



# Chapter 4



Identifying the  
target:

# SEGMENTATION



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# Objectives

- Learn why Segmentation is important
- Understand how to assess demand
- Understand the criteria and factors of segmentation
- Understand the segmentation in international markets

# Abstract

The implementation of the marketing process entails carrying out a process structured in phases of analysis and phases of action. This process aims at identifying the target and assessing the dimension of the potential demand. Besides the quantitative estimation of the overall dimension of the demand, the firm must carry out a qualitative assessment of the traits and preferences that distinguish different groupings of potential buyers.

The first step is to ascertain the presence in the market of groups of consumers who share similar tastes, which are different enough from those of other groups of consumers: these are the segments among which the firm selects its target market.

This segmentation process can be divided into three main phases: a) the choice of one or more segmentation parameters; b) the identification, description and quantification of the segments; c) the selection of one or more segments on which focus the marketing activity (this step is discussed in the next chapter: targeting).

In market segmentation, a market is divided into subgroups of consumers that exhibit similar behaviour or have similar needs, in order to create a marketing strategy, which can effectively reach such groups.

The segments must be Differentiable, Measurable, Substantial, Accessible, Stable and Actionable. The presence of these attributes is the necessary condition for considering a segment as a target.

Quantitative and qualitative criteria should be employed to identify the segments.

Two types of variables can be used. One is variables of a descriptive nature, related to the characteristics of the consumers: demographic, geographic, or psychographic elements that link various consumers that share these traits into groups that are relatively more homogeneous. The other is variables of attitudinal nature, related to the buying behaviour of consumer.

Having recognised these groups, marketers proceed to ascertain whether they show specific needs and product characteristics preferences that can be precisely satisfied.

A complementary analysis of the product range of the firm allows the development of a segment-product matrix, which is used to identify the specific product-market combination(s) on which a company competes.

A similar process is carried out for international markets. A first way to segment international markets is using countries or group of countries as the defining variable. A more accurate way is to identify transnational horizontal segments that consider similar buying preferences of diverse people in diverse countries

# 4. The STP model

The **STP** model has the three steps that give it its name:

**S** for **Segmentation**

**T** for **Targeting**

**P** for **Positioning**

# 4. The STP model

Companies must

- identify the part of the potential demand that constitutes an attractive segment;
- assess the competitive factors that impinge on this segment;
- offer products that are appropriate for the segment; and
- position their products in an effective way in the minds of the consumers.

In this way, the company can create a competitive advantage that allows it to overcome competitors.

# 4. Identifying the target

The identification of the potential buyers requires

- a quantitative estimation of the overall dimension of the demand
- a qualitative assessment of the traits and preferences that distinguish different groupings of potential buyers.

This combination allows the identification of the market opportunities, which is the necessary precondition for any subsequent marketing action

# 4.1 Assessing the demand

*The company must measure and forecast the size, growth, and profit potential of each market opportunity.*

The measurement of the potential demand and the forecast of the sales potential of a market are at the basis of the business plan and the marketing strategy.

They are an essential input in all phases of the business planning, determining production runs, R&D investments, the size of the sales force, the investments in marketing.



# 4.1 Assessing the demand

*A market is the set of all actual and potential buyers of a product*

*The steps in assessing the demand*

Define

- the *potential market*, the aggregate of all actual and potential buyers of a product or service
- the *available market*, the set of potential buyers who have interest in the product, have access to it and sufficient income to buy it
- the size of the *market demand*, the quantity of the product that could be purchased in a defined area, time-span, and in the given conditions

# 4.1 Assessing the demand

The market demand that results from the most likely expected circumstances constitutes the *market forecast* on which the company's strategy can be built.

## *Market forecast*

*a statement about what will probably happen in a given market*

A wrong forecast causes problems

- too optimistic → unsold goods will pile up in the company's warehouses;
- too cautious → not enough inventory → lost sales

# 4.1 Assessing the demand

The marketer can measure the market and the relative demand according to **product** levels, **space** levels and **time** levels.

<i><b>product level</b></i>		<i><b>space level</b></i>		<i><b>time level</b></i>
<i><b>Industry</b></i>		<i><b>World</b></i>		<i><b>Short term</b></i>
<i><b>Company</b></i>		<i><b>Country</b></i>		<i><b>Medium term</b></i>
<i><b>Product line</b></i>		<i><b>Region</b></i>		<i><b>long term</b></i>
<i><b>Product item</b></i>		<i><b>Province</b></i>		
		<i><b>Municipality</b></i>		
		<i><b>Client</b></i>		

# 4.1 Assessing the demand

## POTENTIAL MARKET

- the set of people potentially interested in a product/service, given a geographical area and a period.
- shows the theoretical maximum market demand attainable
- it is not the same as market demand: not all potential buyers have the sufficient income to purchase it and because logistic or regulatory obstacles may prevent access to the product.

*Total level of demand for a product expected to result from the marketing efforts of all competitors in a market*

# 4.1 Assessing the demand

## AVAILABLE MARKET

- a more precise measure of the possible level of interest for the product
- the set of potential buyers who have interest in the product, have access to it and sufficient income to buy it.

Delimiting in time and space the available market allows assessing the

## MARKET DEMAND

Market demand is a function of the existing circumstances (macro-economic and socio-political) and the conditions (area, time, type of product) that are set for its assessment.

# 4.1 Assessing the demand

In estimating the market demand, various sets of macro-conditions can be assumed (multiple scenario analysis).

The market demand resulting from the set considered as most likely and expected to occur is the

## MARKET FORECAST

*Market forecast: a statement about what will probably happen in a given market*

# 4.1 Assessing the demand

The *market forecast* is still far from the *sales objective*

The firm must assess which share of the forecasted demand can take two correlated quantities

The *company demand* → estimated in function of assumptions related to the market conditions and the marketing efforts by the company and the competitors

The *company marketing* → the resources given to it and its effectiveness in the period considered determine the expected amount of sales for that period

# 4.1 Assessing the demand

## SALES FORECAST

The firm's sales forecast is the expected level of company sales based on a chosen marketing plan and an assumed marketing environment

This is the basis for defining the production quantity of each product



# 4.2 Segmentation

The **available market** is not the amount of the firm's potential buyers

The potential customers are too diverse in their specific needs and buying requirements, the firm should identify more specific patterns of needs and buying attitudes, to satisfy them precisely.

To forecast the **expected sales** the firm must refine its assessment of the market according to its selection of the **target market**

## TARGET MARKET

is the part of the AVAILABLE MARKET to which the company decides to go after.

# 4.2 Segmentation

For a more precise marketing, a firm needs to recognize the differences in the requirements of the target market, to develop products that satisfy them more precisely.

The firm subdivides the market in smaller groupings or **segments**.

In **market segmentation**, a market is divided into subgroups of consumers that exhibit similar behaviour or have similar needs, in order to create a marketing strategy, which can effectively reach such groups.

# 4.2 Segmentation

## SEGMENTATION

divides a market into smaller portions based on one or more discriminating characteristics, identifying groups of customers with similar needs.

These groups, called **segments**, are homogeneous within them and dissimilar to each other

The firm identifies the principal market segments, aims at one or more of them, developing products/services and marketing mix customized to satisfy their distinct requirements.

# 4.2 Segmentation

## MARKET SEGMENT

is a part of the market that has specific needs, clearly distinguishable from those of other groups. Consumers belonging to a segment have similar needs and preferences (i.e., the segment is homogeneous internally) that are different from the needs and preferences shown by consumers belonging to other segments

# 4.2 Segmentation

The **segmentation** process can be divided into three main phases:

- a. the **choice** of one or more **segmentation parameters**
- b. the **identification, description** and **quantification** of the segments
- c. the **selection** of **one or more segments** on which the marketing activity focuses

# 4.2 Segmentation

To perform the segmentation, it is necessary to choose one or more **segmentation criteria**

the characteristics that allow the total market to be divided into relatively homogeneous smaller groups, called **segments**, each characterized by specific needs and preferences.

Segmentation is the common practice of producers, be they targeting the final consumer (B2C) or other businesses (B2B).

We shall focus on the B2C market and on the segmentation, targeting and positioning process of companies producing consumer goods

# 4.3 Segmentation criteria

The criteria must allow the identification of significant groups of potential buyers, with characteristics that are homogeneous and well differentiated from those of other groups, so that it is possible to develop offers tailored to their needs

The strategic significance of segmentation lies in the *identification* and *choice of parameters* that are able to highlight a subdivision of the market that meets the company's objectives.

The parameters that can be used are potentially infinite and the company's ability to make their choice with originality greatly increases the effectiveness of the segmentation process.

# 4.3 Segmentation criteria

Segments are naturally present in the market. Task of the marketer

- identify the ones that are relevant for the company, using the appropriate criteria to set them apart.
- try to see in the market some segments that competitors have not yet seen (using different criteria of segmentation)

To segment the consumer markets two broad types of variables can be used.

- *variables of a descriptive nature*, related to the characteristics of the consumers
- *variables of attitudinal nature*, related to the buying behaviour of consumers



# 4.3 Segmentation criteria

## DESCRIPTIVE VARIABLES

are related to **WHO** the consumers are, to objective features that identify and characterise each of them.

## ATTITUDINAL VARIABLES

are related to **WHAT** the consumers do, to their attitudes and behaviour in their buying process.

# 4.3 Segmentation criteria

Variable	Character	Features
<b>Geographic</b>	Descriptive	Any criterion that uses a geographic factor as discriminant
<b>Socio-demographic</b>	Descriptive	Any criterion that uses physical or social personal characteristics as discriminant
<b>Psychographic</b>	Descriptive	Any criterion that uses cultural or psychological factors as discriminant
<b>Behavioural</b>	Attitudinal Ex post descriptive	Any criterion that uses factors linked to attitude to product or buying behaviour as discriminant

# 4.3 Segmentation criteria

**Descriptive segmentation** → indirect market segmentation method  
Assumption → people with different socio-demographic profiles also have different needs and expectations towards products and services

## Geographic segmentation

territorial  
units/distribution of people

## Psychographic segmentation

*lifestyle*  
*personality*

## Socio-demographic segmentation

age group/generation  
family/family life cycle  
gender  
income/social class

# 4.3.1 Geographic Segmentation

Geographic segmentation means segmenting according to territorial units (a nation, a region or a smaller but well-defined area), adapting the marketing programs to the needs of consumers in that specific area.

Other criteria linked to the geographic distribution of people are used, but reference to the administrative structure is inevitable because statistical data are collected according to the administrative units.

# 4.3.1 Geographic Segmentation



Footwear for seaside and for mountain



Clothing for cold and warm climates



# 4.3.1 Geographic Segmentation

## Segmentation criteria - geographic variables

Variable	Features
Administrative structure	Country, region, county, municipality
Typology of settlement	Urban, suburban, rural
Size of settlement	Up to 5,000 inhabitants; 5,000-20,000; 20,000-50,000; etc.
Geographical typology	Mountain areas, coastal areas, plains
Climate	Cold areas, temperate areas, hot areas, humid areas

# 4.3.1 Geographic Segmentation

The use of *administrative borders* to delimit a segment is a practical way to measure its potential size.

Seldom the administrative borders are defining consumption patterns or buying habits.

Data from administrative units, which are the most easily obtained, are used as a starting point for additional calculations

# 4.3.1 Geographic Segmentation

**Geolocation technologies** are giving a new twist and introducing new solutions to geographic segmentation.

Users of smartphone can be tracked and their search history is available → **geolocation** allows a precise pinpointing of individual consumers and identification of their needs and buying preferences, permitting the development of a personalised marketing mix.

*Proximity marketing* makes **geolocation** its cornerstone

The firm reaches the potential customers through the digital devices they use, finding information necessary to offer personalised advertising and eventually direct the consumer to the nearby store



# 4.3.2 Socio-demographic Segmentation

Very often needs, preferences, intensity of use of products are closely associated with the socio-demographic variables which are among the easier to measure and for which data are widely available at finer detail.

Variable	Features
Age	Babies, toddlers, children under 6 years old; 6-12; 13-19; 20-34;35-49; 50-64; 65-75; 75+
Generation	Silent generation, baby boomers, generation X, millennials, generation Z, generation $\alpha$ (alpha)
Dimension of the family unit	1; 2; 3-4; 5; 6 or more
Stage of family life cycle	Young single; young couples w/out children, young couples with children; young couples with the youngest child <6years old; etc
Gender	Male; female
Income	<10,000; 10-20,000; 20-30,000; 30-50,000; 50-75,000; 75-100,000; >100,000 (according to the local currency and country income level)
Professional status	Professional; entrepreneur; manager; official; technician; clerk; skilled worker; unskilled worker; farmer; pensioner; homemaker; student; unemployed
Education	Primary; lower secondary; high school; diploma; Bachelor; higher degree
Religion *	* N.B.: in some countries, such as France, it is illegal to collect data on religion.

## 4.3.2 Socio-demographic Segmentation

Most important is **age** (and related **stages** in the **life cycle**) because people's wants, preferences and abilities change with age.

**Age groups** are the usual way to segment according to age.

Another way of grouping by age is the so-called **generation** (e.g., baby boomers, generation X, millennials) because each generation is influenced by the circumstances of the time when it grows up.

**Gender** is another important variable, being a segmentation method for products such as clothing, footwear, cosmetics, and magazines.

**Income** is used to segment such markets as boats, cars and clothing

# 4.3.2 Socio-demographic Segmentation

## age group

Grouping of the population in five-years age cohorts (and also yearly cohorts) is used by national statistics bodies → these data are easily available for any administrative unit, allowing a very detailed measurement of the market

However always consider the difference between

- the *chronological age* (the age that is shown in your documents)
- the *psychological age* (the age you *feel* you are, that defines your behaviour and your purchases).

# 4.3.2 Socio-demographic Segmentation

## generation

A **generation** is the set of individuals born and grown up in a certain period and were exposed to events that characterized it.

They are marked by the most significant events of the period of their growing up, tend to have similar problems and attitudes and to perceive the world in differently from other generations which went through different events in their forming years.

# 4.3.2 Socio-demographic Segmentation

## generation

Consumers' characteristics are shaped by events and conditions happening in their formative years.

Epochal events that cause a change in values and attitudes of a society are the defining factor of different "generations" →

→ each **generation's consumer characteristics** are in large part shaped by the socioeconomic climate in which they grow up

# 4.3.2 Socio-demographic Segmentation

## generation

The sociological generations are classified as follows:

- The silent generation (1928-1945)
- The baby boomers (1946-1964)
- Generation X (1965-1980)
- The millennials (or Generation Y) (1981-1995)
- Generation Z (1996-2010)
- Generation  $\alpha$  (alpha) (2010-2018)

# 4.3.2 Socio-demographic Segmentation

Generation	Period	Features
<b>The silent generation</b>	1928-1945	Born during Depression and World War II. Thrifty and hard working Contributed to the 'economic miracle' of the 1950s and 1960s. <b>The radio generation</b>
<b>Baby boomers</b>	1946-1964	Born during a period of economic growth. Can spend liberally. Protagonist of socio-cultural change. <b>The TV generation</b>
<b>Generation X</b>	1965-1980	Born during the stagflation era of economic insecurity. On the whole, more open than previous generations. The PC generation.
<b>Millennials (Generation Y)</b>	1981-1996	Born during a period of epochal changes (end of Soviet Union and Cold War), and intensifying globalisation. Hard hit by the Great Recession at the end of the 2000s. <b>The laptop, internet and Facebook generation</b>
<b>Generation Z</b>	1997-2010	Born in a period of ever intensifying globalisation halted by the Great Recession. "Digital natives". Environment is a most pressing issue. <b>The smartphone generation</b>
<b>Generation α (alpha)</b>	2011-	Growing up in a more unstable world; affected in their childhood by the Covid pandemic. <b>The connected generation</b>

# 4.3.2 Socio-demographic Segmentation

## generation

People belonging to a generation, sharing similar broad conditions, can be assumed generally to share characteristics and attitudes.

But it is important to remember that many other factors come into play to shape attitudes, preferences and buying behaviour.

Other socio-demographic factors affect more significantly what people buy



## 4.3.2 Socio-demographic Segmentation

### family/family life cycle

People belonging to a *sociological generation* will have different needs depending on the fact that they are single or have a family, and also on the size of the family

needs and purchasing habits of a person who is single are much diverse from those of a person that has a family.

A more significant variable to assess the consumption pattern is the *family life cycle*

# 4.3.2 Socio-demographic Segmentation

## family life cycle

**Family life cycle:** the succession of phases individuals and their family unit go through over time

Passing from one phase to the next, the economic conditions of the family unit change as well as its needs and consumption habits.

At each stage, the characteristics of the decision-making process change, because each family member plays different roles, interacting with the other members.

# 4.3.2 Socio-demographic Segmentation

## family life cycle

Phase	Features
Young, single	Early steps the job market. Relatively low but increasing income. Relatively high discretionary spending because no other commitments excluding satisfaction of own need
Young couple	Increasing income due to career progression. High spending in durable goods linked to setting up of the family.
Full nest I. Young couple, youngest child under 6 years old	Increase in income slowed down because of maternity. Shift in consumption pattern, oriented to satisfying requirements of young children.
Full nest II. Couple with adolescent children	Higher income. Higher expenditure due to renewal of durable goods and heavier spending for children.
Full nest III. Couple with not yet economically independent children	Income toward highest level. Highest level of expenditure, still significantly due to children needs (university fees, etc.)
The empty nest I.	The youngest child has left. Highest income level, highest discretionary expenditure
The empty nest II	The main income earner or both are retired. Lower income level. Increased expenditures on health
The survivor	The partner passes away, the survivor becomes frailer. Health services are often the main focus of expenditure
<b>ADDITIONAL OUT OF SEQUENCE PHASES</b>	
The singleton	Unattached person. Relatively higher income. Maximum amount of discretionary spending.
The single parent	Divorced or unattached parent with child(ren). Generally low income. Very little discretionary spending.

# 4.3.2 Socio-demographic Segmentation

## family life cycle

Behind the use of the family life cycle as segmentation variable there is the basic assumption that, depending on the stage in which the family is located, the nature of the demand for goods and services and the amount spent on some of them change

## 4.3.2 Socio-demographic Segmentation

### gender

The differences in needs, preferences and purchasing habits between men and women are quite substantial.

Besides anatomical factors, there are also attitudinal and perception differences that make for a product or marketing-mix differentiation based on gender an obvious choice.

In various sectors, from apparel to cosmetics and automotive, different products are developed for male and female customers or tailored marketing mix targets either of the segments.

## 4.3.2 Socio-demographic Segmentation

### gender

Also because of gender-based differences in purchasing habits, products targeting the female segment tend to be more expensive than equivalent products targeting the male segment.

*The gender differentiation* of products is also based on the traditional perception of what is the "proper" product for men or women.

Some people prefer unisex or gender-neutral products, whenever possible. This is an interesting segment, which can be targeted by skimming strategy.

It should be pointed out that the identification of this segment is not based on socio-demographic variables but on psychographic ones.

# 4.3.2 Socio-demographic Segmentation

## Income/social class

The *distribution of wealth* is a factor of primary importance, because it determines the segments with the greatest purchasing power.

high quality and high image goods → expensive →  
→ give the producer much fatter margins.

The correlation between income and consumption is quite strong

The correlation between income and purchasing behaviour is less evident

An expensive product may be acquired as a substitute of other combinations of purchases that may result more costly in comparison.

# 4.3.2 Socio-demographic Segmentation

## Income/social class

Income is largely correlated to social class and both strongly influence buying choices (cars, clothing, home furnishing and leisure activities) and places (the choice of retailers is also often linked to social class)

Rich people (higher social class) can afford to pay premium prices and therefore expect high quality and exclusive products and high quality service.

Low income consumers look for good deals, do not expect personalised service and tend to go for mass products.

While social class and income are useful variables, they cannot fully predict the buying behaviour of individuals, which may not conform with that of the income bracket or social class they belong



## 4.3.2 Socio-demographic Segmentation

The advantages of using the socio-demographic method for segmentation are its *low cost* and *ease of application*.

Socio-demographic segmentation is an analysis of the type of people who make up a segment.

Rather than explaining consumer behaviour, this method allows to measure the various segments as a function of the selected variables.

It is necessary to be careful when using demographic data because various demographic factors can come into play in shaping needs and preferences of individuals.

## 4.3 Segmentation criteria

Marketers must use psychographic variables, too, in order to attain a more precise understanding of the market.

However, demographic variables are often used also when non-demographic criteria constitute the basis of the segmentation because they are necessary to estimate the size of the segment that is identified in that way

# 4.3.3 Psychographic segmentation

People within the same demographic group can be quite different in relation to their psychographic profile

Consumers similar from the point of view of descriptive statistics, have different needs, desires and preferences.

***Psychographic segmentation*** is based on differences in lifestyle and personality. can obtain a deeper understanding of the consumers and the motivations that determine their needs and preferences in terms of purchase of products.

# 4.3.3 Psychographic segmentation

The psychographic segmentation implies dividing the consumers in segments based on their personality or lifestyles or values.

*Personality* in many types of products (from clothing to cars) it defines the choice of product

*Lifestyles* can be used as a variable for segmentation because the consumers' actions and purchasing preferences are shaped by their view of the world.

People buy goods that conform to their lifestyle

# 4.3.3 Psychographic segmentation

Variable	Features
Lifestyle	Health conscious; oriented to sport; oriented to comfort;
Personality	Extrovert; introvert; authoritarian; ambitious; analytical etc.

# 4.3.3 Psychographic segmentation

An interpretative grid to identify the forces that, affecting individual attitudes, contribute most to societal change

*These forces are:*

1. **Personal growth:** *the striving to affirm oneself as individual, to improve one's own condition, be they material or psychological.*
2. **Hedonism:** *giving priority to pleasure.*
3. **Plasticity:** *capacity to adapt to circumstances.*
4. **Vitality:** *ability to harness one's energy to achieve results, to strive for changing circumstances, to resist the blows of destiny.*
5. **Connectivity:** *capacity to relate to others; to be able to approach different contexts and to move from one to the other; to mix inputs from different cultures;*
6. **Ethics:** *seeking authenticity and meaning in life; giving importance to principles.*
7. **Belonging:** *defining social ties and one's own cultural identity.*
8. **Inertia:** *resisting, actively or passively, change.*

# 4.3.3 Psychographic segmentation

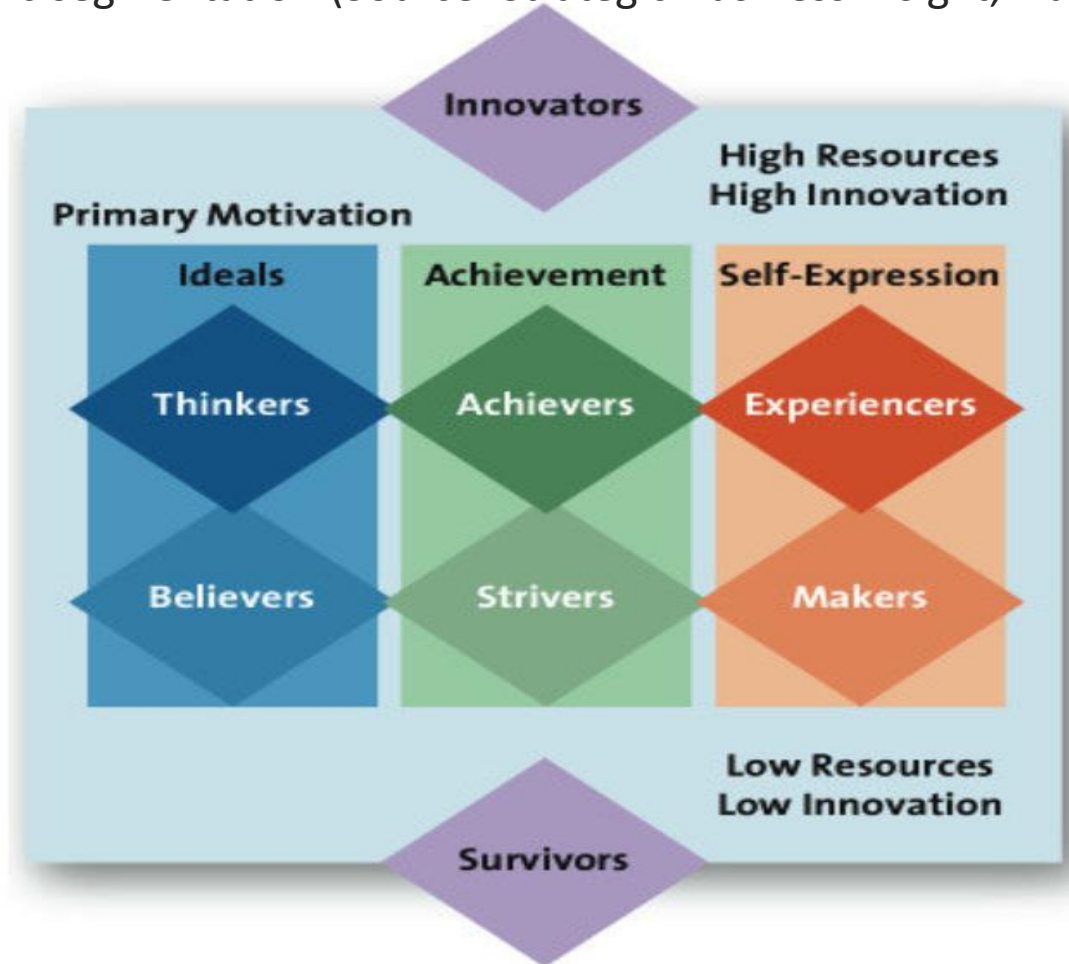
Market research companies have developed their own psychographic classification.

The most widespread is the VALS™, based on the assumption that the lifestyle of a person depends on that person's individual "primary motivations" (defined as Ideals, Achievement, and Self-Expression) that person's own "resources" (income, education, health, capabilities).

The combination of the primary motivations and available resources allow to segment the population into eight groups according to their lifestyles

# 4.3.3 Psychographic segmentation

The VALS™ psychographic segmentation (Source: Strategic Business Insight, via [www.researchgate.net](http://www.researchgate.net))





# 4.3.4 Behavioural segmentation

Consumers may use the same product for different reasons, on different occasions and in different quantities.

Besides demographic and psychographic methods, ascertaining what consumers actually do with a product is a useful tool for segmentation.

## *Behavioural segmentation*

divides consumers based on their buying behaviour and relation to the product.

It looks at the consumers' actual *purchasing behaviour* at the moment of the transaction(s).

Behavioural segmentation defines the segments and their size posteriori, only after they have actually bought the product

# 4.3.4 Behavioural segmentation

Variable	Features
Buying occasions	Regular use; special occasions;
Usage rate	Light use; average use; frequent use
User status	Non-user; former user; potential user; new user; regular user
Loyalty	No brand loyalty; weak; middling; strong; very committed
Benefits looked for	Quality; technical performance; speed and timeliness; service; economy
Awareness of the product	Unaware; aware; informed; informed but not interested; interested; intending to buy
Attitude to product/brand	Enthusiastic; favourable; indifferent; negative; hostile

# 4.3.4 Behavioural segmentation

Behavioural variables offer a deeper insight in how and why a consumer may decide to buy a given product.

They are powerful tools for defining more specific segments.

They present to a higher degree the problems already seen for the psychographic variables.

It is necessary to carry out expensive ad hoc research to gather the necessary information and its subsequent interpretation for actualising it in marketing plans is seldom unambiguous

# 4.3.4 Behavioural segmentation

In recent decades there has been a resurgence of yearning for a feeling of community

People try to create social links and an emotional closeness born from the sharing of tastes, attitudes, preferences → "tribes" are formed.

*Tribes*: micro-communities made up of people united by common emotional ties with a product or brand and a kind of common culture personified by the brand itself.

# 4.3.4 Behavioural segmentation

Membership of a tribe is not linked to individual characteristics but to a common experience of reality.

In tribal segmentation, the individuals themselves spontaneously group themselves according to common perceptions and attitudes



motorcyclists and the Harley Davidson, the "alfisti" and the Alfa Romeo cars,



the Vespa (the Piaggio scooter) enthusiasts.



# 4.4 Segmentation in international markets

International dimension does not change the substance of segmentation.

International segmentation →

→ identification of distinctive segments of potential customers.

Added complication

→ consumers in different countries may have different needs.

→ the limited knowledge of the details of a foreign country increases the uncertainty of the identification.

First step in *analysing foreign markets* aims at identifying similarities and differences among different countries to sort them in reasonably homogeneous groups.

# 4.4 Segmentation in international markets

People in different countries tend to have different habits, different attitudes, different priorities which characterise them and make them different from people in other countries.

Country-based segmentation appears to be a most logical way to recognise similarities and differences in the international markets

Macro-level assessment → PESTLE analysis

Political, Economic, Sociocultural, Technological, Legal Environmental factors to find *clusters of countries* that have similar conditions.

Customers in these countries should show similar needs and buying patterns

# 4.4 Segmentation in international markets

International segmentation by countries assumes **heterogeneity between countries**, while considering **each country homogeneous within**.

Focused on cultural differences at macro level  
(between countries).

If a more complex segmentation is carried out, it is based on **clustering of nation** markets.



# 4.4.1 Country-based segments

Examples of international segmentation by clusters of countries

Criterion	cluster A	Cluster B	Cluster ...
<b>Geographic</b>	Europe e.g. Spain, Sweden, Italy, Lithuania	North America e.g. Canada, Mexico	...
<b>Economic</b>	Very high income (>60,000 US\$) Switzerland, USA, Qatar	Middle income (25,000-35,000 US\$) Spain, Kuwait, Estonia	...
<b>Cultural</b>	Anglo USA, Australia, UK	Confucian Asia Japan, China, Thailand	...

Note: The countries given as examples are chosen on purpose, to show how fundamentally unreliable is the single criterion clustering of countries for attaining a useful segmentation and targeting

# 4.4.1 Country-based segments

The global market segmented at **country level** (each country a segment) or at most at the **regional level** (consumers in a cluster of similar countries constitute a macro-segment).

This approach leads to overlook the internal differences in each country.

Acceptable in a time when the international market could be considered as made by various non-interacting and non-communicating national markets.

Increased international trade due to globalisation → greatly reduced barriers → → emergence of segments of consumers with similar needs and purchasing patterns despite living in different countries.

## 4.4.2 Trans-national horizontal segments

A different way to identify segments in international markets  
→ segments go beyond national boundaries.

- There are marketing-significant **differences within** each country.
- There are marketing-significant **commonalities across** country boundaries.

Segmentation identifies in each country segments that can be grouped across boundaries because of those commonalities.

## 4.4.2 Trans-national horizontal segments

Emergence of these segments is the result both of changing tastes and the breaking of parochial barriers in consumer attitudes

*Reduction of trade barriers and progress in transportation* → goods coming from other countries are sold in the internal market at accessible prices;

Development in *information and communication technology* → consumers exposed to stimuli coming from other countries.

*Easier and cheaper transportation* → more people visit and spend time in other countries, becoming exposed to different consumption patterns →  
→ *reducing cultural diversity* and introducing a degree of *homogeneity* in the tastes and purchasing patterns across countries.

## 4.4.2 Trans-national horizontal segments

It is possible to identify consumer segments that have similar needs and show similar buying behaviour albeit residing in different countries.

Emphasis not on identifying the differences among countries but on understanding where the similarities are →

→ identification of horizontal segments present in many countries.

Descriptive variables used mostly for quantification of identified segments characterised by homogeneity in function of attitudinal variables.

## 4.4.2 Trans-national horizontal segments

A country's market, despite the common culture, cannot be considered as monolithic → each country's market should be segmented in the same way it segments the home market.

Commonality in consumers' requirements and consumption patterns can be found across boundaries → in a global market, are present segments that transcend the countries' borders.

Firms must identify correctly the demographic characteristics of the members of these cross-cutting segments in each country. Often people attracted by a given product present diverse characteristics in different countries.

## 4.4.2 Trans-national horizontal segments



Sometimes the differences are in the level of income  
I-phone: in developed countries (high per capita income) the segment is characterised by middle-class socio-economic traits,  
in emerging countries the segment is smaller and characterised by higher income level.



Sometimes the differences are in the attitudinal area

Birra Peroni: market leader in Italy with its Peroni-Nastro Azzurro, a mass-market beer.  
It is also the best sold Italian beer in international markets, often positioned as a premium beer.

The Italian segment that consumes this beer has different motivations than the segments in other countries.

## 4.4.2 Trans-national horizontal segments

Tapping international horizontal segments → great opportunity but tricky because of the different positioning

One of the main advantages of accessing cross-country horizontal segments, the **standardisation** of the company's offer and marketing mix, can only partially be exploited

To reach in the best way possible the different national segments that make up the international horizontal segment

the product is standardised, the other components of the marketing mix are not,





## Reflection

Find and discuss examples of how features of clothing items change in relation to age of the buyer

Look at the retail chains in your country and assess the social segmentation of their customers

Look at the typical way people belonging to different generations listen to music and access information. Discuss the reasons for differences, if any.



## Test

Choose a type of product and give examples of how the required features change when the buyers live

- a) in different climates
- b) in different type of settlement

Check this post and discuss how the reality presented in it (related to the American market) applies to yours own

[https://www.marketwatch.com/story/this-is-why-millennials-cant-have-nice-things-or-save-any-money-2017-06-26?mod=article\\_inline](https://www.marketwatch.com/story/this-is-why-millennials-cant-have-nice-things-or-save-any-money-2017-06-26?mod=article_inline)



## Test

Look at the website of Alfa Romeo, BMW, Piaggio and Harley Davidson. What signs did you find that these companies segment their markets?

Did you find signs of recognition of a tribe and of special attention given to it

Look at the website of Maserati, Carlsberg and San Pellegrino in different languages. Do you find, for each company, that the targeted segment is the same in the different countries?