CHAPTER OBJECTIVES

1. Identify the essential components of a market.
2. Outline the role of market segmentation in developing a marketing strategy.
3. Describe the criteria necessary for effective segmentation.
4. Explain the geographic, demographic, and psychographic approaches to segmenting consumer markets.
5. Describe product-related segmentation.
6. Identify the steps in the market segmentation process.
7. Discuss four basic strategies for reaching target markets.
8. Summarise the types of positioning strategies, and explain the reasons for positioning and repositioning products.
SOME ADULTS ADMIT TO WATCHING AMERICAN IDOL. OTHERS DON’T. BUT TEENS AND PRETEENS ARE WILD ABOUT THE REALITY TALENT SHOW, AND THEY AREN’T HIDING THEIR OBSESSION. THEY LIKE CANADIAN IDOL TOO BUT AMERICAN IDOL TOPS THE RATINGS. ASK A TEEN, AND YOU’LL GET A COMPLETE RUNDOWN OF ALL THE AMERICAN IDOL WINNERS AND RUNNERS-UP. AFTER SEVERAL SEASONS ON THE AIR, THE SHOW REMAINS A RATINGS HIT. ONE SEASON PREMIERE BROUGHT THE HIGHEST ENTERTAINMENT RATINGS IN THE NETWORK’S HISTORY. VIEWER NUMBERS DIDN’T FALL OFF AFTER THAT EITHER. WHEN SLOTTED HEAD-TO-HEAD AGAINST OTHER EVENTS—LIKE THE OLYMPICS, HOCKEY PLAYOFFS, OR THE GRAMMY AWARDS SHOW—IDOL WON HANDS DOWN. THIS MAY SEEM AN IRONIC TWIST OF FATE, BECAUSE THE CONTestANTS ON AMERICAN IDOL HOPE TO TAKE HOME THEIR OWN GRAMMY SOMEDAY.

Idol is the biggest hit with teen girls, despite the producers’ decision to raise the age limit of contestants to 28. “To me, the best part of the show is all the singers,” explains one teen. “I like to watch them as they try out and see if I can pick the one that’s going to make it all the way.” executive producer ken warwick points out the social aspect of the show for teens at school. “When they go to school the next day, it’s become the show to watch, and if they haven’t seen it, they’ve got a problem,” he observes. parents note that there aren’t many shows targeted for their teens and preteens—many shows are pitched to younger kids, while shows for adults contain too much sex and violence.

Teens aren’t just watching the show on television. they visit the show’s website in huge numbers, even between seasons. the site averages 3 million visitors each season, a statistic that includes adults as well as children. network executives now view the site as a year-round business unit, not just a support structure for the show while it is airing.

although teens are perhaps the most passionate idol fans, they aren’t the only ones. marketing research reveals that adults who watch reality-talent television have certain characteristics. they tend to be active in sports such as jogging, swimming, and golf. they gravitate toward new cars and cell phone services. and they eat at fast-food restaurants 10 or more times a month. these findings help the network and its advertisers create commercials and other marketing messages that target the right audience.

But idol doesn’t exclude its younger viewers from marketing efforts. parents who are searching for the latest birthday party theme can let their kids host their very own american idol party. parents can order an entire idol birthday party package—complete with invitations, party favours, decorations, and contestant numbers.

The success of American Idol through several seasons illustrates how vital it is for marketers to identify and target a market with their messages. If they hit just the right note, their messages may reach the stars.1

connecting with customers

Reality shows, like Canadian Idol and American Idol, have been very successful. This success is a result of the show producers finding the right type of show for each part of the market or each market segment. Along with the entertainment reality shows, there are the romance reality shows The Bachelor and the intellectual reality shows The Apprentice.2
Chapter Overview

Each of us is unique. We come from different backgrounds, live in different households, and have different interests and goals. You and your best friend may shop at different stores, listen to different music, play different sports, and take different courses in college. Suppose you like country music, but your best friend prefers oldies hits. Marketers for all kinds of music-related products, ranging from CDs to live concerts, want to capture your interest as well as that of your friends. Do you play an instrument or sing, or are you a fan who goes to clubs and downloads music? Marketers look at current customers and potential customers to figure out what their characteristics are, whether they can identify certain subgroups, and how they can best offer products to meet their needs. Your interests and needs, your lifestyle and income, the city where you live, and your age all contribute to the likelihood that you will listen to and buy certain types of music. All these factors make up a market. A market is composed of people with sufficient purchasing power, authority, and willingness to buy. And marketers must use their expertise to understand the market for a good or service, whether it’s a download by the latest American Idol winner, a new radio station, or a 12-string guitar.

Many markets include consumers with different lifestyles, backgrounds, and income levels. Nearly everyone buys toothpaste, but that does not mean every consumer has the same lifestyle, background, or income. So it is unusual for a single marketing mix strategy to attract all sectors of a market. By identifying, evaluating, and selecting a target market to pursue, such as consumers who prefer toothpaste made with all-natural ingredients or those who want an extra-whitening formula, marketers are able to develop more efficient and effective marketing strategies. On the other hand, some products—such as luxury sports cars or fly fishing supplies—are intended for a more specific market. In either case, the target market for a product is the specific segment of consumers most likely to purchase a particular product.

Marketing now takes place on a global basis more than ever, incorporating many target markets. To identify those markets, marketers must determine useful ways for segmenting different populations and communicating with them successfully. This chapter discusses useful ways to accomplish this objective, explaining the steps of the market segmentation process and surveying strategies for reaching target markets. Finally, it looks at the role of positioning in developing a marketing strategy.

Assessment check 1

1. Define target market.
2. Distinguish between a consumer product and a business product.

Types of Markets

Products are usually classified as either consumer products or business products. Consumer products are bought by ultimate consumers for personal use, such as cell phones or fashion magazines. Business products are goods and services purchased for use either directly or indirectly in the production of other goods and services for resale. Most goods and services purchased by individual consumers, such as DVDs, or restaurant meals, are considered consumer products. Rubber and raw cotton are examples of items generally purchased by manufacturers and are, therefore, classified as business products. Goodyear buys rubber to manufacture tires; textile manufacturers convert raw cotton into cloth.

However, in many cases, a single product can serve different uses. Tires purchased for the family car constitute consumer products. But tires purchased by General Motors to be mounted on its Chevy Tahoe are business products because they become part of another product destined for resale. Or a product that was once a business product might be modified for consumer use, and vice versa. A line of professional cookware sold to restaurants—a business product—could be adapted by its...
manufacturer to become a line of cookware for home use—a consumer product. If you want to
determine the classification of an item, just think about who is going to buy the product, who will use
it, and how or why the product will be used. The bottle of mouthwash you buy at the supermarket
is a consumer product, but if a large hotel chain purchases large quantities of the same mouthwash
from a wholesaler, it becomes a business product.

### THE ROLE OF MARKET SEGMENTATION

There are 6.5 billion people in the world today, roughly 33 million of whom live in Canada. In today’s
business world, there are too many variables in consumer needs, preferences, and purchasing power to
attract all consumers with a single marketing mix. That’s not to say that firms must actually change
products to meet the needs of different market segments—although they often do—but they must
attempt to identify the factors that affect purchase decisions and then group consumers according to
the presence or absence of these factors. Finally, they adjust marketing strategies to meet the needs of
each group.

Consider motor vehicles. Unlike a century ago, when Henry Ford pronounced that customers could
order any colour of car they liked—as long as it was black—today there is a make, model, and colour
for every taste and budget. But auto manufacturers need to adjust their messages for different markets.
And savvy marketers are looking toward markets that show growth, such as the Chinese population,
which is the largest ethnic group in the country, and the aging baby boomers, whose need for goods
and services are changing.

The division of the total market into smaller, relatively homogeneous groups is called **market
segmentation**. Both profit-oriented and not-for-profit organizations practise market segmentation.

### CRITERIA FOR EFFECTIVE SEGMENTATION

Segmentation doesn’t automatically guarantee success in the marketing arena; instead, it is a tool
for marketers to use. Its effectiveness depends on the following four basic requirements.

First, the market segment must present measurable purchasing power
and size. With jobs, incomes, and decision-making power, female con-
sumers represent a hefty amount of purchasing power. Women make up
half the potential market for many new electronic products. In fact, research
shows that 70 percent of all consumer electronic purchases are influenced by
women.

Companies such as Canadian Tire, Rona, and Home Depot recognize
the importance of women to their success. Armed with research showing
that women initiate more than 80 percent of home improvement projects—
especially large ones such as remodelling a kitchen or adding a bathroom—
these companies have refocused their marketing efforts to target women. They
have made their stores more comfortable for browsing, with wider aisles, clear
signs to direct shoppers, and more salespeople who can answer their questions.
The companies also stock more appliances and home decor items, from paints
to laminate floors to Jacuzzi tubs. Such efforts have rebuilt these companies’
reputations and competitiveness in the home improvements retail market.

Second, marketers must find a way to promote effectively and to serve
the market segment. Because women now wield such purchasing power in the
technology market, marketers need to find different ways to appeal to them.
Some companies have taken this advice to heart. Research in Motion, who
manufactures the BlackBerry, has created ads featuring working mums.

Third, marketers must then identify segments that are sufficiently large
to give them good profit potential. Since women—who make up about half
of the Canadian population—are influencing 70 percent of all electronic pur-
chases as we saw earlier, there is plenty of profit potential for the electronics

**business products** Goods
and services purchased
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**market segmentation** Division of the total
market into smaller,
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groups.
One industry expert explained that women purchase electronics differently from men. While men want bigger, better, and faster, women want technology that will enhance their lives. Electronic retailers will have to develop marketing strategies that take in the differences in order to capture these female electronic shoppers.

And fourth, the firm must aim for segments that match its marketing capabilities. Targeting a large number of small markets can be an expensive, complex, and inefficient strategy, so smaller firms may decide to stick with a particular niche, or target market. To compete for women's business, an electronic retailer could install a supervised play area for children while their mothers shop. It could create showrooms made to look like real living rooms and family rooms with the latest entertainment equipment installed, so women could see how the products would look in their own homes.

Market segmentation attempts to isolate the traits that distinguish a certain group of consumers from the overall market. An understanding of the group's characteristics—such as age, gender, geographic location, income, and buying patterns—plays a vital role in developing a successful marketing strategy. In most cases, marketers seek to pinpoint a number of factors affecting buying behaviour in the target segment. Marketers in the travel industry consider employment trends, changes in income levels and buying patterns, age, lifestyle, and other factors when promoting their goods and services. To boost flagging attendance at its theme parks, Disney World has been advertising to adults who are empty nesters and groups of friends instead of focusing entirely on families with young children. Marketers rarely identify totally homogeneous segments, in which all potential customers are alike; they always encounter some differences among members of a target group. But they must be careful to ensure that their segments accurately reflect consumers.

In the next sections, we discuss the four common bases for segmenting consumer markets: geographic segmentation, demographic segmentation, psychographic segmentation, and product-related segmentation. These segmentation approaches can give important guidance for marketing strategies, provided they identify significant differences in buying behaviour.

Marketers have long practised geographic segmentation—dividing an overall market into homogeneous groups on the basis of their locations. Geographic location does not ensure that all consumers in a location will make the same buying decisions, but this segmentation approach does help identify some general patterns. Campbell Soup uses this approach for some of its products, as described in the "Marketing Success" feature.

The roughly 33 million people living in Canada are not scattered evenly across the country. Instead, they are concentrated in major metropolitan areas. Toronto is the largest city, with a population of 5.4 million. Montreal is the second largest with 3.6 million, and third place goes to Vancouver at 2.2 million. The provinces with the most residents are Ontario (12.8 million), Quebec (7.7 million), British Columbia (4.3 million), Alberta (3.4 million), and Manitoba (1.1 million). By contrast, Prince Edward Island has a population of only 138 000, 32 000 of whom live in Charlottetown.

A look at the worldwide population distribution illustrates why so many firms are pursuing customers around the globe. China has the most citizens, with 1.3 billion people, and India is second with 1.1 billion. The United States is third with about 300 million, and Indonesia is fourth with 248 million. Japan is a distant tenth with 127 million. As in Canada, much of the world's population lives in urban environments. The two largest cities in the world are Shanghai, China, with 14.6 million, and Bombay,
India, with 12.6 million. The two largest metropolitan areas are Tokyo, Japan, with almost 37 million and New York, with nearly 19 million.  

Population size alone, however, may not be reason enough for a business to expand into a specific country. Businesses also need to look at a wide variety of economic variables. Some businesses may decide to combine their marketing efforts for countries that share similar population and product-use patterns instead of treating each country as an independent segment. This grouping is taking place with greater frequency throughout the European Union as the currency and trade laws of the member nations are becoming more unified.

While population numbers indicate the overall size of a market, other geographic indicators such as job growth can also give useful guidance to marketers depending on the type of products they sell. Automobile manufacturers might segment geographic regions by household income because it is an important factor in the purchase of a new car.

Geographic areas also vary in population migration patterns. The most recent census data indicate that 68 percent of the population lives in 33 metropolitan areas across the country. These 33 metropolitan areas accounted for 90 percent of the population growth. The largest growth was in Alberta at 10.6 percent and Ontario at 6.6 percent. The fastest growing cities in Canada are Barrie, Ontario, and Calgary, Alberta, which in one year showed growth rates of 19.2 percent and 13.4 percent respectively.

The move from urban to suburban areas after World War II created a need to redefine the urban marketplace. This trend radically changed cities’ traditional patterns of retailing and led to the decline in many downtown shopping areas—although recent trends have been toward the revitalization of downtown areas. Subsequently, traditional city boundaries became almost meaningless for marketing purposes.

**marketing success**

**Campbell’s Segments Its Soups**

**Background.** Your supermarket no doubt has at least one shelf filled with Campbell’s Soups. Whether you want classic chicken noodle or something trendier, you have plenty of recipes from which to choose. But if you visit a supermarket in a different part of the country, you might see different selections. That’s because Campbell’s has figured out how to target the populations of diverse markets.

**The Challenge.** Not everyone in Canada wants tomato or chicken and rice soup for lunch. Some prefer New England clam chowder, while others crave French Canadian pea or bean with bacon. Still others are watching carbs or calories and want their soup to be low in either or both. And some consumers follow a low-salt diet, so they want their tomato or chicken soup to be a low-sodium concoction. Campbell’s has figured out not only what wants but also what their ethnic background is and where they live.

**The Strategy.** Campbell’s has identified a range of market segments, including ethnic and regional components. In addition to serving these markets in Canada, Campbell’s has operations in countries such as Mexico, France, and Ireland, where it offers products created specifically for the tastes of those consumers. People who want Mexican flavors can enjoy tortilla soup; French consumers prefer Liebig, which is soup packaged in cartons. For consumers who are health conscious, Campbell’s has created its Healthy Request line of soups, including bean and vegetable, herbed chicken noodle, and vegetable beef with barley.

**The Outcome.** By segmenting consumers, Campbell’s has been able to serve up exactly what each segment wants in its soup bowls. The firm continues to create new recipes, and it has recently been recognized with the Blood Pressure Canada Certificate of Excellence for its sodium-reduction efforts and industry leadership.

In an effort to respond to these changes, the government has classified urban data into the following categories:

1. A **census metropolitan area (CMA)** is the largest classification. A CMA is a geographic area surrounding an urban core with a population of at least 100,000. Once Statistics Canada classifies an area as a CMA, it will always count as a CMA even if the population drops below 100,000. As of the 2006 census, there were 33 CMAs across the country, including six new ones—Brantford, Guelph, Peterborough, Barrie, Moncton, and Kelowna. CMAs are further divided into census subdivisions if certain conditions are present.

2. A **census agglomeration (CA)** is virtually the same as a CMA except it is smaller. The population of a CA is between 10,000 and 99,999.

   In defining CMAs and CAs, Statistics Canada has kept in mind that many companies use both Canadian and American statistics to compare markets. Although the methods used by both countries are not identical, they are similar enough that markets from both countries can be compared.14

### USING GEOGRAPHIC SEGMENTATION

Demand for some categories of goods and services can vary according to geographic region, and marketers need to be aware of how these regions differ. Marketers of major brands are particularly interested in defining their **core regions**, the locations where they get 40 to 80 percent of their sales.

Residence location within a geographic area is an important segmentation variable. City dwellers often rely on public transportation and may get along fine without automobiles, whereas those who live in the suburbs or rural areas depend on their own cars and trucks. Also, those who live in the suburbs spend more on lawn and garden care products than do people in the city.

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**Figure 8.1**

*Canada’s 10 Largest Cities*

Climate is another important segmentation factor. Consumers who live in chilly areas, for example, eat more soup than people who live in warmer southern climates. But here’s a surprise—they also eat a great deal of ice cream!

Geographic segmentation provides useful distinctions when regional preferences or needs exist. A consumer might not want to invest in a snow blower or flood insurance but may have to because of the location of his or her home. But it’s important for marketers not to stop at geographic location as a segmentation method because distinctions among consumers also exist within a geographic location. Consider those who relocate from one region to another for work or family reasons. They may bring with them their preferences from other parts of the country. Using several segmentation variables is probably a much better strategy for targeting a specific market.

**GEOGRAPHIC INFORMATION SYSTEMS (GISs)**

Super Bowl Sunday is more than a sporting event—it is also the single biggest sales day of the year for pizza. On that day alone hundreds of thousands of pizzas are delivered across the country. For companies in the pizza business it is important that they have a delivery system that is as streamlined and efficient as possible. Delivery companies traditionally plan their routes by using statistical databases, maps, and reports. These sources provide valuable information through your career, you’ll work with people of all shapes and sizes. You’ll probably serve a great variety of customers as well. Recently, some customers have complained that they have received poor service from retailers and other businesspeople because of their weight. Researchers have conducted studies, sending shoppers out to investigate, and learned that the complaints are generally valid. Overweight shoppers were ignored or treated rudely, and they often left the store without purchasing anything.

Discrimination of any kind is unethical, and to overlook or mistreat a customer based on appearance, including obesity, is a poor marketing practise. Every customer deserves to be treated with dignity. But a good marketer can turn the situation into a win-win for both parties simply by approaching each customer with respect and friendliness. The customer will feel better, is more likely to make a purchase, and may even return. Here are a few ways you can monitor your own behaviour toward others so that you say (and do) the right thing:

1. Don’t stare. Instead, make eye contact with the person with whom you are dealing. Focus on the issue at hand. Maybe you are making a sales call for your firm. Or perhaps a customer has asked for your help in finding an item your store sells. Concentrate on ways to serve your customer.
2. Be aware of your tone of voice. Regardless of a person’s appearance, do not be condescending or impatient. You never know; he or she may be about to make a major purchase from you.
3. Don’t assume anything. If an overweight shopper visits the department store where you work, don’t automatically direct her to the plus sizes—she might be in the store to purchase a baby gift for her grandchild. Instead, ask, “How may I help you today?”
4. Remember that beauty is in the eye of the beholder. Your ideas about attractiveness with regard to weight may be vastly different from someone else’s. In fact, these ideals vary from culture to culture. Some countries view slenderness as a sign of poverty, while others view it as an attribute of the upper class.

but not in a format that is quick and easy to use. So some delivery companies have invested in geographic information systems. Once used mainly by the military, geographic information systems (GISs) are computer systems that assemble, store, manipulate, and display data by their location. GISs simplify the job of analyzing marketing information by relating data to their locations. The result is a geographic map overlaid with digital data about consumers in a particular area. A growing number of companies benefit from using a GIS to locate new outlets, assign sales territories, plan distribution centres—and map out the most efficient delivery routes. Although the earliest geographic information systems were prohibitively expensive for all but the largest companies, recent technological advances have made GIS software available at a much lower cost, increasing usage among smaller firms.

DEMOGRAPHIC SEGMENTATION

The most common method of market segmentation defines consumer groups according to demographic variables such as gender, age, income, occupation, education, household size, and stage in the family life cycle. This approach is also called socioeconomic segmentation. Marketers review vast quantities of available data to complete a plan for demographic segmentation. One of the primary sources for demographic data in Canada is Statistics Canada. Marketers can obtain many of the census statistics online at http://www.statcan.ca.

The following discussion considers the most commonly used demographic variables. Keep in mind, however, that while demographic segmentation is helpful, it can also lead to stereotyping—a preconception about a group of people—which can alienate a potential market or cause marketers to miss a potential market altogether. The idea is to use segmentation as a starting point, not as an end point.

SEGMENTING BY GENDER

Gender is an obvious variable that helps define the markets for certain products. But segmenting by gender can be tricky. In some cases, the segmenting is obvious—lipstick for women, facial shaving products for men. But in recent years, the lines have increasingly blurred. Men sometimes wear earrings and use skin-care products, once both the province of women. Women purchase power tools and pickup trucks, once considered traditionally male purchases. So marketers of cars and trucks, power tools, jewellery, and skin-care products have had to change the way they segment their markets.

Dell recently increased its advertising in women’s magazines. The magazines featured Dell’s laser printer, plasma TV, and notebook computer in their “must-have” gift sections. Nivea, well-known for its skin-care products for women and babies, created an entire line of men’s skin-care products called Nivea for Men.

Some companies successfully market the same—or similar—products to both men and women. Sony developed a campaign for its flat screen TV aimed at both genders. Calling its brand “The World’s First Television for Men and Women,” Sony created ads with the tagline “Coveted by Men, Admired by Women.”

As the balance of purchasing power in many families has shifted toward women, marketers have learned that working women who regularly use the Internet make most of the decisions about retail items (such as clothing), health care goods and services, and fitness products. Decisions about vacations, financial investments, and home improvement products are often shared equally. In the category of consumer electronics, women edge ahead of men by about 10 percent. Marketers who understand these trends can develop more effective strategies and messages for consumers.
SEGMENTING BY AGE

Age is another variable that marketers use to segment their markets. As with gender, age seems to be an easy distinction to make—baby food for babies, retirement communities for seniors. But also like gender, the distinctions become blurred as consumers’ roles and needs change and as age distribution shifts and projected changes in each group take place. Baby aspirin is no longer marketed just to parents for their infants; now it is also marketed to adults to help prevent heart disease.

The Cohort Effect

Marketers can learn from a sociological concept called the cohort effect, the tendency of members of a generation to be influenced and bound together by significant events occurring during their key formative years, roughly age 17 to 22. These events help define the core values of the age group that eventually shapes consumer preferences and behaviour. For seniors, who are discussed later in this section, the events would be the Great Depression and World War II because many were in this age bracket at that time. For older baby boomers, it would be the Vietnam War and the civil rights movement. Marketers have already labelled people who were in the 17-to-22 age bracket at the time of the September 11, 2001, terrorist attacks the 9/11 Generation. Clearly, this group’s previous priorities and values changed, and those changes will become more evident as time passes.

The significance of the cohort effect for marketers lies in understanding the general characteristics of each group as it responds to its defining life events. The social and economic influences that each group experiences help form their long-term beliefs and goals in life—and can have a lasting effect on their buying habits and the product choices they make. For marketers to be effective in reaching their targeted age segments, they need to understand some basic characteristics of each age group. We highlight a few of the distinguishing characteristics next and briefly discuss how some marketers are providing products to meet each age segment’s wants and needs.

School-Age Children

School-age children—and those who are even younger—exert considerable influence over family purchases, as marketers are keenly aware, particularly in the area of food. Research shows that the eating habits of children under the age of 12 are influenced by television advertising. With the obesity rates of children increasing, industry experts are calling for the food industry to aim their advertising at nutritious food and drinks.

Tweens and Teens

Tweens—also called preteens—and teens are a rapidly growing market. According to recent research, the average disposable income of a teen is $131 per week. Multiply that by 52, and you have over $6000 per year. Teens make 54 visits to the mall a year and make a purchase 50 percent of the time. Shopping has been described as the number one hobby for teens.

Teens are spending this money on clothes, technology, food, and entertainment. For example, 55 percent own a cell phone, 79 percent own a portable CD player, and 80 percent download music from the Internet at least once a month.

This group, commonly referred to as Generation Y, isn’t as cynical about advertising as their older counterpart—Generation X. They are, however, marketing savvy. A significant number of them are anti-brand, believing that price matters but quality is more important. In fact, “they like being marketed to. They like that someone’s paying attention to them,” says the publisher of one teen magazine.

Marketing to this group can be challenging but also lucrative. This is the second-largest group of consumers in Canada and they know what they want. Research shows that friends are important, products have short life cycles, and diversity is embraced.

Generation X

The group born between 1966 and 1981—who are now between ages 25 and 40—are often referred to as Generation X. This group faced some economic and career challenges as they began their adult lives and started families: housing costs were high and debt associated with college loans and credit cards was soaring. But their financial squeeze should ease as they enter their prime earning years.
This group is very family oriented—not defining themselves by their careers as much as previous generations—well educated, and optimistic. Because they grew up with television, this generation of consumers is far more technologically savvy than their elders. Marketers who understand these traits can appeal to this group of consumers, particularly if they ask Gen Xers directly what they want or need, especially in new technology products.

**Baby Boomers**

Baby boomers—people born between 1947 and 1965—are a popular segment to target because of their numbers. Almost one in every three Canadians was born in this period. This group has been described as rebellious and spoiled, when in fact only about 25 percent of the boomers fit that description.

Baby boomers will see their disposable income increase in the next few years as their mortgages are paid off and their children leave home, which is why businesses are trying to woo this group. Different subgroups within this generation complicate segmentation and targeting strategies. Some boomers put off having children until their 40s, while others their age have already become grandparents. Boomer grandparents are healthier and more physically active than their own grandparents were, and they expect to take an active role in their grandchildren’s lives. When buying toys, for instance, they often purchase items that focus on a shared experience—games they can play with their grandchildren or craft sets they can assemble together. Boomers are buying more than toys for their grandchildren, and they are the largest group purchasing building and auto supplies, and personal health care products.

**Seniors**

Marketers also recognize a trend dubbed the greying of the population. By 2026, 36 percent of the Canadian population will be over 55. As Canadians have continued to live longer, the median age of the Canadian population has dramatically increased.

The current median age is now 39.5 years, up from 25.4 years in 1996. The average life expectancy in Canada has increased for both genders to age 77 for men, and to age 82 for women. Explanations for these increases in life spans include better medicines and healthier lifestyles.

In Canada, the senior group spends $35 billion a year. They like luxury—expensive homes, clothes, and cars—and, although not all seniors fit into this group, those that have the money spend it. Some refer to these prosperous consumers as WOOFs—Well-Off Older Folks.

One thing is for sure: the seniors of today fit into more market segments than ever before, and it would be a mistake for marketers to consider them all alike. Traditionally, one way marketers have targeted seniors is through the senior discount, whether it’s for a cup of coffee at McDonald’s or a pass at the ski slopes. But with more seniors living longer and collecting these discounts, some companies are rolling them back. However, not all marketers agree with this cost-cutting approach because seniors do make up such a large group of potentially loyal customers.

**SEGMENTING BY ETHNIC GROUP**

According to Statistics Canada, the ethnic makeup of our population is changing. Other than the two largest ethnic groups, English and French, there are slightly fewer than 4 million people from different ethnic backgrounds in Canada. Because of comparatively high immigration and birth rates among some of these ethnic groups, Statistics Canada projects somewhere between 6.3 million and 8.5 million, or 19 percent to 23 percent, of the population will be made up of ethnic groups other than English and French by 2017.
The three largest groups, Chinese, South Asians, and Blacks, account for 75 percent of those indicating an ethnic category on the Statistics Canada census; however, the South Asian group may catch up to the Chinese in numbers by 2017. From a marketer’s perspective, it is important to understand the spending patterns of these groups.29

**French and English**

Many companies today realize there are major differences between the French- and English-speaking markets in Canada, besides language, but these markets have not always been treated differently. For many years, companies ran their English ads in Quebec in direct translations.30

The father of made-in-Quebec marketing, Jacques Bouchard, spent 30 years studying the French-Canadian consumer. He explains the differences between the French and English consumers using a six-element model based on roots.

- Root number one, Rural Root, refers to the 77 percent of Quebecers who feel the need to be closer to nature; the number in the rest of Canada is 58 percent. Quebecers like to keep their options open; the province has the highest number of fishermen and hunters; and they crave a simple life but describe their lives as hectic. Sixty-six percent feel the need to sustain their traditions, and although they don’t consider themselves as smart shoppers they have a high coupon usage rate. Compared to the rest of Canada, they have a higher concern for quality and are less likely to own power tools.

- The Minority Root describes Quebecers in relation to other parts of the world. They live for the moment, having the lowest savings rate in the country, generally are more tolerant and understanding than the rest of Canada, have a matriarchal family structure, and love to gossip.

- The North American Root explains how they enjoy an American lifestyle—love to shop, describe their homes as “lived in,” are more likely to have a swimming pool, prefer the United States to the rest of Canada, and are more likely to be offended by advertising.

- The Catholic Root looks at the influence of religion. Religion has declined in importance in Quebec, but Quebecers feel closer to people of the same religious, national, or ethnic backgrounds.

- The Latin Root is reflected in the importance of enjoying life. Quebec has the lowest birth rate of any province but Quebecers love children. They enjoy looking young, have a need to be creative, and seek love and tenderness.

- The French Root is evident in their feeling of connection with a region. They are more likely to shop with a list, feel people should be allowed to do their own thing, place less emphasis on family togetherness than on individuals, are more likely to use bath products and perfumes, and are aware of brands with an image.31

Marketers from various organizations have attempted to reach the Quebec market. Ads made specifically for the Quebec market, like those produced by Ontario Tourism and MasterCard, seem to work best. However, companies that are designing promotions aimed

**Figure 8.2**

Canadian Visible Minority Populations

at international markets, like the recent Dove “Real Beauty” campaign, have also been very successful in this market.32

Chinese Canadians
The largest ethnic group in Canada, the Chinese, is not a homogeneous segment. While it is true that most Chinese Canadians live in Toronto, Vancouver, and Montreal, they did not all come from the same areas of the world, nor are their shopping habits similar.

When Hong Kong was repatriated, a large number of fairly wealthy immigrants arrived in Canada; since then, arrivals from Hong Kong have slowed while those arriving from mainland China, Taiwan, and Southeast Asia are on the increase. People from each of these environments bring different values with them based on their home country and, in some cases, a different language. Hong Kong, for example, is heavily influenced by its past connection to Britain, and people from Hong Kong place higher importance on recognition and status. Physical comforts and luxuries are important to consumers from mainland China. The only democratic Chinese country is Taiwan, where national identity plays an important role. The values that all Chinese cultures share include a trust in family, hard work, thrift, and a tendency to save and invest in both tangible and liquid assets.33

Chinese consumers spend $30 billion annually, but have been described as culturally stubborn, spending within their own community; they are likely to get information about products and services from ethnic media. One company, T&T supermarkets, a Taiwan–based food chain, has 16 big-box stores across Canada aimed at the Chinese market. Seventy percent of the products T&T sells are imported from Asia. The company president explained that this high level of imports was mainly due to Canadian companies not understanding the Chinese consumer. Canadian companies have been slow to develop trilingual labels (Chinese/English/French), produce Chinese-language promotional material, and support events within the Chinese community.34

Other Ethnic Groups
Ethnic backgrounds in Canada are more diverse than just Chinese and French, and the number of ethnic groups represented is growing. So is their spending. It is estimated that $42 billion of the total $316 billion spent on retail goods and services came from ethnic markets. South Asians are the second-largest group in Canada but they are the largest ethnic group in Ontario. Their countries of origin include India, Pakistan, and Bangladesh. The majority of their purchases are in food, recreation, and clothing. They particularly like brand-name goods and are likely to shop around for a good deal. One ethnic group that little is known about is the Black population. Representing 2 percent of the population, they arrived in Canada mostly from the Caribbean. They tend to shop at stores that either employ Black people or have operations in the Caribbean. The Hispanic/Latino group in Canada comes from Spanish-speaking countries such as Mexico or Italy and Portugal and is not nearly as large as in the United States but we know more about them. They spend about $5 billion a year on products such as home entertainment equipment and expensive cars. They are brand loyal and like to shop at Canadian-owned companies. Whatever ethnic influences motivate the shopping habits of Canadians, one thing is for sure: they will become more important in the future if projected immigration rates are realized.35

The “Solving an Ethical Controversy” box discusses whether the collection of racial data is even appropriate or is an invasion of privacy.

SEGMENTING BY FAMILY LIFE CYCLE STAGES
Still another form of demographic segmentation employs the stages of the family life cycle—the process of family formation
A critical part of a marketer’s job is to collect information about existing and potential customers. But at what point does this information gathering cross the line to become an invasion of people’s privacy? The debate over whether universities and colleges, governments, and other organizations should be allowed to collect racial and ethnic data on individuals has reached a heated level.

In Canada, there are laws regulating the type of information that can be collected about individuals and how this information is used. However, some researchers argue that without such information, it is more difficult to prove discrimination in hiring or workplace promotions by companies, governments, or other organizations.

Is the collection of racial and ethnic data an invasion of an individual’s privacy?

**PRO**

1. Collecting such data serves no positive purpose in most cases and may in fact lead to stereotyping or prejudiced behaviour on the part of organizations that receive the data.

2. Racial and ethnic data do not necessarily provide an accurate picture of a person. There are so many different factors affecting how people behave that racial and ethnic data alone do not provide enough information, even for people with the same racial or ethnic background.

**CON**

1. People can always opt not to offer racial or ethnic data to organizations.

2. Such data can help not-for-profit and for-profit organizations serve their customers better. A firm that has some information on the ethnic background of its customers may be able to provide sales representatives who speak a certain language or products that better suit customers’ tastes.

Where do you stand: pro or con?


and dissolution. The underlying theme of this segmentation approach is that life stage, not age per se, is the primary determinant of many consumer purchases. As people move from one life stage to another, they become potential consumers for different types of goods and services.

An unmarried person setting up an apartment for the first time is likely to be a good prospect for inexpensive furniture and small home appliances. This consumer probably must budget carefully, ruling out expenditures on luxury items. On the other hand, a young single person who is still living at home will probably have more money to spend on products such as a car, entertainment, and clothing. As couples marry, their consumer profiles change. Couples without children are frequent buyers of personalized gifts, power tools, furniture, and homes. Eating out and travel may also be part of their lifestyles.

The birth of a first child changes any couple’s consumer profile considerably; parents must buy cribs, changing tables, baby clothes, baby food, car seats, and similar products. Parents usually spend less on the children who follow the first because they have already bought many essential items for the first child. Today, the average woman gives birth to fewer children than she did a century ago and usually waits until she is older to have them. Although the average age for Canadian women to have their first child is 28, many women wait longer, often into their 30s and 40s. This means that, if they work outside the home, older women are likely to be more established financially, with more money to spend. However, if a woman chooses to stay at home after the birth of a child, income can drop dramatically.

Families typically spend the most during the years their children are growing—on everything from housing, food, and clothing to braces and college. Thus, they often look to obtain value wherever they can. Marketers can create satisfied and loyal customers among this group by giving them the best value possible.

**Solving an Ethical Controversy**

**What Kind of Information Should Marketers Collect?**

**Marketoid**

Of the sales of recordings by Canadian artists, roughly 57 percent came from Ontario and 32 percent from Quebec.
Once the children are grown and on their own—or at least off to university or college—married couples enter the empty nest stage. Empty nesters may have the disposable incomes necessary to purchase premium products once university or college tuitions and mortgages are paid off. They may travel more, eat out more often, redecorate the house, or go back to school themselves. They may treat themselves to a new and more luxurious car or buy a vacation home. In later years, empty nesters may decide to sell their homes and become customers for retirement or assisted living communities. They may require home-care services or more health care products as well. However, many retirees will continue to work a couple of days a week. “Keeping mentally active, keeping in touch with people and to earn money” were the reasons given to continue working.

One trend noted by researchers in the past decade is an increase in the number of grown children who have returned home to live with their parents. Called boomerangs, some of these grown children bring along families of their own. Another trend is the growing number of grandparents who care for grandchildren on a regular basis—making them customers all over again for baby and child products such as toys, food, and safety devices.

SEGMENTING BY HOUSEHOLD TYPE

According to Statistics Canada, from 1981 to 2006, the average size of households in Canada declined from 2.9 to 2.5 people. There are several reasons for the trend toward smaller households: lower fertility rates (including the decision to have fewer children or no children at all), young people’s tendency to postpone marriage, the frequency of divorce, and the ability and desire of many people to live alone.

Today’s households represent a wide range of diversity. They include households with a married couple and their children; households that are blended through divorce or loss of a spouse and remarriage; those headed by a single parent, same-sex parents, or grandparents; couples without children; groups of friends; and single-person households.

Couples without children may be young or old. If they are seniors, their children may have already grown and are living on their own. The percentage of couples with no children under the age 25 living at home has increased steadily for the last 10 years. Couples living common-law (living together but not married) has also seen a significant increase, reaching 15.5 percent by 2006. This trend is strongest in Quebec, where common-law relationships represent 25 percent of all common-law families in Canada. Couples who are younger and do not have children are considered attractive to marketers because they often have high levels of income to spend. These couples typically eat out often, take expensive vacations, and buy luxury cars.

The 2001 census was the first time data on same-sex partnerships was collected. In the 2006 census same-sex couples represented only 0.6 percent of all couples with 54 percent of these being male; however, female same-sex couples were more likely to have children living with them. While the controversy over same-sex marriage rages on, same-sex couples in Canada have the same legal, social, and financial benefits as opposite-sex couples.
People live alone for a variety of reasons—sometimes by choice and sometimes by necessity such as divorce or widowhood. In response, marketers have modified their messages and their products to meet the needs of single-person households. Food industry manufacturers are downsizing products, offering more single-serve foods ranging from soup to macaroni and cheese.

Regardless of the type of household, households are often used to collect information about trends in society as can be seen by the ongoing study of households and the environment discussed in the Go Green box.

**SEGMENTING BY INCOME AND EXPENDITURE PATTERNS**

Part of the earlier definition of market described people with purchasing power. Not surprisingly, then, a common basis for segmenting the consumer market is income. Marketers often target geographic areas known for the high incomes of their residents. Or they might consider age or household type when determining potential buying power.

**Engel’s Laws**

How do expenditure patterns vary with income? Over a century ago, Ernst Engel, a German statistician, published what became known as Engel’s laws—three general statements based on his studies of the impact of household income changes on consumer spending behaviour. According to Engel, as household income increases, the following will take place:

1. A smaller percentage of expenditures go for food.
2. The percentage spent on housing, household operations and clothing remains constant.
3. The percentage spent on other items (such as recreation and education) increases.

**Go Green**

**Households and the Environment**

Environmental trends are so important in today’s society that Statistics Canada, Environment Canada, and Health Canada have joined forces to collect information about how Canadian households are adapting to environmentally friendly products and practices. The results of the studies are available on the Statistics Canada website under EnviroStats.

As part of this initiative, Statistics Canada performed the Households and the Environment Survey (HES). Over 28,000 households across Canada were asked questions relating to household activities that would have both positive and negative impacts on the environment. Topics covered included water (its quality, consumption, and conservation), energy use, pesticides and fertilisers, recycling habits, transportation decisions, and gas-powered equipment. The results were compared to similar studies conducted in the early 1990s.

With regard to water, the survey found almost 30 percent of households drank bottled water. The usage rates of bottled water were highest in Kitchener at 46 percent and St. Catharines-Niagara at 41 percent. The survey also found that 60 percent of Canadian households had water-saving showerheads, up from 42 percent in 1994, and 41 percent had a water-saving toilet, up from 15 percent in 1994.

The energy use part of the survey found that Canadians are purchasing more environmentally friendly devices. The number of households using at least one compact fluorescent light increased from 19 percent in 1994 to 59 percent. British Columbia and Ontario had the highest usage rates at almost 66 percent, and Quebec came in on the lower end at 50 percent. Households with programmable thermostats increased from 16 percent in 1994 to 42 percent. The highest rate at 52 percent was Ontario, with the Maritime Provinces having the lowest rate. Another interesting statistic uncovered in the study is that 16 percent of the households that had programmable thermostats had not programmed them.

The study also highlighted areas where improvements were still needed, such as pesticide use and transportation. Pesticide use was down only slightly, even though some areas have enacted laws to control their use, and the majority of Canadians are still commuting to work alone in a private vehicle.

Are Engel’s laws still valid? Recent studies say yes, with a few exceptions. Researchers note a steady decline in the percentage of total income spent on food and beverages as income increases. Although high-income families spend greater absolute amounts on food items, their purchases represent declining percentages of their total expenditures compared with low-income families. The second law remains partly accurate. However, the percentage of fixed expenditures for housing and household operations has increased over the past 30 years, and the percentage spent on clothing rises with increased income because of choice. The third law remains true, with the exception of personal-care costs, which appear to decline as a percentage of increased income. 41

Engel’s laws can help marketers target markets at all income levels. Regardless of the economic environment, consumers still buy luxury goods and services. One reason is that some companies now offer their luxury products at different price levels. Mercedes-Benz has its lower-priced C-class models, while the jewellery store Birks sells a $100 sterling silver heart pendant with chain. Both of these firms continue to offer their higher-priced items as well but have chosen to broaden their market by serving other consumers.

**DEMOGRAPHIC SEGMENTATION ABROAD**

Marketers often face a difficult task in obtaining the data necessary for demographic segmentation abroad. Many countries do not have scheduled census programs. Germany skipped counting from 1970 to 1987, and France conducts a census about every seven years. By contrast, Japan conducts a census every five years; however, the mid-decade assessments are not as complete as the end-of-decade counts.

Also, some foreign data include demographic divisions not found in the Canadian census. Not all countries collect information on religious affiliation, for instance. On the other hand, some of the standard segmentation data for Canadian markets are not available abroad. Many nations do not collect income data. Great Britain, Japan, Spain, France, and Italy are examples. Similarly, family life cycle data are difficult to apply in global demographic segmentation efforts. Ireland acknowledges only three marital statuses—single, married, and widowed—while Latin-American nations and Sweden count their unmarried cohabitants.

One source of global demographic information is the Industry Canada website. Industry Canada provides a searchable online database of population statistics for many countries.

**PSYCHOGRAPHIC SEGMENTATION**

Marketers have traditionally referred to geographic and demographic characteristics as the primary bases for dividing consumers into homogeneous market segments. Still, they have long recognized the need for fuller, more lifelike portraits of consumers in developing their marketing programs. As a result, psychographic segmentation can be a useful tool for gaining sharper insight into consumer purchasing behaviour.
WHAT IS PSYCHOGRAPHIC SEGMENTATION?

Psychographic segmentation divides a population into groups that have similar psychological characteristics, values, and lifestyles. Lifestyle refers to a person’s mode of living; it describes how an individual operates on a daily basis. Consumers’ lifestyles are composites of their individual psychological profiles, including their needs, motives, perceptions, and attitudes. A lifestyle also bears the mark of many other influences, such as family, job, social activities, and culture.

The most common method for developing psychographic profiles of a population is to conduct a large-scale survey that asks consumers to agree or disagree with a collection of several hundred AIO statements. These AIO statements describe various activities, interests, and opinions. The resulting data allow researchers to develop lifestyle profiles. Marketers can then develop a separate marketing strategy that closely fits the psychographic makeup for each lifestyle segment.

Marketing researchers have conducted psychographic studies on hundreds of goods and services such as beer and air travel. Schick used this approach to assess consumer behaviour and attitudes of women toward their shavers and other products in order to learn about women’s shaving needs and to determine how women perceive Schick’s products. Many businesses turn to psychographic research in an effort to learn what consumers in various demographic and geographic segments want and need.

VALS™

A quarter century ago, the research and consulting firm SRI International developed a psychographic segmentation system called VALS™. Today VALS is owned and managed by SRI Consulting Business Intelligence (SRIC-BI), an SRI spin-off. VALS originally stood for “values and lifestyles” because it categorized consumers by their social values—how they felt about issues such as legalization of marijuana or abortion rights. A decade later, SRIC-BI revised the system to link it more closely with consumer buying behaviour. The revised VALS system categorizes consumers by psychological characteristics that correlate with purchase behaviour. It is based on two key concepts: resources and self-motivation. VALS divides consumers into eight psychographic categories: Actualizers, Thinkers, Achievers, Experiencers, Believers, Strivers, Makers, and Survivors. Figure 8.3 details the profiles for these categories and their relationships.

The VALS framework in the figure displays differences in resources as vertical distances, and primary motivation is represented horizontally. The resource dimension measures income, education, self-confidence, health, eagerness to buy, and energy level. Primary motivations divide consumers into three groups: principle-motivated consumers who have a set of ideas and morals—principles—that they live by; achievement-motivated consumers who are influenced by symbols of success; and action-motivated consumers who seek physical activity, variety, and adventure.

SRIC-BI has created several specialized segmentation systems based on this approach. JapanVALS™ was developed to help companies understand Japanese consumers, and U.K.VALSTM segments consumers in the United Kingdom. GeoVALSTM estimates the percentage of each VALS type by U.S. zip code or block group. SRI-BI used the VALS segmentation information in conjunction with consulting projects and on a subscriber basis. Product, service, and media data are available by VALS types from companies’ databases.

Other tools available include Canada’s Social Value Tribes, developed by Michael Adams and Environics Research Group Ltd. Environics crunches the numbers on hundreds of personal variables that include political views, religious affiliations, and social attitudes and comes up with 12 psychographic categories within three tribes that reflect Canadian social values. Depending on your own variables, you might be a “thrill-seeking materialist” or an “aimless dependent,” both fitting into the Gen X Tribe. Information about each group’s fundamental motivation and key values is available.
PSYCHOGRAPHIC SEGMENTATION OF GLOBAL MARKETS

As JapanVALS suggests, psychographic profiles can cross national boundaries. RoperASW, a marketing research firm, recently surveyed 7000 people in 35 countries. From the resulting data, Roper identified six psychographic consumer segments that exist in all 35 nations, although to varying degrees:

- **Strivers**, the largest segment, value professional and material goals more than the other groups. One-third of the Asian population and one-fourth of Russians are strivers. They are slightly more likely to be men than women.

- **Devouts** value duty and tradition. While this segment comprises 22 percent of all adults, they are most common in Africa, the Middle East, and developing Asia. They are least common in Western Europe and developed Asian countries. Worldwide, they are more likely to be female.

- **Altruists** emphasize social issues and societal well-being. Comprising 18 percent of all adults, this group shows a median age of 44 and a slightly higher percentage of women. Altruists are most common in Latin America and Russia, with a significant number of young Chinese adults.

- **Intimates** value family and personal relationships. They are divided almost equally between males and females. One American or European in four would be categorized as intimates, but only 7 percent of consumers in developing Asia fall into this category.

- **Fun seekers**, as you might guess from their name, focus on personal enjoyment and pleasurable experiences. They make up 12 percent of the world’s population, with a male–female ratio of 54 to 46. Many live in developed Asia.

- **Creatives**, the smallest segment, account for just 10 percent of the global population. This group seeks education, technology, and knowledge, and their male–female ratio is roughly equal. Many creatives live in Western Europe and Latin America, although 17 percent of China’s young adult market can be identified as such.

Roper researchers note that some principles and core beliefs—such as protecting the family—apply to more than one psychographic segment.

USING PSYCHOGRAPHIC SEGMENTATION

No one suggests that psychographic segmentation is an exact science, but it does help marketers quantify aspects of consumers’ personalities and...
lifestyles to create goods and services for a target market. Psychographic profile systems like those of Roper and SRIC-B1 can paint useful pictures of the overall psychological motivations of consumers. These profiles produce much richer descriptions of potential target markets than other techniques can achieve. The enhanced detail aids in matching a company’s image and product offerings with the types of consumers who use its products.

Identifying which psychographic segments are most prevalent in certain markets helps marketers plan and promote more effectively. Often, segments overlap. Consumers who are most likely to be the first to buy new tech products could live in Vancouver or Halifax, they could just as easily be status oriented as action oriented, and they might be creatives or fun seekers. What they do have in common is the tendency to be the first on their block to purchase the latest tech devices.\(^\text{46}\)

Psychographic segmentation is a good supplement to segmentation by demographic or geographic variables. For example, marketers may have access to each consumer type’s media preferences in network television, cable television, radio format, magazines, and newspapers. Psychographic studies may then refine the picture of segment characteristics to give a more elaborate lifestyle profile of the consumers in the firm’s target market. A psychographic study could help marketers of goods and services across the country predict what kinds of products consumers in those cities would be drawn to and eliminate those that are not attractive.

**PRODUCT-RELATED SEGMENTATION**

**Product-related segmentation** involves dividing a consumer population into homogeneous groups based on their relationships to the product. This segmentation approach can take several forms:

1. segmenting based on the benefits that people seek when they buy a product
2. segmenting based on usage rates for a product
3. segmenting according to consumers’ brand loyalty toward a product

**SEGMENTING BY BENEFITS SOUGHT**

This approach focuses on the attributes that people seek and the benefits they expect to receive from a good or service. It groups consumers into segments based on what they want a product to do for them.

Consumers who quaff Starbucks premium coffees are not just looking for a dose of caffeine. They are willing to pay extra to savour a pleasant experience, one that makes them feel pampered and appreciated. Women who work out at Curves want to look their best and feel healthy. Pet owners who feed their cats and dogs Science Diet believe that they are giving their animals a great-tasting, healthy pet food.

Even if a business offers only one product line, however, marketers must remember to consider product benefits. Two people may buy the same product for very different reasons. A box of baking soda could end up serving as a refrigerator freshener, a toothpaste substitute, an antacid, or a deodorizer for a cat’s litter box.

**SEGMENTING BY USAGE RATES**

Marketers may also segment a total market by grouping people according to the amounts of a product that they buy and use. Markets can be divided into heavy-user, moderate-user, and light-user segments.
The 80/20 principle holds that a big percentage of a product’s revenues—maybe 80 percent—comes from a relatively small, loyal percentage of total customers—perhaps 20 percent. The 80/20 principle is sometimes referred to as Pareto’s Principle. Although the percentages need not exactly equal these figures, the general principle often holds true: relatively few heavy users of a product can account for much of its consumption.

Depending on their goals, marketers may target heavy, moderate, or light users as well as non-users. A company may attempt to lure heavy users of another product away from their regular brands to try a new brand. Non-users and light users may be attractive prospects because other companies are ignoring them. Usage rates can also be linked to other segmentation methods such as demographic and psychographic segmentation.

SEGMENTING BY BRAND LOYALTY

A third product-related segmentation method groups consumers according to the strength of the brand loyalty they feel toward a product. A classic example of brand loyalty segmentation is a frequent-purchase program—it might be frequent flyer, frequent stay, or frequent purchase of shoes or gasoline. Other companies attempt to segment their market by developing brand loyalty over a period of time, through consumers’ stages of life. Children whose parents dress them in Baby Gap clothes may grow up to wear Gap Kids and Gap clothing.

Consumers may develop loyalty to seemingly similar brands but for different reasons. One study showed that retailers like Wal-Mart and Zellers have loyal customers whose definition of value is different. Wal-Mart shoppers prefer to do all of their household shopping at one store—which also happens to offer low prices. Zellers shoppers, who desire low prices as well, are more focused on the store’s stylish furniture and home decor offerings from well-known designer Alfred Sung. Convenience and price are important to the Wal-Mart–exclusive shopper, whereas style and selection appear to hold more weight with the Zellers shopper.47

USING MULTIPLE SEGMENTATION BASES

Segmentation is a tool that can help marketers increase their accuracy in reaching the right markets. Like other marketing tools, segmentation is probably best used in a flexible manner—for instance, combining geographic and demographic segmentation techniques or dovetailing product-related segmentation with segmentation by income and expenditure patterns. The important point to keep in mind is that segmentation is a tool to help marketers get to know their potential customers better and ultimately satisfy their needs with the appropriate goods and services.

THE MARKET SEGMENTATION PROCESS

To this point, the chapter has discussed various bases on which companies segment markets. But how do marketers decide which segmentation base—or bases—to use? Firms may use a management-driven method, in which segments are predefined by managers based on their observation of the behavioural and demographic characteristics of likely users. Or they may use a market-driven method, in which segments are defined by asking customers which attributes are important. Then marketers follow a four-stage process.

DEVELOP A RELEVANT PROFILE FOR EACH SEGMENT

After identifying promising segments, marketers should understand the customers in each one. This in-depth analysis of customers helps managers accurately match buyers’ needs with the firm’s marketing offers. The process must identify characteristics that both explain the similarities among customers within each segment and account for differences among segments.
The task at this stage is to develop a profile of the typical customer in each segment. Such a profile might include information about lifestyle patterns, attitudes toward product attributes and brands, product-use habits, geographic locations, and demographic characteristics.

**FORECAST MARKET POTENTIAL**

In the second stage, market segmentation and market opportunity analysis combine to produce a forecast of market potential within each segment. Market potential sets the upper limit on the demand that competing firms can expect from a segment. Multiplying by market share determines a single firm’s maximum sales potential. This step should define a preliminary go or no-go decision from management because the total sales potential in each segment must justify resources devoted to further analysis. For example, if electronics firms are trying to determine whether to market a new product to teens, they need to determine what the demand for it would be and the disposable income of that group.

**FORECAST PROBABLE MARKET SHARE**

Once market potential has been estimated, a firm must forecast its probable market share. Competitors’ positions in targeted segments must be analyzed, and a specific marketing strategy must be designed to reach these segments. These two activities may be performed simultaneously. Moreover, by settling on a marketing strategy and tactics, a firm determines the expected level of resources it must commit—that is, the costs it will incur to tap the potential demand in each segment.

Apple’s iPod took the marketplace by storm, and some believe the iPod is poised to increase Apple’s market share of desktop computer sales as loyal iPod users drop their PCs in favour of Mac computers. Researchers predict that as consumers abandon obsolete PCs, instead of upgrading to a new PC, they will switch to a Mac. Because the iPod is already well established, instead of causing a brief downturn in PC sales, a long-term shift toward Apple’s Macs and related products might occur.\(^48\)

**SELECT SPECIFIC MARKET SEGMENTS**

The information, analysis, and forecasts accumulated throughout the entire market segmentation decision process allow management to assess the potential for achieving company goals and to justify committing resources in developing one or more segments. Demand forecasts, together with cost projections, determine the profits and the return on investment (ROI) that the company can expect from each segment. Marketing strategy and tactics must be designed to reinforce the firm’s image, yet keep within its unique organizational capabilities.

At this point in the analysis, marketers weigh more than monetary costs and benefits; they also consider many difficult-to-measure but critical organizational and environmental factors. The firm may lack experienced personnel to launch a successful attack on an attractive market segment. Similarly, a firm with a dominant market position may face possible legal problems with the Competition Bureau if it increases its market concentration or is seen to be engaging in anti-competitive acts.\(^49\) This assessment of both financial and nonfinancial factors is a difficult but vital step in the decision process.

**STRATEGIES FOR REACHING TARGET MARKETS**

Marketers spend a lot of time and effort developing strategies that will best match their firm’s product offerings to the needs of particular target markets. An appropriate match is vital to the firm’s marketing success. Marketers have identified four basic strategies for achieving consumer satisfaction: undifferentiated marketing, differentiated marketing, concentrated marketing, and micromarketing.
UNDIFFERENTIATED MARKETING
A firm may produce only one product or product line and promote it to all customers with a single marketing mix; such a firm is said to practise undifferentiated marketing, sometimes called mass marketing. Undifferentiated marketing was much more common in the past than it is today.

While undifferentiated marketing is efficient from a production viewpoint, the strategy also brings inherent dangers. In the past, consumers often preferred to identify themselves with a mass-marketed brand because of a higher perceived quality and a sense of status associated with the brand. But this is no longer the case. A firm that attempts to satisfy everyone in the market with one standard product may suffer if competitors offer specialized alternatives to smaller segments of the total market and better satisfy individual segments. In fact, firms that implement strategies of differentiated marketing, concentrated marketing, or micromarketing may capture enough small segments of the market to defeat another competitor’s strategy of undifferentiated marketing.

DIFFERENTIATED MARKETING
Firms that promote numerous products with differing marketing mixes designed to satisfy smaller segments are said to practise differentiated marketing. By providing increased satisfaction for each of many target markets, a company can produce more sales by following a differentiated marketing strategy than undifferentiated marketing would generate. A marketer of a variety of meat products might practise a differentiated strategy. In order to increase sales, it might introduce a new snack food for children to take to school for lunch. In general, however, differentiated marketing also raises costs. Production costs usually rise because additional products and variations require shorter production runs and increased setup times. Inventory costs rise because more products require added storage space and increased efforts for record keeping. Promotional costs also rise because each segment demands a unique promotional mix.

Despite higher marketing costs, however, an organization may be forced to practise differentiated marketing to remain competitive. The travel industry now recognises the need to target smaller groups of travellers with specialized interests. One company, for instance, may target seniors with trips that focus on history, hiking, golfing, cooking, or other special interests.

CONCENTRATED MARKETING
Rather than trying to market its products separately to several segments, a firm may opt for a concentrated marketing strategy. With concentrated marketing (also known as niche marketing), a firm focuses its efforts on profitably satisfying only one market segment. This approach can appeal to a small firm that lacks the financial resources of its competitors and to a company that offers highly specialised goods and services. American Express, a large firm with many financial products, introduced a new credit card designed for a very specific market, women in the luxury market who shop at Holt Renfrew.

Sears, Zellers, and Wal-Mart all sell skateboards, but West 49 is aimed straight at tweens and teens. This chain of skateboard shops is located in malls, because tweens don’t drive. They make the stores cool places for kids to hang out. The stores have Nintendo games available for free to encourage kids to visit the stores even if they aren’t going to buy a new board that day. They employ salespeople who are aged 16 to 19 and who really enjoy skateboarding, so the tweens feel comfortable asking questions. The salespeople are kept up to date on the latest changes through training and websites, which really isn’t required because of their passion for the sport.

MICROMARKETING
The fourth targeting strategy, still more narrowly focused than concentrated marketing, is micromarketing, which involves targeting potential customers at a very basic level, such as by postal code, specific occupation, or lifestyle. Ultimately, micromarketing can target even individuals themselves.
themselves. The salesperson at your favourite clothing boutique may contact you when certain merchandise that she thinks you will like arrives at the store. The Internet allows marketers to make micromarketing even more effective. By tracking specific demographic and personal information, marketers can send e-mail directly to individual consumers who are most likely to buy their products. If you purchase a book via Chapters.Indigo.ca, the company will offer to send you e-mail notices about other books that may be of interest.

But micromarketing, like niche marketing, can become too much of a good thing if companies spend too much time, effort, and marketing dollars to unearth a market that is too small and specialised to be profitable. In addition, micromarketing may cause a company to lose sight of other larger markets.

SELECTING AND EXECUTING A STRATEGY

Although most organizations adopt some form of differentiated marketing, no single best choice suits all firms. Any of the alternatives may prove most effective in a particular situation. The basic determinants of a market-specific strategy are (1) company resources, (2) product homogeneity, (3) stage in the product life cycle, and (4) competitors’ strategies.

A firm with limited resources may have to choose a concentrated marketing strategy. Small firms may be forced to select small target markets because of limitations in their sales force and advertising budgets. On the other hand, an undifferentiated marketing strategy suits a firm selling items perceived by consumers as relatively homogeneous. Marketers of grain, for example, sell standardised grades of generic products rather than individual brand names. Some petroleum companies implement undifferentiated marketing to distribute their gasoline to the mass market.

The firm’s strategy may also change as its product progresses through the stages of the life cycle. During the early stages, undifferentiated marketing might effectively support the firm’s effort to build initial demand for the item. In the later stages, however, competitive pressures may force modifications in products and in the development of marketing strategies aimed at segments of the total market.

The strategies of competitors also affect the choice of a segmentation approach. A firm may encounter obstacles to undifferentiated marketing if its competitors actively cultivate smaller segments. In such instances, competition usually forces each firm to adopt a differentiated marketing strategy.

Having chosen a strategy for reaching their firm’s target market, marketers must then decide how best to position the product. The concept of positioning seeks to put a product in a certain position, or place, in the minds of prospective buyers. Marketers use a positioning strategy to distinguish their firm’s offerings from those of competitors and to create promotions that communicate the desired position.

To achieve this goal of positioning, marketers follow a number of positioning strategies. Possible approaches include positioning a product according to the following categories:

1. **Attributes**—Kraft Foods: “Good food in every bite”
2. **Price/quality**—Omega watches: “We measure the 100th of a second that separates winning from taking part”
3. **Competitors**—Avis, the car rental company, proclaims, “We try harder.”
4. **Application**—Whirlpool wants to “Wash your world clean.”
5. **Product user**—Yellow Pages invites you to “Let your fingers do the walking.”

6. **Product class**—The diamond industry claims, “A diamond is forever.”

Whatever strategy they choose, marketers want to emphasize a product’s unique advantages and to differentiate it from competitors’ options. A **positioning map** provides a valuable tool in helping managers position products by graphically illustrating consumers’ perceptions of competing products within an industry. Marketers can create a competitive positioning map from information solicited from consumers or from their accumulated knowledge about a market. A positioning map might present two different characteristics—price and perceived quality—and show how consumers view a product and its major competitors based on these traits. The hypothetical positioning map in Figure 8.4 compares selected retailers based on possible perceptions of the prices and quality of their offerings.

Sometimes changes in the competitive environment force marketers to **reposition** a product—changing the position it holds in the minds of prospective buyers relative to the positions of competing products. Repositioning may even be necessary for already successful products or firms in order to gain greater market share. Fast-food restaurants such as McDonald’s and Burger King have repositioned themselves several times over the years in response to shifts in consumer preferences. They have changed ingredients and menu items, and created new marketing campaigns to appeal to different segments of the population. McDonald’s current campaign carries the tagline “I’m lovin’ it” in an appeal to young urban consumers.

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**Assessment Check 8**

8.1 What are the four determinants of a market-specific strategy?

8.2 What is the role of positioning in a marketing strategy?

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**Strategic Implications**

To remain competitive, today’s marketers must accurately identify potential customers. They can use a variety of methods to accomplish this, including segmenting markets by gender and segmenting by geographic location. The trick is to figure out the best combination of methods for segmentation to identify the most lucrative, long-lasting potential markets. Marketers must also remain flexible, responding to markets as they change—for instance, following a generation as it ages or reaching out to new generations by revamping or repositioning products.

The greatest competitive advantage will belong to firms that can pinpoint and serve markets without segmenting them to the point where they are too small or specialized to garner profits. Marketers who can reach and communicate with the right customers have a greater chance of attracting and keeping those customers than marketers who are searching for the wrong customers in the wrong place.◆◆◆
REVIEW OF CHAPTER OBJECTIVES

① Identify the essential components of a market.
A market consists of people and organizations with the necessary purchasing power, willingness, and authority to buy. Consumer products are purchased by the ultimate consumer for personal use. Business products are purchased for use directly or indirectly in the production of other goods and services. Certain products may fall into both categories.

② Outline the role of market segmentation in developing a marketing strategy.
Market segmentation is the process of dividing a total market into several homogeneous groups. It is used in identifying a target market for a good or service. Segmentation is the key to deciding a marketing strategy.

③ Describe the criteria necessary for effective segmentation.
Effective segmentation depends on these four basic requirements: (1) The segment must have measurable purchasing power and size; (2) marketers can find a way to promote to and serve the market; (3) marketers must identify segments large enough for profit potential; and (4) the firm can target a number of segments that match its marketing capabilities.

④ Explain the geographic, demographic, and psychographic approaches to segmenting consumer markets.
Geographic segmentation divides the overall market into homogeneous groups according to population locations. Demographic segmentation classifies the market into groups based on characteristics such as age, gender, and income level. Psychographic segmentation uses behavioural profiles developed from analyses of consumers’ activities, opinions, interests, and lifestyles to identify market segments.

⑤ Describe product-related segmentation.
Product-related segmentation can take three basic forms: segmenting based on the benefits that people seek when they buy a product; segmenting based on usage rates for a product; and segmenting according to consumers’ brand loyalty toward a product.

⑥ Identify the steps in the market segmentation process.
Market segmentation is the division of markets into relatively homogeneous groups. Segmentation follows a four-step sequence: (1) developing user profiles; (2) forecasting the overall market potential; (3) estimating market share; and (4) selecting specific market segments.

⑦ Discuss four basic strategies for reaching target markets.
Four strategies are (1) undifferentiated marketing, which uses a single marketing mix; (2) differentiated marketing, which produces numerous products, each with its own mix; (3) concentrated marketing, which directs all the firm’s marketing resources toward a small segment; and (4) micromarketing, which targets potential customers at basic levels, such as postal code or occupation.

⑧ Summarise the types of positioning strategies, and explain the reasons for positioning and repositioning products.
Positioning strategies include positioning a good or service according to attributes, price/quality, competitors, application, product user, and product class.
Positioning helps create a memorable impression of a product in a consumer’s mind and is used to differentiate a product from competitors’ products. Changes in the competitive environment may require repositioning to maintain or even grab more of the market share.
1. Define target market.
A target market is the specific segment of consumers most likely to purchase a particular product.

1.2 Distinguish between a consumer product and a business product.
A consumer product is purchased by the ultimate buyer for personal use. A business product is purchased for use directly or indirectly in the production of other goods and services.

2.1 Define market segmentation.
Market segmentation is the process of dividing a total market into several homogeneous groups.

2.2 Describe the role of market segmentation.
The role of market segmentation is to identify the factors that affect purchase decisions and then group consumers according to the presence or absence of these factors.

3.1 Identify the four criteria for effective segmentation.
The four criteria for effective segmentation are as follows: (1) the market segment must present measurable purchasing power and size, (2) marketers must find a way to promote effectively and to serve the market segment, (3) marketers must identify segments that are sufficiently large to give them good profit potential, and (4) the firm must aim for segments that match its marketing capabilities.

4.1 Under what circumstances are marketers most likely to use geographic segmentation?
Marketers usually use geographic segmentation when regional preferences exist and when demand for categories of goods and services varies according to geographic region.

4.2 What is demographic segmentation?
Demographic segmentation defines consumer groups according to demographic variables such as gender, age, income, occupation, household, and family life cycle.

4.3 What are the major categories of demographic segmentation?
The major categories of demographic segmentation are gender, age, ethnic group, family life cycle, household type, income, and expenditure patterns.

4.4 What is psychographic segmentation?
Psychographic segmentation divides a population into groups that have similar psychological characteristics, values, and lifestyles.

4.5 Name the eight categories of VALS.
The eight categories are the following: innovators, thinkers, achievers, experiencers, believers, strivers, makers, and survivors.

5.1 List the three approaches to product-related segmentation.
The three approaches are segmenting by benefits sought, segmenting by usage rates, and segmenting by brand loyalty.

5.2 What is the 80/20 principle?
The 80/20 principle states that a big percentage (80 percent) of a product’s revenues comes from a relatively small number (20 percent) of loyal customers.

6.1 Identify the four stages of the process of market segmentation.
The four stages are developing user profiles, forecasting the overall market potential, estimating market share, and selecting specific market segments.

6.2 Why is forecasting important to market segmentation?
Forecasting is important because it can define a preliminary go or no-go decision based on sales potential. It can help a firm avoid a disastrous move or point out opportunities.

7.1 Explain the difference between undifferentiated and differentiated marketing strategies.
Undifferentiated marketing promotes a single product line to all customers with a single marketing mix. Differentiated marketing promotes numerous products with different marketing mixes designed to satisfy smaller segments.

7.2 What are the benefits of concentrated marketing?
Concentrated marketing can allow a firm to focus on a single market segment, which is especially appealing to smaller firms and those that offer highly specialized goods and services.

8.1 What are the four determinants of a market-specific strategy?
The four determinants are company resources, product homogeneity, stage in the product life cycle, and competitors’ strategies.

8.2 What is the role of positioning in a marketing strategy?
Positioning places a product in a certain position in the minds of prospective buyers so that marketers can create messages that distinguish their offerings from those of competitors.

**MARKETING TERMS YOU NEED TO KNOW**

These terms are printed in red in the text. They are defined in the margins of the chapter and in the Glossary that begins on p. G-1. Other important terms are printed in bold black type in the chapter but not included in this list. Their definitions can be found in the Glossary.

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1. What is the difference between a market and a target market?
2. What are census metropolitan areas? Why do marketers try to identify these regions?
3. What is the cohort effect? What event—or events—do you consider significant enough to have influenced and bound together your generation?
4. What are the two largest racial/ethnic minority groups in Canada? Why is it important for marketers to understand these and other ethnic/racial groups?
5. Describe the three changes that will take place as a household income increases, according to Engel. Do Engel’s laws still hold true?
6. Identify and describe the six psychographic segments that exist in all nations studied by VALS researchers.
7. Identify a branded product to which you are loyal, and explain why you are loyal to the product. What factors might cause your loyalty to change?
8. Choose another branded product. Create a relevant profile for the marketing segment that product serves.
9. Describe a situation in which you think micromarketing would be especially successful.
10. Under what circumstances might marketers decide to reposition a product?

ASSURANCE OF LEARNING REVIEW

1. What is the difference between a market and a target market?
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9. Describe a situation in which you think micromarketing would be especially successful.
10. Under what circumstances might marketers decide to reposition a product?

PROJECTS AND TEAMWORK EXERCISES

1. On your own or with a partner, choose a product that could serve both business and consumer markets. Create an advertisement that shows how the product can serve businesses.
2. Choose your favourite activity—it may be a sport, an artistic pursuit, a volunteer opportunity. Identify the best basis for segmenting the market for this activity. Next, identify your target market. Finally, write a brief plan outlining your strategy for reaching your target market.
3. Find an advertisement that uses product-related segmentation as part of its strategy for reaching consumers. Present the ad to the class, identifying specific aspects of the ad, such as segmenting by benefits sought, segmenting by usage rates, or segmenting by brand loyalty.
4. With a partner, identify a product that you are familiar with that is either niche marketed or micromarketed. How might the firm’s marketers widen the audience for the product? Present your ideas and discuss them in class.
5. On your own or with a classmate, select one of the following products. Visit the firm’s website to see how the product is positioned. Present your findings to the class, detailing how—and why—the product is positioned the way it is.
   a. Slim-Fast bars and shakes
   b. McDonald’s chicken nuggets
   c. Kleenex
   d. Sheraton Hotels
   e. Roots clothing
   f. Porsche automobiles

CRITICAL THINKING EXERCISES

1. Create a profile of yourself as part of a market segment. Include such factors as where you live, your age and gender, and psychographic characteristics.
2. Select one of the following products and explain how you would use segmentation by income and expenditure patterns to determine your targeted market.
   a. Disney theme parks
   b. Sony Cyber-shot camera
   c. Stouffer’s Lean Cuisine
   d. Porsche Boxster
3. How do you think the Internet has affected differentiated marketing techniques?
4. Think of a product that reminds you of your childhood—a particular candy, a toy or game, a television show or movie, or a brand of clothing. Describe how you would reposition that product for today’s marketplace. Would you try to appeal to children or a different market segment?

ETHICS EXERCISE

Marketers are making a new pitch to men—at the risk of political incorrectness. Marketers for firms such as Unilever and Wendy’s have been frustrated at not being able to reach young male consumers with their messages. After searching for clues about what this crowd likes, these firms have created marketing campaigns designed to grab their attention—perhaps at the expense of other consumers. A spokesperson from one ad agency says that means advertising built on “bad boy” attitudes, lowbrow humour, and sex.53

1. What are some of the pitfalls of this kind of segmentation?
2. Do you think these ads will be successful in the long run? Why or why not?
3. Should marketers be concerned about offending one market segment when trying to reach another? Why or why not?
As discussed in the chapter, Statistics Canada is an important source of data used by marketers to make decisions concerning geographic segmentation of their products. Visit the Statistics Canada website (http://www.statcan.ca). Click on “Community Profiles.” Search for a city in your province and answer the following questions:

1. Geographic segmentation. As discussed in the chapter, Statistics Canada is an important source of data used by marketers to make decisions concerning geographic segmentation of their products. Visit the Statistics Canada website (http://www.statcan.ca). Click on “Community Profiles.” Search for a city in your province and answer the following questions:

   a. What is the current population and the population change shown?
   b. How many private dwellings are there?
   c. What is the median age of the population?

2. How companies segment their markets. Visit the websites of Ford Motor Company (http://www.ford.com) and Procter & Gamble (http://www.pg.com). How does each company segment its markets (such as geographic, product-related, or demographic)? Does the company use more than one method of product segmentation?

3. Segmenting by brand loyalty. Visit the Guinness Brewing Company’s web store (http://www.guinnesswebstore.com). Prepare a brief report on how Guinness uses its web store to build brand loyalty. Pick another company you have heard of and visit its website. How does this company use its website to enhance brand loyalty?

   **Note:** Internet Web addresses change frequently. If you don’t find the exact sites listed, you may need to access the organization’s or company’s home page and search from there or use a search engine such as Google.

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**INTERNET EXERCISES**

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**Case 8.1**

**“I Am Canadian”**

In 2000, Molson Breweries launched their famous “I am Canadian” commercial, or the “Rant” ad. The ad defined Canada so well it has been used by politicians to promote the country—but it was designed to sell beer. It seems an appropriate statement about Canada because Canadians drink a lot of beer. In fact, beer is the most popular alcoholic beverage in the country. In 2005, Canadians spent $16.8 billion on alcoholic beverages, and beer accounted for over 50 percent of those sales, with wine coming in at 25 percent and spirits (vodka, scotch, etc.) at 24 percent. This was the first year when wine sales exceeded spirit sales. These figures alone don’t tell the whole story about the Canadian beer market or consumer tastes in beer. The rest of the story includes two major breweries, several dominant brands, differing consumption rates, microbreweries, and imported beers.

Consumers across the nation spent an average of $638.60 per person on alcoholic beverages annually, but per-person sales were highest in Newfoundland and Labrador and lowest in Manitoba. Research indicates that 33 percent of consumers do not drink beer at all. Females are not likely to be beer drinkers, and males over the age of 45 are not likely beer drinkers, either. Research would indicate that the majority of beer drinkers are young males. The two provinces with the highest total beer sales are, not surprisingly, Ontario and Quebec, with total annual sales of $3.2 billion and $2.3 billion respectively.

The two dominant beer brands are Molson Canadian (the Rant) and Labatt’s Blue, each holding roughly 12 percent market share. Labatt and Molson have been the major players in the Canadian beer market for many years; however, both are now owned by foreign companies, Labatt by the Belgian company Interbrew, and Molson by the American beer giant Coors. Canadians are usually loyal to a particular brand (74 percent) as opposed to Americans, who showed only 65 percent brand loyalty. Consumers will switch brands if there is a promotional giveaway or an ad that catches their interest. The highest brand-switching rates occur on the east coast and in Ontario, where roughly 40 percent will change brands for a giveaway like a T-shirt; in Quebec, 70 percent of beer buyers indicate no promotion incentive would cause them to try a different brand.

Most brands appeal to certain predictable segments of the population, like younger drinkers. Some brands, however, don’t follow a pattern and cross into different market segments. One of these brands is Labatt 50. Labatt 50 is popular with older and younger drinkers in Quebec and Ontario. Quebeckers like the brand because they think it is a Quebec beer, mainly because ads in the past have focused on French-Canadian themes. Ontario 50 drinkers think it is an Ontario beer so they have remained loyal. The ads for English Canada focused on high-energy, colourful themes that always included some upbeat music. The package size is also different in the two markets—jumbo size in Quebec, and regular size for the rest of the country. Labatt 50 appeals to the cool counterculture group mainly in the Toronto market. This group started taking it to parties because few others drank it so they would be assured that they could drink the beer they brought.

Another trend is emerging in the beer market mainly due to the aging boomer segment. These folks can’t drink as much beer as when they were younger and have turned to premium beers. This accounts for the rapid rise of microbreweries, like Creemore, and to the 34.7 percent increase in imported beer sales.

Based on all the research for this market, it would be safe to say that beer companies are in for even more changes in the years to come. The factors contributing to these changes will be the aging boomer market and the fickle younger market. Want to bet on a sure thing? It’s pretty certain that the majority of future beer drinkers will still be male.
Questions for Critical Thinking

1. If Labatt were to expand its target market for Labatt 50, which segment or segments of the market might the firm include?
2. How you would describe the positioning strategies of Molson and Labatt for their different beer brands?

Case 8.2

Beauty at Every Age

Unilever, which describes itself as a multi-local, multinational company, is big. They have operations in over 80 countries and are a force in markets from soup to soap since 1872. With brands like Sunlight Soap, Knorr food products, Hellman’s mayonnaise, Axe grooming products for men—and many more—Unilever covers many segments. Having so many different products to market would present a challenge for most companies, but Unilever has found success by “putting a positive social message” into its promotional material and creating meaningful experiences for its customers. The results are impressive—not only has the company won many prestigious awards but sales, market share, and ROI have increased.

One product line, Dove, has been particularly successful. The company did a global study on how women viewed themselves. The results showed that only 2 percent of women internationally viewed themselves as beautiful—in Canada it was only 1 percent. This study and its overwhelming results were the driving force behind the “Real Beauty” Campaign, which aimed to get women of all ages to rethink their definitions of beauty while at the same time reposition the Dove product line as “an agent of change” in today’s society. The campaign included different tactics for each age category and product within the line but the central theme was the same: we need to change the stereotypes of what is beauty and get women, of all ages, feeling better about themselves.

For women over 50, Unilever’s global study showed that 91 percent of these women thought it was time for society to think more positively about aging. Not surprisingly, companies are listening to this age group because these are the boomers and there are a lot of them. The result was a new Dove product line—pro-age. The pro-age line includes products for the hair, face care, cleaners, lotions, and hand lotion. The products in this line were designed to meet the changing needs of women as they get older. For example, the hair products give extra fullness and thickness.

Unilever’s commitment to reducing the influence of stereotypes and promoting its products can be seen in its “Real Beauty” campaign. For a number of years, Dove had used real women, not models, in ads. These women, in all shapes, sizes, cultural backgrounds, and ages, are portrayed in the ads without any altering or retouching of photos. For the pro-age line, the women, all age appropriate, appear without any clothes. The “Real Beauty” campaign also includes some less traditional marketing techniques, such as developing a play where older women talk to their bodies; for younger women, it’s the Dove Self-Esteem Fund. The Self-Esteem fund aims to change the attitudes about beauty of 5 million younger women by 2010.

The success of these initiatives has been overwhelming. In a two-year period Dove sales in Canada increased 18 percent in the first year and another 12 percent the following year. These numbers are pretty impressive considering that Dove was already the number one cleansing product in the world.

Questions for Critical Thinking

1. Unilever segments by age and product. Can you think of other ways in which Unilever might segment its market?
2. What type of strategy would likely be best for reaching Dove’s target market? Why?


Video Case 8.3

Harley-Davidson Rules the Road by Understanding Its Customers

The written case on Harley-Davidson appears on page VC-11. The recently filmed Harley-Davidson video is designed to expand and highlight the concepts in this chapter and the concepts and questions covered in the written video.