
Market Segmentation

- A framework for determining the right target customers



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1. Summary

The purpose with the thesis is to provide a framework for exemplifying how market segmentation can determine the right target customers. This will be done by using the landline telephone and the mobile telephone as examples. First by explaining the market segmentation process and secondly followed by an analysis according to a questionnaire conducted and using respectively the Minerva model and the Mosaic model. During the first part of the thesis, theories by Kotler et al. and Gunter et al. will be predominant, whereas in the last part internet articles from AC Nielsen – AIM and dooney.com, amongst others will be the predominant sources.

In the section of the market segmentation process the different types of market segmentation and the variables of each type will first be explained. These types are significant when identifying the right target customers to a product. They include *the demographic segmentation*, which is considered the most common one that deals with basic demographic factors such as age, income, gender etc. and divides the target customers into segments based on these variables. *The geographic segmentation* divides the target customers into segments based on geographical areas such as nations, regions, cities etc. *The psychographic segmentation* divides the customers into segments according to their values and lifestyle. Finally *the behavioural segmentation* divides the target customers into segments based on their attitude toward a product. On the basis of the description of the types it will be concluded which of the types are best suited when identifying the target customers of respectively the landline telephone and the mobile telephone in this case being the demographic and the behavioural segmentation.

The second step in the segmentation process is the matter of market targeting. After identifying the target customers, the company must decide which segment to target and how many. Subsequently the company then must decide which market strategy to choose i.e. *undifferentiated marketing*, where the company does not consider differences between the segments and targets the market with one offer, *differentiated marketing*, where the company target many market segments with offers specially designed for each segment or *concentrated marketing*, where the company chooses one or few markets.

The third and final step in the segmentation process is the matter of positioning. Once the company has identified and evaluated the target customers it is then necessary to decide on what position the company wants to occupy in the chosen segments. In order for the company to achieve a successful positioning i.e. when the target customers find that the product satisfies their expectations and desires, there are steps the company must follow. These include amongst others; the company must understand what the target customers expect and believe to be most important when deciding on a purchase, the company must develop a product which caters specifically for the customers' needs and expectations.

On the basis of the description of the market segmentation process, the next part of this thesis will be the matter of the choice of target group. The first analysis will be done according to the Minerva model on the basis of a questionnaire conducted. The Minerva model divides people into 5 different lifestyle segments based on their values and each of these segments is designated a colour; blue, green, rose, violet and the grey segment in the middle. Furthermore the model consists of a horizontal axis and a vertical axis. By using the Minerva model it will be established that it is difficult to place the target customers of respectively the landline telephone and the mobile telephone due to the fact that the model does not provide an opportunity to blend two or more of the coloured segments.

The Mosaic model will be used to provide another possibility to determine the target customers of respectively the landline telephone and the mobile telephone. It is based on geodemographic values i.e. it combines the study of people with where they live. In this thesis the results of the model will, as the Minerva model, be based on the questionnaire conducted. On the basis of the descriptions and the responses it will be concluded that the mobile telephone tends to be preferred by people living in the centre of Aarhus whereas the landline telephone tends to be preferred by people living in a suburb of Aarhus.

With the theoretical explanation and the analysis' a framework of exemplifying how market segmentation can determine the right target customers, in this case regarding the target customers of the landline telephone and the mobile telephone, will be succeeded and thus the purpose of this thesis will be realized.

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2. Introduction

Marketers have recognized that the target audience of a certain product are not all alike. They differ in terms of demographics, attitudes, needs, location and social affiliations. Most markets are made up of different individual customers, sub-markets or segments.

Segmentation and targeting of customers allows the marketer to deliver a product within the target audience needs and wants (Pickton and Broderick, 2005: 373). It is a necessity to establish the needs and values of the target customers within each segment, in order for companies to promote their products, brands or services appropriately.

The landline telephones have during the past ten-fifteen years met a hard competition from the mobile telephones and therefore it can be argued that the landline telephones have to be marketed in a different way than the mobile telephone. In order for marketers to design the right marketing strategy it is necessary for the marketer to have a great knowledge about the needs and wants. By following the segmentation process the marketer will achieve the necessary knowledge and thereby be able to design a persuasive and appropriate marketing strategy.

This thesis will provide a framework for exemplifying how market segmentation can determine the right target audience. This will be done by using the landline telephone and mobile telephone as examples in an analysis according to two models.

The aim of this thesis is to understand the segmentation process and the concepts regarding the segmentation process. Furthermore by gaining knowledge of these concepts it should be possible to determine the right target customers of respectively the landline telephone and the mobile telephone by analyzing.

The analysis will be entirely fictional and will not have further relevance in other connections besides this thesis.

2.1 Delimitation

This thesis will focus on the segmentation process and defining a target audience which will be studied according to the leading researchers. Furthermore since this thesis is based upon mobile phones and landline phones it is not one singular brand that will be taken into consideration but the landline telephone and the mobile telephone in general.

Due to the fact that a questionnaire has been conducted with Danish participants, the analysis in the last part of the thesis will not provide a picture of the English market, but the Danish. Therefore the theoretical part of the thesis is to provide knowledge of the technical terms used during the thesis. In addition to that, the results from the questionnaire are entirely fictional and have no relevance in other aspects beside this thesis.

Furthermore, the structure and content of the thesis is build on a business-to-customer approach within the telephone industry and business-to-business approaches will not be examined.

In connection with the analysis, the Minerva model and the Mosaic model will be the only models used. In the field of segmentation, the VALS, PRIZM and ACORN models etc. are of certain relevance. However, these will not be explained and/or used in this thesis.

2.2 Method

Within the field of marketing and segmentation, the American professor Philip Kotler is a reputable man due to his many years of research and work within the field of marketing. Furthermore he has received several awards and achievements for his work and commitment and thus theories by Philip Kotler et al. are of certain relevance for this thesis and will be predominant in the first part of the thesis. However, in order to provide more objective point of view theorists such as e.g. Barrie Gunter et al. will be represented in the thesis. In the second part of the thesis theories by AC Nielsen – AIM as well as internet articles from, amongst others, dobney.com will be the predominant theories. This is due to the fact that AC Nielsen – AIM is the inventors of the Minerva model and is thus considered as a reliable source. The remaining sources are included in order to provide an objective point of view.

The first part of the thesis will be theoretical in order to account for the most important aspects within the field. It will be concerned with the segmentation process and introduce the concepts within the field of segmentation. These concepts include the demographic segmentation, the geographic segmentation, the psychographic segmentation and the behavioural segmentation. According to some researchers, the benefit segmentation is an independent segmentation and has no relation to the behavioural segmentation. In this thesis, however, the benefit segmentation has been included as a variable of the behavioural segmentation since it is closely related to the product itself as are the remaining variables of behavioural segmentation.

The last part of the thesis will have a questionnaire to provide the basis of an analysis which will be analyzed according to the Minerva model and the Mosaic model. The questionnaire has, as earlier mentioned, been conducted with Danish respondents and therefore, the analyse based on the questionnaire is entirely fictional and has no relation to an actual segmentation of respectively the landline telephone and the mobile telephone.

3. Defining a target audience

In business it is a matter of being able to communicate your message in a persuasive way. Companies therefore need to be able to adapt to their target audiences' needs, wants and values (Kotler and Keller, 2009: 253). In order for companies to do so, they may ask themselves questions like; how the customers are? What do they buy? And where can they be found? It is not possible for the companies to reach out to all customers in large, broad, or diverse markets and therefore by dividing the customers into groups or segment(s), the company can choose which group they wish to target (Kotler and Keller, 2009: 247).

Kotler and Armstrong define market segmentation as *“dividing a market into distinct groups of buyers who have distinct needs, characteristics, or behaviour and who might require separate products or marketing mixes”* (Armstrong and Kotler, 2005: 54).

The overall aim of this chapter is to study the concepts of the market segmentation followed by the next steps of the market segmentation process.

3.1 Market segmentation

The market segmentation is mentioned as being one of the key elements of modern marketing and is, as mentioned, the process of dividing the market into several groups and/or segment(s) based on factors such as demographic, geographic, psychological and behavioural factors. By doing so the marketers will have a better understanding of their target audience and thereby make their marketing more effective (Gunter and Furnham, 1992: 1). This is due to the fact that by using the analytical process that puts customers first, the marketer will get more satisfied customers and thereby gain a great advantage over competitors (Dibb and Simkin, 1996: 3). Market segments can be characterized in different ways on way is to characterize the preferences of the target customers; *homogeneous preferences*, referring to customers that roughly have the same preferences. Secondly there are *diffused preferences* which mean that the customers vary in their preferences and finally *clustered preferences* which mean that the natural market segments emerge from groups of consumers with shared preferences (Kotler and Keller, 2009: 249).

When talking about market segmentation it is necessary to briefly mention the three areas of marketing which is to be taken into consideration when market a product.

The first area is *mass marketing*. It covers the area of mass producing, mass distributes and mass promotes on product to all buyers (Gunter and Furnham, 1992: 2). However, marketers have realized the great variety in each individual customer and therefore the market segmentation is a helpful tool for the marketers to customize their marketing programmes for each individual customer (Dibb and Simkin, 1996: 4).

The second area is *product differentiated marketing*. The marketer produces two or more products that display different features, styles, quality, sizes etc.¹

The third, and dominating, area is *target marketing*. The marketer distinguishes among a variety of market segments, chooses one or more of the segments and then develops products and marketing mixes customised to each segment (Gunter and Furnham, 1992: 2).

¹ The matter of mass marketing and product differentiated marketing will not be studied further

In the following the variables used in segmenting consumer markets will be explained. There are various variables to define market segments; however it is only the demographics, geographic, psychographics and behavioural segmentation that will be dealt with.

3.2 Demographic segmentation

The demographic segmentation divides customers into segments based on demographic values such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, social class and nationality (Armstrong and Kotler, 2005: 187).

The demographic segmentation is often used in market segmentation for the reason that the variables are easy to identify and measure. Furthermore the demographic variables are associated with sale of many products and services and finally they provide a description of the target customers so media buyers and others can target a desired target market.

Each of the variable are useful knowledge when segmenting markets and some of the above mentioned variables will be elaborated in the following (Gunter and Furnham, 1992: 9).

3.2.1 Age and life-cycle segmentation

The consumer's needs and wants change with age. Therefore some companies use age and life-cycle segmentation, where age and the life-cycle determine the marketing approach. Using telephones (landline and mobile) as an example the marketers must take into consideration that although some 70-years-old use a landline telephone, e.g. due to the lack of technological knowledge, others may only use a mobile telephone. Thus, marketers using the age and life-cycle segmentation must be careful to guard against stereotypes. (Armstrong and Kotler, 2005: 188)

Furthermore the age and life-cycle segmentation are associated with behavioural characteristics and buying patterns. An example of this is single people who have a tendency of purchasing new fashionable items due to the fact that they have no other economic obligations. This is opposed to married people, who have a large economic obligation and thereby they prioritize their economy different (Gunter and Furnham, 1992: 11).

3.2.2 Gender segmentation

Gender segmentation is used to differentiate the needs and wants between men and women due to the fact that men and women have different attitudes toward a product. The gender segmentation has long been applied in connection with clothing, hairstyling, cosmetics and magazines. Furthermore it must be taken into consideration that metro sexuality has become a common gender-factor and thus the marketers must not only define a product as being masculine or feminine (Kotler and Keller, 2009: 257).

3.2.3 Income segmentation

Income segmentation divides the market into different income groups. It is used in automobiles, clothing, cosmetics, financial services and travel. Many companies within the mentioned categories seek to target the high-income customers. Others seek to target the customers with a lower income in order to gain consumer loyalty and lessen the competitive pressures. However, companies must consider the fact that the income does not always predict the most suitable customers for a given product due to the fact that some customers may have other preferences and prioritize their money different (Kotler and Keller, 2009: 258).

3.2.4 Generation segmentation

Each generation is influenced by the times in which they grow up i.e. the music, the movies, politics and other significant events characteristic of that period. Marketers therefore market to a generation by using icons and images that is relatable according to the generation (Kotler and Keller, 2009: 259).

3.2.5 Social Class segmentation

Social class segmentation divides the customers according to their preferences in cars, clothing, home furnishings, leisure activities, reading habits and retailers. However, although the tastes of social classes changes, many companies design products for specific social classes (Kotler and Keller, 2009: 260).

In conclusion, the demographic, and the abovementioned variables', approach to market segmentation assumes that since people can be grouped into certain types of categories (i.e. age, income, education etc.) they are likely to share the same values and buying behaviour.

3.3 Geographic segmentation

The geographic segmentation divides customers into segments based on geographical areas such as nations, states, regions, counties, cities or neighbourhoods. A company can target one or more areas and must be aware of the fact that data according to geographic segmentation may vary due to population shift (Pickton and Broderick, 2005: 376).

It is important to segment according to geographic, due to the fact that the purchasing behaviour of the customers are influenced on where they live, work etc. (Gunter and Furnham, 1992: 5). Therefore many companies customize their products, advertising, promotion and sales efforts to fit the needs of the geographical variables (Armstrong and Kotler, 2005: 186).

The geographic segmentation is furthermore useful when there are differences in a location where a product is marketed. The differences can be caused by cultural factors, traditions, politics etc. and furthermore the differences can be significant in one segment, whereas in other segments the differences can be minor and less significant. (Gunter and Furnham, 1992: 5)

Furthermore as a result of an increase in the globalisation today the geographic segmentation has been linked to other differences in socio-economic and demographic characteristics. The result of this type of segmentation is referred to as *geodemographics* (Gunter and Furnham, 1992: 7). The geodemographic segmentation combines the geographic segmentation with the demographic segmentation and thereby combines the study of the target customers with where they live (Pickton and Broderick, 2005: 376). Hence the geodemographic classifies the customers according to where they live in comparison to the way the social class defines consumers by their occupation and thereby the companies are more capable of predicting consumer behaviour (Gunter and Furnham, 1992: 7).

3.4 Psychographic segmentation

The psychological variables derive from two principal types of customer; personality profiles and lifestyle profiles (psychographics). Psychological profiles are often used as a supplement to geographic and demographics when these does not provide a sufficient view of the customer behaviour. While the traditional geographical and demographical bases (sex, age, income etc.) provide the marketer with accessibility to customer segments, the psychological variables provide additional information about these and enhance the understanding of the behaviour of present and potential target markets (Gunter and Furnham, 1992: 26).

Psychographic segmentation therefore divides people according to their attitudes, values, lifestyles, interests and opinions (Pickton and Broderick, 2005: 377). Furthermore some marketers have used personality variables to segment the markets, for example the landline telephone is 'outdated' (Appendix 1) and a commercial could appear to target elder people whereas the actual purpose is that the commercial is aimed at a much broader personality group (Armstrong and Kotler, 2005: 190).

3.5 Behavioural segmentation

Behavioural segmentation is based on the customers' attitude toward, use of, or response to a product. Many marketers believe that the behavioural variables such as occasions, benefits, user status, usage rate, buyer-readiness stage, loyalty status and attitude are the best starting points for constructing market segments and thus these variables will be described further in the following (Kotler and Keller, 2009: 263).

- Occasions

Occasions are when the customers are divided into segments based on the time of day, week, month and year (Kotler and Keller, 2009: 263). People is therefore being grouped according to the time (occasions) on which they get the idea to buy, make their purchase or use the purchased item (Armstrong and Kotler, 2005: 191).

This can for example be during the time around holidays such as Christmas. A company may choose one kind of marketing strategy around Christmas and another at Valentine's Day in February and thus being able to target as many desired target customers as possible.

- Benefits

Benefit segmentation divides the customers according to the different benefits they may seek from a product. Benefit segmentation seeks to find the benefits people look for in a certain product, the kinds of people who look for each benefit and the brands that deliver each benefit (Armstrong and Kotler, 2005, 194).

Furthermore the benefit segmentation identifies market segments by casual factors rather than descriptive factors such as e.g. demographics.

- User status

By segmenting according to nonusers, ex-users, potential users, first-time users and regular users of a product a company can customize its marketing for each group (Armstrong and Kotler, 2005: 194).

Where regular users of a certain product request one kind of marketing approach, potential users may request another kind of marketing approach, and thus it is necessary to divide the customers into different segments and target them in different ways.

- Usage rate

The usage rate segmentation divides the customers according to how much they use a product. They are divided into groups of non-users, light, medium and heavy product users and companies often seek to target one heavy user rather than several light users (Armstrong and Kotler, 2005: 194). This is due to the fact that the heavy users constitute a small percentage of the market but account for a high percentage of the total buying (Gunter and Furnham, 1992: 20). Thus a company should seek to adapt their marketing strategy according to these customers. However, it should be

mentioned that it is of certain importance not to exclude the non-users, light users and medium users due to the fact that these users may provide a positive prospect for future expansions.

Finally the usage rate divides the customers in terms of time and place i.e. a company may sell one product at one part of the day, month, year and another product another time of the day, month, and year as is the similar case when using occasion segmentation (Internet 3 – Market segmentation).

- Buyer-Readiness stage

Buyer-readiness stage refers to people's awareness and interest of the product. Some people are unaware of the product, some are aware, some are informed, some are interested, some desire the product and some intend to buy (Kotler and Keller, 2009: 264). The purpose is to lead the customer along so he or she will purchase the product in the end.

Thus the company should seek to design their marketing strategy according to these factors. For example, people from the USA may have limited knowledge about a product from the UK. So in order for the product to be successful in the USA, the company should adapt their marketing strategy according to the limited knowledge an American may have.

- Loyalty status

A market can also be segmented according to the loyalty of the customers. It is assumed that customers are always loyal by buying the same product. These customers are referred to as *hard-core loyals*. Other people that are loyal toward two or three brands and buy these on a random basis are referred to as being *split loyals*. A third group of people are those who shift from one brand to another and staying with that brand for a period of time until they shift to another brand. These customers are referred to as *shifting loyals*. The fourth and final group of loyals are those who do not show loyalty or preference towards one particular brand, but rather buy a product or

brand that is on sale or available at the time of the occasion. These customers are referred to as *switchers* (Kotler and Keller, 2009: 264).

- Attitude

As a final variable to the behavioural segmentation is attitude toward a product. People can be divided into segments based on whether they have an enthusiastic, positive, indifferent, negative or hostile attitude toward a product.

By considering the customers' attitudes toward a brand or product the company will get a wide-ranging view of the market and its segments (Kotler and Keller, 2009: 265).

By combining the different behavioural variables, it is possible for marketers to get a view of a market and its segments and thereby the marketer can enhance its targeting strategies (Kotler and Keller, 2009: 265).

In conclusion to the section of defining the target audience it is important for the marketer to recognise the fact that it is not impossible to reach all buyers in all segments. This is due to the fact that the customers are too different and have various needs and purchasing behaviours. The company need to consider the variables of the concepts within market segmentation i.e. the demographic segmentation, the geographic segmentation, the psychographic segmentation and the behavioural segmentation. Considering these concepts, it should be possible to decide which concepts are best suited when designing market strategies for respectively the mobile telephone and the landline telephone. On the basis of the abovementioned section it can be argued that the demographic and behavioural segmentation are the most important ones when designing market strategies of a telephone. This is due to the fact that a telephone company should consider, amongst others, the ages of their target customers in order to communicate their message accurately. Furthermore the attitudes, amongst others behavioural variables, toward the product, in this case being a landline telephone and/or a mobile telephone, are important to realize in order for the company to design an appropriate market strategy.

When a company has defined the target customers the next stage in the segmentation process is to evaluate the market segments and then decide which segments to direct their marketing strategies at.

In the following, some aspects of the second stage of the segmentation process, market targeting, will be explained further.

4. Targeting

In the segmentation process the second stage is market targeting. Once the marketer has identified the segments it must be decided how many and which customer groups/segments to target. With respect to the decision to which customer groups or segments to target the company may choose one or a combination of the following marketing strategies; mass marketing strategy (undifferentiated marketing), single segment strategy (differentiated marketing) or multi-segment strategy (concentrated marketing) (Dibb and Simkin, 1996: 15-16).

- Undifferentiated marketing

With undifferentiated marketing a company does not consider the differences between each segment and chooses to target the market with one offer. Thereby the company focuses on the similar needs of the customers rather than the differences. However, when using undifferentiated marketing, it is not possible to meet every customer's needs and thus it is not possible to satisfy all customers. Furthermore companies may meet hard competition from companies using e.g. concentrated marketing (see below).

- Differentiated marketing

Differentiated marketing is a marketing strategy where a company target many market segments with offers specially designed for each segment. Thereby the company may have a higher sale and thus stronger position within each market segment. However, differentiated marketing also means increased costs of doing business due to the separate

marketing plans for each segment. Therefore companies must consider increased sales against increased costs when using differentiated marketing strategy.

- Concentrated marketing

Concentrated marketing, also referred to as niche marketing, involves going after a larger share of one or a few segments. By using niche marketing the company can market more effectively due to a strong position and great knowledge of the customers' needs within each segment. Although concentrated marketing can be highly profitable it also involves a high risk due to the fact that the company rely on one or a few segments for their whole business and will suffer greatly if the segment turns sour (Armstrong and Kotler, 2005: 200-202).

The question of which segment strategy the company shall choose is dependent on a number of market, product and competitive factors. Each of these factors must be considered before deciding on the segment or segments to be targeted. The factors are the following: existing market/share market homogeneity, product homogeneity, nature of competitive environment, market trends and the marketing environment, customer needs, segment size and company resources.

By considering these above mentioned factors the company can decide on viability of particular segments and ensure that resources are appropriately targeted (Dibb and Simkin, 1996: 16).

To conclude the section of market targeting it is necessary to use the market targeting in relation to the landline telephone and the mobile telephone. In the previous section, the target customers where defined and in this section the appropriate market targeting should be decided. On the basis of the description of market targeting and choosing the best market targeting strategy it can be argued that the mobile telephone and the landline telephone can be targeted according to differentiated marketing. This is due to the fact that this strategy target many segments and design the appropriate strategy for each segment. In addition to

that, the landline telephone does not appeal to all segments and thus it requires a marketing that is designed for the desired segments.²

5. Positioning

The third and final step in the market segmentation process deals with positioning. Once the company has identified the segments and chosen which segment or segments to target the final step is to decide on, what position it wants to occupy in those segments. Positioning is concerned with how the customers perceive the products and how it is defined by the customers in order to maximize the potential benefit to the company. The result is a persuasive reason why the target market should buy the product or products (Kotler and Keller, 2009: 308).

Customers are not capable of remembering information about each product and thus the consumers organize the products, services and companies in their minds in order to simplify the buying process. This process happens with or without the help from the companies. However, the companies are not interested in jeopardizing their products' position and therefore it is necessary for the companies to plan positions to gain advantage to their products in selected target markets (Armstrong and Kotler, 2005: 208).

In order for the company to achieve a particular product or service positioning there are steps the company must follow. These steps include:

- Understand what the target customers expect and believe to be most important when deciding on a purchase.
- Develop a product or brand which caters specifically for the customers' needs and expectations.
- Evaluate the positioning and images, as perceived by the target customers of competing products in the selected market segment or segments.

² Statement of the landline telephone is based on the results from the questionnaire, appendix 1

- Select a credible image that differentiates from competing brands and products on the basis of the characteristics of the brand or product, the needs and expectation of the target customers and their perception of competing brands' positioning.
- Communicate with the targeted customers about the product via promotion and make the product available at the right price. (Dibb and Simkin, 1996: 18)

A successful positioning occurs when the target customers find that the product or brand satisfies their expectations and desires (Dibb and Simkin, 1996: 17).

In conclusion to the market segmentation process it is necessary to sum up the points made. When identifying the target customers it is necessary to consider the variables of the different types of segmentation. These types are the demographic segmentation, the geographic segmentation, the psychographic segmentation and the behavioural segmentation. The next step is to evaluate the market segments and decide on which segments to direct their marketing strategies at. The final step is to position the product so the product satisfies the target customers' expectations and desires.

6. Choice of target group

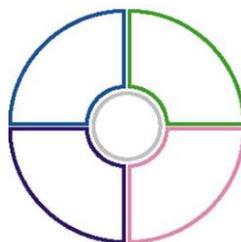
The first part of the thesis established the theoretical parts about the segmentation process. In order to get a clear insight in the process the second part of the thesis will concentrate on making an analysis according to the Minerva model and the Mosaic model by using respectively the landline telephone and the mobile telephone as examples. This will be done due to the fact that the landline telephone has met a hard completion from the mobile telephone during the past ten-fifteen years and thus a questionnaire has been conducted in order to provide information about preferences of respectively the landline telephone and the mobile telephone.

The analysis will first be made according to the Minerva model and thereafter according to the Mosaic model.

By using the Minerva model and the Mosaic model as tools in the segmentation process, companies can get a better view of their target customers and thereby design and deliver the communicative message and appropriate marketing strategy to the target customers.

6.1 The Minerva model

The Minerva model divides people into 5 different lifestyle segments based on their values and each of these segments is designated a colour; the blue, the green, the rose, the violet and the grey. In addition to that, a system of co-ordinates has been developed a vertical axis and a horizontal axis with a colour, of the above mentioned, in each corner. The northern part of the vertical axis represents the modern customer, whereas the south is traditional. The western part of the horizontal axis is pragmatic or materialistic and finally the eastern part of the axis is idealistic. Represented in the middle of the system of co-ordinates is the grey segment. The grey segment is considered an indefinite average segment, which also represents a range of elements from each of the remaining 4 segments (Internet 1 - AC Nielsen - AIM). In the following sections the green, blue, rose and violet segment will be explained further and in the last part of this chapter, the landline telephone and the mobile telephone will be used as examples.



6.1.1 The blue segment

The blue segment represents the modern individual. The people segmented according to the blue segment are individualistic, well educated people who emphasize prestige and visible success (Internet 2 – Segmentation by Life Situation – Not Lifestyle). Furthermore people belonging to the blue segment can be characterized as being reflective i.e. being able to explain behaviour from a

rational point of view. Some of the keywords characterizing people in the blue segment are that they have self-confidence and consumption (Internet 1 – AC Nielsen – AIM).

6.1.2 The green segment

The green segment represents the group-oriented individual. People in the green segment emphasize the values of the group and social realization (Internet 1 – AC Nielsen – AIM). Furthermore it is primarily a modern and idealistic female majority in the green segment, who is interested in culture and humanities (Internet 2 – Segmentation by Life Situation – Not Lifestyle). Some of the keywords characterizing people in the green segment are commitment, dedication and activity (Internet 1 – AC Nielsen – AIM).

6.1.3 The rose segment

The rose segment is similar to the green segment; however it differentiates itself by emphasizing the realization of traditional, social objectives such as family, friends and community. Furthermore, where the green segment is a mixture between being modern and idealistic, the rose segment is a mixture between being idealistic and traditional. Furthermore due to the fact that the rose segment is diagonal of the blue segment and thereby the two segments are each others' opposite, people in the rose segment are non-reflective. Some of the keywords characterizing people in the rose segment are tradition, family and the local community (Internet 1 – AC Nielsen – AIM).

6.1.4 The violet segment

Finally there is the violet segment. The violet segment primarily represents the individualistic individual who values traditional orientation and emphasizes independence (Internet 1 – AC Nielsen – AIM). The majority of the people represented in the violet segment are typically skilled men e.g. craftsmen (Internet 2 – Segmentation by Life Situation – Not Lifestyle). Some of the keywords characterizing the violet segment are stability, tradition and do-it-yourself-attitude (Internet 1 – AC Nielsen – AIM).

6.2 The landline telephone and the mobile telephone

On the basis of the brief introduction of the 4 main segments that form the Minerva model, it should now be possible to determine the target customers of respectively the landline telephone and the mobile telephone. This will be done by using the information and results gathered in the questionnaire conducted (see appendix 1). The questionnaire has been received and answered by respectively 10 men and 10 women ranging from the ages of 15-58. Thus the analysis of the questionnaire will be fictional and the results drawn from the questionnaire will only have relevance for this thesis.

As the first part of the thesis have explained, companies are capable of designing an adequate marketing strategy and thereby promote and sell their product(s) by determining the target customers of a certain product, and in this case concerning the landline telephone and the mobile telephone.

According to the questionnaire, the majority of the respondents preferred to have a mobile telephone. This was primarily due to the fact that a person can bring the mobile telephone anywhere he or she wants and thus people will always be capable of getting in touch with him or her. Furthermore many of the respondents answered that they prefer the mobile telephone due to the fact that they use it as a work telephone and therefore it is a way to lighten the work and the work burden to be able to bring the telephone with them. Finally, some of the respondents answered that they preferred the mobile telephone simply due to the fact that the landline telephone is 'outdated' (Appendix 1).

By using this information it can be argued that it is difficult to place the mobile telephone in one particular segment. Furthermore it can be argued that the mobile telephone, in general, is rather difficult to segment and thus companies can choose to use the mass marketing strategy (see section 2.1 Market segmentation). However, if a company produces a particular brand it is possible to segment the target customers according to the Minerva model. This is due to the fact that the Minerva model does not provide an opportunity to blend one or more of the coloured segments. Due to the fact that the questionnaire does not provide information about the particular brands, which the respondents might have a preference for, and therefore it is difficult to determine the target customers of the mobile telephone. However, based on the information

from the questionnaire it can be argued that the users of the mobile telephone, for the most part, belong to the violet segment and the blue segment. This is based on the fact that many of the respondents have expressed that they use the mobile telephone as a work telephone and the violet segment as well as the blue segment represent highly educated or skilled people such as businessmen and craftsmen and in their type of work they can be dependent of a mobile telephone and thereby the telephone can be rather useful (Internet 2 – Segmentation by Life Situation – Not Lifestyle and Appendix 1).

It shall be emphasized though, that the above mentioned analysis is fictional and is entirely based on the respondents of the questionnaire as is the case of the following analysis.

As regards to the landline telephone, the questionnaire provides the information that the minority prefers to have a landline telephone as opposed to the mobile telephone. This was primarily due to the fact that according to the respondents it was considered more practical to have a mobile telephone. Those, who spoke in favour of the landline telephone was for the most part women. The reason they spoke in favour of the landline telephone was due to the fact that some found it positive, the fact that the landline is stationary and thereby it is always possible to locate the telephone when it is ringing. Others spoke in favour of the landline telephone due to the fact that they enjoy the possibility of 'having some quality time without the phone ringing all the time' (Appendix 1).

By taking the information into consideration it can be argued that, based on the information of the questionnaire, the users of the landline telephone for the most part belong to the rose segment. This is due to the fact that the rose segment puts emphasis on traditional values and since the landline telephone can be argued to be declining in popularity (as opposed to the mobile telephone) and thus being 'old school' (appendix 1) it can then be possible to place the landline telephone in the rose segment.

6.3 Critique of the Minerva model

The Minerva model has in recent years received critique, which is necessary to consider when working with the model. The Minerva model is a helpful tool when determining target customers, but it does not work concretely on one individual, but is more explicitly an expression of an average consideration of people as a group. Another problem with the Minerva model is that according to critics, the model does not consider the tendencies of subcultures and globalisation (Internet 4 – Glem Minerva).

Furthermore, it can be argued that since the Minerva model does not provide an opportunity to blend two or more of the coloured segments it can be difficult to place the mobile telephone according to one specific colour in the model. Furthermore it can be argued that, due to the fact that the Minerva model only provides information about the target customers' lifestyle and due to the fact that trends and interests change over time, it is not sufficient to base the results on the lifestyle of the target customers. (Internet 2 – Segmentation by Life Situation – Not Lifestyle) Therefore it can be argued, that in order to get a more precise and profound information about the target customers the Mosaic model is better suitable (see section 5.4). However, the Minerva model is suitable when approached with a critical mind due to the fact that the model will still be suitable to provide an overall view of the target customers.

6.4 The Mosaic model

The Mosaic model is a segmentation system developed by Experian and exists in many countries worldwide. It is based on the geodemographic values. The geodemographic value combines the variables from the geographic segmentation and the demographic segmentation and thereby the geodemographic segmentation combines the study of the target customers with where they live. The model divides people into broad groups and within these broad groups the target consumers are divided into smaller groups. For example in the UK the Mosaic allocates the postcodes into 12 broad groups and 52 detailed types based on the consumers living in the UK. The Mosaic model is one of the most common used models when segmenting according to the geodemographic segmentation.

The model bases its information on sources such as census, electoral rolls, socio-economic characteristics etc. By combining the information gathered from the above mentioned sources, the model is capable of measuring aspects of consumer behaviour on a geographical basis and down to a postcode levels (Internet 5 – MOSAIC segmentation).

In the questionnaire the respondents have noted their postcode and by doing so the geographical segmentation has been narrowed down from Denmark to different parts of Denmark. In this case, the postcodes indicate that the respondents live in respectively Funen and Aarhus.

The majority of the respondents speaking in favour of the mobile telephone live in the centre of Aarhus, the western part of Aarhus and the larger cities of Funen, whereas the respondents from Risskov, a suburb of Aarhus, spoke in favour of the landline telephone. Based on the noted postcodes and the demographic values (age and gender) according to the questionnaire it is possible to narrow the search of the target audience of the mobile telephone down to these specific areas.

By using the Mosaic model to target the right target customers the companies can lighten their work and thereby base their market strategies and make promotions according to the specific target areas. For example in Aarhus, Risskov is considered to belong to the more lucrative part of Aarhus³ and by using the Mosaic model to gather further information the companies will be able to communicate their message about landline telephones and/or their mobile telephones appropriately.

³ This does not emerge from the questionnaire though, but as a citizen of Aarhus it is well known.

6.6 Critique of the Mosaic model

The Mosaic model is one of the most common used models when trying to define the target customers. It exists in many countries and each country has been divided into a number of broad groups and these groups have further been divided into an amount of groups.

However, due to the fact that the Mosaic model does not exist in all countries, it only provides information of the 16 countries⁴ and thereby the model can only be used in limited ways.

Based on the poor answers from the questionnaire it is difficult to establish the correct target customers of respectively the mobile telephone and the landline telephone. However, if there had been access to the information such as census, electoral roll etc. of the respondents it could have lightened the analysis and thereby it could have been possible to make a better analysis.

7. Conclusion

The area of market segmentation has now been discussed in order to realise the purpose of this thesis i.e. to provide a framework for exemplifying how market segmentation can determine the right target audience. In discussing these areas it can be concluded that the market segmentation can determine the right target audience by following the market segmentation process and thus help a company to design an appropriate marketing strategy.

The aim of this thesis was to understand the market segmentation process and as a result being able to make an analysis based on a questionnaire conducted.

With regards to the market segmentation, the different concepts within market segmentation were established. In the approach to this area, the four most commonly used types of segmentation were accounted for i.e. the demographic segmentation, the geographic segmentation, the psychographic segmentation and the behavioural segmentation. On the basis of the description of these types of segmentation it was concluded that the most important types of segmentation for the landline telephone and the mobile telephone were the demographic

⁴ Australia, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Netherlands, New Zealand, Norway, Republic of Ireland (ROI), Spain, Sweden, UK, USA (Internet 6)

segmentation and the behavioural segmentation. The reason for choosing the demographic segmentation is due to the fact that the telephone companies must consider e.g. the ages of their target customer in order to create an appropriate marketing strategy. The behavioural segmentation should be chosen in order for the company to realize e.g. the attitudes the target customers may have towards the landline telephone and the mobile telephone.

After defining the market segment, the company needs to evaluate the segments and select one or more for targeting. Three marketing strategies were described; undifferentiated marketing, differentiated marketing and concentrated marketing. On the basis of the description of the types of marketing it was argued that the differentiated marketing is the best suited for the mobile telephone and the landline telephone. This is due to the fact that the differentiated marketing targets many market segments and design an appropriate marketing strategy, which is the best solution when promoting the landline telephone.

The third and final step in the market segmentation process deals with positioning i.e. being able to position the product in the target customers' mind. In this section certain steps in the positioning process was explained. These included, amongst others; understand what the target customers expect and believe to be most important when deciding on a purchase; evaluate the positioning and images, as perceived by the target customers of competing products in the selected market segment or segments. On the basis of the description of the types it was concluded that a successful positioning occurs when the target customers find that the product or brand satisfies their expectations and desires.

The final section of this thesis dealt with two models, the Minerva model and the Mosaic model. The Minerva model is composed of the blue segment, the green segment, the rose segment and the violet segment. The blue segment represents the highly educated individual, the green segment represents the group-oriented individual, the rose segment represents the traditional individual and the violet segment represents the skilled individual. Furthermore the model consists of a horizontal axis and a vertical axis. The northern part of the vertical axis represents the modern customer whereas the southern represents the traditional customer. The western part of the horizontal axis represents the pragmatic customer and finally the eastern part represents the idealistic customer. On the basis on the descriptions and on the basis of a questionnaire

conducted it was concluded that it was difficult to determine the target customers of the landline telephone and the mobile telephone due to the fact that it is not possible to blend two or more of the segments in the Minerva model. However, it was argued that the landline telephone could belong to the rose segment, due to the fact that the rose segment emphasizes traditional values.

The Mosaic model combines variables from the geographic segmentation and the demographic segmentation. It divides the target customers into broad groups and then further into minor groups. Based on the descriptions and the use of the questionnaire it was concluded that people from the centre of Aarhus, the western part of Aarhus and the major cities of Funen spoke in favour of the mobile telephone, whereas people from the suburb Risskov spoke in favour of the landline telephone. With that information a company can design the appropriate marketing strategy.

In conclusion, the explanation of the market segmentation process, i.e. identifying the target customers, market targeting and positioning, and the analysis using the Minerva model and the Mosaic model provide a framework for market segmentation. Consequently it can now be concluded that a framework for exemplifying how market segmentation can determine the right target audience has been succeeded and thus the purpose of this thesis has been realized.

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9. Appendix 1

Questionnaire (10 women, 10 men)

1. Do you currently have a mobile telephone, a landline telephone or both?

Mobile

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Mobile – because you can bring it with you and everybody are capable of getting in touch with you

3. Gender

Woman

4. Age

24

5. Postcode

8000

1. Do you currently have a mobile telephone, a landline telephone or both?

Mobile

2. Do you prefer to have a mobile telephone or a land line telephone? Why?

Mobile – it's my work phone so it's cheaper for me to have a mobile phone

3. Gender

Man

4. Age

26

5. Postcode

8000

1. Do you currently have a mobile telephone, a landline telephone or both?

Both

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Neither, both are equally practical

3. Gender

Woman

4. Age

53

5. Postcode

5600

1. Do you currently have a mobile telephone, a landline telephone or both?

Mobile

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Both – my work only call me on my mobile, so it is nice to know that when the land line calls, it is not work-related

3. Gender

Man

4. Age

54

5. Postcode

5000

1. Do you currently have a mobile telephone, a landline telephone or both?

Mobile

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Mobile – landline is way too oldschool

3. Gender

Man

4. Age

15

5. Postcode

5600

1. Do you currently have a mobile telephone, a landline telephone or both?

Mobile

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Mobile – My whole family has mobile phones and we can call each other for free because we all have Telmore

3. Gender

Woman

4. Age

24

5. Postcode

8210

1. Do you currently have a mobile telephone, a landline telephone or both?

Both

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Landline– I like the fact that I don't have to bring work home with me

3. Gender

Man

4. Age

44

5. Postcode

8240

1. Do you currently have a mobile telephone, a landline telephone or both?

Mobile

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Mobile – I got my mobile when I was young so I have never used the landline even though we have one at my house

3. Gender

Man

4. Age

17

5. Postcode

5700

1. Do you currently have a mobile telephone, a landline telephone or both?

Mobile

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Mobile – because I can carry it around and people can always contact me.

3. Gender

Woman

4. Age

37

5. Postcode

5700

1. Do you currently have a mobile telephone, a landline telephone or both?

Both

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Landline – because I can always find my telephone and when I leave the house I like the fact that I can have some quality time without the phone ringing all the time

3. Gender

Woman

4. Age

57

5. Postcode

5600

1. Do you currently have a mobile telephone, a landline telephone or both?

Mobile

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Both – I am not always capable of locating my mobile telephone, so I would prefer a landline when I'm home so my friends always can get in contact with me

3. Gender

Woman

4. Age

24

5. Postcode

8000

1. Do you currently have a mobile telephone, a landline telephone or both?

Both

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Landline – I don't know how to work the mobile telephone out

3. Gender

Woman

4. Age

58

5. Postcode

8000

1. Do you currently have a mobile telephone, a landline telephone or both?

Both

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Landline – I prefer having a stationary telephone since I have a tendency of losing my mobile telephone quite a lot

3. Gender

Man

4. Age

31

5. Postcode

5000

1. Do you currently have a mobile telephone, a landline telephone or both?

Mobile

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Mobile – I travel a lot because of my work, and for that reason I need to have a telephone to bring with me all the time

3. Gender

Man

4. Age

45

5. Postcode

8260

1. Do you currently have a mobile telephone, a landline telephone or both?

Both

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Landline – Since I got my children I am home a lot so I don't need two telephones

3. Gender

Woman

4. Age

39

5. Postcode

8240

1. Do you currently have a mobile telephone, a landline telephone or both?

Mobile

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Mobile – I don't need a landline when I have a mobile

3. Gender

Man

4. Age

22

5. Postcode

8000

1. Do you currently have a mobile telephone, a landline telephone or both?

Mobile

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Mobile – I don't see the point of having a landline telephone when I have my mobile telephone that I can use for texting, internet and bring it with me everywhere

3. Gender

Woman

4. Age

26

5. Postcode

8000

1. Do you currently have a mobile telephone, a landline telephone or both?

Both

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Landline – you can get many subscriptions that are favourable for the landline telephone

3. Gender

Woman

4. Age

39

5. Postcode

8260

1. Do you currently have a mobile telephone, a landline telephone or both?

Mobile

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Mobile – I wouldn't use the landline if I had one

3. Gender

Man

4. Age

20

5. Postcode

8000

1. Do you currently have a mobile telephone, a landline telephone or both?

Mobile

2. Do you prefer to have a mobile telephone or a landline telephone? Why?

Mobile – it is much easier with the mobile – you can bring it with you everywhere

3. Gender

Man

4. Age

27

5. Postcode

5600
