Solutions for Consumer Behavior 12th Edition by Schiffman

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TWELFTH EDITION

CONSUMER BEHAVIOR

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Solutions

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CHAPTER 2

Market Segmentation and Real-Time Bidding

LEARNING OBJECTIVES

After reading, studying and analyzing this chapter, students should be able:
2.1 To understand how to segment markets along demographics, lifestyles, product benefits and usage, and media exposure.
2.2 To understand how to identify, select, and reach target markets.
2.3 To understand real-time bidding as compared with market segmentation.

CHAPTER SUMMARY

Learning Objective 2.1: To understand how to segment markets along demographics, lifestyles, product benefits and usage, and media exposure.

Market segmentation is dividing a market into subsets of consumers with common needs or characteristics. Each subset represents a consumer group with shared needs that are different from those shared by other groups. After dividing the market into distinct groups, the company must select segments that are profitable and reachable, and feasibly targetable within its objectives and resources.

Demographic segmentation divides consumers according to age, gender, ethnicity, income and wealth, occupation, marital status, household type and size, and geographical location. Two other segmentation factors are based on demographics. Family life cycle details the phases that most families go through, each stage representing a viable target segment to marketers of many products.

Social class is the division of members of a society into a hierarchy of distinct status classes—most often based on income, education, and occupation—so that members of each class have relatively the same status and members of all other classes have either higher or lower status. Because they are so versatile, psychographics are widely used, mostly together with demographics, providing marketers with richly descriptive profiles of target markets.

Geodemographics are based on the premise that people who live close to one another are likely to have similar financial means, tastes, preferences, lifestyles, and consumption habits—as the adage states, “Birds of a feather flock together.” The most popular combination of demographics and geographic locations is called PRIZM—grouping American households into 66 segments based on socioeconomic ranking, consumer behavior, and media exposure

Benefit segmentation is based on the benefits that consumers seek from products and services. These benefits represent unfilled needs, whereas buyers’ perceptions that a given brand delivers a unique and prominent benefit result in loyalty to that brand.

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Media exposure patterns can be used to segment markets. As more and more forms of media emerge, marketers must study the benefits that specific consumer segments seek from adopting these communication tools, so that they can advertise in these media effectively.

Usage-rate segmentation reflects the differences among heavy, medium, and light users, and nonusers of a specific product, service, or brand. Rate of usage is strongly related to product awareness status, which is the degree of a consumer's awareness of the product and its features, and whether or not he or she intends to buy it reasonably soon. A related factor is product involvement, which reflects the degree of personal relevance that the product holds for the consumer. Usage-occasion segmentation recognizes that consumers purchase some products for specific occasions. Marketing studies have shown that consumers are increasingly skeptical about assigning foods to specific times of the day or places. Marketers have been responding by, for example, trying to convince consumers to snack on Greek-style yogurt and candy while watching the Super Bowl.

Learning Objective 2.2: To understand how to identify, select, and reach target markets.

All consumers are not alike. They have different needs, wants, and desires, and different backgrounds, education levels, and experiences. Therefore, marketers must offer alternatives that correspond to the needs of different consumer groups or segments. Not every company is interested in or has the means to reach every market segment. In addition to being identifiable, the segment(s) chosen must be profitable and accessible.

To be a viable market, a segment must consist of enough consumers to target it profitably, as well as be stable and growing. Additionally, the number of segments targeted and their profiles must be congruent with the company's objectives and resources. Marketers target consumer segments that are relatively stable in terms of lifestyles and consumption patterns (and are also likely to grow larger and more viable in the future) and avoid "fickle" segments that are unpredictable.

To be targeted, a segment must be accessible, which means that marketers must be able to communicate with its consumers effectively and economically. With the diversification of magazines (and their online versions), the emergence of TV channels that target narrowly defined interests, and the growth of new media (e.g., sending ads to cell phones), marketers have significantly more avenues for reaching unique segments and can also do so with customized products and promotional messages.

Marketers can also target customers on their mobile devices. For example, customers frequently engage in showrooming, which occurs when consumers use smartphones to scan the bar codes of products displayed in physical stores and then check the items' prices online in order to purchase them at the lowest prices. In order to combat showrooming, some physical stores started geofencing, which consists of sending promotional alerts to the smartphones of customers who opted into this service, when the customers are near or enter the store.

Learning Objective 2.3: To understand real-time bidding as compared with market segmentation.

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Real-time bidding (RTB) takes place when advertisers buy inventories of customers—termed impressions or eyeballs—on a per-impression basis, via programed instantaneous auction. An impression is a term for a customer that becomes available for realtime bidding online. Detailed profiles for the impressions are compiled from online navigation, demographics, geographic locations, and possessions and purchases.

Predictive analytics are measures that foresee consumers' future purchases on the bases of past buying information and other data, and also evaluate the impact of personalized promotions created from these predictions. These measures are also designed to notice significant changes in consumers' buying behavior because such variations provide marketers with targeting prospects.

The inventories become available for bidding in ad exchanges such as eXelate, BlueKai, Google, and DoubleClick. An ad exchange is a big pool of ad impressions. Publishers—that is, websites—paste their ad impressions into the pool, hoping someone will buy them. Buyers then bid on the impressions they wish to purchase and the outcomes are determined in milliseconds.

In traditional media buying, advertisers prepay for the space and do not get money back regardless of whether any consumer who had seen their ads ends up buying the product or at least became more interested and aware of their brands. With RTB, an advertiser competes in an auction with a multitude of other advertisers, all bidding at different rates for each impression, in real time.

Real-time bidding enables advertisers to optimize their expenditures by increasing the level of certainty that an ad campaign will reach a reasonable volume of the type of customers that marketers wish to reach. In contrast, many consumers reached via direct buys are unlikely to become customers because the groups reached by TV, magazines, and newspapers are broadly defined. With RTB, rather than buying a large inventory, marketers pay premium prices to secure inventories of the right customers, reach them where they are, and advertise their products to the most promising prospects.

CHAPTER OUTLINE

INTRODUCTION

1. **Market segmentation** is the process of dividing a market into subsets of consumers with common needs or characteristics.
2. Companies select the segments that are profitable, reachable, and feasibly targeted given the firm's objectives and resources.
3. **Product positioning** is the process by which a company creates a distinct image and identity for its products, services and brands in consumers' minds.
4. **Product repositioning** means changing and "refreshing" a brand's portrayal.
5. **Usage-occasion segmentation** is a segmentation strategy based on the fact that many products are purchased and used in the context of specific occasions.

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*******Use Discussion Questions #2.1 and #2.2 Here; *Use Key Terms* market segmentation, positioning, repositioning, and usage-occasion segmentation *Here; Use Figure #2.1 Here********

Market Segmentation

1. Segmentation divides the market for a product into relatively homogeneous groups that share characteristics different from those of other groups.
2. Marketers segment consumers along quantitative and cognitive factors.
   a) Quantitative factors include consumer-intrinsic attributes (like demographics) and consumption-based factors (determined numerically).
   b) Cognitive factors are psychological abstracts that include consumer-intrinsic factors (like personality traits and values) and consumption-specific attitudes and preferences.

********Use Learning Objective #2.1 Here ********

3. Demographics determine consumers' needs for products and the ability to buy them; psychographics explain buyers' purchase decisions and choices.

******* *Use Key Terms* demographic segmentation and family life cycle *Here********

4. **Demographic segmentation** divides consumers according to age, gender, ethnicity, income and wealth, occupation, marital status, household type and size, and geographic location.
   a) The core of almost all segmentations is demographics because:
      i. Demographics are the easiest and most logical way to classify people and can be measured more precisely than other segmentation bases.
      ii. Demographics offer the most cost-effective way to locate and reach specific segments because most of the secondary data compiled about any population stems from demographics.
      iii. Demographics enable marketers to identify business opportunities in the form of shifts in age, income distribution, and populations of various regions.
      iv. Many consumption behaviors, attitudes, and media exposure patterns are directly related to demographics.

********Use Review and Discussion Question #2.4 Here********

   b. *Age*: product needs often vary with consumers' age, and marketers commonly target age groups.
   c. *Gender* is a factual distinguishing segmentation variable, and many products and services are inherently designed for either males or females. However, sex roles have become blurred.
   d. *Households:* segmentation is based on the premise that many families pass through similar phases in their formation, growth, and final dissolution. At each phase in the **family life cycle**, the family unit needs different products and services.

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********Use Key Term* family life cycle *Here********

e. *Social class* can indicate an ability or inability to pay for a product model or brand, and consumers of different social classes vary in terms of values, product preferences and buying habits.
   i. Income is combined with other demographic variables to define target markets.
   ii. Income, education, and occupation tend to be closely correlated.
   iii. Social class can be measured as a weighted index of education, occupation and income
f. *Ethnicity*: Marketers segment some populations on the basis of cultural heritage and ethnicity due to shared values, beliefs, and customs. African Americans, Hispanic Americans and Asian Americans are important subcultural market segments in the U.S.

******** Use Key Terms* social class and psychographics *Here********

5. *Lifestyles*, also known as **psychographics**, consist of *activities, interests, and opinions (AIOs)*.
   a) The interests and opinions portions are cognitive constructs, which can be measured via surveys but are not evidence-based.
   b) A psychographic study includes a battery of statements selected from a psychographic inventory and usually accompanied by Likert scales on which respondents are asked to indicate their level of agreement or disagreement with each statement (Table 2.6)
   c) Because of their versatility, psychographics are widely used in segmentation and are part of almost any hybrid segmentation framework.
   d) **VALS** (an acronym for "values and lifestyles") is the most popular segmentation system combining lifestyles and values.
   e) VALS™ focuses explicitly on explaining consumer purchasing behavior.
      i) VALS™ includes three primary motivations: ideals motivated, achievement motivated and self-expression motivated.
      ii) VALS™ also reflects a continuum in terms of resources and innovativeness (Figure 2.2)

********Use Review and Discussion Questions #2.8 and #2.9 Here; Use Tables #2.1 and #2.2 Here; Use Figure #2.2 Here; Use Key Terms* psychographics and VALS™ *Here ********

6. **Geodemographics**: Where a person lives determines some aspects of consumption behavior, so marketers frequently use geodemographics, a hybrid segmentation scheme based on the premise that people who live close to one another are likely to have similar financial means, tastes, preferences, lifestyles, and consumption habits, in strategic targeting.
   a) The primary commercial application of this technique is **PRIZM**, offered by Nielsen's MyBestSegments. This system uses the ZIP + 4 postal system to classify all of the nation's households into 66 segments.

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b) Nielsen also uses P$YCLE (based on household wealth) and ConneXions (based on household receptivity to new technologies.

***** *Use Hands-on Assignment #2.16 Here; Use Key Term* **geodemographics** *Here*****

7. **Benefit segmentation** is based on the benefits consumers seek from products and services.
   a) Many believe benefits sought are the core of all segmentation strategies.
   b) Sought benefits represent unfilled consumer needs whereas buyers' perceptions that a given brand delivers a unique and prominent benefit result in loyalty to the brand.

*****Use Hands-on Assignment #2.13 Here; Use* **Figure 2.3** *Here; Use Key Term* **benefit segmentation** *Here* *****

8. Media exposure considers the benefits consumers seek from adopting communication tools.

***** *Use Table #2.4 and Figure 2.4 Here* *****

9. **Usage rate segmentation** stems from differences among heavy, medium and light users, and nonusers of a specific product, service, or brand.
   a) Marketers have found that within some product categories that a relatively small group of heavy users account for a disproportionately large percentage of total product usage.
   b) Targeting heavy users is a common marketing strategy, and it can be more profitable than targeting other user categories.
   c) However, since all competitors are likely to target the same heavy users, trying to attract these buyers requires a lot of expensive advertising.
   d) Some marketers prefer to target light and medium users with products that are distinct from those preferred by heavy users.
   e) A sophisticated approach to usage rate involves identifying the factors that directly impact the usage behavior.
   f) Understanding nonusers is essential.
   g) Consumers can also be segmented in terms of their **awareness status** and also **level of involvement**.
   h) **Product involvement** is also a segmentation factor.
10. The occasion or situation often determines what consumers will purchase or consume, so marketers sometimes use **usage-occasion segmentation**. Many products are promoted for special usage occasions.

*****Use Review and Discussion Question #2.5 Here; Use Key Terms* **product involvement, usage-occasion segmentation** *Here* *****

Selecting Target Markets

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1. **Real-time bidding (RTB)** takes place when advertisers buy inventories of customers – termed impressions or eyeballs – on a per-impression basis, via programmed instantaneous auction.
2. RTB facilitates optimization of advertising expenditures by considering inventory per impression or placing premium bids on access to consumers that are particularly valuable to them.
3. The profile of impressions is determined by data brokers.
4. **Web crawlers** capture content across the internet and transmit it to the data broker's servers.

********Use Learning Objective 2.3 Here; Use Key Terms* real time bidding and web crawlers *Here ********

5. **Predictive analytics** measures are designed to predict consumers' future purchases. Marketers base predictions on past buying information and other data and evaluate the impact of personalized promotions stemming from the predictions.

******** Use Key Term* predictive analytics *Here; Use Figure 2.6 Here********

6. **Behavioral biometrics** - originally called identity verification - chart unique patterns in the way people perform activities like swiping a screen
7. The **application programming interface** is the pie that announces each impression individually as it becomes available online.
8. A **cookie** is a software code sent from a website and stored on the user's computer we browser while the user is online.
9. An **ad exchange** is a big pool of ad impressions.
10. **RTB** also enables **cross-channel campaigns**.

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REVIEW AND DISCUSSION QUESTIONS

2.1 What is market segmentation? How is market segmentation related to the marketing concept?

Market segmentation is the process of dividing a potential market into distinct subsets of consumers with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix. Before the widespread adoption of the marketing concept, most companies practiced mass marketing, that is, offering the same product and marketing mix to all consumers. The marketing concept states that a company must determine the needs and wants of specific market segments and satisfy them better than competition. Thus, companies who adopt the marketing concept must segment their markets and develop products or services targeting different consumer groups. For example, Marriott operates Fairfield Inns (short stay) and Residence Inns (apartment-like accommodations for extended stays) for the value- or budget-oriented traveler, Courtyard for the price-conscious businessperson, Marriott Hotel for full-service business travelers, Marriott Resorts for leisure and vacation guests, and Marriott Senior Living environments for elderly people.

Individual, Easy, 3-5 minutes
Objective 2.1: To understand how to segment markets along demographics, lifestyles, product benefits and usage, and media exposure.
AACSB: Reflective thinking

2.2 How are market segmentation, targeting, and positioning interrelated?

Market segmentation consists of subdividing the market into homogeneous clusters, and it is the first step in a three-phase market strategy. After segmenting the market, the marketer must select one or more segments to target (**targeting**) with a specific marketing mix. The third step is to position (**positioning**) the product so that it is perceived by the target market to satisfy its needs better than other competitive offerings. For example, a toothpaste manufacturer can segment the market according to the benefits that consumers look for in the product. The firm may select one segment, such as those consumers who are primarily concerned with plaque prevention, as its target market. Then, the company must position the product so that it is perceived as providing better plaque prevention than other toothpaste brands on the market.

Individual, Moderate, 5-7 minutes
Objective 2.1: To understand how to segment markets along demographics, lifestyles, product benefits and usage, and media exposure.
AACSB: Analytical thinking

2.3 Discuss the advantages and disadvantages of using demographics as a basis for segmentation. Can demographics and psychographics be used together to segment markets? Illustrate your answer with a specific example.

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Demographic information is the most accessible and cost effective way to identify a target market. Demographics are easier to measure than other segmentation variables. Most secondary data (e.g., census data) are expressed in demographic terms and most media develop demographic profiles of their audiences. Also, demographic trends reveal shifts in age and income that signal business opportunities for marketers. Demographics, however, tend to be one-dimensional because it provides information on the potential for usage but not on why a particular brand is used or exactly who uses it. Thus, demographics help locate a target market, although psychological and sociocultural characteristics help describe who its members are, how they think, feel, and behave.

Individual, Moderate, 7-10 minutes
Objective 2.2: To understand how to identify, select, and reach target markets.
AACSB: Reflective thinking; Analytical thinking; Application of knowledge

2.4 Does your lifestyle differ significantly from your parents' lifestyle? If so, how are the two lifestyles different? What factors cause these differences?

This is an interesting way to illustrate similarities and differences between the activities, interests, and opinions of two distinct groups, as the factors that determine one's lifestyle. With respect to presenting or discussing the results (if time is a problem), select the individuals that seem to have performed the exercise the best and have the students present results to class as a whole. Be sure to probe students as to mechanisms used to determine their parents (and their own) lifestyles. How could marketers use this information?

Individual, Moderate, 20-25 minutes
Objective 2.2: To understand how to identify, select, and reach target markets.
AACSB: Analytical thinking; Application of knowledge

2.5 Combine at least two segmentation bases for targeting each of the following products. Explain your choices: (a) men's sneakers; (b) women's cocktail dresses; (c) hybrid cars; (d) e-readers.

Student responses will vary. The bases of segmentation may include demographics, geodemographics, "green"-ness, personality traits, psychographics/lifestyles, benefits, media usage, usage rate, and usage occasion.

Individual, Moderate, 10-15 minutes
Objective 2.2: To understand how to identify, select, and reach target markets.
AACSB: Application of knowledge

2.6 Some marketers consider benefit segmentation as the segmentation approach most consistent with the marketing concept. Do you agree or disagree with this view? Why?

Benefit segmentation is built upon the premise that consumers are basically purchasing needs, wants, and satisfactions. Thus, it is entirely consistent with the marketing concept. **Benefit segmentation** allows marketers to position various brands within the same product category

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by stressing those benefits/desired satisfactions appropriate to each segment served. For example, in the toothpaste market, Close-up is marketed by using a social appeal that stresses bright teeth and is targeted to young people; Aim is targeted to parents as a good tasting toothpaste that will encourage children to brush longer; Viadent is targeted to adults as a means to remove tartar (cosmetic benefit) and plaque (health benefit).

Individual, Easy, 3-5 minutes
Objective 2.2: To understand how to identify, select, and reach target markets.
AACSB: Reflective thinking

2.7 How can a marketer for a chain of health clubs use the VALS™ segmentation profiles to develop an advertising campaign? Which segments should be targeted? How should the health club be positioned to each of these segments?

The best prospects (note that opinions on the following may vary) for health clubs appear to be the *Actualizers* and *Achievers* because members of these groups are interested in growth, control of their lives, self-discovery, and self-expression. Many of them are probably already involved in some form of physical activity; however, a health club that is positioned as, say, "for people who are in the best shape they have ever been in but still aren't satisfied" will appeal to them. The health club should be portrayed as a mechanism which will help these people control an additional aspect of their lives—their health and physical well-being—through exercise. Normally, the *Experiencers* and *Makers* are not good prospects for a health club because they are interested in outdoor sports and recreation. If, however, seasonal weather prevents such endeavors, the health club could be presented as an alternative. The *Believers* are probably too set in their ways to join a health club, and the *Strivers* and *Strugglers* do not have the financial resources to join one. The *Fulfilled* represent a good target market because they are mature, educated, and financially secure individuals who might want to broaden their horizons. To them, the health club should be positioned as a new, highly fulfilling, and beneficial experience; value should be stressed in the promotion because these consumers are practical and concerned with the functionality of their purchases.

Individual or Group, Moderate, 7-10 minutes
Objective 2.2: To understand how to identify, select, and reach target markets.
AACSB: Application of knowledge

2.8 Regent Seven Seas Cruises and Royal Caribbean International are two companies in the vacation and travel industry. After looking at their websites, describe the kind of consumers that each company is seeking to attract. Also, describe how either company can use demographics and psychographics to identify TV shows and magazines in which to place its advertisements.

Regent Seven Seas Cruises is owned by Prestige Cruise Holdings. According to their web site, Prestige is the market leader in the Upper Premium and Luxury segments of the cruise industry. The company is trying to attract wealthy, upscale consumers who can afford luxury and personalized cruise itineraries. Royal Caribbean makes it clear that their cruises are for

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everyone, from families, couples, family reunions to corporate events. Royal Caribbean offers activities that range from "mild to wild." Obviously, both companies rely on demographics in segmenting their markets. Within each of the demographic groups listed above, the companies should identify additional socioeconomic factors (i.e., income, education, occupation) of consumers to whom their cruises may appeal. Both companies should identify the psychographics of consumers in the different segments, combine demographics and psychographics, and create several profiles of its likely customers. Then, both Regent Seven Seas Cruises and Royal Caribbean International should identify TV shows and magazines that have "audience profiles" matching its customers' profiles and place its advertisements in such media.

Individual, Moderate, 7-10 minutes
Objective 2.2: To understand how to identify, select, and reach target markets.
AACSB: Application of knowledge

2.9 Choose one of the VALS segments as a potential target market for each of the following offerings and explain your choices: (a) SUVs; (b) financial retirement plans; (c) a new smartphone model.

Student responses will vary. When students describe the segments, they should make sure they are discussing issues related to both demographics and behaviors. Look for the responses to include why they selected the segments.

Individual, Moderate, 10-15 minutes, Out of class
Objective 2.2: To understand how to identify, select, and reach target markets.
AACSB: Application of knowledge; Information technology

2.10 Explain the differences between segmentation and real-time bidding.

Behavioral targeting consists of sending consumers personalized and prompt offers and promotional messages based on marketers' tracking of one or more of the following factors: online navigation, current geographic location, and purchase behavior. The idea is to reach the right customers at the right time. Predictive analytics are methods for predicting consumers' future purchases on the bases of past buying information and other data and evaluating the impact of personalized promotions stemming from the predictions. Collecting the right data and analyzing it strategically are essential to effective behavioral targeting.

Individual, Moderate, 5-7 minutes
Objective 2.3: To understand real-time bidding as compared with market segmentation.
AACSB: Information technology; Analytical thinking

2.11 Explain how marketers can employ each of the following data in predictive analytics: (a) the website's consumers visit; (b) consumers' levels of engagement with visited websites (i.e. the pages viewed, lengths of visits, return to site frequency); (c) Consumers' interests, lifestyles and personalities (e.g., from the contents of their blogs,

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tweets, and Facebook profiles); (d) consumers' purchases, almost purchases, abandoned carts, and product returns and exchanges.

Predictive analytics are measures that predict consumers' future purchases on the bases of past buying information and other data, and also evaluate the impact of personalized promotions stemming from the predictions. Recording the websites that consumers visit, measuring consumers' levels of engagement with the sites (i.e., which pages they look at, the length of their visits, and how often they return), recording the visitors' lifestyles and personalities (derived from the contents of consumers' blogs, tweets, and Facebook profiles), and keeping track of consumer' purchases, almost purchases (i.e., abandoned shopping carts), and returns or exchanges can be used in models and turned into measures that predict future behavior that are useful for segmenting and developing strategies.

Individual, Easy, 5-7 minutes
Objective 2.3: To understand real-time bidding as compared with market segmentation.
AACSB: Information technology

2.12 How would you segment the market of consumers who would like to order Oakley sunglasses online? Explain your answer.

Responses will vary, but students should consider the bases for segmentation (demographics, geodemographics, "green"-ness, personality traits, psychographics/lifestyles, benefits, media usage, usage rate, and usage occasion) and the information referenced in 2.10 that is used to gain insights online ((1) the websites consumers visit; (2) consumers' levels of engagement with visited websites (i.e. the pages viewed, lengths of visits, return to site frequency); (3) visitors' interests, lifestyles and personalities e.g. from the contents of their blogs, tweets and Facebook profiles; (4) visitors' purchases, almost purchases and abandoned carts, and product returns and exchanges).

Individual, Moderate, 5-7 minutes
Objective 2.2: To understand how to identify, select, and reach target markets.
Objective 2.3: To understand real-time bidding as compared with market segmentation.
AACSB: Information technology; Application of knowledge

HANDS-ON ASSIGNMENTS

2.13 Select a product and brand that you use frequently and list the benefits you receive from using it. Without disclosing your list, ask a fellow student who uses a different brand in this product category (preferably, a friend of the opposite gender) to make a similar list for his or her brand. Compare the two lists and discuss the differences and similarities among the benefits that you and your friend seek from the same product category.

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Instructor's Discussion
This exercise is designed to illustrate the variability of the benefits that consumers seek in the same product and that knowledge of desired benefits can be used to position different brands within the same product category. This project can also be done between small teams or groups. If time is a problem, select the individuals or small groups that seem to have performed the exercise the best and have the student's present results to class as a whole.

Group, Moderate, 20-25 minutes
Objective 2.2: To understand how to identify, select, and reach target markets.
AACSB: Application of knowledge

2.14 Visit two web sites that you are familiar with and write down every click that you make, and the patterns and the navigation patterns and times of your surfing. Then, describe how a marketer—of a product of your choice—who had tracked your Web visits to the sites could use the observation of your surfing in designing a customized advertising message directed at you.

Instructor's Discussion
The answers to this question will be personal to each student. However, you should expect to read comments suggesting the advertiser might achieve a greater awareness of the web surfer's values, income, lifestyle, lifecycle, occupation, education level and so on. All of these variables help the advertiser deliver a customized message to the surfer.

Individual, Easy, 5-7 minutes
Objective 2.3: To understand real-time bidding as compared with market segmentation.

2.15 The owners of a local health-food restaurant have asked you to prepare a psychographic profile of families living in the community surrounding the restaurant's location. Construct a 10-question psychographic inventory appropriate for segmenting families on the basis of their dining-out preferences.

Instructor's Discussion
The psychographic items developed by the students can fall into any of a large number of dining-out and meal-related categories (price consciousness, food venturesomeness, social dimensions of eating, home-orientation, etc.). The instructor should maintain an inventory of student responses to this question and use them to demonstrate good and bad psychographic statements when this exercise is discussed.

Individual, Moderate, 20-25 minutes
Objective 2.2: To understand how to identify, select, and reach target markets.
AACSB: Application of knowledge

2.16 Find three print advertisements directed at three different clusters, each one belonging to one of the three frameworks: PRIZM, P$YCLE and ConneXions. Explain your choices.

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Instructor's Discussion

As students consider the effectiveness of each ad, the discussion should focus on the following issues: When discussing the ad based on a PRIZM cluster, students should make sure they are discussing issues related to both demographics and behaviors. PRIZM classifies the nation's households into one of 66 segments. ACXIOM consists of seventy segments that are classified into twenty-one life stage groups.

Individual, Moderate, 20-25 minutes
Objective 2.2: To understand how to identify, select, and reach target markets.
AACSB: Application of knowledge

S.T.A.R. PROJECTS

Ethical Issues in Consumer Behavior

S.T.A.R. Project #1

One of the best and easiest ways to segment a market is on the basis of age. As marketers have discovered, however, this is a form of segmentation that can become a very sticky proposition. Consider the number of marketing efforts directed toward the elderly. In this case, marketers must be aware that, even though they are dealing with experienced consumers, this segment is considered to be susceptible to deceptive marketing practices. A dilemma exists—how to aggressively market to a segment that often has substantial income without taking advantage of the segment's vulnerability? Visit the American Association of Retired Persons (AARP) Web site at www.aarp.org for information and guidance in accomplishing the following assignment:

a. Construct a list of five (5) ethical taboos that a marketer should avoid when marketing to this market segment. Explain the taboos.
b. Find an illustration of a company that you believe markets to the elderly in an ethical manner. Discuss why you picked the company and why you consider its practices to be ethical.

Instructor's Discussion

Students will be able to observe a variety of issues that impact and affect the elderly market segment via the AARP Web site. To begin a discussion of taboos, consider the following propositions—thou shall not steal, thou shall not harm, thou shall inform, thou shall not deceive, and thou shall not pressure. From this simple list, students should be able to create and construct a list of ethical don'ts. Be sure the students consider the Internet when constructing their list.

Students are free to select any company they wish for excellent elderly business practices. A good illustration to begin with would be McDonald's. This company often designates special discounts and coffee times for seniors.

S.T.A.R. Project #2

Few subjects are as controversial in the United States today as gun control. Given the violence in our society, the number of incidents in which guns are weapons of destruction, and the growing void between those that demand the right to own guns and those that want all guns destroyed, the National Rifle Association is at the center of a whirlwind of controversy. The NRA (see

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www.nra.org) has been singled out as an organization that is either a defender of the Constitution or evil (depending on one's point of view). Ethical situation—assuming that you have been given the task of evaluating a request from the NRA to sponsor a local civic event in your area (for example, a 10K run benefiting cancer patients), conduct the following activities:

a. What evidence do you find on the NRA Web site that it is concerned about public welfare?
b. What evidence do you find on the Web site that the NRA is an effective marketer?
c. What ethical issues might be present should the NRA request to sponsor your civic event be granted? How would you deal with these issues?
d. What market segments would be impacted by your evaluation of the NRA request?
e. What would you personally do in this illustration? Explain why?

Instructor's Discussion

This is a controversial assignment that is designed to get students to think about an issue from several perspectives. Certainly the amount of violence (and the use of guns with respect to this violence) will temper decisions and comments in this area. If students learn to deal with difficult issues now, however, they will be better prepared to address difficult issues in the future. No one can disagree that this organization is an effective marketer to a select group of people. Students can learn about this particular market segment by examining the opening page of the Web site and the various folders present. The ethical dilemma is more difficult to deal with. The NRA has deep pockets and many civic projects might need this support. Some will feel uncomfortable accepting the support. Is acceptance any different, however, then accepting support from cigarette, alcohol, or other controversial product manufacturers? That is the real issue to be discussed. Please feel free to change this assignment to fit circumstances and preferences. Please be forewarned that this assignment may not be for everyone.

Small Group Projects

S.T.A.R. Project #3

One of the hardest assignments for a marketing manager is how to reinvigorate a brand that has been around for a long time. Time-tested brands have met the needs of their consumers but often forget to keep pace with changes in the marketplace and new market segments that are constantly forming. One such time-tested brand is Rit Dye (see www.ritdye.com). Your group's assignment is to learn about Rit Dye and propose a new segmentation strategy for the organization that would boost sales. Consider existing segments and look for new ones. Be sure to justify your ideas. Visit the company's Web site to learn tips about of dyeing, view project suggestions, learn about color formulas and watch video tutorials in the Rit Studio. Write a short report about your experience and your segmentation strategy for the company.

Instructor's Discussion

Rit Dye has been an excellent marketer through the years and has provided products that have met a real need. When, however, is the last time you dyed something? That is the crux of Rit Dye's problem. Have students examine how the brand is used today and how its use might be expanded in the future. Notice the segments on the Web page devoted to tie-dyeing (yes, the same tie-dyeing that was done in the Flower Power '60s). This might give students a clue as to potential segments for the future.

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S.T.A.R. Project #4

Given the business challenges of the last few years, companies must always look for new ways to retain customers and enhance the value experience brought to them. One company that has specialized in this art is Carnival Cruise Lines. Carnival has learned how to target potential customers, provide fun and excitement for current customers, and bring loyal customers back again and again. Personal attention, e-mail reminders, and an interactive Web site have aided the company in building and maintaining relationships with customers. Your group's assignment is to construct a segmentation profile of Carnival's first time customers, current customers, and past customers. Though information specifics will be beyond your grasp, general information about these groups can be obtained via the company's Web site (see www.carnival.com). Your profiles should consider age, income, lifestyle, and other variables found in the chapter. Be creative (or contact a travel agent). Present your profiles to the class. How did your group's profiles match those of other groups? Based on your profiles, comment on any new perceived opportunities for Carnival based on your segmentation work.

Instructor's Discussion

The Carnival Web site provides a wealth of information about itself and its customers. Some of the information is straightforward and some must be presumed. Students are encouraged to create with this exercise. The experience will aid them in understanding how to use different bases of segmentation and construct segmentation profiles. This exercise can also be a springboard to the lifestyle information presented in the chapter.

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Consumer Behavior

Twelfth Edition

Chapter 2

Market Segmentation and Real-Time Bidding

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Learning Objectives

2.1 To understand how to segment markets along demographics, lifestyles, product benefits and usage, and media exposure.

2.2 To understand how to identify, select, and reach target markets.

2.3 To understand real-time bidding as compared with market segmentation.

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Usage-Occasion Segmentation

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Learning Objective 2.1

2.1 To understand how to segment markets along demographics, lifestyles, product benefits and usage, and media exposure.

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Two Types of Shared Characteristics

- Quantitative factors
  - Consumer-intrinsic
  - Consumption-based
- Cognitive factors
  - Consumer-intrinsic
  - Consumption-specific

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Marketers Combine Factors

- Demographics **determine** needs for products
- Psychographics **explain** buyers' purchase decisions and choices

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Demographic Segmentation

- Age
- Gender
- Marital Status
- Household type and Size
- Income and Wealth; Occupation
- Geographical location

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Age

- Age influences buying priorities
- Marketers target age groups
- Example: movie studios compete for teens and young adults each summer

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Gender

- Gender roles have blurred
- Gender less accurate to distinguish among consumers in some product categories than it used to be
- Some ads depict mean and women in roles traditionally occupied by the opposite gender
- Some products (e.g. skin care and snacks) are marketed differently to men and women

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Households

- Family life cycle
- Important occasions change consumption patterns

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Social Standing

- Social class
- Fluctuations affect marketing

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Ethnicity

- Members of the same culture often share the same values, beliefs, and customs.
- Marketers may target culturally distinct segments with the same product using different promotional appeals.

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Psychographics

Defined

Consumers' lifestyles, which include consumers' **activities**, **interests**, and **opinions**

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Table 2.1 Psychographic Measures (1 of 2)

Psychographic	Statements
Personal Values*	I have a sense of belonging. I seek fun and enjoyment in life. I am self-fulfilled. Financial security is important to me. My greatest achievements are ahead of me. I am more conventional than experimental. My social status is an important part of my life.
Apparel and Fashion*	I buy clothes I like regardless of current fashion. My friends often ask me for advice on fashion. Men do not notice women who do not dress well.

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Table 2.1 Psychographic Measures (2 of 2)

Psychographic	Statements
Gift Giving*	I generally give gifts because people expect me to. I try to give gifts that carry personal messages to recipients. Gifts always communicate love and friendship.
Personal Relationships*	I find it hard to speak in front of a group. When I make friends I always try to make the relationships work. I enjoy making my own decisions. Others usually know what's best for me.
Buying Online*	It requires too much time to set up accounts with online stores. The look of a website is an important factor in my buying decisions. I tell others about my experiences in buying online.
At Leisure**	Played adult games (e.g., cards or mahjong) Visited art gallery or museum Went hunting or shooting Went to the movies Attended a sporting event

* Responses on a "strongly agree" to "strongly disagree" scale

** Responses indicate the number of times respondents had engaged in the activity during the past 6 months.

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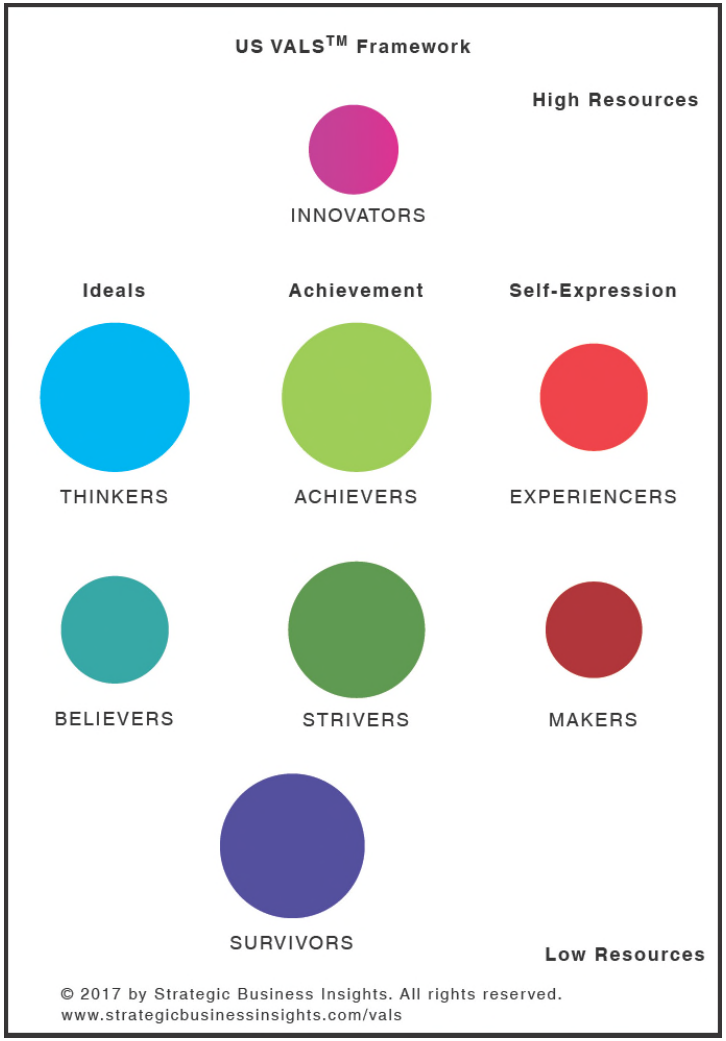

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Geodemographic Segmentation

- PRIZM ®
- Location, demographics, and consumer behavior
- Lifestage groups
- Urbanization and affluence
- ConneXions
- P$YCLE

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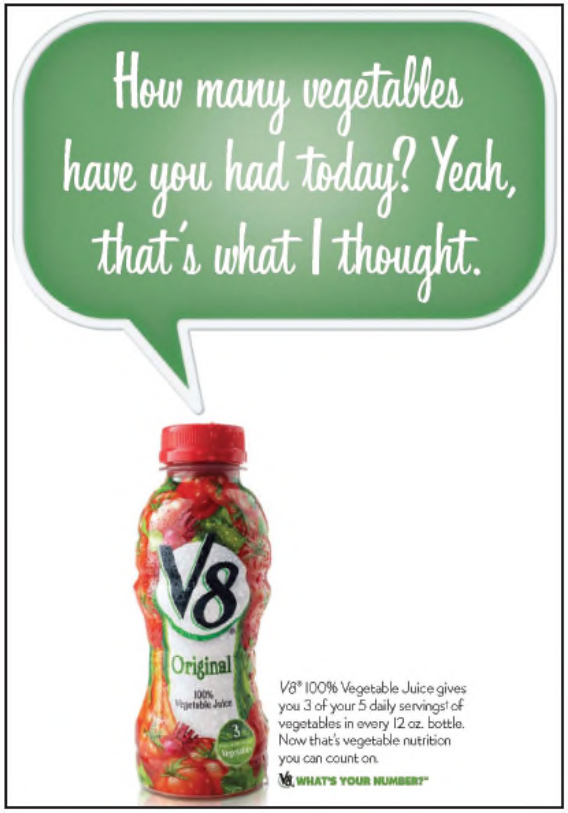
Benefit Segmentation

- Benefits sought represent consumer needs
- Important for positioning



Source: Campbell Soup Company

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Expectations of Service Providers

- Social Benefits
  - Recognized/known by staff
  - Treated in a way that they feel important/friendship
- Special Treatment Benefits
  - Helping when something goes wrong
  - Receiving priority treatment
- Confidence-Related Benefits
  - Feel confident service will be provided correctly
  - Clear descriptions of services and what to expect

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Product Usage

- Usage-rate segmentation (heavy, medium, light)
- Lots of competition for heavy users

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Learning Objective 2.2

2.2 To understand how to identify, select, and reach target markets.

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Airlines Example

- Coach
- Premium Economy (50% more than coach)
- Business Class (2+x Premium Economy)
- First Class (3-4x Business)

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Segments Should Be…

- Identifiable
- Profitable
- Reachable

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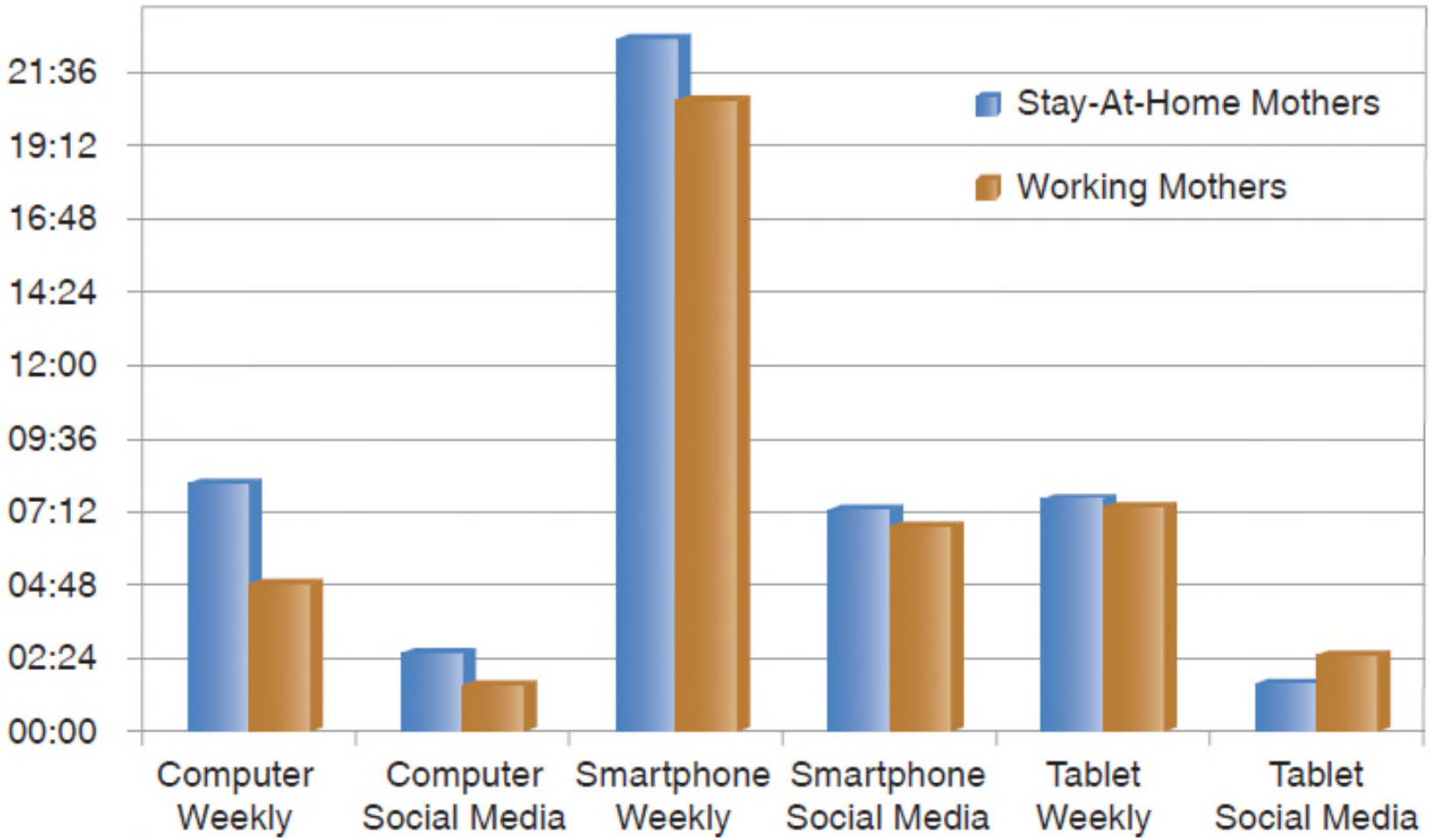
Reachable Market Segments



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Mobile Targeting

- Showrooming
- Geofencing
- Websites are versatile

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Learning Objective 2.3

2.3 To understand real-time bidding as compared with market segmentation.

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Real-Time Bidding (RTB)

Defined

A technique that allows advertisers to reach the right user in the right place at the right time, which also sets the price advertisers pay per impression or action

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Web Crawlers

Defined

Programs that capture content across the internet and transmit it to the data broker's servers

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Predictive Analytics

Defined

Measures that predict consumers' future purchases on the bases of past buying information and other data, and also evaluate the impact of personalized promotions stemming from the predictions.

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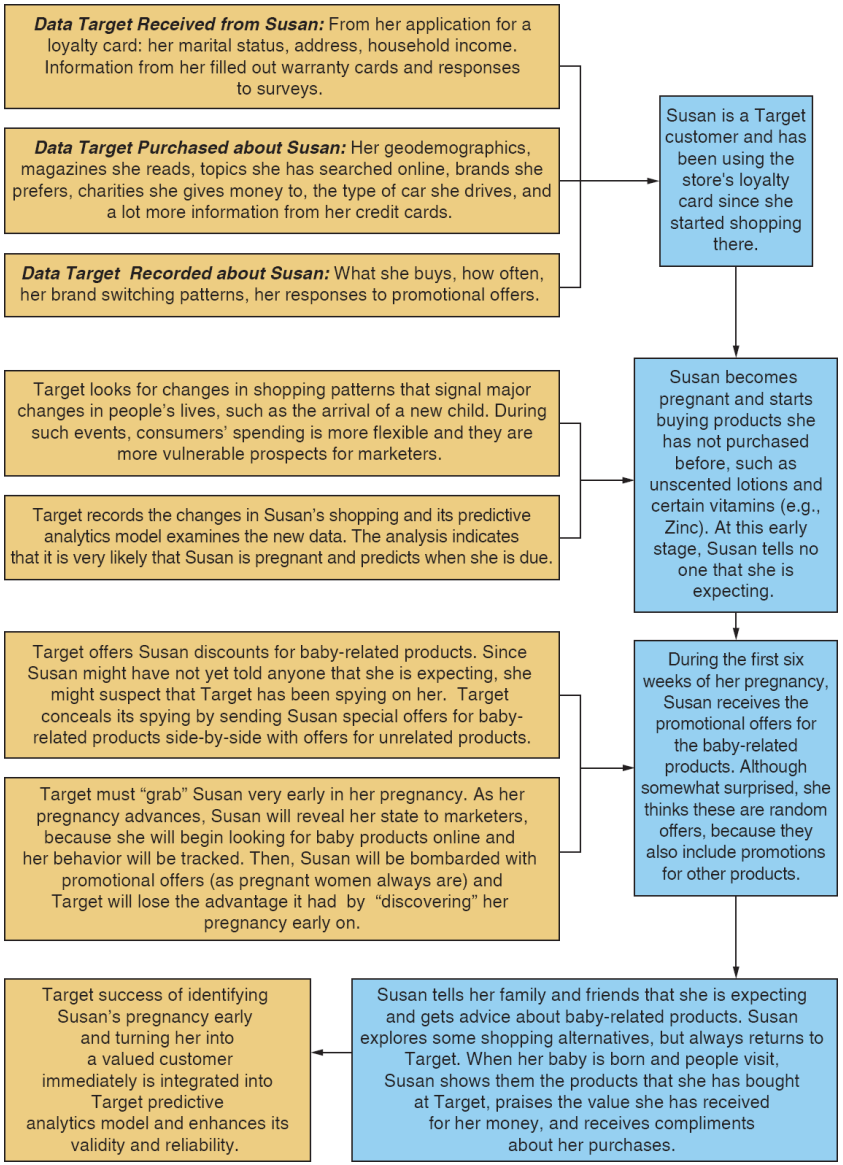
Application: Target



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Ad Exchange

Defined

A big pool of ad impressions – websites – paste their ad impressions into the pool, hoping someone will buy them

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