

# E-Marketing/7E

## Chapter 8

Segmentation, Targeting,  
Differentiation, and Positioning  
Strategies

# Chapter 8 Objectives

- After reading Chapter 8, you will be able to:
  - Outline the characteristics of the three major markets for e-business.
  - Explain why and how e-marketers use market segmentation to reach online customers.
  - List the most commonly used market segmentation bases and variables.

# Chapter 8 Objectives, cont.

- Outline several types of internet usage segments and their characteristics.
- Describe two important coverage strategies e-marketers can use to target online customers.
- Define differentiation and positioning and give examples of online companies using them.

# The 1-800-Flowers Story

- Jim McCann started 1-800-Flowers as a traditional retailer in New York City in 1976.
- In 1995, he extended the brand to the internet and offer 24/7 worldwide delivery.
- He used SAS data mining software to identify customer segments for better targeting.
  - The software analyzed the clickstreams and purchasing patterns of the firm's 21 million customers.

# The 1-800-Flowers Story, cont.

- 1-800-Flowers can respond to the segment of one person and their purchasing patterns.
- The Web site's Facebook page has nearly 500,000 likes, nearly 14,000 people talking about the site, and over 20,000 Twitter followers.
- Over half of its 4.6M online customers are repeat buyers.
- Why do you think better segmentation and targeting has lead to increased customer satisfaction?

# Segmentation & Targeting Overview

- Marketing segmentation is the process of grouping individuals or businesses, according to similarities in use, consumption, or benefits of a product or service.
- Market targeting is the process of selecting market segments that are most attractive to the firm.
  - Targeting segments can include accessibility, profitability and growth potential.



Segmentation  
( Make a choice )



Targeting  
( Increase relevance )



Positioning  
( In the consumers mind )

# Three Markets

- Three important markets sell to and buy from each other:
  - **Business Market:** Marketing of products for use in the business operation, as components, or for resale.
  - **Government Market:** Federal, state, county, city, and other agencies.
  - **Consumer Market:** The consumer market involves marketing goods and services to end consumers.

# U.S. Government Federal Business Opportunities

The screenshot displays the homepage of the Federal Business Opportunities (FBO) website. At the top, the logo reads "FEDBIZOPPS.GOV Federal Business Opportunities". Navigation tabs include Home, Getting Started, General Info, Opportunities, Agencies, and Privacy. A search bar highlights "Search more than 39,800\* active federal opportunities." with filters for Posted Date (Last 90 Days), Set-Aside Code (Any), Place of Performance (Any State or Territory), and Type (Any). A search button and a link to the advanced search form are provided. A right sidebar features sections for RECOVERY (with search buttons for opportunities and awards), FBO RECOVERY REPORTS (with links for opportunities and awards), and SMALL BUSINESS EVENTS (with a search button). An attention notice at the bottom left states: "ATTENTION: Agency users are responsible for properly uploading controlled, unclassified materials to FBO using the access control procedures for document packages and attachments detailed in the FBO Buyers Guide. Do not upload ANY classified materials to FBO."



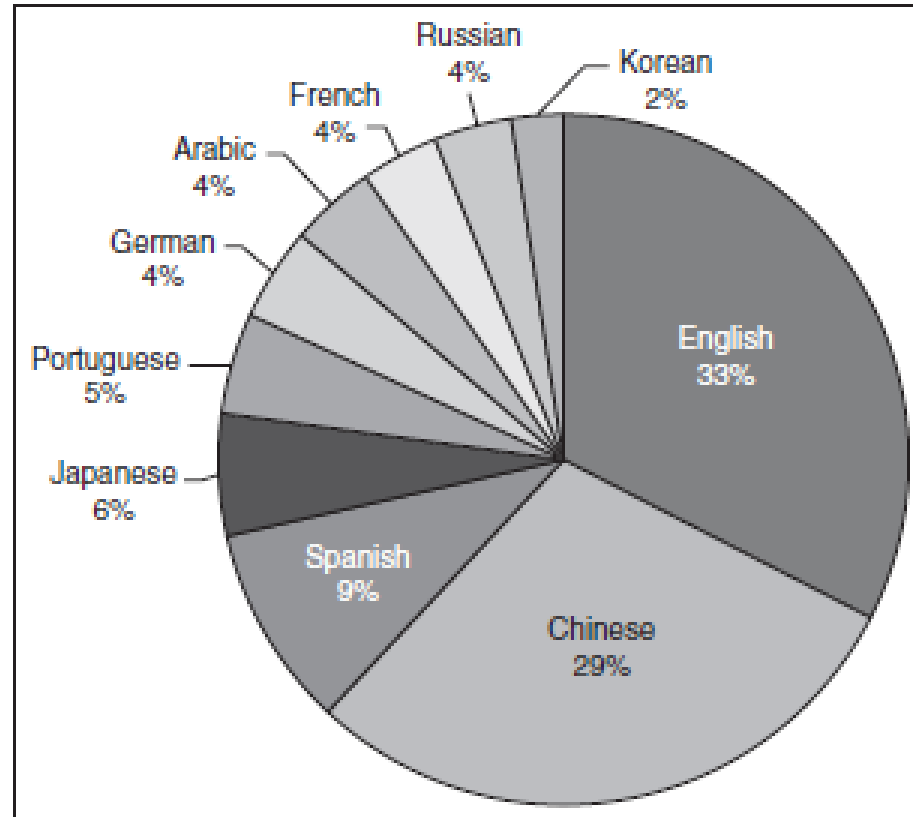
# Market Segmentation Bases and Variables

- Marketers create segments to identify and reach the right people at the right time.
  - Demographics
  - Geographic location
  - Psychographics
  - Behavior with regard to the product
- Claritas PRIZM System can also combine bases, such as **geodemographics** (geography and demographics).

# Geographic Segments

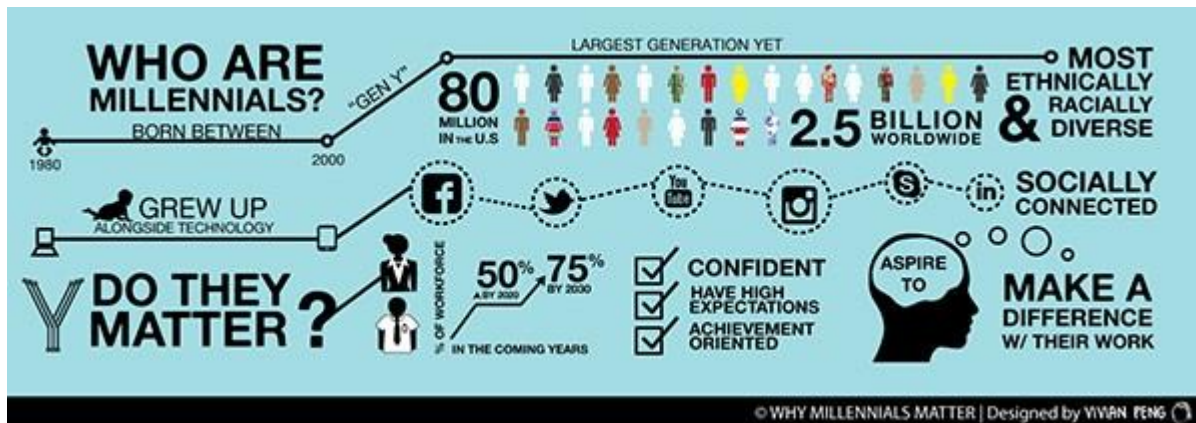
- Product distribution strategy is a driving force behind geographic segmentation.
- Countries may be segmented based on internet usage.
  - China has 513M users.
  - U.S. has 245M users.
- Geographic markets may also be evaluated by rates of global Facebook and search engine adoption, language spoken, and other variables.

# Top Internet Languages



# Demographic Segments

- In developed nations, users are much like the mainstream population demographically.
- Two market segments have recently caught the interest of e-marketers.
  - Millennials: 60 million people born between 1979 and 1994, over 95% use the internet.
  - Kids: Under 11 segment will more than double to 25 million by 2015.



# Psychographic Segments

- User psychographics include:
  - Personality
  - Values
  - Lifestyles
  - Activities
  - Interests
  - Opinions



# Interest Communities

- Exhibit 8.7 lists 10 important types of online communities, including social networking.
- Ways to target online communities:
  - Provide online discussion groups, bulletin boards, and events or through company-owned social network pages.
  - Advertise on another firm's community site.
  - The firm can join the communities and listen and learn from others.



[Edit Photo](#)

## Judy Strauss [Edit](#)

Marketing Professor at UNR

Reno, Nevada Area | Higher Education

[Post an update](#)

Current **Associate Professor of Marketing at University of Nevada, Reno**

[Edit](#)

**member at American Marketing Association** [Edit](#)

[+ Add a current position](#)

Past Associate Professor of Marketing at Central Connecticut State University

Financial Consultant at Merrill Lynch, Pierce, Fenner & Smith

Marketing Director at Pentagram Corporation (Burger King franchise)

[see all](#) ▾

Education Southern Illinois University, Carbondale

University of North Texas

University of Nevada-Reno

Recommendations **4 recommendations** [Edit](#)

Connections **379 connections**

# Attitudes and Behaviors

- Psychographic information helps e-marketers define and describe market segments.
- Some marketers believe that a segment's attitudes toward technology can help determine buying behavior.
  - Forrester Research measures attitudes toward technology with a system called Technographics, which identified 10 consumer segments in the U.S. (Exhibit 8.9).



# Influentials

- Influentials are individuals who are opinion leaders online. They include:
  - Online journalists, such as Arianna Huffington of *The Huffington Post*.
  - Industry opinion leaders, such as Brian Solis, author, speaker, analyst, and blogger.
  - Influential social network authors, such as Lady Gaga.

# Behavior Segments

- Two common segmentation variables are benefits sought and product usage.
  - Marketers using benefit segmentation to form groups of consumers based on the benefits they desire from products.
  - Marketers often segment by light, medium, and heavy product usage.
  - Marketers can segment users as brand loyal, loyal to a competitive product, switchers, and nonusers.

# Benefit Segments

- To determine benefits sought, marketers can look at what people actually do online.
- Online activities include connect, create, learn, enjoy, trade, and give.
- Marketers also check popular Web sites.
  - Microsoft, Google, and Yahoo! are consistently among the top Web sites in most countries.

# Usage Segments

- Marketers can segment according to technology-use characteristics such as smartphone, tablet, or PC and which browser they use.
- Mobile access: 55% of cell phone owners connect to the internet using smartphones.
- 90% of smartphone users have taken an action, such as booking a hotel, after searching.

# Online engagement level

- Forrester categorizes social media users according to usage segments that are highly engaged online:
  - Creators who gather other people's content, upload or share it.
  - Conversationalists.
  - Critics.

# Targeting Online Customers

- E-marketers select a targeting strategy.
  - Which targets to serve online.
  - Which locations.
  - Other factors.
- Two targeting strategies are well-suited for the internet.
  - Niche marketing.
  - Micromarketing (individualized targeting).
- The internet's big promise is individualized targeting.

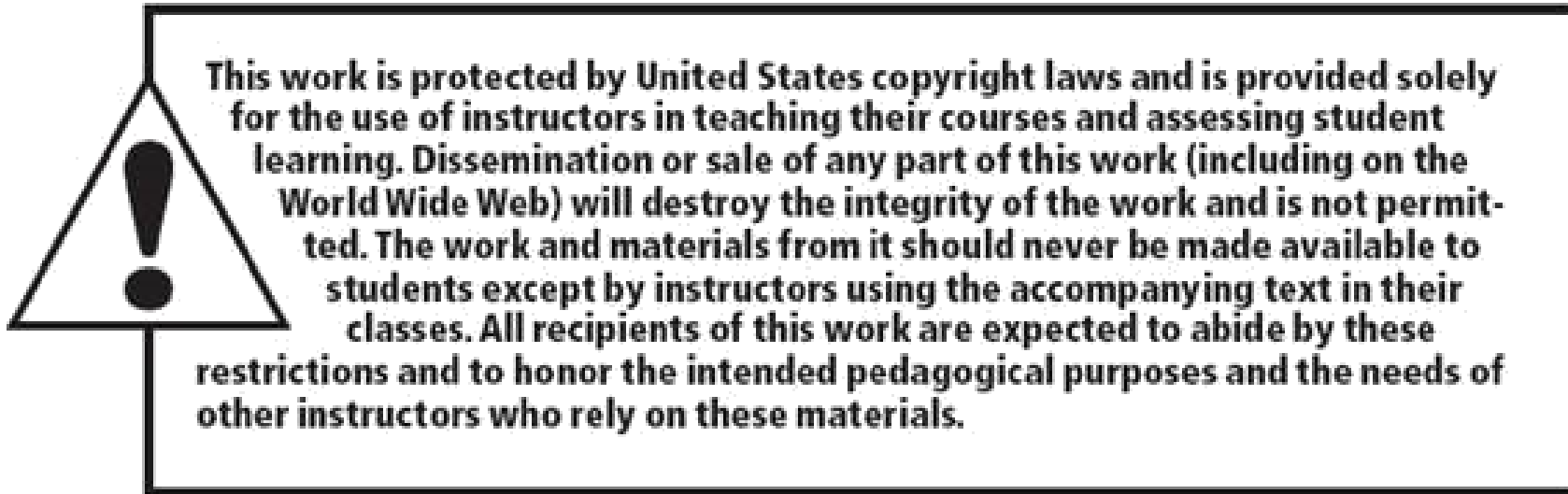
# Differentiation Online

- Differentiation is what a company does to the product to convince the market that the product has specific advantages.
- A company can differentiate its offering along many dimensions, including:
  - Product innovation
  - Mass customization
  - Service differentiation
  - Channel differentiation
  - Site atmospherics
  - User generated content

# Online Positioning Bases

- Positioning is a strategy to create a desired image for a company and its products in the minds of a chosen user segment.
- The e-marketer's goal is to build a position on one or more bases that are relevant and important to the consumer.
- Firms can position based on technology, benefits, user category, or competitive position.
  - The brand story must be told from the customer's viewpoint.





All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher. Printed in the United States of America.

Copyright © 2014 Pearson Education, Inc.  
Publishing as Prentice Hall