

Chapter Four
Targeting and the
Marketing Mix

M
start here.

Chapter Seven
How did Hyundai make sure Super Bowl viewers would remember the Sonata by spoofing an accent?

Chapter Twelve
How did Tim Sweeney use social media principles to make billions... by giving a game away for free?

Chapter Thirteen
How did ocean garbage help Corona create one of the best billboards in the world?

ADVERTISING
ARENS | WEIGOLD
4e

HOW DID MARS
MAKE FICTIONAL CANDY FIGURES SOME OF THE WORLD'S BEST KNOWN CELEBRITIES?
Chapter Eleven

**Mc
Graw
Hill**

M is Motivation. **M** is Momentum. **M** is Moving Forward. **M** is McGraw-Hill.

Learning Objectives

- 4-1** Describe the role of advertising in marketing.
- 4-2** Illustrate the methods advertisers use to segment and aggregate markets.
- 4-3** Explain how defining a target market enhances marketing strategy.
- 4-4** List the elements of the marketing mix and the role advertising plays in each.

Introduction

Advertising success is not just about what you say, but to whom you say it.

Marketers select specific markets that offer the greatest potential and fine-tune the mix of marketing elements to match the needs and wants of the target market.

The Larger Marketing Context of Advertising ¹

Customer Needs and Product Utility

Utility: product's ability to satisfy both functional needs and symbolic or psychological wants.

Five types of functional utility:

- Form: provides a tangible good.
- Task: performs a task.
- Possession: available for purchase.
- Time: available when wanted.
- Place: available where wanted.

Psychic utility: offers symbolic or psychological need satisfaction, such as status or sex appeal.

The Larger Marketing Context of Advertising ²

Exchanges: The Purpose of Marketing and Advertising

Exchange: trading one thing for another thing of value.

Exchanges are facilitated by marketing.

Satisfaction leads to:

- Higher repurchases.
- Positive word of mouth.

Satisfaction is reinforced by advertising.

The Market Segmentation Process¹

Steps in Market Segmentation

- Identifying groups with shared needs and characteristics.
- Aggregating (combining) the groups into larger segments through a marketing mix.

The Market Segmentation Process₂

Types of Markets

Target market: market segment or group within the market segment toward which all marketing activities will be directed.

- Consumers.
- Businesses.

Target audience: specific group of individuals to whom the advertising message is directed.

The Market Segmentation Process₃

Consumer Markets

- Target of most advertising.
- Usually sponsored by producers.
- **Consumers:** people who buy the product for their own or someone else's personal use.

The Market Segmentation Process⁴

Business Markets

Business advertising: directed at people who buy goods and services for resale, for use in a business or organization, or for manufacturing other products.

Three specialized advertising types:

- Trade: targets resellers to promote distribution.
- Professional: targets professionals in a given industry.
- Agricultural: targets farmers and those employed in agribusiness.

Segmenting the Consumer Market: Finding the Right Niche

Grouping consumers based on shared characteristics to tailor messages to their needs and wants.

Categories of market segmentation:

- Behavioristic.
- Geographic.
- Demographic.
- Psychographic.

Behavioristic Segmentation¹

Behavior segmentation: segmenting consumers based on the benefits being sought.

User status: measured by categorizing consumers based on the varying degrees of loyalty to certain brands and products.

- Sole.
- Semisole.
- Discount.
- Aware nontriers.
- Trial/rejectors.
- Repertoire users.

Segmentation by User



Although Apple is best known for its Macs, iPods, iPads, and iPhones, it uses its strong brand name to promote newer products such as the Apple Watch. For sole users, this ad reinforces their brand loyalty, and for repertoire users—those most likely to switch brands—it persuades them that Apple products are the superior choice.

Behavioristic Segmentation₂

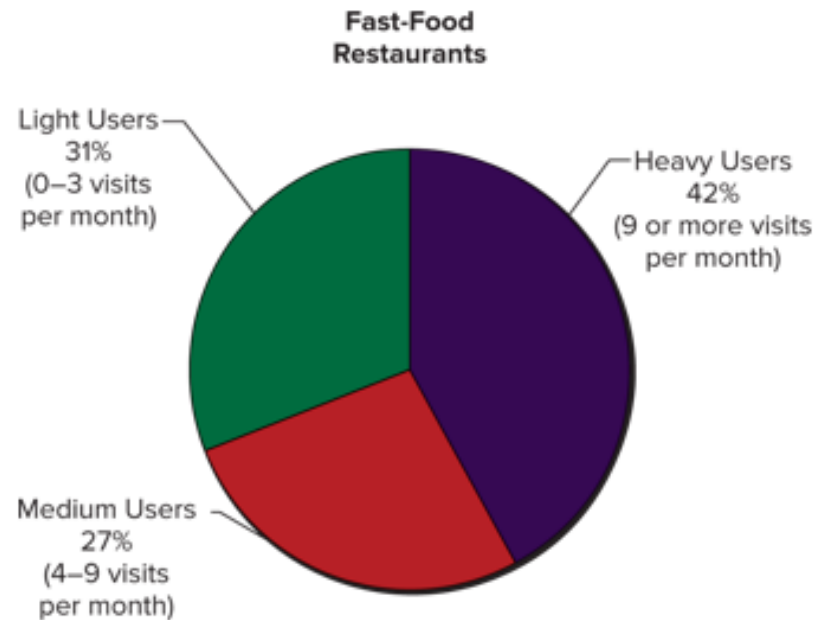
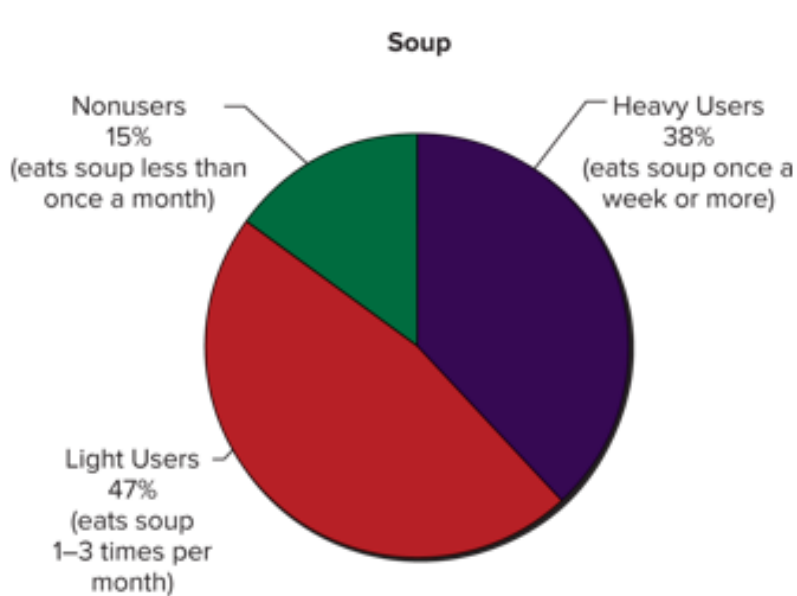
Usage rate: the extent to which consumers use a product (light, medium, heavy).

- **Volume segmentation:** defining consumers as light, medium, or heavy users of products.

Purchase occasion: segmenting markets on basis of when consumers buy and use a good or service.

- Affected by frequency of need, fads, seasons.

Exhibit 4-3 Usage Rates Vary for Different Products



[Access the text alternative for slide images.](#)

Behavioristic Segmentation₃

Benefit segmentation: segments consumers based on the benefits being sought.

Benefits: product attributes offered to customers, such as high quality, low price, symbolism.

Some product categories are characterized brand switching—from one purchase occasion to the next.

- Occurs in response to different need states.

Geographic Segmentation

Geographic segmentation: segmenting markets by geographic regions based on the shared characteristics, needs, or wants of people within a region.

- Information is critical in scheduling advertising.
- Even in local markets, geographic segmentation is important.

Demographic Segmentation₁

Demographic segmentation: defines a population's statistical characteristics with quantifiable factors including:

- Gender.
- Age.
- Ethnicity.
- Occupation.
- Income.

Exhibit 4-4 Projected U.S. Hispanic Population Growth Rate

Year	Hispanic (thousands)	Total U.S. (thousands)	Hispanics Percentage of Total
2015	57,075	321,363	17.8%
2020	63,784	333,896	19.1
2025	70,973	345,407	20.5
2030	78,655	358,471	21.9
2035	86,659	369,662	23.4
2040	94,876	380,016	25.0
2045	103,259	389,934	26.5
2050	111,732	399,803	27.9
2055	120,242	409,873	29.3
2060	128,780	420,268	30.6

Demographic Segmentation₂

Geodemographic segmentation: combines demographics with geographic segmentation to select target markets in advertising.

Underlying principles:

- People in the same neighborhood tend to be demographically similar.
- Geographically separated neighborhoods can be placed in the same category based on similar population characteristics.

Psychographic Segmentation¹

Psychographic segmentation: defining consumer markets based on psychological variables including:

- Values.
- Attitudes.
- Personality.
- Lifestyle.

Psychographics: grouping of consumers into market segments on the basis of psychological makeup.

Psychographic Segmentation₂

The Values and Lifestyles (VALS) classification system groups consumers based on two dimensions.

- **Primary motivation:** the pattern of attitudes and activities that help people reinforce, sustain, or modify their social and self-image.
- **Resources:** the range of psychological, physical, demographic, and material capacities that consumers can draw upon, including education, income, self-confidence, health, and eagerness to buy.

Limitations of Consumer Segmentation Methods

Oversimplifies consumer personalities and purchase behavior.

Overly complicates the process of identification.

Segmenting Business and Government Markets¹

Business Markets

Organizations that buy natural resources, component products, and services that they resell, use to conduct their business, or use to manufacture another product.

Special characteristics:

- Employ professional buyers and use systematic purchasing procedures.
- Concentrated geographically.
- Small number of buyers.

Segmenting Business and Government Markets₂

Business Purchasing Procedures

More rigid and complex than the consumer purchase process.

Buyers willing to pay more for favorite brands.

Slow—making a sale can take weeks to years.

Purchase decisions depend on:

- Price and quality.
- Product demonstrations.
- Delivery time.
- Terms of sale and dependability.

Segmenting Business and Government Markets₃

Industrial Classification System

- **North American Industry Classification System (NAICS) codes:** method used by the U.S. Department of Congress to classify all businesses based on broad industry groups, subgroups, and detailed groups of firms in smaller businesses.

Market Concentration

- Markets can be focused in specific regions or areas.
- Fewer buyers in business markets.

Exhibit 4-7 NAICS Hierarchy and Codes

Level	Code	Sector
Sector	51	Information
Subsector	513	Broadcasting and telecommunications
Industry group	5133	Telecommunications
Industry	51332	Wireless telecommunications carriers (except satellite)
U.S. industry	513321	Paging

A business marketer can use the NAICS codes to locate prospective companies in directories or in subscription databases.

Aggregating Market Segments

1. Selecting groups that have a mutual interest in the product's utility.
2. Reorganizing and aggregating the groups into larger market segments based on their potential for sales and profit.

Primary demand trend: projection of future consumer demand for a product category based on past demand and other market influences.

The Target Marketing Process¹

Target Market Selection

Target marketing: is the process by which an advertiser focuses its marketing efforts on a target market.

The first step is assessing which of the newly created segments offer the greatest profit potential and which can be most successfully penetrated.

- **Target market:** the market segment or group within the market segment toward which all marketing activities will be directed.

The Target Marketing Process₂

The Marketing Mix

The second step is matching products to markets.

Product concept: consumer's perception of a product or service as a "bundle" of utilitarian and symbolic values that satisfy functional, social, psychological, and other wants and needs.

Marketing mix: four elements that every company has the option of adding, subtracting, or modifying in order to create a desired marketing strategy.

- **Four Ps:** product, price, place, and promotion.

Advertising and the Product Element¹

Product Element

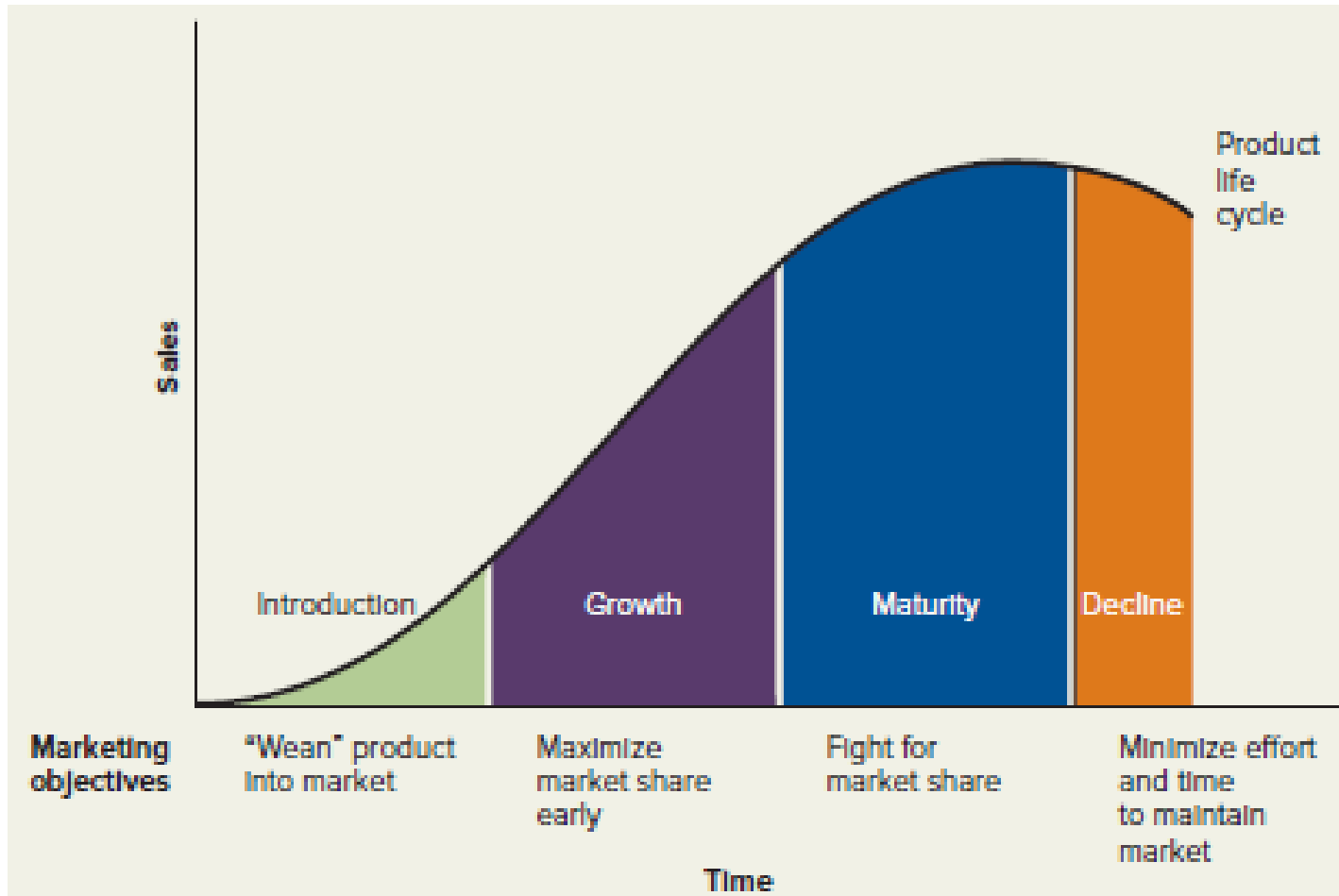
The most important element of the marketing mix: the good or service being offered, and the values associated with it—including the way a product is designed and classified, positioned, branded, and packaged.

Major activities include:

- Design.
- Classification.
- Positioning.
- Branding.
- Packaging.



Exhibit 4-10 A Product's Life Cycle



[Access the text alternative for slide images.](#)

Advertising and the Product Element₂

Product Life Cycles

Progressive stages in the life of a product—including introduction, growth, maturity, and decline—that affect the way a product is marketed and advertised.

Goals for new products:

- **Identify early adopters:** prospects most willing to try new products and services.
- **Create primary demand:** consumer demand for a whole product category.

Product Life Cycle₁

Introductory phase: initial phase when new product is introduced.

- Costs are highest, as heavy advertising must occur to establish a position and gain market share.
- Profits are lowest.

Product Life Cycle₂

Pull strategy: marketing, advertising, and sales promotion activities aimed at inducing trial purchase and repurchase by consumers.

Push strategy: marketing, advertising, and sales promotion activities aimed at getting products into the dealer pipeline and accelerating sales by offering inducements to dealers, retailers, and salespeople.

Product Life Cycle₃

Growth stage: period in a product life cycle marked by market expansion as more and more customers make their first purchases while others are already making their second and third purchases.

- Characterized by rapid market expansion.
- Competitors jump into the market, but the company with the early leadership position reaps the biggest rewards.
- Advertising expenditures decrease as a percentage of total sales.
- Individual firms realize first substantial profits.

Product Life Cycle₄

Maturity stage: point in product life cycle when the market has become saturated with products, the number of new customers has dwindled, and competition is most intense.

- Profits diminish.
- **Selective demand:** consumer demand for the particular advantages of one brand over another.
- Sales increase at expense of competitors.
- Market segmentation, product positioning, and price promotion become more important.

Product Life Cycle₅

Decline stage: stage in the product life cycle when sales begin to decline due to obsolescence, new technology, or changing consumer tastes.

- Cease promotions.
- Phase out the product.

Exhibit 4-11 Product Classifications

By Market	By Rate of Consumption and Tangibility	By Purchasing Habits	By Physical Description
Consumer goods	Durable goods	Convenience goods	Packaged goods
Industrial goods	Nondurable goods	Shopping goods	Hard goods
	Services	Specialty goods	Soft goods
		Unsought goods	Services

Product Positioning

Position: the way in which a product is ranked in a consumer's mind by the benefits it offers, the way it is classified or differentiated from the competition, or by its relationship to certain target markets.

- Position helps consumers remember the brand and what it stands for.
- Products may be positioned in different ways.

Product Differentiation

Differentiation: calling attention to product differences that appeal to the preferences of distinct target markets.

- **Perceptible differences:** differences between products that are visibly apparent to consumers.
- **Hidden differences:** imperceptible but existing differences that may affect the desirability of a product.
- **Induced differences:** distinguishing characteristics of products effected through unique branding, packaging, distribution, merchandising, and advertising.

Product Branding¹

Marketing function that identifies products and their source and differentiates them from all other products.

Brand: combination of name, words, symbols or designs that identifies the product and its source and distinguishes it from competing products—the fundamental differentiating device for all products.

Product Branding₂

Types of Brands:

- **Individual brand:** different brand name for each product a company makes.
- **Family brand:** group of products that can help each other under one umbrella name.
- **National brands:** product brands marketed in several regions of the country.
- **Private label:** products sold to distributors or dealers to be resold as their own brands at lower prices.
- **Licensed brands:** brand names that companies can buy the right to use.

The Role of Branding

Brands offer consumers instant recognition and identification.

- Establishes standards of quality, taste, size, or satisfaction.
- Offers differentiation.
- Builds brand loyalty and **brand equity**.

The World's Most Valuable Brand



The world's most valuable brand, for the third year in a row, is Amazon (www.amazon.com). How does Amazon use color, design, and simplicity to make its brand so recognizable? What comes to mind when you think about Amazon as a brand, and how do those thoughts compare with the ones you have for other retail brands?

Product Packaging

Offers marketer's last chance to communicate and promote.

Four considerations:

1. Identification.
2. Containment, protection, and convenience.
3. Consumer appeal.
4. Economy.

Copy points: copywriting themes in a product's advertising.

Differentiating by Packaging

Apple's product packaging is so beloved people record opening a new box and then post the experience online, a practice known as unboxing. Apple's products inspire great loyalty among the brand's users. How does the packaging and the experience of opening an Apple package complement the brand's image? What does Apple's careful consideration of the user experience say about the company?



Advertising and the Price Element

Price element: in the marketing mix, the amount charged for the good or service—including deals, discounts, terms, warranties, and so on.

Psychological pricing: influencing a consumer's behavior or perceptions using price.

Key Factors Influencing Price

- Market demand for the product.
- Costs of production and distribution.
- Competition and corporate objectives.

Advertising and the Distribution (Place) Element¹

Place (or distribution) element: how and where customers will buy a company's product.

Direct Distribution

- Selling directly to consumers without retailers.
- Advertising burden carried by manufacturer.
- **Network marketing:** individuals act as independent distributors for a manufacturer or private-label marketer.

Advertising and the Distribution (Place) Element₂

Indirect Distribution

- Selling to customers through a distribution channel that includes a network of resellers.
- **Resellers:** businesses that buy products from manufacturers or wholesalers and then resell the merchandise to consumers or other buyers.
- **Distribution channel:** network of all the firms and individuals that take title, or assist in taking title, to the product as it moves from the producer to the consumer.

Advertising and the Distribution (Place) Element₃

Other Types of Distribution

Intensive distribution: making goods available at every possible location so that consumers can buy with a minimum of effort.

Selective distribution: limiting the number of outlets or dealers to reduce distribution and promotion costs.

- **Cooperative (co-op) advertising:** sharing of advertising costs by the manufacturer and the distributor or retailer.

Exclusive distribution: limiting the number of wholesalers or retailers who can sell a product in order to gain a prestige image, maintain premium prices, or protect other dealers in a geographic area.

Vertical Marketing Systems: The Growth of Franchising₁

VMS: a system in which the main members of a distribution channel—producer, wholesaler, retailer—work together as a cooperative group.

Corporate: one company owns multiple levels.

Administered: one member is dominant and calls the shots.

Contractual: formal agreement between various levels.

- **Retail cooperative.**
- **Franchising.**

Vertical Marketing Systems: The Growth of Franchising₂

Franchising and other vertical marketing systems offer both manufacturers and retailers numerous advantages.

- Centralized coordination of marketing efforts.
- Substantial savings and continuity in advertising.
- Increased consumer recognition.
- Pathway for global market entry.

Advertising and the Promotion (Communication) Element

Promotion (Communication) Element

- Includes all market-related communications between the seller and buyer.

Marketing Communications

Various efforts and tools companies use to communicate with customers and prospects.

Major marketing tools:

- Advertising.
- Personal selling.
- Sales promotion.
- Direct marketing.
- Public relations.

Factors Important for Advertising Success

- Strong primary demand trend.
- Potential for significant product differentiation.
- Hidden qualities important to consumers.
- Opportunity to use strong emotional appeals.
- Substantial funds available to support advertising.



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