

2.10: Targeting and Marketing Mix

Using the Marketing Mix to Reach Target Segments

Once target segments are identified, the marketing manager selects a targeting strategy that will be the best fit for reaching them. Targeted marketing enables the marketing and sales teams to customize their message to the targeted group(s) of consumers in a focused manner. The targeting strategy is where the marketing mix comes together to create the right offer and marketing approach for each target segment. A summary of common targeting strategies is provided in the table below.

Common Target Strategies

Strategy	Target Market	Example
Mass marketing	Everybody everywhere	Target
Differentiated marketing	Large groups within the total market	Costco, Sam's Club
Niche marketing	High penetration within smaller, specialized segments	Trader Joe's, Whole Foods
Micromarketing	Individual customers or localized microsegments	Groupon

Mass Marketing

Mass marketing, also called *undifferentiated marketing*, involves marketing to the entire market the same way. Mass marketing effectively ignores segmentation and instead generates a single offer and marketing mix for everyone. The market is treated as a homogeneous aggregate. Mass marketing aims to reach the largest audience possible, and exposure to the product is maximized. In theory, this would directly correlate with a larger number of sales or buy-in to the product.

Mass marketing tries to spread a marketing message to anyone and everyone willing to listen. Communication tends to be less personal, as evidenced by common mass-marketing tactics: national television, radio and print advertising campaigns; nationally focused coupons; nationally focused point-of-purchase displays. The success of mass-marketing depends on whether it is possible to reach enough people, through mass-communication techniques and one universal product offer, to keep them interested in the product and make the strategy worthwhile. While mass-marketing tactics tend to be costly because they operate on a large scale, this approach yields efficiencies and cost savings for companies because it requires the marketing team to execute only one product offer and marketing mix.



All-purpose toothpaste isn't targeted to one particular market segment.

For certain types of widely consumed items (e.g., gasoline, soft drinks, white bread), the undifferentiated market approach makes the most sense. For example, toothpaste (such as the brands Crest and Colgate) isn't made specially for one consumer segment, and it is sold in huge quantities. The manufacturer's goal is to get more people to select and buy their particular brand over another when they come to the point of purchase. Walk through any supermarket, and you will observe hundreds of grocery products, especially generic items, that are perceived as nearly identical by the consumer and are treated as such by the producer. Many

mass-marketed items are considered staple or “commodity” items. People buy new ones when the old ones wear out or are used up, and mass-marketed brand loyalty might be the primary driver when they decide which replacement product to purchase.

Differentiated Marketing

A differentiated marketing strategy is one in which the company decides to provide separate offerings to each different market segment that it targets. It is also called multisegment marketing. Each segment is targeted in a particular way, as the company provides unique benefits to different segments. The goal is to help the company increase sales and market share across each segment it targets. Proctor and Gamble, for example, segments some of its markets by gender, and it has separate product offerings and marketing plans for each: Secret-brand deodorant for women, and Rogaine (a treatment for hair loss) for men.^[1]

When it is successful, differentiated marketing can create a very strong, entrenched market presence that is difficult for competitors to displace because of consumers’ strong affinity for products and offers that meet the unique needs of their segment. A differentiated strategy can be a smart approach for new companies that enter a market and lure customers away from established players to capture share in a large overall market. Often, established companies become vulnerable to new competitors because they don’t give sufficient attention to the perfect marketing mix for any given market segment.

However, differentiated marketing is also very expensive. It carries higher costs for the company because it requires the development of unique products to fit each target segment. Likewise, each unique product and market segment requires its own marketing plans and execution: unique messages, campaigns, and promotional tactics and investments. Costs can add up quickly, especially if you are targeting a lot of unique market segments.

✓ ✓ Chinese Oreos

For a large company such as Kraft, the cost of this kind of marketing is well worth it, since its products are sold all over the world. An example of its differentiated marketing strategy are the many surprising variations of the famous Oreo cookie developed for the Chinese market. Consumers there can enjoy Oreos with cream flavors such as green-tea ice cream, raspberry-blueberry, mango-orange, and grape-peach. All of these Oreo formulations have been heavily market tested and are based on the unique preferences of Chinese consumers.^[2]

Niche Marketing

Niche marketing (also called concentrated marketing) is a strategy that targets only one or a few very defined and specific segments of the consumer population. The goal is to achieve high penetration among the narrowly defined target segments. For example, the manufacturer of Rolex watches has chosen to concentrate on only the luxury segment of the watch market.

An organization that adopts a niche strategy gains an advantage by focusing all efforts on only one or a small handful of segments. All of their market analysis, product development, marketing strategy, and tactics concentrate on serving that select part of the market. When they do it well, this approach can provide a differential advantage over other organizations that don’t concentrate all their efforts on the “niche” segment(s). Niche targeting is particularly effective for small companies with limited resources, as it does not require the use of mass production, mass distribution, or mass advertising. When a company is highly successful in desirable “niche” market segments, it can be very profitable.



Ralph Lauren store, London

The primary disadvantage of niche marketing is that it makes companies vulnerable to demand in the narrow market segments they serve. As long as demand is robust, the organization’s financial position will be strong. But if something changes and demand

drops off, the company has nothing to cushion it from financial hardship. Since the company has focused all efforts on one market (essentially putting all their eggs in one basket), the firm is always somewhat at risk. Such companies are especially vulnerable to small shifts in population or consumer tastes, which can greatly affect their position (for better or for worse). Large competitors with deeper pockets may choose to enter a market and use their size and resources to put smaller, niche players out of business. To insulate themselves from this type of risk, many companies pursuing a niche strategy may target multiple segments.

Luxury-goods providers are a great illustration of the challenges of the niche marketing strategy. When economic recessions occur, luxury-goods providers like Rolex, Chanel, and Armani routinely struggle financially because their narrow segment of “luxury” consumers has less disposable income. When fickle consumer tastes shift from Ralph Lauren to Dolce & Gabbana to Prada (and back again), the company’s profitability can hang in the balance.

Micromarketing

Micromarketing is a targeting strategy that focuses even more narrowly than niche marketing. It caters to the needs of individuals (“individual marketing”) or very small segments in a targeted geography (“local marketing”). Micromarketing can be very powerful by giving consumers exactly what they want, when they want it. However, to achieve large-scale success with this approach, companies must figure out how to meet highly individualized needs efficiently and profitably.

Individual marketing is sometimes referred to as “mass customization” or “one-to-one marketing.” With this approach, companies offer consumers a product created to their individual specifications. For example, Build-A-Bear Workshop invites children to create their own custom stuffed animals. A child can select the type of animal, from teddy bear to unicorn, along with color, size, clothing, and other accessories. Creators of handmade goods on Etsy.com take orders from buyers who may request variations on the individually crafted jewelry, clothing, toys, and other items displayed on the Web site. In the following video, Etsy CEO, Chad Dickerson, explains what makes the company’s approach unique.



You can view the [transcript for “Etsy Business”](#) ([opens in new window](#)).

Achieving wide-scale success with individual marketing requires product providers to develop production strategies and an entire marketing mix that can ramp up as demand grows. Frequently this involves offering a baseline product with parameters customers can customize to fit their needs. For example, you can [order custom M&M candies](#), selecting colors, packaging, and even custom-printed with words or images you select. The advent of digital print technologies has also made mass customization a viable targeting strategy for companies like Vistaprint and Sticker Mule. They provide custom print materials, stickers, decals and other printed products for businesses and individuals using designs created and uploaded by customers. Their primary messaging emphasizes custom products designed by and for individual customers, matching their unique needs and preferences.

Local marketing is a targeting strategy focused expressly on a small, clearly defined neighborhood or geographic area. Organizations using this technique strive to generate a strong local presence, and targets may include any person or organization

within that small area.



A weekly produce share from Suzie's Farm, a CSA in California

Groupon and Amazon Local are excellent examples of local marketing. Both online services partner with local businesses to promote timely offers and special pricing for individuals living in a designated geographic area. Limited-time and limited-quantity deals may include restaurant meals, spa treatments, performances, recreational activities, lessons, hotel accommodations, and a wide variety of other local area products and services. These local marketing companies earn revenue when consumers purchase and redeem the special offers in their neighborhood or city. Another example are farm cooperatives and CSAs (community-supported agriculture shares), which virtually always use a local marketing strategy. They market locally grown produce and farm-fresh goods to people residing in the immediate community, and their ongoing goal is to increase local supply and demand for healthy, local, farm-fresh food and produce.

Applying the Marketing Mix to Target Segments

With any of the strategies described above, the marketing team must come together to develop a marketing mix tailored to the needs of each segment being targeted. This marketing mix is the unique combination of product, promotion, place, and price



designed expressly to fit a designated market segment.

?? Try It

This course will explore each element of the marketing mix in further detail in other modules. However, the following questions can help you start down the path toward shaping the marketing mix to fit your target segments.

Product

- What would make the ideal product for your target segment?
- What special features or capabilities are critical for this segment?
- What unique problems does your product help this segment solve?

Promotion

- What are the best ways to get your target segment's attention?
- What do you want this segment to remember about your product?

Place / Distribution

- Where does this segment look or shop for your product?
- What is the best way to get your product to your target customers?

Price

- What price(s) are your target customers willing to pay for your product?
- How much is too expensive? How much is too cheap?

As you consider each of these questions, you generate ideas for altering the marketing mix to appeal to your target segment.

✓ ✓ Example: Alumni Charitable Giving



Let's see how this works in practice. A university alumni organization embarks on a fund-raising campaign to generate funding for the strategic expansion of new and existing university programs. The baseline "product" this organization sells is charitable giving: an affiliation with the university, a tax deductible charitable donation, and the honor of contributing to a worthy philanthropic cause.

For the coming year, the alumni organization decides to use a niche marketing strategy. Specifically, it will target alumni with significant upcoming reunions or years since graduation: 5 years, 10 years, 15 years, 20 years, 25 years, 30 years, and so forth. The organization chooses to tailor the marketing mix as follows:

- **Product:** The ideal product for these alumni isn't just a generic philanthropic donation. Instead, it is a giving opportunity that reflects their significant anniversary. For this reason, the alumni organization introduces a new "product" or type of donation opportunity: a class legacy fund that encourages alumni to contribute with other classmates to a common fund. When they do, they can select the areas they want their donation to benefit, such as scholarships, library, technology, and endowed professorship, etc.
- **Promotion:** Getting the attention of busy alumni scattered across the world is a challenge. People are most likely to pay attention when a message is coming from someone they know personally, and so the alumni organization decides to capitalize on classmate relationships. It recruits several well-connected people from each class to post on social media and send email messages to fellow classmates about an upcoming reunion as well as the legacy-fund donation opportunity. The email message asks people to share with other former classmates who may not have heard about the reunion and class legacy fund. Hopefully, this message begins to go viral, working through pre-existing networks to spread the word. The organization also sends a letter about the class legacy fund to older alumni who are less likely to be active with email or digital technology.
- **Place/Distribution:** As people learn about the class legacy fund, the alumni organization wants to make sure the donation opportunity is easy for anyone to act on. For this reason, they offer a variety of different ways to contribute: mail a check; dial a phone number; donate on a Web site using PayPal or a credit card; donate via phone using a mobile app. People can even come to the annual reunion activities and contribute to the legacy fund in person.
- **Price:** For a voluntary donation, "price" can be tricky. On one hand, the alumni organization wants to encourage donations of any size to the class legacy funds, no matter how small. On the other hand, it also wants to encourage alumni to consider making larger donations when possible. Based on publicly available income data, the alumni organization recognizes that

most recent graduates have lower average salaries and disposable income compared to those who have been working their fields for a decade or more. Acting on this information, it adjusts the range of “suggested donation” levels for each class. Recent alumni marking a 5-year anniversary are invited to contribute between \$25 and \$250. Alumni marking 10- and 15-year anniversaries are invited to contribute between \$50 and \$500 to class legacy funds. Alumni with 20 or more years see suggested donation amounts ranging from \$150 to \$2,500 or more.

Thoughtful consideration of the four Ps leads to a successful launch of the alumni organization’s class legacy funds. Because the alumni organization has tailored the product, promotional strategy, placement, and pricing to the interests of the target segments, the effort is much more successful than the all-purpose, generic, “please donate to your alumni organization” campaign used in the past. In this example, wise targeting strategy works hand-in-hand with the marketing mix to yield better results.

1. Markgraf, Bert. “Real-World Examples of Effective Market Segmentation.” Small Business - Chron.com. Chron.com, November 21, 2017. <http://smallbusiness.chron.com/realworld-examples-effective-market-segmentation-60195.html>. ↩
2. Eric Jou, Jou, Eric. “The Wonderfully Weird World Of Chinese Oreos.” Kotaku. Kotaku, October 1, 2012. <http://kotaku.com/5947767/the-wonderfully-weird-world-of-chinese-oreos>. ↩

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