UNIT 8: PROFILING & PROSPECTS FOR THE FUTURE

QUESTION #8.1: What is benefit profiling?

SHORT ANSWER: benefit segmentation focuses on the actual rewards of owning the product.

Science is about understanding, predicting, and controlling events. In the scientific study of consumer behavior, that future event is the purchase of a specific product or service. In order to control that event, we view it as a dependent variable, and then identify the independent variables (e.g., advertising, product attributes, distribution) that influence the decision to purchase. In order to predict that event, we view it as a criterion variable, and then identify predictor variables to estimate future consumption.

Many of these variables are part of the consumers' environment (e.g., advertising, product attributes, distribution, the shape of the national economy), but some are peculiar to the individual. If we get a better understanding of those variables, and their relationship with the purchase of a particular product or service, we will be able to predict *who*, *when* or *where* future consumption will take place. One approach to this is benefit segmentation, which focuses on the *who* and *why* of a purchase.

The entire population of consumers is vast and varied. Remember that the term *consumer* includes not only present and future customers, but also those who are *potential* customers, even if that probability is low. So, the population of all consumers includes some who are certain or very likely to become our customers, and others who are very unlikely to ever make a purchase of our product or service. The good news is that we don't have to make a sale to everyone in order to have a profitable business. Just one **segment** of the marketplace might have a large enough number of customers (or a small number of customers who consume heavily) and that could generate enough sales revenue.

Most companies realize that the best strategy is not to run a mass marketing campaign to the entire population of consumers, using generic advertisements in hopes of appealing to all segments of the marketplace. Instead, they **target** the marketing to those specific segments that seem to offer the greatest prospects of become actual customers. Such companies can become very successful targeting such a **niche** because this strategy holds down the cost of developing a large product line, more difficult channels of distribution, and mass advertising. So, the key question that consumer behavior research has to answer is how to we target such niches?

One way of identifying the most promising segments is through **benefit** segmentation. This assumes that consumers behave rationally, and would be most interested in those products that would provide specific benefits. We are defining benefit broadly, as meeting any combination of motives, needs, and/or priorities, ranging from hunger to status-seeking.

One of the best predictors of who needs what is determined by what else somebody already owns. If a woman owns a cat, she probably needs to purchase cat food, litter, and veterinary services. If a man owns a set of skis, he probably needs to purchase a ski rack for his car, lift

tickets, and make reservations for a flight to Aspen and a hotel there. If a family has a swimming pool, they may need a pool chemicals, bathing suits, and patio furniture. Sometimes, customers will spend more on such related products than they do on the product serving as the initial predictor. Back in the days of film cameras, people soon realized that the film and the developing cost more than the actual purchase price of the camera.

Since most benefits deal with a consumer's rational attempts to meet real needs (e.g., go to a restaurant because he is hungry), the advertising based upon benefit segmentation can get right to the point and emphasize attributes such as cost, convenience and effectiveness. Imagine that you are selling motor oil. Placing a flyer on a car's windshield goes right to a consumer who has a need for the service. That flyer could emphasize the cost and convenience of an oil change, and the quality of the oil provided. A coupon would clearly be consistent with that message.

QUESTION #8.2: What is demographic profiling?

SHORT ANSWER: demographic segmentation looks at identifiable background variables of the consumer

When we cannot directly profile, or reach, those consumers who would get the greatest potential benefit from our product or service, we could turn to **demographic** segmentation. Demography involves the measurement of the entire population in terms identifiable background variables. These variables can be correlated with potential sales of certain products or services, as suggested by this t*able.*

Variable	*Dimensions*	*Products & services*
Geography	Urban / suburban / rural	Automobiles, home supplies
Climate	Cold / warm	Snow tires, watercraft
Social class	Upper / middle /poor	Lottery tickets, private schools
Income	High / middle / low	Investments
Occupations	Farming / offices	Work clothes
Gender	Male / female	Clothing, personal care
Age	Young / old	Toys, clothes
Cohort	Boomers / GenY	Music
Family life cycle	Toddlers / empty nest	Infant car seats
Household size	Big / single	Furniture, food packaging
Ethnicity	African / Hispanic	Hair care products
Religion	Muslim / Christian	Pork, celebrations

These correlations are not perfect, and they are not always strong, but they are good predictors of who is most likely to buy, and where it is most profitable to advertise and distribute. We can sell some automobiles in the city, but proportionately more in suburban areas where the car is the principal means of transportation. Some wealthy people might buy lottery tickets, but the majority will be purchased by the poor.

This kind of demographic segmentation tells us not only who is most likely to purchase the product or service, but may tell us how best to tailor the advertising campaign. Publicity for a private school targeting upper class families would emphasize themes of exclusivity. Advertisements for different age cohorts might use different musical themes, regardless of the product or service in question.

Demographic segmentation could also influence how stores tailor the shopping experience to its niche. A sewing supply store might realize that ninety percent of its customers will be women and have lounges and other amenities encouraging shoppers to spend a long time and come again. A tool store might realize that the majority of its customers will be men, and choose to emphasize efficient routines that reduce customer time in the store.

QUESTION #8.3: What is psychographic profiling?

SHORT ANSWER: psychographic profiling looks at personality traits, types and dynamics in hopes of developing more effective marketing

An even greater insight into the preferences of the consumer can be gleaned by psychological dimensions of the individual. Not all men are the same, not all aging boomers are the same, and not all snowy mountain dwellers are the same. **Psychographic** segmentation goes beyond the rough categorizations imposed by demographic variables, and attempts to comprehend the uniqueness of the individual.

The simplest psychological measure of human personality might be a paper and pencil self-report scale that measures a person by categorizing into types (e.g., introvert, extravert) or identifying a point along a spectrum for a trait (e.g., how neurotic is this person?). The most complicated approach to personality assessment would be to explore the dynamics of an individual personality through some projective test (e.g., Rorschach Ink Blot) or in depth interpretations of dreams and a life history from a psychoanalytic perspective.

Of course, it is not practical to give all consumers a battery of psychological tests (e.g., MMPI, 16PF, NEO-5, Myers-Briggs) and then come up with a specific advertisement for each person. The real use of psychographic segmentation is to figure out which types (or traits, or dynamics) of personality are in the targetable niche, and then use this psychographic information about them to develop a marketing campaign that will be most effective for those personalities.

Perhaps the most developed approach to psychographics has come from the Stanford Research Institute's Values and Life Styles (**VALS**) project begun by Abraham Maslow just before his death. It ties together Maslow's theory of different levels of human needs, the demographics of social class, and the benefits hoped for by each type of consumer.

Using psychographic research, some companies have perfected **branding**, such that the name of a particular brand conveys certain traits. People who have those traits (or who wish to be

perceived as having those traits) then identify with the brand, in much the same way as some people get their sense of identity from their nationality, tribe or religion.

Another psychographic dimension of the consumer personality is how the consumer views the process of shopping. The old adage "men buy, women shop" has some demographic validity, but in both men and women there are some people who consider the process of shopping a major recreational activity. Meeting the variety of motives (from physical to social) tied up with the shopping experience can guarantee a store (or brand) a continuous stream of customers.

These three forms of segmentation, benefit, psychographic and demographic work together to help the marketer develop the right product and the right marketing campaign for it.

http://www.youtube.com/watch?v=adG8hgw9VI8

QUESTION #8.4 Where is marketing going in the future?

SHORT ANSWER: more technology will be combined with greater social responsibility

The rapidity of social and technological change continues to increase. Each year brings new products and services claiming their abilities to meet newly emerging needs.

Most of these products had a time of birth (when they arrived in the marketplace) and they shall have a time of death (when the market will carry them no more). Somewhere in the middle, the product may have had a most profitable run. The course of this **product life cycle** is determined by two hard to predict variables: changing consumer needs and the introduction of more innovative competitors.

The stage of a product's life cycle may determine both its advertising and pricing strategies. In the introduction stage, a new product may appeal more to a segment of early adopters who have a set of personality traits including openness to embrace change. The pricing strategy may be that of a monopoly, if few competitors have made it to the marketplace. Over time, a company may have to come up with advertisements for a broader segment of the marketplace, and the product may build market share and become the largest brand in that area. However, it may have to keep prices low in order to stave off cheap competition from copycat firms with lower research & development costs. As new innovations and changing environments lead to lower demand for the product, it may end up with only legacy customers and the psychographic themes may focus to fear of change.

One trend which has built over the past few centuries is the need for greater customization in marketing. In the 18th century, a company just had to produce its product, confident that a rapidly increasing local market would find, purchase, consume it, and come back for more. In the 19th century, greater competition led to a realization for the need for a dedicated sales force so that one brand might stand out from the others. The 20th century brought the concept of target marketing. So far, it appears that the 21st century is ushering in a new era of

customization, understanding as much as we can about each consumer to present him or her with a unique product (or service) and marketing campaign.

Indeed, the whole concept of product and service may be changing. In the distant past, the first human economic efforts involved extracting commodities from their repositories in nature (e.g., copper ore, coffee beans). Over time, we have seen cities arise with specialization of labor, and the commodities have changed to specific products (e.g., metal tools, a package of coffee). The growth of products has also involved the development of more services (e.g., a restaurant in which you can order a cup of coffee). The emerging trend is for the provision of mere services to be eclipsed by the provision of a sought after experience (e.g., Starbucks is more than a cup of coffee, it is an experience). A kilo of coffee beans may be worth a few cents (commodity), but a hundred gram package of instant coffee may be worth a couple of dollars (and make twenty cups). One of those cups brewed and served in a restaurant may cost a dollar, but one of those cups experienced in Starbucks may cost several dollars.

Another major development in the future will be the increasing emphasis on social media. This permits consumers to create their own content and transmit it to a greater audience than ever before. This **buzz** can be more powerful than advertising in terms of its persuasiveness.

The role of public policy and law must also be considered. New laws and agencies will be set up to deal with topics such as

- Customer complaints
- Privacy vs. tracking
- Intellectual property vs. competition
- Pollution & resource allocation
- Irresponsible use of products
- Green considerations of manufacture & disposal

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Flashcards & matching

http://www.quia.com/jg/2533174.html

Jumbled words

http://www.quia.com/jw/470571.html

Summary paragraph

http://www.quia.com/cz/467581.html

UNIT 8 TERMS: profiling & the future

BENEFIT SEGMENTATION: the approach to market segmentation which assumes that the most important way to classify consumers is by the product benefits that they perceive

BRAND LOYALTY: when consumers become habitual repeat buyers of a specific brand, such that they do not still engage in a thorough comparison of competing brands, but repurchase has become automatic (routine)

BUZZ: communication (especially favorable) between consumers about a product or service; buzz is cheaper and more effective than advertising

DEMOGRAPHICS: background variables used by consumer psychologists to profile the marketplace; the most important demographic variables are age, cohort, gender, sexual orientation, climate, geography, ethnicity, income, class, occupation, religion, household size, and family life cycle)

NICHE: a specific, small, targetable segment of a larger market place

PRODUCT LIFE CYCLE: many products have a limited life cycle, at first appealing only to early adopters, and slowly penetrating a larger market, and then eventually declining as other innovations take away market share

PSYCHOGRAPHICS: consumer psychology's attempt to profile various market place segments by type or trait (Maslow)

SEGMENTATION: consumer psychology's attempt to divide up the market place into specific, targetable niches

TARGETING: focusing on a specific niche segment of the market; targeting can be done by benefit, demographic, or psychographic segmentation

V.A.L.S.: Values and Life Styles, a psychographic and demographic segmentation theory developed by Stanford Research Institute under Abraham Maslow