, menu, window displays
  
  – **Response**: An individual’s reaction to a set of cues and drives
  
  – **Reinforcement**: The reduction in drive that results from a proper response; creates bond between the drive and the purchase of the product
    
    • I.e. satisfying a drive
    
    • How frequent purchases are made
Applying Learning Theory to Marketing Decisions

• **Shaping**: Process of applying a series of rewards and reinforcements to permit more complex behavior to evolve over time

• Product and promotional strategies work together in the shaping process

• With the need for food being primal, food marketers tap into powerful reward systems.
  – sugars trigger an opioid response.

• With food purchases being low-involvement, these rewards shape future attitudes
Learning Theory - Shaping

Example: Samples and Coupons

1. Free sample with big discount coupon
   - No risk to the consumer
   - Free samples opportunities are powerful cues because they get responses when drives are weak
   - If it tastes good, reinforcement has been successful

2. Consumer uses the coupon and receives a smaller coupon
   - The 1st coupon and proximity of the product is a cue; the coupon lowers consumer’s risk
   - The 2nd coupon acts as a cue to make subsequent purchases; risk remains reduced
Example: Samples and Coupons

3. Consumer buys the product at moderate discount with the second coupon
   – Usage of the product reinforces the buying response to the underlying drive

4. Consumer makes a purchase with no coupon

5. Consumer becomes a repeat customer
   – Going near the product in the store, or even the store itself acts as a cue
   – The drive itself can become the cue as the response repeatedly gets reinforced

• A habit is formed!!!
Coupons and Learning Theory Example

- **Customer**: me

- **Setting**: Rosauers Supermarket; Spokane, WA 2009

- **Method**: Customized coupons printed with receipt

- **Product 1**: Morning Star Veggie Patties
  - **Shop 1** (6/18)
    - bought 1 box
    - store gives receipt-coupon for $.75 off when purchasing 2 boxes (exp. 8/13)
      - discount: $.38/box
  - **Shop 2** (6/27)
    - bought 2 boxes using coupon
    - store gives receipt-coupon for $1 off when purchasing 3 packages (exp. 8/22)
      - discount: $.33/box

- **Product 2**: Cheerios
  - **Shop 1** (6/19)
    - bought 1 box
    - store gives receipt-coupon for $1.50 when purchasing 3 packages (exp. 8/13)
      - discount: $.50/box
  - **Shop 2** (6/27)
    - bought 3 boxes using coupon
    - store gives receipt-coupon for $1.50 when purchasing 4 packages (exp. 8/22)
      - discount: $.38/box
5. Self-Concept

A person’s multifaceted picture of himself or herself, composed of:

- Real self – who you really are
- Self-image – how you see yourself
- Looking-glass self – how you think people see you
- Ideal self – who you want to be

- Consumers make purchases that resonate with their ideal self
- Market towards how people want to see themselves
- Coffee Commercial link: [http://www.youtube.com/watch?v=_epMjm8xWb8](http://www.youtube.com/watch?v=_epMjm8xWb8)
What do you self-identify with?
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