

## 4.3: Target Markets

### Learning Objectives

- Define a target market



Before we can even begin a discussion of target markets, we need to introduce the concept of segmentation. Segmentation is the process of identifying homogenous groups within a population—groups that share a common trait or characteristic. In identifying segments, marketers can decide which segment is most attractive to target, positioning their product or service for them to develop them as customers.

To segment a population, ultimately targeting a specific customer segment and positioning a product for them, we need to understand how populations can be broken into smaller groups or segments. To do this, we first need to identify the ways that members of the population can be uniquely different from one another. That is, what are the relevant variables in the population that would make segments unique. Typically, segmentation can be based on:

- Users
  - Demographics: who they are by age, gender, race, income or other classification
  - Geography: where they are
  - Psychography: what they think or believe—their attitudes, values and interests; how they reflect these in their lifestyle
  - Geodemographic: who and where they are and what that means for how they act
- Usage
  - Behavior: what do they actually do, not just what they say they do
  - Consumption: how much do they use products in the category

Commonly, marketers make the mistake of limiting segmentation to demographic variables. However, we should be cautious about this for two reasons. For one, even after segmenting populations on demographic variables, we can be left with very large populations that are not homogenous. Secondly, segmenting populations on demographic variables can lead to stereotyping.

Think about a population segmented only by gender. This would imply that all women are a homogenous group. That the attitudes, beliefs, needs and wants of a 15 year old girl are the same as those of a 35 year-old woman or a 75 year-old woman. We make no distinction about life stage, education levels, interests or other important variables that are likely present in the population. Further, segmentation by gender implies that no men could share the same attitudes, beliefs, needs or wants as the women. Certainly, there may be cases where this is true, but there is an equal likelihood that there are exceptions too.

Similarly, when a population is segmented demographically, stereotypes can be reinforced. Consider again the population segmented by gender. If women are a homogenous group, then we're saying they all have the same attitudes, beliefs, needs, and wants, which means we could say, "All women think..." or "All women believe..." or "All women are..." Obviously, this is not and cannot be true. People do not think, believe and act the same way because of their age, gender, race, or income. They are the sum total of their experiences and perspective.

Instead, it can be much more meaningful to segment populations by psychography or behavior, as these much more closely reflect attitudes, beliefs, needs, wants, and what the individual actually does in-action. Of course, researchers and marketers need to be aware that there is a distinction between what a consumer says is important and what they actually choose to do. For example, taking our toothpaste example further, an individual may indicate that they're very concerned with dental health, but they may not actually floss regularly. This distinction between belief and behavior is relevant when considering segments and possible target markets.

Another example could be segments of the population who believe in health & wellness and promote an active lifestyle. They might be an appropriate target for marketing reduced fat foods or active-wear clothing. But, if your business was selling fitness classes and nutritional recommendations, you might find that this segment says they "believe in health & wellness and promote an active lifestyle," but might be less committed to it in practice. Instead, a better target segment might be those individuals already behaving in a healthy way by monitoring their diets and engaging in physical exercise 3-4 times per week.

After segmenting the population, marketers determine the size and market potential of each segment. That is, understanding that we cannot be all things to all people, we need to identify which segment is most attractive, given both our organizational capabilities and the potential value of the segment now and into the future. With this information, we can select the segment as our target market.

A target market is the segment at which the firm will focus its marketing activity. This is done by positioning itself, its product or service, or its brand as uniquely suited to meet the consumer's needs. Targeting and positioning helps the firm more efficiently deploy its marketing resources, but has profound effect upon the decisions it makes with regard to the marketing mix (4P's-product, price, place, promotion).

Let's return to the example of toothpaste again. If Proctor & Gamble chose to target a segment most interested in dental health, they might develop a toothpaste that offers the most advanced technology to prevent the build-up of plaque and reduce the risk of gum disease and gingivitis. If having a toothpaste that offers "whiter teeth" and "fresh breath" is not valued by the target, P&G might eliminate those benefits or the messaging around them entirely.

Further, P&G might find that the target, so interested in dental health, is less price-sensitive than most other customer segments. This might mean that P&G can offer this advanced technology at higher prices—prices that the target market is willing to absorb for the enhanced benefits. Perhaps the technology is so advanced that it should only be recommended and sold by dental offices or available with a prescription, purchased through pharmacies. In this way, the channel of distribution changes. If the product is sold through dental offices or prescription based, P&G may reason that they don't need to promote or discount the item with consumers. Instead, they may turn their promotion strategy toward the dental trade, working to get dentists to recommend and prescribe it more often.

As you can see, one decision about a target market and positioning a product for it has tremendous impact upon the marketing mix. Nevertheless, segmentation, targeting, and positioning are essential concepts to understand in marketing. It includes identifying homogenous groups within a population that are uniquely different from one another, determining the size and potential of the segments, and selecting a segment to target by positioning the product or brand or firm as uniquely positioned to satisfy those consumers' needs.

This is critical because consumers are unique, informed by individual experiences and perspective. Additionally, products and brands and firms cannot be all things to all people. They must target specific segments within the population whose needs they are best able to satisfy. Targeting specific segments also allows for firms to most effectively deploy their marketing resources to meet consumer needs.

### Practice Questions

<https://assessments.lumenlearning.co...essments/9171>

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