

New forms of segmentation Targetting niche markets

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What is segmentation?

- Segmentation is a process that consists of separating a market into consumer groups on the basis of similar needs or profiles and that are likely to have **similar purchase behaviour** that make them suitable for different products, services and marketing messages

Why do we need segmentation?

- Because behaviour are diverse and a company needs tools to understand its market
- Because markets are vast, and segmenting them allows a company to identify:
 - Who are its consumers ? (and who they are not)
 - Understand better what are the characteristics of its products: what am I selling? What are the main assets of my products? Why my product answers the needs of my consumers?
 - Position better its products
 - Communicate more efficiently with its customers
 - Understand better its place compared to competitors
 - Make strategic choices

Strategies associated to segmentation

- **Niche marketing:** concentrate on a single segment with the objective to dominate it
- **Differentiated marketing:** concentrate on at least two segments, with a different marketing mix for each segment
- **Undifferentiated marketing:** no differentiated strategy
- **Individualised marketing** (« customised »): decompose the market into its smallest element (the individual consumer)

The limits of segmentation

- **A higher cost:** it will always cost more than a strategy of undifferentiated marketing (but potentially yield higher profits)
- It requires a **major implication** from the company: personnel, resources, time & managerial investment, communication costs..
- It is always possible to segment a market but is it necessarily relevant?

Criteria for choosing segments

- **Capacity to measure - information** needs to be able to be collected and measured: size, nature, behaviour of segments
- **Size matters:** are the segments' size/profitability sufficient to develop a separate strategy?
- **Two principles:** internal cohesion and external differences

Traditional segmentation techniques

- **Characteristics:** age, life cycle, gender, nationality, « race », etc.
- **Behaviour:** use, loyalty, timing, etc.
- **Socio economic segmentation :** education, occupation, revenue, social class..

Psychographic segmentation

- Different approaches that segment a market according to psychological variables that explain more clearly consumer behaviour and the type of experience thought
- These techniques provide a much **deeper understanding of behaviour**
- They are particularly useful in **tourism** where consumers have come to seek an experience who have a very personal resonance

Various psychographic segmentation approaches

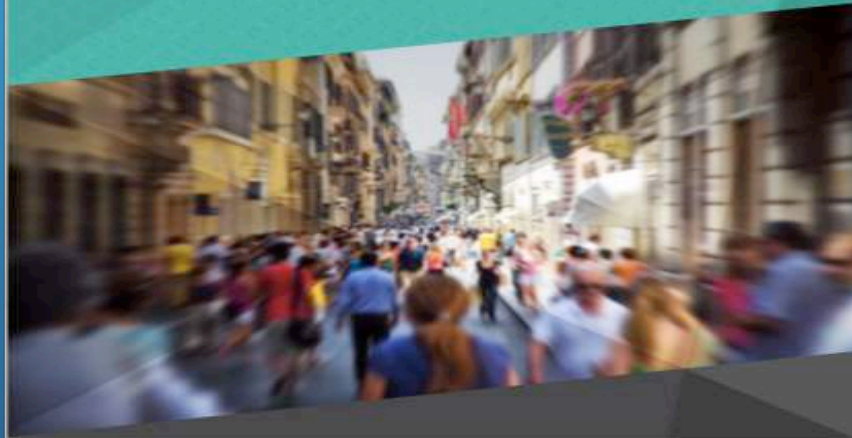
- **Personality:** one of individuals' most stable trait
- **Values:** the main principles that lead your life
- **Lifestyle:** activities/interests/opinions



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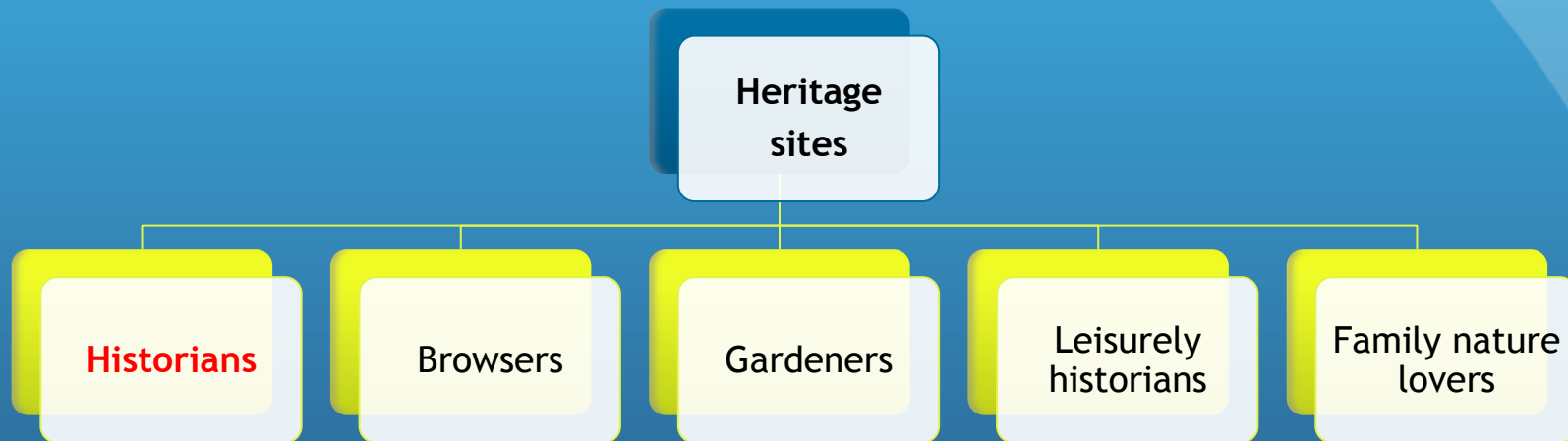
Benefit segmentation

- Psychographic segmentation aiming to identify consumers' segments according to their main motivations (benefits)
- This technique groups consumers according a combinaison of motivations (consumers rarely have just one motivation)
- By doing so, it brings a finer understanding of their expectations in terms of experience

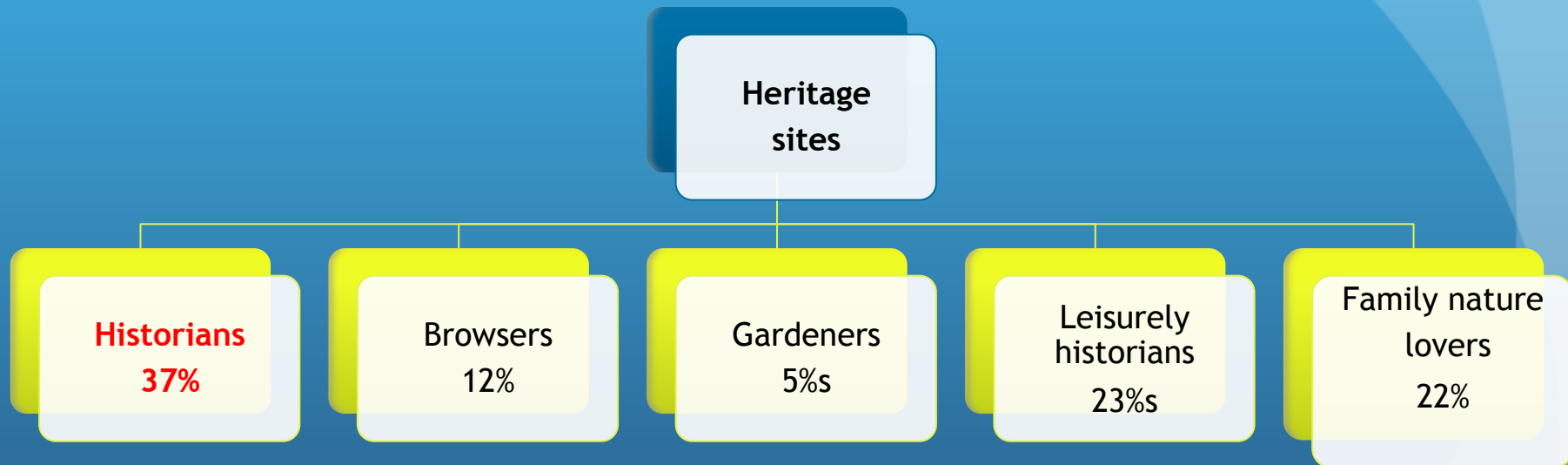
Advantages of psychographic segmentation

- Most curators thought that their customers were mostly interested in history
- An analysis with traditional socio-economic variables would have provided mostly descriptive results
- Segmenting according to motivations (benefits) provided a much deeper insight into the type of experience consumers were seeking
- Once the segments were identified, the traditional descriptive variables were then used to describe those segments (age, usage..)

Benefit segmentation - An Example with heritage sites



Benefit segmentation - An Example with heritage sites



An example with the Leisurely Historians

- **Benefits thought:** they have an interest in history, they like the atmosphere of the place, they want to learn (to some extent) but they also want to relax and treat the visit as a leisurely outing
- They are domestic visitors (90%), excursionists (60%) and 55% travel less than an hour
- Average group size: 2.3 (mostly families without children)
- Word of mouth is an important source of information, as is past experience, then leaflets and loyalty cards
- What are they interested in? The house, but half of them also visit the park, and 65% the restaurant
- They spend 2.4 hours on site

Advantages of using benefit segmentation

- It encouraged the properties:
 - to ask themselves the right questions
 - to make strategic choices (i.e. The Gardeners = 5%)
 - to position themselves on different markets
 - to understand how segments can or cannot interfere with each other
 - to understand its communication: message and supports
 - To consider different forms of interpretation
 - to « enter consumers' minds » and understand them more deeply

Thank you for your attention and
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