

## 5.6: Selecting Target Markets

### Learning Objectives

By the end of this section, you will be able to

- Define the term "target market."
- Explain target market strategies.

### Target Markets Defined

Ultimately, the purpose of segmenting a market is to highlight the differences between groups of customers so that you can decide on which group(s) to focus your marketing efforts and resources—that's your target market (Figure 5.9).



Figure 5.9 Target marketing involves segmenting customer groups and focusing marketing resources on the segments that are most likely to purchase the product or service. (credit: "Three Arrows in the Centre of a Dart Board" by Marco Verch/flickr, CC BY 2.0)

Think of your target market in terms of focusing your marketing resources on segments that are more likely to buy from you. The bottom line is that target marketing is a more efficient, effective, and affordable way to reach customers and generate business. It's simply a subset of the total market.

Keep in mind that the target market isn't the same as the target audience. The target audience is narrower in that it refers to the group of consumers you expect to purchase the product. The audience may or may not overlap with the target market. For example, a children's toy may have a target market of boys between the ages of 6 and 12, but it's the boys' parents (who actually purchase the toy) who are the target audience. Let's take a look at how LEGO has mastered this concept.

### Marketing in Practice: LEGO



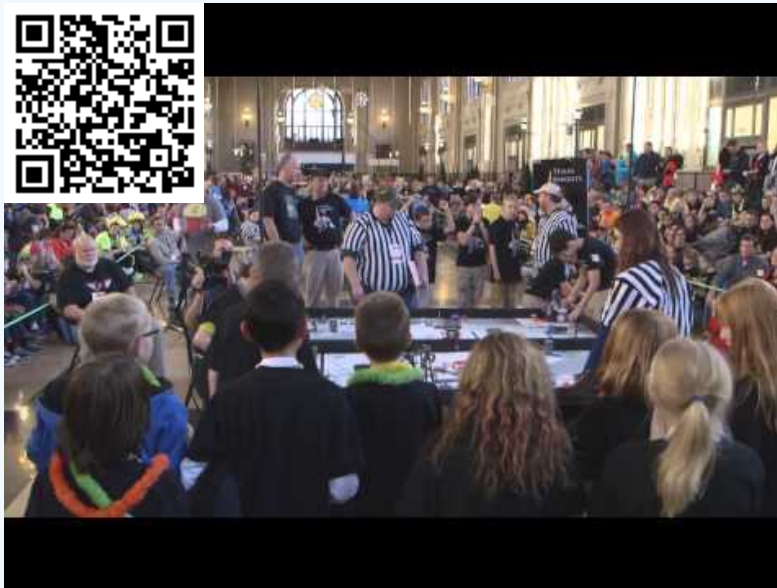
Figure 5.10 LEGO's segmentation strategy focuses its marketing resources on parents who make the purchasing decisions and are interested in educating their children. (credit: "Lego" by Slack pics/flickr, CC BY 2.0)

You might think that children are the primary target market of toy manufacturers, but smart toy marketers know that they also have to market to parents because it's parents who actually buy the toys for their children. The marketers at LEGO (see Figure 5.10) seemed to have figured this out and have made the brand parent-approved by combining fun for children with an educational “twist.”

LEGO brands its products not only as a creative outlet for children but also as an opportunity to grow their interest in STEAM—a learning approach that incorporates science, technology, engineering, the arts, and mathematics. For example, [one of its websites](#) features education sets for children from preschool through middle school that promote learning through the toys. [Another of its websites](#) has an entire section of tips for playful parenting with LEGO bricks (Dodge, 2017). It also has websites for daily LEGO challenges and even daily build challenges and LEGO lessons for families at home.

Parents today want to buy their children toys that are safe and fun and that help them learn, and LEGO seems to have been able to win over the hearts (and money) of its target audience.

For more information about LEGO and STEAM, watch this video from Kansas City PBS.



Another important concept in target marketing is what's known as a buyer persona. A buyer persona is a semi-fictional representation of an ideal customer that helps marketers understand and relate to the target market. Buyer personas are intended to help marketers “visualize” those to whom they are selling so they can fine-tune their marketing messages.

Best Buy used personas in precisely this way. Its buyer personas are “Buzz” (the young tech enthusiast), “Barry” (the wealthy professional), “Ray” (the family man), and “Jill” (a soccer mom who is the main shopper for the household but usually avoids electronics stores) (Gentle, 2005).

What's typically included in the buyer persona? Some examples include the following:

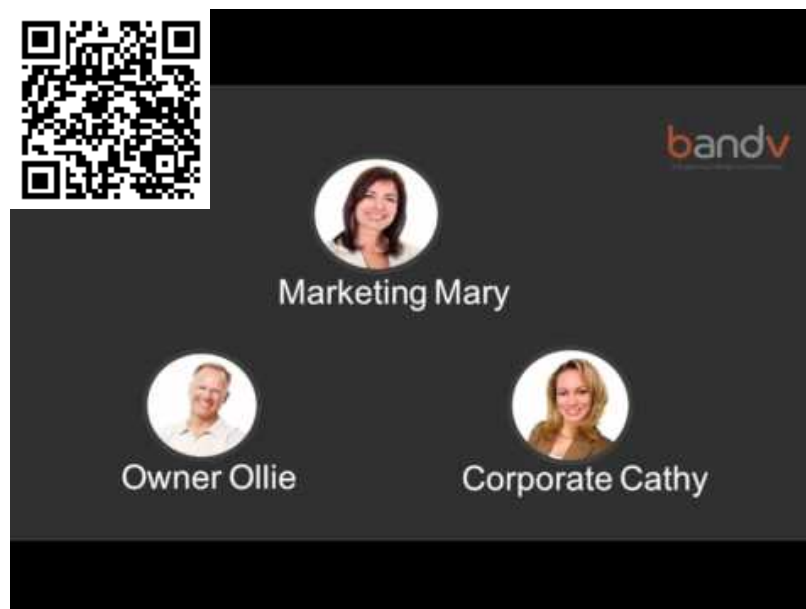
- **Name.** It may seem silly to include a made-up persona name like Best Buy did, but it's done so that the marketing team can more easily discuss their customers and plan how to reach them.
- **Age.** The age (or age range) of a persona allows for understanding generation-specific characteristics. As we pointed out in our earlier discussion of using age as a way to segment the market, consumers within the same age group tend to share characteristics and purchase preferences.
- **Interests.** The interests of the buyer persona describe things such as hobbies or what they do in their spare time.
- **Media Usage.** What media platforms does the buyer persona use? Television, radio, the Internet? This is important because the marketer wants to know where to reach these “people” with their marketing messages.
- **Finances.** The income and other financial characteristics of the buyer personas help marketers glean insights as to what types of products or services will pique the interests of these buyer personas. These financial characteristics also assist in making decisions about price points and promotions that would be successful in reaching these customers.
- **Brand Affinities.** Do they like certain brands? If so, this can provide the marketer with valuable information about the type of content to which they best respond (Adobe Experience Cloud Team, 2021).

#### Link to Learning: Importance of Buyer Personas

Customer personas are a tool to help marketers better understand their potential customers. Learn what a customer persona is and how to develop them from this brief Go Daddy video.



Also, check out this video from HubSpot's Stephen Higgins on how to use buyer personas to drive your marketing strategy.



#### Target Market Strategies

Thus far, we've discussed the how of segmenting a market and selecting target markets. At this point, it's up to the marketer whether the company will focus its efforts and resources on one or more of the identified segments or instead cater to the mass market. That choice is the determining factor in the company's marketing mix and its positioning plank. There are four generic target marketing strategies, as illustrated in Figure 5.11.

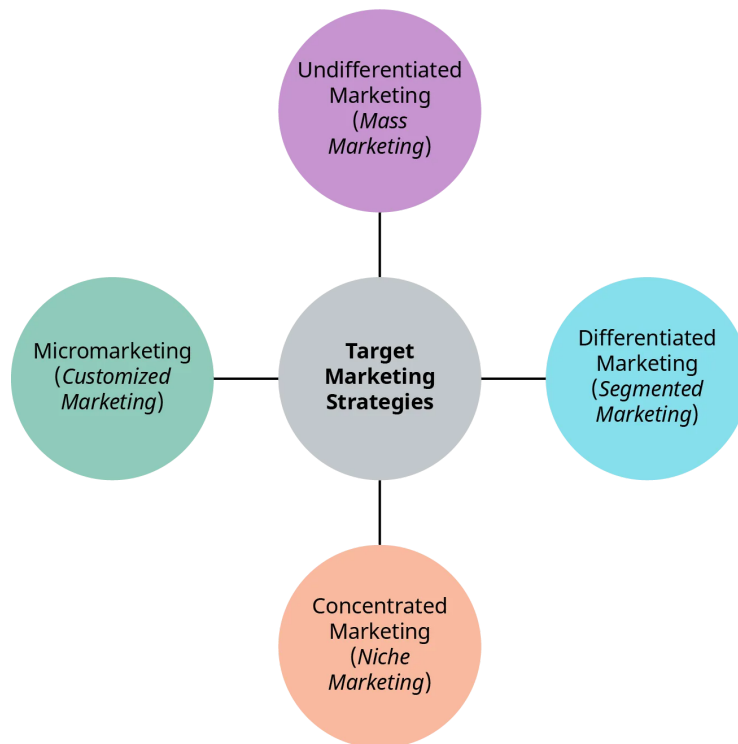


Figure 5.11 Target Marketing Strategies (CC BY 4.0; Rice University & OpenStax)

Let's look at each of these strategies more closely.

### Undifferentiated Marketing (Mass Marketing)

Sometimes, there are no strong distinctions in customer characteristics. In cases like this, the costs involved in developing separate marketing mixes for separate target markets don't make financial sense. That's when a company may decide to use a single marketing mix for the entire market.

Let's imagine the entire market as one big apple pie. With undifferentiated marketing, the company doesn't take just one slice or perhaps a few slices of the pie—it takes the whole thing. The concept of undifferentiated marketing is quite simple. You want to reach as many people as possible and hope they'll jump on board with your product or service. Mass marketing is typically used when a brand has a product or service that has high market appeal, such as things that most (or maybe even all) people will always need or want. Consider a product that nearly everyone purchases, such as soft drinks. Now think about all the advertising messages you get for a brand such as Coca-Cola—you'll see TV commercials, magazine ads, billboards, banner ads in search engines, and so on. That's the hallmark of mass marketing.

One of the biggest advantages of undifferentiated marketing is the scope and cost-efficiency of advertising on a much larger scale. Every single marketing message can be deployed across a variety of media channels and can potentially reach millions of consumers. This is where economies of scale come into play: with high-volume sales, production becomes less expensive because costs can be spread out over a larger quantity of goods. That's a huge advantage over companies that produce products for smaller, more precisely targeted audiences. It's like buying in bulk at Sam's Club or Costco—because you buy so much of a product, the cost is lower. Companies that use undifferentiated marketing experience the same thing (Drake, 2019).

### Differentiated Marketing (Segmented Marketing)

Now, let's take that same apple pie (the entire market), but instead of taking the whole thing, we'll take only some of it. Perhaps we'll take just a few slices, or maybe we'll take more. It depends on how many target markets you want to serve. That's the

premise of differentiated marketing.

This type of market targeting is one of the most common. A company identifies several target markets and designs separate, concentrated strategies for each. Separate brands are developed to serve each of the segments. Consider Nike, for example, which (like most apparel companies) offers different products for different segments. When Nike began its business, the founders were both competitive distance runners, so they targeted people like themselves as a segment of the running shoe market, and the brand took off. However, to grow the business, Nike now focuses on three segments—women, young athletes, and runners (Lutz, 2015).

The automobile market is another good example of a clearly segmented market. Look around you on any given day, and you'll see that people want different types of vehicles—small cars, big cars, SUVs, trucks, hybrids, and luxury cars. Many car makers, such as GM, Ford, Toyota, Honda, and others, generally offer cars for most or all of the segments. For example, Honda's lineup includes models, such as the CR-V compact SUV, the Civic compact car, the midsize Honda Accord sedan, larger SUVs, and even a minivan (Honda, 2024).

### Concentrated Marketing (Niche Marketing)

Now we're going to take that same apple pie (remember, representing the entire market), and we're only going to take a single slice, perhaps a small one. That's concentrated marketing.

Concentrated marketing doesn't mean that the company hasn't identified other target markets; it simply means it chooses not to serve all of them. Some markets may not be attractive; others may not align with the company's business strengths. Therefore, the company focuses on just one target market with a single marketing mix. It channels all of its marketing efforts toward that specific segment to "own" it over its competitors and create strong brand loyalty (Chand, 2013).

A good example of concentrated marketing is the eco-friendly cosmetics retailer LUSH. LUSH advocates for ethical buying and purity of handmade products and doesn't use animals to test them. As a matter of fact, at least half of its website is dedicated to fighting animal testing and overuse of plastic packaging and creating environmental awareness. The company also differentiates itself from its competitors with eco-friendly packaging and organic ingredients (Hugel, 2022).

This is a smart strategy for smaller companies or companies with limited resources that might be stretched thin if they attempt to compete in too many market segments. It has the added benefit that R&D and marketing can concentrate on understanding and meeting the needs of one group of customers rather than a diverse base of customers.

### Micromarketing (Customized Marketing)

Micromarketing goes one step further than concentrated marketing and targets a specific group of individuals within a niche market based on specific information that has been collected about them.

For a good example of micromarketing, consider the real estate industry. A realtor may specialize in commercial sales or residential sales. Within the scope of residential sales, that realtor may drill down further and specialize in new construction, luxury properties, land and development, over-55 communities, or farms/ranches/equestrian properties.

Now, let's assume that you're in the market for an expensive home in a particular area of the city. You'd likely contact a realtor who has developed a reputation for dealing with properties in a specific price range and knows the area where you'd like to move. That realtor will consider your specific needs and demands and invest their efforts in finding a property that meets as many of your requirements as possible. That's micromarketing.

Stitch Fix is another good example of a company that uses micromarketing. Stitch Fix is an online personal styling service for men, women, and children that sends a selection of clothing and accessories to your door using a mix of machine learning, data, algorithms, and human stylists. The company uses "85 meaningful data points" about each customer, and based on those data points, it predicts clothing choices that the customer will want. If they don't like the product, they can just send it back with a prepaid, printable label within 30 days (Lam, 2017). You can't get much more personalized than that!

### Knowledge Check

It's time to check your knowledge on the concepts presented in this section. Refer to the Answer Key at the end of the book for feedback.

1.

M&M's addresses people of all ages and appeals to everyone looking for sweets (that melt in your mouth, not in your hand). What target marketing strategy does M&M's use?

- a. Differentiated marketing
- b. Concentrated marketing
- c. Undifferentiated marketing
- d. Micromarketing

2.

A \_\_\_\_\_ is a semi-fictional representation of your ideal customer that helps you understand and relate to the audience to which you want to market your product and/or services.

- a. buyer persona
- b. target market
- c. niche market
- d. brand affinity

3.

Lefty's is a retail shop that makes specific products such as left-handed scissors and left-handed notebooks for the population of left-handed people. What target marketing strategy does Lefty's use?

- a. Undifferentiated marketing
- b. Differentiated marketing
- c. Concentrated marketing
- d. Micromarketing

4.

A running shoe company specializes in designing sustainable sneakers from recycled and renewable materials for athletes who care about the environment, as well as performance models of running shoes with less cushioning for runners concerned with speed. What target marketing strategy does the running company use?

- a. Concentrated marketing
- b. Undifferentiated marketing
- c. Differentiated marketing
- d. Micromarketing

5.

55places.com is a website for active adult "retirement" communities in the United States. It features unbiased information, current home sale listings, floor plans, photos, and third-party reviews. All the communities listed on the website are for residents age 55+. What target marketing strategy does the company use?

- a. Undifferentiated marketing
- b. Differentiated marketing
- c. Micromarketing
- d. Concentrated marketing

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