Segmentation Learning Module

Learning Module Components

* Key terms (below)
* Links to online sources (below)
* Readings (below)
* Discussion questions (below)
* Teaching Notes
* Quiz questions (sample below)
* Assignment (in a separate file)
* PowerPoint slides (in a separate file)

Key Terms:(see Glossary for definitions)

* Market
* Market Segment
* Target Market
* Prospect
* Perceived Product Use Situation
* Segmentation Variable
* Demographic Segmentation
* Geographic Segmentation
* Psychographic Segmentation
* Behavioral Segmentation

Helpful Links:

[QuickMBA on Segmentation](http://www.quickmba.com/marketing/market-segmentation/)

[Investopedia on Segmentation](https://www.investopedia.com/terms/m/marketsegmentation.asp)

Suggested Reading:

[Open access chapter on market segmentation](https://openstax.org/books/principles-marketing/pages/5-1-market-segmentation-and-consumer-markets)

[Summaries, Slides, and Quotes from Fennell’s 1978 Article](https://fennellstory.com/accessible-research#f4b66787-25c9-4bb8-a926-ff113a1d33d7)

Discussion Questions:

* What is Market Segmentation?
* How does segmentation enable firms to add more value?
* How does Fennell’s perspective on markets change segmentation?
* What are the attributes of a good segment?
* What makes some segmentation variables more effective for a given product?
* What makes someone a good prospect?

Glossary:

* **Aggregation**: one way to create market segments is to view the market as a group of single, diverse individuals and group them together into segments based on their similarities. This process effectively begins with segments of one. Aggregation and disaggregation may create similar segmentation schema, but are different ways of perceiving the process.
* **Disaggregation**: in disaggregation, the market is considered as a whole and then divided into segments based on differences. For instance, teenagers in Houston, Texas, could be considered a market. Disaggregation would break this group into segments based on elements such as age, grade in school, geographic location, sports participation, etc. Aggregation and disaggregation may create similar segmentation schema, but are different ways of perceiving the process.
* **Market**: A defined group of potential prospects
* **Perceived Product-Use**: In Fennell’s model this represents the individual’s current concerns and interests relevant to the product category, their appetite for the product. This results from the interaction of environmental variables and their personal characteristics, experience, and situation.
* **Prospect**: a consumer or business with a greater-than-zero probability of purchasing the product category
* **Segment**: a group of prospects who have wants and needs that are similar enough to be served by a single market offering (product, price, distribution, and promotion)
* **Segmentation**: the process of designating segments in the market
* **Segmentation variable**: a variable is a factor that can take on different values. Examples include things like age, income, education level, lifestyle, etc. A segmentation variable is an element that is used to divide the market into different groups, each of which contains prospects with similar wants and needs.
* **Target market**: The segment or set of segments on which a firm focuses their marketing efforts.

Teaching Note:

This learning module can be used as a first exposure to the concepts of segmentation or as a review included in an advanced marketing class. It introduces the students to the basics and then expands their view of segmentation, using material from the work of Geraldine Fennell.

Learning Goals:

* Basics of traditional segmentation techniques
* Limitations of attribute-based segmentation
* An understanding of segments based on occasions, a prospect approach

Sample Quiz Questions:(Full question set with answer key is available for professors)

What is the primary purpose of market segmentation?

|  |  |  |
| --- | --- | --- |
|  |  | To increase advertising costs |
|  |  | To divide a target market into smaller, precisely defined groups |
|  |  | To target a single, broad audience with one marketing message |
|  |  | To eliminate the need for advertising |

What type of segmentation would a company use to focus on holiday or season-specific purchases?

|  |  |  |
| --- | --- | --- |
|  |  | Geographic |
|  |  | Demographic |
|  |  | Occasion/Behavioral segmentation |
|  |  | Income segmentation |

Which segment refers to the "why" people buy?

|  |  |  |
| --- | --- | --- |
|  |  | Geographic |
|  |  | Demographic |
|  |  | Behavioral |
|  |  | Psychographic |

Behavioral segmentation can be divided into which of the following segments?

|  |  |  |
| --- | --- | --- |
|  |  | Benefit, occasion, and usage-based segmentation |
|  |  | Geographic, demographic, and psychographic segmentation |
|  |  | Age, gender, and income segmentation |
|  |  | Lifestyle, personality, and values segmentation |

What principle asserts that 80 percent of a company's revenue comes from the top 20 percent of repeat or loyal customers?

|  |  |  |
| --- | --- | --- |
|  |  | The Pareto principle |
|  |  | The VALS framework |
|  |  | The AIO variables |
|  |  | The product life cycle |

What is a key advantage of demographic segmentation?

|  |  |  |
| --- | --- | --- |
|  |  | It requires less research compared to other segmentation types |
|  |  | It helps target marketing messages based on common demographic factors |
|  |  | It eliminates the need for behavioral segmentation |
|  |  | It focuses exclusively on the customer's geographical location |

Which of the following is NOT a basis for demographic segmentation?

|  |  |  |
| --- | --- | --- |
|  |  | Personality |
|  |  | Income |
|  |  | Age |
|  |  | Education |

Which segmentation focuses on the consumer's interaction with the product or service?

|  |  |  |
| --- | --- | --- |
|  |  | Geographic |
|  |  | Demographic |
|  |  | Behavioral |
|  |  | Psychographic |

In psychographic segmentation, what does AIO stand for?

|  |  |  |
| --- | --- | --- |
|  |  | Activities, Interests, and Opinions |
|  |  | Age, Income, and Occupation |
|  |  | Attitude, Intelligence, and Outlook |
|  |  | Allocation, Intuition, and Organization |

What type of segmentation focuses on the "where" aspect?

|  |  |  |
| --- | --- | --- |
|  |  | Demographic |
|  |  | Geographic |
|  |  | Psychographic |
|  |  | Behavioral |