

What is Market Segmentation and Targeting?

Worksheet

Segmentation splits a market into distinct groups based on shared characteristics. Targeting means selecting one or more segments to pursue. This allows companies to tailor products and marketing to specific customer types.

Questions

1. Which of these is a demographic segmentation variable?

- A) Email newsletter signup
- B) Age and income
- C) How often someone visits a website
- D) Color preference

2. A sportswear brand targets athletes and fitness enthusiasts. They ignore casual shoppers. Is this good targeting?

- A) No, they should serve everyone
- B) Yes, focusing on a specific segment
- C) It depends on company size only
- D) No, athletes don't spend enough

3. Why might different segments of the same market need different prices?

- A) To confuse competitors
- B) Different groups have different incomes and willingness to pay
- C) To make products seem special
- D) No reason - price must be the same

4. Market segmentation and targeting help companies

- A) Sell to everyone at once
- B) Focus resources on the most promising customers
- C) Avoid competition
- D) Ignore customer needs

5. A smartphone company identifies three segments: students (budget-conscious), professionals (features), elderly (simplicity). How should they segment and target?

6. A coffee shop in a city neighborhood wants to grow. Who might they target?

7. A cosmetics brand uses segmentation: premium luxury, mid-market, budget. Why might they have different pricing?

8. Define: What is market segmentation?

9. Define: What is market targeting?

10. Define: What are common segmentation criteria?

Answer Key

1. B) Age and income - Demographics include age, income, education, gender - factual characteristics. The others are behavior or psychographics.
2. B) Yes, focusing on a specific segment - Focusing on a specific, well-defined segment (athletes) allows the brand to tailor products and marketing, increasing efficiency.
3. B) Different groups have different incomes and willingness to pay - A premium segment (high income) will pay more; a budget segment (lower income) is price-sensitive. Pricing should reflect each segment.
4. B) Focus resources on the most promising customers - By targeting specific segments, companies can focus budget, tailor products, and serve customers more effectively than trying to reach everyone.
5. Segmentation criteria: age, income, tech comfort. Profile: students buy <\$300, want good camera; professionals buy \$600+, need productivity apps; elderly want large text, simple interface. Targeting: if company excels at low-cost production, target students. If known for premium, target professionals.
6. Segments: commuters (morning, quick), office workers (lunch), students (afternoon), tourists (browsing). Profile: commuters want fast service, students want WiFi/seating. Target: students and office workers (high volume). Tailor: add WiFi, cozy seating, lunch combo deals.
7. Segmentation by income and lifestyle. Luxury segment: expensive ads, exclusive stores, premium packaging, \$100+ price. Budget segment: drugstore shelves, digital ads, simple packaging, \$10. Same product quality might differ slightly, but strategy is tailored to each segment's willingness to pay.
8. Dividing a large market into smaller groups based on shared characteristics like age, income, location, or interests.
9. Selecting one or more segments to focus marketing efforts on - the segments a company decides to serve.
10. Demographics (age, income), geography (region, city), psychographics (values, lifestyle), and behavior (spending, usage patterns).

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