Marketing Modules Series
Module 2: Customer Analysis
Teaching Slides

Sandra Cuellar-Healey, MFS, MA & Miguel Gomez, PhD
Charles H. Dyson School of Applied Economics & Management
College of Agriculture and Life Sciences, Cornell University, Ithaca NY 14853-7801
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Complete Marketing Modules Series available at: http://hortmg.t.gomez.dyson.cornell.edu/Marketing-Modules.html
Buying behavior is determined by consumers’ own characteristics as well as by external factors.

Source: Gomez, Miguel. Customer Analysis Lecture—NCC-553, Fall 2005: adapted from Philip Kotler, Marketing Management (2003), Instructor Course Organizer CD-ROM
Understanding Consumer’s Behavior

• Cultural Traits
  – Culture, subculture and social class

• Social traits
  – Reference groups, family and social roles, and status

• Personal Traits
  – Age, lifecycle stage, occupation, financial situation, lifestyle, personality and self-concept

• Psychological Traits
  – Motivation, perception, learning, beliefs and attitudes
Understanding How Consumers Make Buying Decisions

The Decision Making Unit (DMU)
Who is involved in the purchasing process and what is their role?

• Initiator(s)
• Decider(s)
• Influencer(s)
• Purchaser(s)
• User(s)

More than one member of the DMU can play each role and each member can play more than one role!
The Decision Making Unit (DMU)

Example:
Roles played by DMU members in the purchase of a home computer:

The oldest child is the **initiator** of a computer purchase. A friend of the family provides input on the best options and becomes the **decider**. The parents and siblings provide their input in terms of features, price range, etc., and act as **influencers**. The father is the **purchaser** and, ultimately, all members of the family are **users**.
Understanding How Consumers Make Buying Decisions

Consumer Buying Decision Process

- Need recognition
- Information search
  - Low involvement
  - High involvement
  - Evaluation of alternatives
  - Purchase decision
  - Postpurchase behavior

Source: Gomez, Miguel. Customer Analysis Lecture—NCC-553, Fall 2005: adapted from Philip Kotler, Marketing Management (2003), Instructor Course Organizer CD-ROM
Selecting a Target Market

Rarely a single firm can satisfy everyone in a given market. Identifying those segments that can be served in a profitable way is the key to success!

Markets can be targeted at four levels:

- Segments: large identifiable groups within the larger market
- Niches: a more narrowly defined group
- Local areas: specific trading areas or neighborhoods
- Individuals
Selecting a Target Market

In the Selection of its Target Markets a firm:

• Explores potential customers (segments) to attempt to serve
• Identifies the resources needed to do it successfully
• Evaluates the fit between the potential target market and the firm’s objectives
• Assesses the firm’s competitive position (strengths and weaknesses) with respect to the competition
• Estimates the likely financial returns that might accrue from the potential target market(s).
The Market Segmentation Process

4 Steps:

1. Identify the bases for segmenting the market
2. Identify segments and develop profiles for each
3. Assess and select the segment(s) to target
4. Develop marketing strategies for each selected segment
Step 1. Bases for Segmenting the Market

- **Demographic:**
  Age, gender, education, marital status, household characteristics, family lifecycle, ethnic background, occupation, income level, religion, social class, etc.

- **Psychographic:**
  Attitudes, values and interests which define consumers’ lifestyle

- **Geographic:**
  Any number of spatial alignments (e.g. regions, states, counties, cities, and towns or individual neighborhoods)

- **Behavioral:**
  Occasions, benefits, user status, usage rate, loyalty status, readiness stage and attitude
## Step 2. Segment Identification and Profile Development:
### U.S. Market Segments According to Generation:
#### Size, Traits and Characteristics, 2010

<table>
<thead>
<tr>
<th>Generation</th>
<th>Traits</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditionalists</td>
<td>Patriotic, loyal, faith in institutions</td>
<td>Brand loyal, expect value for money</td>
</tr>
<tr>
<td>40 M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Born before 1946</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>Idealistic, competitive, question authority</td>
<td>Value status, willing to try new brands, limited time</td>
</tr>
<tr>
<td>81 M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Born 1946-1964</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation X</td>
<td>Eclectic, self-reliant, skeptical, highly adaptive to change and technology</td>
<td>Value individuality: need respect and safety and value those who can provide it</td>
</tr>
<tr>
<td>61 M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Born 1965-1981</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millenials</td>
<td>Globally concerned, cyber-literate, media savvy, environmentally conscious</td>
<td>Savvy consumers, value opinions of peers, loyal to their brands</td>
</tr>
<tr>
<td>85.4 M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Born 1982 - 2000</td>
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</tbody>
</table>

Source: U.S. Census Bureau, American Fact Finder: Age Groups and Sex 2010 & BridgeWorks 2000
Step 3. Market Segments’ Evaluation

Segments’ Attractiveness & Firm’s Objectives and Resources

- **Segments’ size and growth potential:**
  Estimated size, current market penetration and growth potential

- **Structural characteristics:**
  Competition, segment’s saturation, opportunities for protection, and environmental risks

- **Product-Market Fit:**
  Fit with firm’s objectives and resources, likely interactions with other segments (i.e. synergy, cost interactions, image transfers, cannibalization, etc.), and profitability potential (i.e. entry costs, margin levels and return on investment)
Typically, firms select segments with the following characteristics:

- The segment is large, growing, makes frequent purchases, and is not price sensitive (i.e. is willing to pay high prices)

- The firm has the resources and capabilities to compete for a share of the market and can serve the target customers better than the competition in a profitable way
Market Segments Targeting Options

1. Single-segment concentration: target one segment
2. Selective specialization: target different segments with a variety of products
3. Product specialization: target several segments with one product
4. Market specialization: target one segment with several products
5. Full market coverage: target the whole market with as many products as possible
## Marketing Strategies Development

### Strategies to Target Different Generational Segments

<table>
<thead>
<tr>
<th>Traditionalists</th>
<th>Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respect history</td>
<td>Offer choices</td>
</tr>
<tr>
<td>Focus on “value”</td>
<td>Focus on “needs”</td>
</tr>
<tr>
<td>Refer to opinion leaders</td>
<td>Refer to status brands</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Generation Xers</th>
<th>Millenials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respect skepticism, be candid</td>
<td>Respect they are growing up</td>
</tr>
<tr>
<td>Stay loose, show humor</td>
<td>Show how it is “new” and</td>
</tr>
<tr>
<td>Provide information: let them decide</td>
<td>“different”</td>
</tr>
<tr>
<td></td>
<td>Help them express themselves</td>
</tr>
</tbody>
</table>

Source: BridgeWorks 2000