Not so many years ago, pets kept in homes and on farms were there to serve a purpose, which typically was either to provide companionship or to serve as protective watchdogs. It wasn’t unusual for a dog to sleep outdoors (no matter what the weather), to dine on the scraps that fell from the table at night, and to endure the aches and pains that accompany the aging process in silence, or with the occasional moan.

Today, the world of pet ownership consists of an entirely new form of “parent.” No longer is a dog, cat, fish, potbellied pig, or snake just a diversion—the critter is considered part of the family. The pet industry has grown from simple dog and cat food, plus a few toys along the way, to a $41 billion mammoth. Companies vending goods and services to pet owners have necessarily shifted with the times.

PETsMART serves as a classic example of a company prospering in this new environment of animal indulgence. In 1986, founders Jim and Janice Dougherty secured a venture capital loan from the Phillips Van Heusen Corporation and incorporated as Pacific Coast Distributing, Inc. The primary company business, a pet owner superstore, was vending food and other basic pet supplies. As time passed, the scope of company operations grew dramatically.

By 1988, PETsMART was selling pet sweaters and emphasized cutting down on pet overpopulation. Soon after, fish and birds were added to the original line of pets for sale and the company launched a new doggie salon. The era of extravagance had begun. It wasn’t long until the company’s original tagline, “Where high prices have been housebroken,” was outdated. The most dramatic change introduced, a new corporate vision statement, appeared in 2000. PETsMART now operates, “To provide Total Lifetime Care for every pet, every parent, every time—which means that we offer solutions, superior products, unmatched services and superb customer service.”

Why the change? The market continues to evolve along with the types of pet owners in the marketplace. Pets now enjoy a new type of status, often with different types of owners, including empty-nesters, single professionals, and couples who have decided to delay starting a family consisting of actual children. Many of these new, more passionate pet lovers have a great deal of...
income to spend on their “babies.” American families spend more annually on buying, feeding, and caring for pets than they do on movies, video games, and recorded music in any form.

The range of pet-related goods and services continues to expand. The list of items available in store and online includes indoor potties, pet perfumes, trench coats for dogs, and even a patented testicular implant for dogs that have been neutered, so as to not hurt the animal’s self-esteem following the surgery.

Pet psychology opens up an entirely new realm. Many find relief from the troubles and woes of a dog’s life through psychotherapy and animal antidepressants. More shallow pets can rely on cosmetic procedures to keep up their self-image. Harley-Davidson branded products are available for bikers who want their pets to live on the edge.

PETsMART’s competitors take animal pampering to the extreme. Doggie spas provide pedicures, professional dog walkers, and massage therapy for those aching doggie muscles. Generic dog food is no longer the norm. The market is filled with specialty foods that clearly show the vegetables and other healthy nutrients in the product. At the other end of the spectrum, entire companies have formed to take care of end-products, including service agencies named Doody Duty, Scoopy-Poo, and Pooper Trooper.

In the more traditional vein, PETsMART offers vet clinics for ailing animals and adoption centers to find homes for pets (over 200,000 are placed each year). The company also sponsors charities associated with animal well-being. Today’s owner wants an animal to have an excellent quality of life from beginning to end. The net result is services oriented to ailing and dying pets along with their grieving parents.

PETsMART continues to adjust to changing conditions. The company features a strong emphasis on brand recognition and has adjusted selling techniques to meet the needs of various product lines. New signage was created in 2004. The company also opened distribution centers to make product delivery to each store more efficient.
In 2005, PETsMART began opening a series of pet hotels. Fifty pet hotels have been built, with an eventual goal of 435 hotels across the United States. Now a traveling pet owner has new options available, which means less guilt about leaving a pet behind.

In general, there has been a major shift in the marketplace. Pets are treated not in pet terms, but rather in human terms. This means that the number of marketing opportunities continues to rise and the nature of the competition continues to grow as the animal kingdom becomes more human-like each year. PETsMART vows to identify each new trend and respond accordingly, keeping pace in the dog-eat-dog world of animal comfort.¹

OVERVIEW

Individual customers and businesses receive a myriad of promotional materials every day. From pens marked with logos to letterhead embossed with a company’s mission statement to calendars containing both advertisements and tear-off discount coupons, consumers and businesses encounter marketing materials in an increasing variety of ways. These marketing contacts do not occur by accident. At some point, a marketing official decided to distribute pens or calendars or the printing department was asked to design letterhead. Beyond the world of advertising and personal selling, successful marketing efforts occur because someone identified an opportunity to make a quality contact with a customer. A successful IMC program identifies the places to make those contacts and presents customers with a well-defined message spoken in a clear voice.

This chapter describes the nature of a promotions opportunity analysis. The purpose is to identify customers and competitors in the marketplace and to discover new promotional opportunities. When these new opportunities are found, the firm’s overall IMC message can be adapted to various target markets. An effective promotional analysis specifies the audiences and markets the company intends to serve. Locating key market segments helps the company’s leaders more accurately define whom they are trying to reach with an IMC program. In this chapter, target markets and promotional opportunities are described. Each of these activities is a key component in preparing an IMC program.

PROMOTIONS OPPORTUNITY ANALYSIS

One primary task in creating an effective marketing plan is examining promotional opportunities. A promotions opportunity analysis is the process marketers use to identify target audiences for a company’s goods and services and the communication strategies needed to reach these audiences. People are different and have unique uses for products. The same is true for businesses. These special features are especially pronounced in global markets; therefore, communication to each group requires distinct and somewhat customized approaches. An effective promotional analysis identifies the approach or appeal that is best suited to each set of customers.

A promotions opportunity analysis must accomplish two objectives: (1) determine which promotional opportunities exist for the company and (2) identify the characteristics of each target audience so that suitable advertising and marketing communications messages can reach them. The more a marketer knows about an audience, the greater the chance a message will be heard, understood, and result in the desired outcome (i.e., a purchase, increased brand loyalty, etc.).

There are five steps in developing a promotions opportunity analysis, as shown in Figure 4.1. The upcoming sections describe each part of this planning process in greater detail.
COMMUNICATION MARKET ANALYSIS

The first step of a promotions opportunity analysis is a communication market analysis. A communication market analysis is the process of discovering the organization’s strengths and weaknesses in the area of marketing communication and combining that information with an analysis of the opportunities and threats present in the firm’s external environment. The analysis is from a communication perspective. A communication market analysis examines five areas:

- Competitors
- Opportunities
- Target markets
- Customers
- Product positioning

These five ingredients are studied together rather than sequentially. Each contributes key information about the marketplace.

Competitors

In examining competitors, the objective is to discover who the competition is and what they are doing in the areas of advertising and communication. The marketing tactics competitors use are identified to understand how they are contacting the marketplace. Consumers integrate information from a variety of sources. It is helpful to know what potential customers see, hear, and read about the competition.

Every domestic and foreign competitor is identified. After listing the competing firms, a competitive analysis includes gathering secondary data about those companies. The first items to look at are statements competitors make about themselves. These statements can be found in:

- Advertisements
- Promotional materials
- Annual reports
- A prospectus for a publicly held corporation
- Web sites

The idea is to obtain as much information as possible about competitors, including messages to their customers.

The next task is to study what other people say about the competition. Marketers often read trade journals. The library might yield additional news articles and press releases about competitor activities. The marketing team will try to discover how competing companies view them. This provides a sense of how any given company is viewed in comparison with its competition.

Another part of an analysis of the competition is primary research. In the retail business, it is helpful to visit competing stores to see how merchandise is displayed and to observe as the store’s employees deal with customers. The marketing team should also talk to vendors and suppliers who have dealt with the competition, along with wholesalers, distributors, and agents. For businesses other than retail, marketers can contact salespeople in the field to obtain additional information about the competition.

Opportunities

A second component of a communication market analysis is the search for opportunities. This includes watching for
new marketing communication opportunities by examining all of the available data and market information. Some of the questions the marketing team asks are listed in Figure 4.2.

The purpose of these questions is to explore new communication opportunities. These opportunities are present when there is an unfilled market niche, when the competition is doing a poor job of meeting the needs of some customers, when the company offers a distinct competence, or when a market niche is not being targeted with effective marketing communications.

### Target Markets

A third communication market analysis activity is examining various target markets. This analysis requires the marketing department to recognize the needs of various consumer and business groups. Company marketers will identify the benefits customers are seeking and determine the various ways to reach customers.

The questions asked during this part of the analysis are similar to those posed while looking for opportunities. The focus shifts to defining target markets more precisely. Beyond target market groups, marketing experts attempt to decipher the needs and wants of individual groups. The goal is to divide the overall market into smaller market segments. The company can then develop marketing programs and advertising campaigns for each of these smaller groups.

### Customers

Another ingredient in examining a target market is conducting an in-depth analysis of customers. Three types of customers should be studied:

1. Current customers
2. The competition’s customers
3. Potential new customers

The point is to understand how people in each group think, why they buy, where they buy, and how they evaluate products after purchases. Creating effective advertisements and marketing communications requires knowing what goes on in the minds of customers. The easiest group to study is a firm’s current customers; however, the other two groups are equally, if not more, important. Members of these groups may think differently or make decisions differently from a firm’s current customers. They might also evaluate products and advertisements differently. The objective of this part of the analysis is to find out what type of message works for each customer group.
It is helpful to ascertain how customers perceive individual advertisements as well as what they think about the larger company. Service Metrics (see the advertisement in this section) examines a firm’s Web site from the customer’s perspective and, more importantly, compares the Web site to the competition’s. This type of analysis identifies all of a firm’s communication avenues. It also tells the company how its Web site compares to the competition.

### Product Positioning

The last part of a communications analysis is examining the position a firm holds relative to the competition. Product positioning is the perception in the consumer’s mind regarding the nature of a company and its products relative to the competition. The seven possible positioning strategies are listed in Figure 4.3.

The quality of products, prices charged, methods of distribution, image, communication tactics, and other factors create positioning and are, in turn, affected by the brand’s position. In examining the brand’s positioning, the marketing firm should determine how the brand’s position is viewed by consumers, businesses, and customers. It is important to make sure the position being promoted is consistent with current views by the various constituencies and with various elements of the IMC program. A problem exists when customers view the brand’s position differently from the manner in which the company presents itself.

### ESTABLISHING MARKETING COMMUNICATIONS OBJECTIVES

An effective communication market analysis lays the foundation for the development of communication objectives, the second step of a promotions opportunities analysis. Communication objectives guide account executives and advertising creatives in designing messages. Figure 4.4 lists some of the more common objectives found in profit-seeking organizations.

A communications plan is often oriented toward a single objective. A program can, however, accomplish more than one goal at a time. Logical combinations of communication

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**FIGURE 4.3**

Product Positioning Strategies

- Attributes
- Competitors
- Use or application
- Price–quality relationship
- Product user
- Product class
- Cultural symbol

**FIGURE 4.4**

Communication Objectives

- Develop brand awareness
- Increase category demand
- Change customer beliefs or attitudes
- Enhance purchase actions
- Encourage repeat purchases
- Build customer traffic
- Enhance firm image
- Increase market share
- Increase sales
- Reinforce purchase decisions
objectives are possible. For example, the same advertisement can develop brand awareness and enhance a brand’s image. Increasing sales can be accomplished through price changes, contests, or coupons. The key is to match the objective to the medium and the message.

The process of defining and establishing communication objectives is a crucial element of a promotional opportunities analysis. Communication objectives are derived from marketing objectives. They tend to be general because they relate to the entire marketing plan. They also must be measurable. Marketing objectives address:

- Sales volume
- Market share
- Profits
- Return on investment

Many marketing professionals believe that benchmark measures are helpful. A benchmark is a starting point that is studied in relation to the degree of change following a promotional campaign. For example, through market research a dry cleaning company’s owner may discover that during its first year only 20 percent of the community’s population knew about the company and that the company has a 3 percent share of the city’s total market. Following a campaign featuring advertisements, coupons, and discounts for certain days of the week (Tuesday specials) and to senior citizens, the objective might be to achieve 30 percent awareness and a 5 percent share. This would indicate a level of success based on previously established benchmarks.

ESTABLISHING A COMMUNICATIONS BUDGET

The third step of a promotions opportunity analysis is preparing a communications budget. Budgets are based on communication objectives as well as marketing objectives. Communications budgets differ between consumer markets and business-to-business markets. For example, a much larger percentage of the budget for B-to-B is allocated for telephone marketing than in the consumer market.

Managers often make unrealistic assumptions about a communications budget. This occurs, for example, when a manager assumes there is a direct relationship between expenditures on advertising communications and subsequent sales revenues, which is highly unlikely. A more realistic relationship is shown in Figure 4.5. Several factors influence the relationship between expenditures on promotions and sales, including:

- The goal of the promotion
- Threshold effects
- Carryover effects
- Wear-out effects
- Decay effects
- Random events

Communication goals differ depending on the stage in the buying process that is being addressed. For instance, in Chapter 6 a model called the hierarchy of effects will be described. The model suggests that prior to making a purchase a consumer goes through stages of awareness, knowledge, liking, preference, and conviction. The early promotional campaign for Verizon Wireless first targeted awareness with the phrase “Can you hear me now?” prominently featured. Over time, other aspects of the company’s services and comparative advantages were featured. Finally, financial incentives to buy the service were added. The entire campaign started at one place (awareness) and ended at another (the purchase). It would not be logical to expect that early promotional expenditures would create a dollar-for-dollar relationship with sales.

Instead, threshold effects are present. As shown in Figure 4.5, the early effects of advertising are minimal. The same is true for all communication expenditures. At first, there may be little behavioral response, especially if only advertisements are used. Over time, a
consumer who is exposed repeatedly to a company’s marketing message recalls the company and eventually is willing to make a purchase. Coupons, free samples, and other marketing tactics can help a good or service reach the threshold point sooner. Threshold effects are easy to reach in some circumstances. For instance, when the good or service is so innovative that consumers are quickly aware of its advantages and are willing to buy the item immediately. Also, when companies introduce new products under an established, strong brand name, reaching the threshold point normally occurs quicker. In others, capturing enough attention to spur sales is a lengthy process.

A point exists at which a promotional campaign has saturated the market. At that point, further expenditures have a minimal impact. The S-shaped curve displayed in Figure 4.5, which is known as the sales-response function curve, indicates when diminishing returns are present. Diminishing returns are part of the concave downward function. This means that incremental increases in expenditures in advertising result in smaller and smaller increases in sales. A marginal analysis shows that further advertising and promotional expenditures might even adversely affect profits.

Another factor that influences the relationship between promotions and sales is a carryover effect. Many products are only purchased when needed, such as washing machines and refrigerators. Promotions for these products must be designed to generate carryover effects. This occurs when the
The consumer has been exposed to the company’s message for so long that, when the time comes to buy, the individual remembers the key company. In other words, when a washing machine breaks down and requires a replacement, the goal of Maytag is for the consumer to remember the “lonely repairman” and his assistant. This means that Maytag’s products will be considered and that the advertisements have carried over until the right time.

Wear-out effects also complicate the advertising budgeting process. At a certain point, an advertisement or particular promotion simply becomes “old” or “boring.” In such cases, consumers tend to ignore the advertisement or just tune it out. It is even possible for consumers to develop negative attitudes toward the brand if they become annoyed at the marketing communication and believe the ad should be discontinued. The challenge for marketing communications is to keep an ad beyond the threshold effects and long enough to capture carryover effects, but not so long that wear-out effects begin to take place.

Also, decay effects are present. When a company stops advertising, consumers begin to forget the message. In some instances, the degree of decay is dramatic. In others, the carryover effects are strong enough that some time can lapse before the brand drops out of the consumer’s consciousness. The promotional budget must be structured to avoid the problems of decay effects, which are illustrated in Figure 4.6.

Finally, random events affect promotions. A natural disaster or some other event can reduce the impact on any given campaign. Such events normally cannot be predicted. Therefore, as the marketing team constructs the budget the assumptions that drive the process should be considered. The newness of the product, the economy, and other complicating factors must be considered during the process of tying budgeting expenditures to marketing and communication objectives.

**TYPES OF BUDGETS**

A communications budget can be prepared in a number of different ways. Figure 4.7 provides a list of the various methods that are used.

**The Percentage of Sales Method**

One common approach to setting the communications budget is the **percentage of sales method**. This budget is derived from either: (1) sales from the previous year or (2) anticipated sales for the next year. A major reason for using this method is its simplicity. A percentage of sales budget is relatively easy to prepare.

The approach also has problems. First, it tends to change in the opposite direction of what is typically needed. That is, when sales go up, so does the communications budget. When sales decline, the communications budget also declines. In most cases, when sales are declining the communications budget should be increased to help reverse the trend. Further, during growth periods the communications budget may not need to be increased.
The second major disadvantage of this method is that it does not allocate money for special needs or to combat competitive pressures. Therefore, many marketing experts believe the disadvantages of the percentage of sales method tend to outweigh its advantages.

**The Meet-the-Competition Method**

Some firms use the **meet-the-competition method**. The primary goal of this method is to prevent the loss of market share. It is often used in highly competitive markets where rivalries between competitors are intense.

The potential drawback to meet-the-competition budgeting is that marketing dollars might not be spent efficiently. Matching the competition’s spending does not guarantee success. Market share can still be lost. It is important to remember that it is not *how much* is spent, but rather *how well* the money is allocated and how effectively the marketing campaign works at retaining customers and market share.

**The “What We Can Afford” Method**

A third strategy is the **“what we can afford” method**. This technique sets the marketing budget after all of the company’s other budgets have been determined. Money is allocated based on what the company leaders feel they can afford. This method suggests that management may not fully recognize the benefits of marketing. Instead, company leaders may view marketing expenditures as non-revenue-generating activities. Newer and smaller companies with limited finances often use the “what we can afford” approach.

**The Objective and Task Method**

Another technique is the **objective and task method**. To prepare this type of communications budget, management lists all of the communication objectives to pursue during the year and then calculates the cost of accomplishing each objective. The communications budget is the cumulative sum of the estimated costs for all objectives.

Many marketing experts believe that the objective and task method is the best budgeting method because it relates dollar costs to achieving specific objectives. Unfortunately, it is difficult for a large company, such as Procter & Gamble, to use. With hundreds of products on the market, producing a budget based on objectives for each brand and product category is very time-consuming. Despite the challenge, some form of the objective and task method of setting marketing budgets is used by about 50 percent of the firms, approximately equal to the percentage of companies that use the percentage of sales technique.

**Payout Planning**

**Payout planning** establishes a ratio of advertising to sales or market share. This method normally allocates greater amounts in early years to yield payouts in later years. By allocating larger amounts at the beginning of a new product introduction, brand awareness and brand equity are built. Then, as the brand is accepted and sales build, a lower percentage of advertising dollars is needed to maintain a target growth. This budgeting approach is based on the threshold effects concept and the idea of diminishing returns. A company that has reached the maximum threshold point should not continue pouring money into advertising that only results in diminishing returns. Instead, a company can maintain awareness and brand equity by more effective expenditures of marketing dollars. Future promotions and advertisement will target specific market segments and consumer groups rather than simply increasing the volume of marketing dollars spent.
Quantitative Models
In some instances, computer simulations can be developed to model the relationship between advertising or promotional expenditures with sales and profits. These models are far from perfect. They do have the advantage of accounting for the type of industry and product as the model is created. In most cases, quantitative models are limited to larger organizations with strong computer and statistics departments.

BUDGETING EXPENDITURES
A budget is finalized when the company has specified how funds will be spent on each of the major communications tools. Media advertising normally accounts for about 41 percent of a marketing budget. Trade promotions receive about 28 percent and consumer promotions average about 28 percent (see Figure 4.8). These percentages, however, vary considerably from industry to industry. Consumer product manufacturers spend more on trade promotions directed toward retailers. Service companies tend to spend more on media advertising. Budgets also vary by product types. For example, for dolls and stuffed toys the average expenditure on media advertising as a percentage of sales is 11.2 percent, whereas for men’s clothing expenditures on media advertising represent only 3.3 percent of sales.

The United States leads the world in annual advertising expenditures at $263.7 billion. This figure is approximately seven times more than the next closest nation. See Figure 4.9 for a graph of the top 10 countries in terms of total advertising expenditures.

The ways in which advertising dollars are allocated among the various media are shown in Figure 4.10. Spot TV are ads those purchased from a local television station for that station only. Cable and network advertising are national ads and are broadcast on all systems that carry those channels. The fastest growing media outlet is the Internet.

FIGURE 4.8
Breakdown of Marketing Expenditures

FIGURE 4.9
Advertising Expenditures by Top 10 Countries

Figure 4.11 displays the total advertising expenditures for the top 10 industries. As indicated by the two graphs, the ways in which advertising dollars are spent by media and within industries varies considerably. When the budgeting process is complete, company leaders should believe they have wisely allocated funds to increase the effectiveness of the marketing communications program. Although specific dollar amounts and percentages vary, the overall goal remains the same—to achieve the marketing objectives as established in the plan.

PREPARING PROMOTIONAL STRATEGIES

The fourth step of a promotions opportunity analysis program is to prepare a general communication strategy for the company and its products. Strategies are sweeping guidelines concerning the essence of the company’s marketing efforts. Strategies provide the long-term direction for all marketing activities.

An excellent example of a general communications strategy is found in the marketing efforts of Mountain Dew. The primary market for Mountain Dew is teenagers and young adults. As a result, communications efforts are directed to that market using slogans such as “Do the Dew,” “Been There Done That,” and so forth. Action-oriented commercials featuring higher-risk activities are designed to attract younger people (and the young at heart), who are more willing to take “risks” in the products they sample and adopt. The overall theme of the Mountain Dew communications program guides all other activities.

It is critical that a company’s communication strategies mesh with its overall message and be carefully linked to the opportunities identified by a communication market analysis.
Communications strategies should be directly related to a firm’s marketing objectives. Strategies must be achievable using the allocations available in the marketing and communications budgets. Once strategies have been implemented, they are not changed unless major new events occur. Only changes in the marketplace, new competitive forces, or new promotional opportunities should cause companies to alter strategies.

Matching Tactics with Strategies

Tactics are activities performed to support strategies. Tactics include promotional campaigns designed around themes based on strategic objectives. For example, Kellogg’s seeks to enhance sales of cereals by designing unusual features for certain holidays, such as Halloween and Christmas Rice Krispies.

Tactics do not replace strategies, nor should they distract consumers from the consistent message or theme the company is trying to create. At the same time, they add excitement or interest to what the company is ordinarily doing. Holiday promotions, anniversary sales, and a variety of other events can be the basis for a promotional effort. Methods used in tactical campaigns include:

- Advertisements based on the major theme or a subtheme
- Personal selling enticements (bonuses and prizes for sales reps)
- Sales promotions (posters, point-of-purchase displays, end-of-aisle displays, freestanding displays)
- Special product packaging and labeling
- Price changes

Besides the methods of communicating with consumers and sales reps who offer the products, companies are able to add other enticements. The following items can be included in tactical efforts:

- Coupons
- Gift certificates
- Bonus packs (a second product attached to a first)
- Special containers (e.g., holiday decanters or soft-drink glasses)
- Contests and prizes
- Rebates
- Volume discounts (larger-size packages, “buy three, get one free” promotions, etc.)

The Gold Bond advertisement shown in this section uses a manufacturer’s coupon to encourage people to purchase the product. The creative use of a snowy, winter scene highlights the product benefits of Gold Bond. The more creative the campaign, the better the chance the company can overcome clutter and become recognized in the marketplace.

When a promotions opportunity analysis is complete, company leaders and the marketing department should have a grasp of the organization’s marketing situation, along with specific information about internal strengths and weaknesses in the promotions area. They should also be aware of communication opportunities present in the environment along with any threats to the company’s marketing program. They must study and understand the organization’s competition to the greatest degree possible. Target markets must be defined and budgets set. Then, the company’s marketing leaders can establish strategies and tactics to guide efforts to reach specific marketing objectives and performance targets.
The next sections describe two key ingredients of the promotional opportunities analysis process in greater detail. The first is the study of consumer and business-to-business market segmentation. The second is to extend promotional opportunities analysis to global or international markets.

**MARKET SEGMENTATION**

IMC experts use market segmentation to distinguish between specific purchasing groups. Market segmentation is the process of identifying specific purchasing groups based on their needs, attitudes, and interests. A market segment is a set of businesses or group of individual consumers with distinct characteristics. Market segmentation efforts are of great value in completing a promotions opportunity analysis. The primary advantages are listed in Figure 4.12.

Segmentation should be designed to build brand loyalty and improve the odds of success of a marketing plan. For a market segment to be considered a viable target for a specific marketing communications campaign, it should pass the following tests:

- The individuals or businesses within the market segment should be similar in nature, having the same needs, attitudes, interests, and opinions. This means persons or businesses within the segment are homogenous.
- The market segment differs from the population as a whole. Segments are distinct from other segments and the general population.
- The market segment must be large enough to be financially viable to target with a separate marketing campaign.
- The market segment must be reachable through some type of media or marketing communications method.

Market researchers spend considerable resources and amounts of time working to identify quality market segments. Market segments are grouped into two broad categories: (1) consumer markets and (2) business-to-business markets. The following section describes each of these segments in greater detail.

**MARKET SEGMENTATION BY CONSUMER GROUPS**

In many instances, end users are the primary target market for a firm’s offerings. Effective IMC programs identify sets of consumers who are potential buyers and who have things in common, such as attitudes, interests, or needs. These consumer market segmentation approaches are listed in Figure 4.13.
Segments Based on Demographics

As shown in Figure 4.13, the first method of segmentation uses demographics. **Demographics** are population characteristics. Typical demographic segmentation variables include gender, age, education, income, and ethnicity. Companies create goods and services to meet the needs of individual demographic segments.

**Gender**

One key demographic is gender. Males and females purchase different products, buy similar products with different features (e.g., deodorants), buy the same products for dissimilar reasons (stereos, televisions), and buy the same products after being influenced by different kinds of appeals through different media.

Women have become a major market for unique getaways, and travel agencies are now marketing specific travel opportunities for women. A survey by AAA found that 24 percent of American women have gone on a getaway with one or more other women in the past 3 years and 39 percent plan on going on a girls-only getaway in the future. The following are some unique female getaway packages being offered by travel agencies:

- A 3-day art safari at Carmel-by-the-Sea in California
- A gals-only week-long cruise to the Galapagos islands featuring sightseeing for giant tortoises, kayaking, scuba diving, and nature tours
- A 4-day dog-sledding adventure in the north woods of Minnesota
- A 2-day surf ‘n’ turf excursion at Pismo Beach in California
- A 3-day cowgirl boot camp in California’s wine country that includes riding, roping, and line dancing

Marketing to women involves more than just creating and selling female-oriented products. A recent study revealed that women have an enormous impact on the spending habits of men. BMW Motorcycles recognized that women exert a considerable amount of influence on purchasing decisions for luxury touring motorcycles. A subject in one of the company’s research programs explained that “If mama ain’t happy, nobody’s happy.” Couples most often use luxury touring motorcycles for long-distance touring. This became an important factor in the development of a new motorcycle and in creating its market position. BMW’s K 1200 LT has heated seats and backrests, with separate controls for both the passenger and the rider. A man tends to look at a motorcycle in terms of style, horsepower, torque, and handling. A woman has other concerns—most notably, comfort. In this case, BMW Motorcycles took what was learned from market research and made sure the motorcycle reached two target audiences: men as the primary purchasers and women as the decision-making influencers. Each was an important part of the promotional campaign.

**Age**

A second demographic characteristic is age. Marketing campaigns target children, young adults, middle-age adults, and senior citizens. Some campaigns combine age-related factors with other demographics, such as gender. Creating logical
combinations with other segments is a common segmentation approach. For example, older women may be primary targets for specific types of vitamins and other age-related products. Young working women with children are more likely to notice ads for conveniences (ready-made foods and snacks, quick lube oil change facilities, etc.). Other groups might buy vitamins, snack foods, and change their car’s oil, but individual segments can be targeted with messages that reach a particular set of needs.

Children have a major impact on the purchasing decisions of their parents. Appeals to children can tie several items together, including advertisements, merchandise based on the ads, and selections from other media. Children attracted to Harry Potter can buy toys, watch the movies, buy the books, and witness advertisements using the Harry Potter theme, such as when Burger King, KFC, and Taco Bell all combined to sponsor a campaign.

Besides children, another age-based demographic group that appeals to many firms is seniors, defined as individuals over age 55. In the past, all seniors were treated as one market and tended to be stereotyped in ads. They were portrayed as elderly grandparents; as feeble, avid gardeners; or as enjoying a blissful retirement demonstrated by walking down the beach together holding hands. Seniors are not a homogeneous group. They do not like to be told they are getting older. Companies that have been successful with this market segment understand seniors and know how to relate to them by understanding the value seniors place on friendships, their communities, and their involvement in life. Marketing professionals recognize that the segment called “seniors” is actually a compilation of smaller groups of individuals each with different lifestyle, interests, and opinions.14

Income
An important demographic segmentation variable for many goods and services is an individual’s or a family’s income. Spending is normally directed at three large categories of goods: (1) necessities, (2) sundries, and (3) luxuries. Lower levels of income mean
consumers primarily purchase necessities, such as food, clothing, cleaning supplies, and so forth. As income increases, household members can buy more items categorized as sundries, which are things that are “nice to own,” but not absolutely necessary. Sundries include televisions, computers, CD players, and other durable goods. Vacations are also sundry expenditures. Luxuries are things most people cannot afford or can afford only once in a lifetime, unless the family is a high-income household. Luxuries include yachts, expensive automobiles, extravagant resort vacations, and other high-cost goods and services. Marketers work closely with creatives to tailor messages to various income groups and to select media that match those groups.

Ethnic Groups

By the year 2010, most Americans will be nonwhite. Currently, many advertisements and marketing communications are still written from a white, Anglo-Saxon perspective. This represents both an opportunity and a threat: an opportunity for companies able to adapt their messages to other cultures and heritages. It is a threat to those that do not.

Ethnic marketing includes more than spending money with ethnically owned radio stations or hiring ethnically owned advertising agencies and translating advertisements from English into Spanish. It is more than including African Americans or Asian Americans in advertisements. Successful ethnic marketing requires understanding various ethnic groups and writing marketing communications that speak to specific cultures and values.

The three major ethnic groups in the United States are African Americans, Hispanics, and Asian Americans. The buying power of these three groups is expected to reach $3 trillion by 2011. In addition, a large number of immigrants are arriving from India and Pakistan. Other large groups are coming from the Middle East and Eastern European countries. Each ethnic group contains multiple subgroups. For example, the Asian community includes individuals of Korean, Japanese, Filipino, Vietnamese, and Chinese descent. The Hispanic community is made up of individuals from Latin America, Mexico, Cuba, and Puerto Rico.

Although different in many ways, several common threads exist among these ethnic groups. They all tend to be more brand loyal than their white counterparts. They value quality and are willing to pay a higher price for quality and brand identity. They value relationships with companies and are loyal to those that make the effort to establish a connection with them.

To market effectively to ethnic groups, marketing experts look for creative approaches that respect America’s ethnic differences while also highlighting its similarities. Achieving this requires advertising and marketing agencies that understand the subtleties of multiculturalism. Becoming involved in sponsorships of minority and ethnic events helps establish ties with specific ethnic groups.

Ethnic marketing is similar in some ways to global marketing. It is important to present one overall message that is then tailored to fit the needs and values of various groups. Successfully achieving this integration of the overall message with characteristics of individual cultures should result in valuable gains in loyalty to a company and its brands and diversify the markets the company can effectively serve.

Psychographics

Demographics are relatively easy to identify. They do not, however, fully explain why people buy particular products or specific brands or the type of appeal that can be used to reach them. To assist in the marketing effort while
building on demographic information, psychographic profiles have been developed. **Psychographics** emerge from patterns of responses that reveal a person’s activities, interests, and opinions (AIO). AIO measures can be combined with demographic information to provide marketers with a more complete understanding of the market to be targeted.\(^\text{16}\)

SRI Consulting Business Intelligence provides a popular classification of lifestyles using psychographic segmentation. The VALS2 typology categorizes respondents into eight different groups based on resources and on the extent to which they are action-oriented.\(^\text{17}\) The VALS2 typology includes the following segments:

- **Innovators** Successful, sophisticated, and receptive to new technologies. Their purchases reflect cultivated tastes for upscale products.
- **Thinkers** Educated, conservative, practical consumers who value knowledge and responsibility. They look for durability, functionality, and value.
- **Achievers** Goal-oriented, conservative consumers committed to career and family. They favor established prestige products that demonstrate success to peers.
- **Experiencers** Young, enthusiastic, and impulsive consumers who seek variety and excitement and spend substantially on fashion, entertainment, and socializing.
- **Believers** Conservative, conventional consumers who focus on tradition, family, religion, and community. They prefer established brands and favor American-made products.
- **Strivers** Trendy, fun-loving consumers who are concerned about others’ opinions and approval. They demonstrate to peers their ability to buy.
- **Makers** Self-sufficient consumers who have the skill and energy to carry out projects, respect authority, and are unimpressed by material possessions.
- **Survivors** Concerned with safety and security, focus on meeting needs rather than fulfilling desires. They are brand loyal and purchase discounted products.

This type of information helps marketers design more effective communications. For instance, reaching strivers requires ads that convey fun and trendy products. Ads for believers should focus more on tradition and American values.

### Segments Based on Generations

Many marketing efforts target generational cohorts. This approach does not require the use of psychographic information to enrich the demographics. It does possess some of the richness of the psychographics. The concept behind marketing to generational cohorts is that common experiences and events create bonds between people who are about the same age.

Segmentation based on generations notes that as people experience significant external events during their late adolescence or early adulthood, these events impact their social values, attitudes, and preferences. Based on similar experiences, these cohorts of individuals develop common preferences for music, foods, and other products. They also tend to respond to the same types of marketing appeals. Based on this idea, six cohorts or generations have been identified. Table 4.1 identifies these cohorts along with some of their basic characteristics.
Segmentation by Geographic Area

Another form of segmentation is by geographic area or region. This method is especially useful for retailers seeking to limit marketing communications programs to specific areas. It also helps a company conduct a direct-mail campaign in a target area. The primary disadvantage of this approach is that everyone in a geographic area receives the marketing communication or is exposed to the advertisement, regardless of interest in the product or service. Geographic segmentation does not allow a firm to focus in on a more specific target market containing only those most likely to make purchases.

Geodemographic Segmentation

A hybrid form of geographic segmentation allows companies to enrich geographic approaches to segmentation. This powerful new form of segmentation, called geodemographics, identifies potential customers from demographic information, geographic information, and psychographic information.

Geodemographic segmentation is especially beneficial for national firms conducting direct-mail campaigns or using sampling promotions. It is expensive and unwise to mail a sample to every household. Through geodemographics, samples are only sent to households that match the profile of a target market. For instance, colleges and universities use geodemographics to locate ZIP codes of communities that match student profiles.

One firm, PRIZM (Potential Rating Index by Zip Marketing) specializes in geodemographics. PRIZM has identified 62 different market segments in the United States. The company has categorized every U.S. ZIP code. The concept behind PRIZM is that ZIP codes represent neighborhoods containing people with relatively uniform characteristics. Consumers tend to be attracted to neighborhoods consisting of people similar to them. Recognizing that more than one market segment might live within a ZIP code, PRIZM identifies the top market segments within each ZIP code.18

A PRIZM-coded map of downtown Jackson, Mississippi, identifies two primary clusters. The more predominant is the “Southside City” residents. This cluster is mainly young and elderly African Americans employed in low-paying blue-collar jobs. They tend to have lower levels of formal education, rent apartments, and read sports and fashion magazines. The second cluster within downtown Jackson is labeled as the “Town
and Gowns” neighborhoods. Towns and Gowns inhabitants also rent apartments, but members tend to be college graduates with better-paying white-collar jobs. This group likes to ski, reads beauty and fitness magazines, and frequently uses ATM cards.19

Geodemographic marketing has been expanded to the Internet. Adfinity is a program designed by Intelligent Interactions. It allows an advertiser to direct specific ads to Web users based on user-defined demographics. When users visit Web sites, they often provide their names and addresses along with other demographic information. While the user is surfing a site, Adfinity’s software can access the user’s file in order to place a targeted ad on the page. To extend its power and effectiveness, Adfinity formed a strategic alliance with PRIZM. When a user accesses a Web site, the user is matched with data from the 62 PRIZM clusters. Based on the lifestyle and interests of that cluster, messages are sent that match the user. A person from the cluster “Executive Suites” will see advertisements about jazz or business books, because people in the Executive Suites cluster prefer those items.

**Benefit Segmentation**

Benefit segmentation focuses on the advantages consumers receive from a product rather than the characteristics of consumers themselves. Demographic and psychographic information can be combined with benefit information to identify segments. Then, the marketing team can seek to further understand each segment’s consumers.

Benefit segmentation has been used in the fitness market. Regular exercisers belong in one of three benefit segments. The first group, “winners,” do whatever it takes to stay physically fit. This segment tends to be younger, upwardly mobile, and career oriented. The second group, “dieters,” exercise to maintain their weight and enhance physical appearance. This group tends to be females over the age of 35. They are primarily interested in reliable wellness programs offered by hospitals and weight-control nutritionists. The third group, “self-improvers,” exercise to feel better and to control medical costs.20 The understanding that individuals exercise for different reasons provides excellent material for designing marketing programs.

**Usage Segmentation**

The final type of consumer segmentation is based on customer usage or purchases. The goal of usage segmentation is to provide the highest level of service to a firm’s best customers while promoting the company to casual or light users. Usage segmentation is also designed to maximize sales to all user groups.

Many company marketing teams identify heavy users by utilizing internal databases. With bar-code scanners, point-of-sale systems, and data from credit, debit, and transaction cards, in-house marketers can accumulate a wealth of information about customers. Many have learned that between 10 and 30 percent of a company’s customers generate 70 to 90 percent of total sales. Instead of using firms such as PRIZM to create customer clusters, firms develop customer clusters from these databases. Customers are placed in clusters based on common attitudes, lifestyles, and past purchase behaviors. This technique offers a business the following advantages:21

1. A meaningful classification scheme to cluster customers based on a firm’s actual customers.
2. The ability to reduce large volumes of customer data down to a few concise, usable clusters.
3. The ability to assign a cluster code number to each customer in the database. Each number is based on the customer’s actual purchases and other characteristics (e.g., address, amount spent, credit versus cash, etc.).

4. The capacity to measure the growth and migration of customers over time and from one cluster to another, which allows for the evaluation of marketing programs.

5. The capability of using a database to develop multiple clusters based on different benefits or usages.

Not all businesses have such extensive databases. For these types of businesses, several companies sell and provide consumer databases. These consumer databases can be linked to a customer’s records through a name, address, or social security number. These commercial databases contain typical information such as the household’s income, the ages of household members, the length and type of residence, information about car ownership, and telephone numbers.

In summary, consumer market segments can be identified in a number of ways. The best segmentation approaches are based on the company’s circumstances. In choosing market segments to approach, a marketer looks for groups that best match the company’s goods and services, as well as the overall marketing message. Then the message can be structured to meet the needs of the various market segments.

BUSINESS-TO-BUSINESS SEGMENTATION

Some approaches that help identify consumer market segments can also be used to discover business-to-business market segments. Alternate methods also are available. Figure 4.14 lists the various types of business-to-business market segments. Keep in mind that, as with consumer markets, the primary goals of segmentation are to provide better customer service and to group homogeneous customers into clusters to enhance marketing efforts.

Segmentation by Industry

One method used to examine potential customers is by industry. Many marketers use the NAICS (North American Industry Classification System) coding system. NAICS allows the marketing team to examine specific industries, such as construction (23) or wholesale trade (42). They also can study segments within specific categories. For example, NAICS codes health care and social assistance services as 62. A company that manufactures health-related products can divide the market into four segments based on the subsections. These four market segments are:

621 Ambulatory Health Care Services
622 Hospitals
623 Nursing and Residential Care Facilities
624 Social Assistance

If these segments are too broad, each can be broken down into smaller subcomponents. For example, Ambulatory Health Care Services includes physicians, dentists, chiropractors, and optometrists.

The NAICS divides the economy into 20 broad sectors using a 6-digit code rather than the SIC 4-digit code. The 6-digit code allows greater stratification of industries and
provides greater flexibility in creating classifications. The federal government records corporate information and data using the NAICS, making it a logical system to choose for identifying market segments.

**Segmentation by Size**

Market segments can be identified based on company size. Large firms have needs that are different from smaller companies, and each should be contacted in a different manner. Typically, the marketing effort is often focused on the company’s purchasing department when the firm is large. For smaller firms, the owner or general manager often makes the purchase decisions and is therefore the target of marketing messages.

**Segmentation by Geographic Location**

As with consumer segmentation, identifying market segments by geographic location can be a successful tactic. This approach benefits businesses with customers that are concentrated in geographic pockets, such as the Silicon Valley area of California. It works for other firms as well. When the Applied Microbiology firm developed a new antimicrobial agent, the goal was to market the product to dairy farmers. The traditional agricultural marketing and distribution channel required to launch such a new product nationally was estimated at $3 million. Such a traditional marketing plan involved national advertising in agriculture magazines plus recruiting sales agents and brokers to introduce the product. Instead, Applied Microbiology used geodemographics, which combined geographic areas with demographic and psychographic data. Applied Microbiology used geodemographics to find areas with dairy herds consisting of 1,000 or more cows per ranch. These farmers were contacted for two reasons. First, large dairy farmers who adopted the product would buy greater quantities of it. Second, the company’s leaders believed that the larger farmers were opinion leaders who would influence smaller farmers, thereby causing them to adopt the product as well.

Several separate direct-response pieces offering discounts for and samples of Applied Microbiology’s new product were sent to larger farms. After sales started rising, farmers were asked for testimonials. The testimonials were extremely powerful, and they were then incorporated into new direct-marketing pieces. One brochure contained three testimonials and validation of the product by Cornell University. After a dairy farmer adopted the product, direct-marketing pieces were sent to farmers in the surrounding area. Not only did this method bring excellent results, but the marketing costs were one-third of the traditional approach. Using geodemographics cost only $1 million rather than the proposed $3 million.

**Segmentation by Product Usage**

Business markets can be segmented based on the manner in which the good or service is used. Many services (financial, transportation, shipping, etc.) have a variety of uses for distinct customers. For example, in the hotel industry a major source of revenue is booking business events and conferences. A hotel or resort can identify business market segments based on various types of events. Single-day seminars require only a meeting room and refreshments. A full conference may involve renting rooms for lodging, preparing banquets, furnishing meeting rooms, and planning sightseeing excursions. By segmenting
the market based on the use of the hotel’s facilities and staff, a manager can prepare marketing materials that address the needs of each specific type of conference. The advertisement for Edgewater Beach Resort, shown in this section, is an example of this type of approach.

**Segmentation by Customer Value**

The final method of business segmentation is based on customer value. This approach is much easier for business-to-business firms to utilize than it is for consumer businesses, due to the availability of in-depth data about each business customer. A more precise value can be assigned to each individual business through sales records and other sources of data and information.

**INTERNATIONAL IMPLICATIONS**

As was first presented in Chapter 1, globally integrated marketing communications (GIMC) programs are vital for international firms. The world consists of many different languages and cultures. Brand names, marketing ideas, and advertising campaigns designed for one country do not always translate correctly to another. Consequently, understanding the international market is essential. Figure 4.15 highlights the ingredients of successful globally integrated marketing communications plans.

Recognizing the many cultural nuances throughout the world is one key. This does not mean that different marketing campaigns must always be developed for each country and each cultural group within a country. Still, marketers must understand the region and its culture in order to tailor messages to individual areas.

A borderless marketing plan suggests that the firm should use the same basic marketing approach for all of its various markets. At the same time, it allows each subsidiary the freedom to determine how to implement that marketing plan. This presents the opportunity to maintain a theme while targeting the message carefully.

Another key to a successful GIMC is developing local partnerships. Local partners can be marketing research firms or advertising firms that are familiar with the local language and culture. These partnerships sometimes are formed by hiring someone from a particular country with a full understanding of the market. Such a person is sometimes referred to as a **cultural assimilator**. It is vital that the chosen individual has a clear understanding of the English language or the language of the parent firm and the parent firm’s business.

As with domestic markets, segmentation is critical. The goal is to design a communications package that effectively reaches every market segment. Target markets in other countries should be identified. In most instances, there will be both consumer and business-to-business segments.

A well-designed market communications analysis process is another key factor in the success of a GIMC program. Marketing managers must identify strengths and weaknesses of local competitors and places in which opportunities exist. They must also develop an understanding of how the firm is perceived in the international marketplace.

Finally, solid communication objectives based on an effective market communication analysis greatly improve the chances that a GIMC program will be successful. Linguistics is a major hurdle. Translating an English advertisement into another language requires expertise, because exact word translations often do not exist. For example, the slogan of Ruth’s Steak House, “We sell sizzle as well as steaks,” could not be translated into...
Spanish, because there is no equivalent word for “sizzle.” Therefore, the translator found a Spanish idiom conveying a similar meaning in order to solve the problem.

The promotions opportunity analysis process is difficult in international settings; however, it is crucial in creating an effective GIMC. Language, culture, norms, beliefs, and laws all must be taken into consideration in the development of the GIMC program. Literal translation of a commercial’s tagline might not be acceptable within a given culture. Laws concerning advertising and promotions vary by country. Further, cultures view ideas and objects differently. These differences must be considered when designing an integrated program.

Without a solid market communication analysis, international communication programs are more likely to fail. One good thing about international markets is that many of the communications objectives will be the same as those for domestic operations. In all countries, marketers must make consumers aware of the company’s products. Advertisements must break through local clutter and capture the attention of the target audience. Effective communication means a product’s features and advantages are clearly understood. Ads can also present the product using the emotions and imagery that speak effectively to the target audience. The ultimate goal is to persuade members of the target audience to purchase the company’s products.

### SUMMARY

A promotions opportunity analysis is the process by which marketers identify target audiences for the goods and services produced by the company. It consists of five steps: conduct a communication market analysis, establish communication objectives, create a communication budget, prepare promotional strategies, and match tactics with strategies. Along the way, marketing managers should review competitors, opportunities, target markets, customers, and the company’s positioning.

Market segmentation is identifying sets of business or consumer groups with distinct characteristics. Segments must be clearly different, large enough to support a marketing campaign, and reachable through some type of media. Consumer groups that can be segmented include those identified by demographics, including gender, age, income, and ethnic heritage. Markets can also be identified using psychographic, generational, and geographic delineations. Geodemographic segmentation combines demographic, psychographic, and geographic information together. Other ways to categorize consumers are by the benefits they receive from goods or services and by the ways they use products.

Business-to-business segmentation can be accomplished by targeting business customers by industry, business type, the size of the company, geographic location, usage, and customer value calculations. Marketing managers should carefully specify the company’s consumer and business market segments. All other promotions opportunity analysis processes are tied to the identification of key customers.

Globally integrated marketing communications efforts must also be linked to promotions opportunities analysis programs. National differences, cultural concerns, language issues, and other challenges must be viewed in light of the target markets an individual company intends to serve.

A promotions opportunity analysis program is the first step in developing a complete IMC package. Based on an overall marketing plan, company leaders gather information and generate decisions regarding target markets and marketing opportunities. They proceed to develop a further understanding of the company’s image and dig deeper into the process of revealing key consumer and business buyer behaviors. They should address the company’s message to tie in with the overall IMC theme. A promotions opportunity analysis is the foundation stage for the rest of the IMC program. A solid promotions opportunity analysis program greatly increases the chances that marketing messages will reach the right audiences. This leads to increased sales, customer loyalty, and a stronger long-term standing in the marketplace.

### KEY TERMS

**promotions opportunity analysis** The process marketers use to identify target audiences for a company’s goods and services and the communication strategies needed to reach these audiences.

**communication market analysis** The process of discovering the organization’s strengths and weaknesses in the area of marketing communication.

**benchmark measures** Starting points that are studied in relation to the degree of change following a promotional campaign.

**threshold effects** For new products, initial advertisements yield little behavioral response; however, over time, a consumer who is exposed enough times to a company’s marketing message will recall the company and eventually become willing to make a purchase.
sales-response function curve  An S-shaped curve that indicates when threshold effects are present and when diminishing returns are present.
concave downward function  A model of the diminishing returns of advertising expenditures on sales.
marginal analysis  A model that shows when additional expenditures on advertising and promotions have an adverse effect on profits.
carryover effects  When products are only purchased when needed, promotions for those products must be designed to generate a situation in which the consumer has been exposed to the company’s message for so long that when the time comes to buy, the consumer remembers the key company.
wear-out effects  Declines in advertising effectiveness that occur when an ad or marketing communication becomes “old” or “boring.”
decay effects  Declines in advertising effectiveness that occur when advertising stops and consumers begin to forget about the company.
percentage of sales method  A form of communications budgeting in which budgeting is based on the sales from the previous year or anticipated sales for the coming year.
meet-the-competition method  A method of communications budgeting in which the primary rationale is to prevent the loss of market share, which occurs in highly competitive markets where rivalries between competitors are intense.

“what we can afford” method  A method of communications budgeting in which the marketing budget is set after all of the company’s other budgets have been determined and communications monies are allocated based on what the firm feels it can afford to spend.
objective and task method  A form of communications budgeting in which management first lists all of the objectives it wants to accomplish during the year and then budgets to meet those objectives.
payout planning  A budgeting method that establishes a ratio of advertising to sales or market share.
strategies  Sweeping guidelines concerning the essence of the company’s marketing efforts.
tactics  The activities companies do to support overall promotional strategies.
market segmentation  The identification of specific purchasing groups based on their needs, attitudes, and interests.
market segment  A set of businesses or group of individual consumers with distinct characteristics.
demographics  The study of population characteristics.
psychographics  The study of patterns of responses that reveal a person’s activities, interests, and opinions (AIO).
cultural assimilator  A person who is familiar with the local language and culture of a given country who can help marketing efforts in that particular country.

REVIEW QUESTIONS

1. What is a promotions opportunities analysis? What makes it a critical part of a company’s marketing efforts?
2. What are the five parts of a promotions opportunities analysis planning process?
3. What common marketing communications objectives do firms establish?
4. Name and describe the types of communications budgets. Which is best? Why?
5. What is a strategy? Give an example of a promotional strategy.
6. What are tactics? How are they related to strategies?
7. Define demographics. How are they used to segment consumer markets?
8. How can firms take advantage of target markets by gender?
9. What generational cohorts have marketing experts identified?
10. What problems are associated with markets segmented according to geographic areas?
11. What are geodemographics? Why have they been so successful in defining marketing segments?
12. Describe usage segmentation and benefit segmentation.
13. What are the common business-to-business market segments?
14. Describe the NAICS approach to business market segmentation.
15. Describe a usage segmentation approach in a business-to-business setting.
16. Describe a segmentation approach based on company size.
17. How does the idea of a promotions opportunities analysis fit with a GIMC program?

CRITICAL THINKING EXERCISES

Discussion Questions

1. Use a search engine to locate five companies on the Internet that sell swimwear. Perform a competitive analysis of these five companies to find the types of products sold, the types of promotional appeals that are used, and the types of special offers used to entice buyers. What type of advertising strategy would you use to sell swimwear over the Internet?
2. A promotions opportunity analysis of movie theaters revealed the primary moviegoer to be between 18 and 24 years of age. Twenty years ago, 44 percent of the individuals in this age bracket went to movies frequently. Today, less
than 34 percent are frequent moviegoers.²³ Conduct a customer analysis by interviewing five individuals between the ages of 18 and 24. Based on their responses, what suggestions would you make to movie theaters to reverse this declining trend?

3. Make a list of five consumer goods or services segmented on the basis of gender but sold to both genders. Are there any differences in the product or service attributes? Are there differences in how they are marketed? What are those differences? Do you think using a different marketing approach has worked?

4. For each of the following goods or services, identify the various benefits that consumers may derive from the good or service. Can you think of an advertisement or other marketing communication that has used the benefit as the central part of its appeal?
   a. Seafood restaurant
   b. Auto insurance
   c. Optometrist or eye-care clinic
   d. Soft drink
   e. Aspirin or other pain reliever

INTEGRATED LEARNING EXERCISES

1. Adage.com provides the latest ad agency news and account news. Go to the Web site at www.adage.com. Scan through the news articles about advertising, accounts, and ad agencies. Pick two that interest you and write a short summary report about the contents of each article.

2. For consumer markets, a leading geodemographic firm is Claritas. Go to the Web site at www.claritas.com and explore the various methods of segmentation. What information does Claritas provide? How would it help a company develop an integrated marketing communication plan?

3. Values and lifestyles (VALS) psychographic segmentation can be a valuable tool for marketers as they prepare their marketing materials. Access VALS2 through the Business Intelligence Center at www.sric-bi.com/vals. Once at the VALS site, examine the characteristics of each of the groups. Then take the test to determine which group you belong to. How can VALS2 help marketers develop advertising messages?

4. A current trend for many companies is the development of marketing messages for specific demographic, ethnic, or lifestyle groups. This allows for a more targeted message than is possible for the mass audience. Go to the following Web sites. What types of marketing messages are on each site? How could the information on these Web sites be used to develop integrated marketing communication plans?
   a. Women (www.ivillage.com)
   b. Hispanics (www.hispaniconline.com)
   c. African Americans (www.targetmarketnews.com)
   d. Gays and lesbians (www.planetout.com)

5. Choose one of the following companies. Examine the company’s Web site to determine what segmentation strategy the firm uses. Describe the intended target market for the Web site. Using Figure 4.4 as a guide, what communication objective(s) do you think the company is trying to accomplish?
   b. Ty Beanie Babies (www.ty.com)
   c. Sara Lee (www.saralee.com)
   d. Dr. James J. Romano (www.jromano.com)

STUDENT PROJECT

Creative Corner

The VALS2 typology has been used by a number of companies and advertising agencies to create marketing materials. Your task is to design two advertisements for DIRECTV. Pick one of the following pairs of VALS segments and design an advertisement promoting DIRECTV for each segment. When you are finished, write a paragraph explaining how you believe the ads you created will appeal to their respective VALS segment and how the two ads are different. Before you begin work on the ads, go to the SRI Consulting Business Intelligence Web site at www.sric-bi.com/VALS to obtain more information about the two segments you will be targeting with your ads.

Pair 1: Innovators and survivors
Pair 2: Thinkers and makers
Pair 3: Believers and achievers
Pair 4: Strivers and experiencers
**CASE 1  BURGER WARS**

The world of fast food, especially the world of hamburgers and fries, continues to evolve. The dominant force for nearly 40 years has been McDonald’s. The company is practically an icon in the United States and has expanded with a nearly worldwide reach. Recently, the McDonald’s empire has come under attack from a variety of sources.

Socially, films such as *Supersize Me* criticized the basic McDonald’s menu, noting high levels of calories and fat in the foods offered, complaining about the suggestive selling tactics used, and arguing that advertising to children utilizing Ronald McDonald as a spokesperson has created an unhealthy, obese, malnourished new generation. McDonald’s responded with products such as salads and fruit plates, while agreeing to halt the use of trans fats in French fries and other deep-fried products. Company leaders did not, however, agree that Ronald McDonald should retire. McDonald’s continues to offer birthday parties, outdoor toys, and the Happy Meal to entice kids into its stores.

The number two competitor in the world of burgers is Burger King. The company is dwarfed by McDonald’s in terms of locations, revenues, and dollars spent on advertising and marketing as well as in brand recognition and recall by children and teens. In 2007, Burger King began a bold new program featuring two new spokespersons. The first is the computer-animated Burger King, placed into a variety of sports events and other unusual places. The Burger King never speaks but clearly stands out. The appeal is to a slightly older generation of burger buyers than children. The second spokesperson became Homer Simpson from the television cartoon *The Simpsons*. Homer has always been a big burger-eater. He is highly recognizable to a generation of television viewers going back for 20 years. *The Simpsons Movie*, which was released as the Burger King tie-in began, created a great deal of buzz. The film was a major success in terms of tickets sold and practically ensured the Simpsons would continue on television, and possibly in movie sequels, for the next several years. The marketing genius of signing Homer Simpson is that the television show has an audience ranging from younger children to adults. Many 20-somethings grew up with *The Simpsons* as a weekly night-time habit.

Neither Burger King nor McDonald’s can ignore other burger chains. Wendy’s and Hardees have been successful in some markets. Sonic also has a following among some customers. Each utilizes a unique marketing pitch oriented to individual target audiences.

At the same time, chains offering food items other than hamburgers also made inroads. Among the most powerful new competitors was Subway, with its “Eat Fresh” campaign, spokesperson Jared, and advertising claims regarding the lower calorie, low-fat options available. Pizza offers further competition, led by major players Pizza Hut, Papa John’s, and Dominos. Taco Bell, KFC, and Long John Silver’s are additional fast-food options. Under the direction of the Yum, the three are often found in the same location along the Interstate, giving a weary traveler a variety of choices under the same roof.

Both Burger King and McDonald’s seek to maintain a competitive advantage through differentiation. McDonald’s features include its powerful brand, accessibility across the country and around the world, and the “pull” factor, whereby children entice parents to continue to visit a unit even when other options are available. For years Burger King relied on the advertising claim that broiled burgers taste better than fried and that in taste tests people prefer the Whopper to the Big Mac.

In the next decade, the victor in the Burger wars may or may not be based on what happens on the children’s front. Combinations of products, prices, delivery systems, and promotions programs might make the difference. Clearly, no company can sit still and wait to see what happens with the others.

1. Conduct a communication marketing analysis for one of the following: McDonald’s, Burger King, Sonic, Wendy’s, or Hardees.
2. Besides children, identify the target markets that are best suited to each of the following: McDonald’s, Burger King, Wendy’s, Hardees, Sonic.
3. What type of promotional budget should each major competitor use? Why?
4. Based on the information in this chapter, how would a company like Hardees or Carl’s Jr (which owns Hardees) compete effectively against McDonald’s? What type of communication strategy and budget would work best?

**CASE 2  RED HOT MARKETING**

Mary Wilson could not believe her company was suddenly facing a competitive threat. For years, her small retail shop, Red and Purple Adventures, was the only store in town catering to members of the city’s numerous chapters of the Red Hat Society. Now, a rival firm had opened a competing outlet across town. Mary knew she had to work harder and smarter to keep an edge in what had always been a prosperous business. The Red Hat Society was formed in 1998. In 1997, Sue Ellen Cooper, a resident of Fullerton, California, on vacation in Tucson, Arizona, bought a red fedora at a thrift shop. She was acquainted with a poem, called “Warning,” written by Jenny Joseph. The poem is about an older woman wearing a purple dress and a bright red hat. The poem advises older women to free themselves to be silly and have fun. Bright, daring clothes are the order of the day. Sue Ellen Cooper was so enamored with the concept that she began giving red hats and copies of the poem to friends as birthday presents. Soon after, the Red Hat Society was born when the group got together for tea.

Sue Ellen Cooper’s credo for the Red Hat Society states: “We believe silliness is the comedy relief of life, and since we
are all in it together, we might as well join red-gloved hands and go for the gusto together. Underneath the frivolity, we share a bond of affection, forged by common life experiences and a genuine enthusiasm for wherever life takes us next."

Besides red hats, members of the Red Hat Society wear purple outfits. Those who join the Red Hat Society before the age of 50 adorn themselves with pink hats and lavender clothes. Most activities for members of the Red Hat Society are scheduled by individual chapters, with a heavy emphasis on fun-loving events.

Mary Wilson had been selling both licensed and unlicensed red and pink hats and gloves along with purple and lavender outfits to the under- and over-50 women’s crowd for several years. Her quirky store included not only clothes and hats, but also jewelry and perfume. Mary always had fresh pastries available for visiting clients. She served tea to anyone who wished to stay for a while and visit. Light “oldies” music from the 1930s, 40s and 50s played in the background. Mary always believed the key to her success was a warm, friendly atmosphere that was highly compatible with the goals of the Red Hat Society.

The new competitor in town took a different approach. The company’s advertisements featured low prices and specials. Mary also believed the other store had a better location in a small but busy shopping mall where parking was easier to find. She worried new Red Hat Society members would be enticed by convenience and price. Although it made Mary uncomfortable, she knew for the first time that her business had to be more than just warm and friendly. She needed a competitive marketing strategy to fight off this new threat.

**Source:** Red Hat Society (www.redhatsociety.com, accessed April 7, 2005).


2. Identify the market segments that Red and Purple Adventures must continue to maintain.

3. Describe the ways to reach Mary’s key market segments effectively.

4. Should Mary expand her business to the Internet and sell her merchandise nationwide via e-commerce?

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**ENDNOTES**


3. Ibid.


11. Ibid.


