

# THE HOMA FILES

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## Segmentation Overview

*Proprietary Material*

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# Attacking Markets

- Market definition

- Segmentation

- Targeting

- Positioning

# Segmentation

## *Finishing the Job*

- Targeting  
*Selecting the segments with the highest company-specific potential*
- Positioning  
*Compiling a mix of marketing elements that precisely maps to the target market segment*

# Market Continuum

Mass Market



Custom / Individual

# Mass Market

## PROs

Highest apparent potential

Scale economies

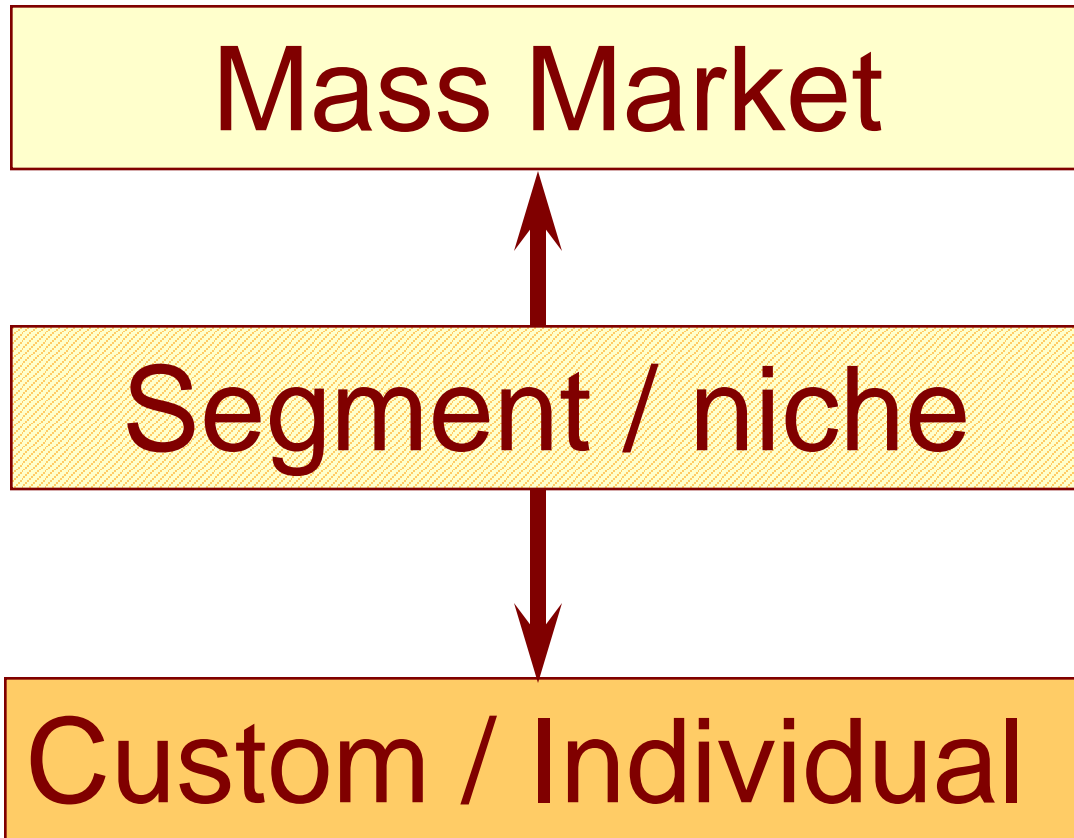
Contained complexity

## CONS

Majority fallacy

Value excesses / shortfalls

# Market Continuum



# Custom / Individual Markets

## PROs

Precisely matched to value functions

Selectively applies competitive advantages

## CONs

Burdensome operating economics

Uncertain logistical feasibility

# Hot Topic

## *Segments of Size One*

- Direct relationship with customers  
... lifetime value
- Mass customization of products  
... make to order
- Individualized service offerings  
... ala carte menu

# Market Segmentation

- Focus limited resources
- Map to customers' value function
- Create specific scale economies
- Leverage competitive advantages
- Create “mini-monopoly”

*“Sweet spot” between mass and custom markets*

# “Market Segment”

Relatively **homogeneous** groups of buyers who **differ in** their broad product **requirements (from other groups)** and exhibit a **different response** to a particular marketing mix

*Targeting to increase operating efficiency  
or to create market inefficiency*

# Attractive Segments

- Substantial / growing
  - ...Profit pool
- Homogeneous
  - ...Intra-segment
- Heterogeneous
  - ...Inter-segment
- Actionable / accessible
  - ...Media reach

# Market Segments

**Natural**

**Old variable**

**Alignment**

**Old / modified game**

**“Parachute”**

# Market Segments

## Natural

Old variable

Alignment

Old / modified game

“Parachute”

## Induced

New variable

Creation

New game

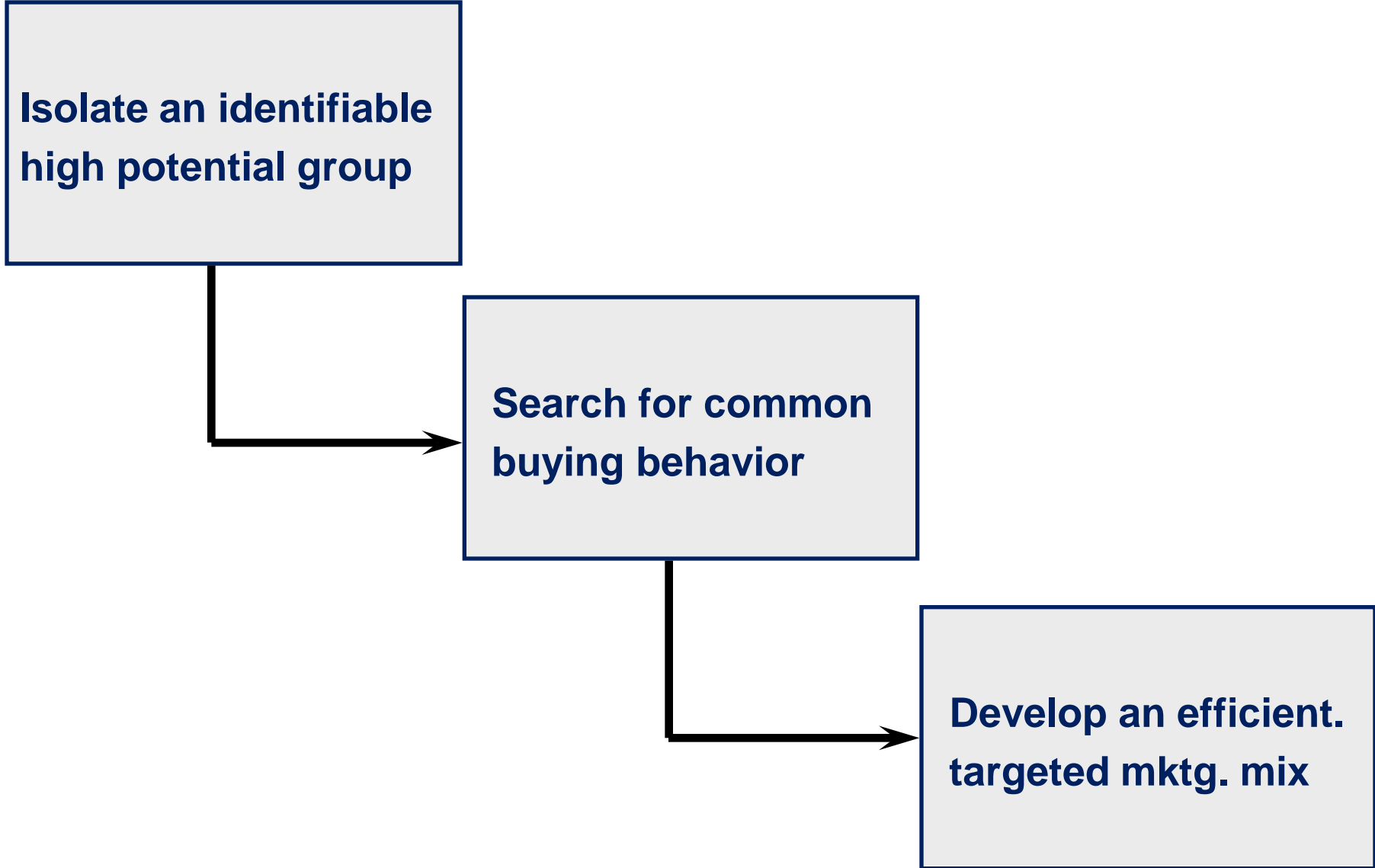
“Magnet”

# “Classic” Approach

**Isolate an identifiable  
high potential group**

**Search for common  
buying behavior**

**Develop an efficient.  
targeted mktg. mix**



# Common Segmentation Bases

*Geographic*

*Demographic*

*Psychographic*

*Behavioral*

*Temporal (time)*

# Geographic

Regional preferences

Metro / rural

Climate related

Stage of PLC

# Demographics

Age (chronological, psychological)

Gender, race, nationality

Income, social strata

Education, occupation

Family size, life cycle

# Psychographics

## Social class

Upper, middle, lower

## Lifestyle

Smokers : Defiant, casual, careful

## Personality

Self-confident, impulsive, status-conscious

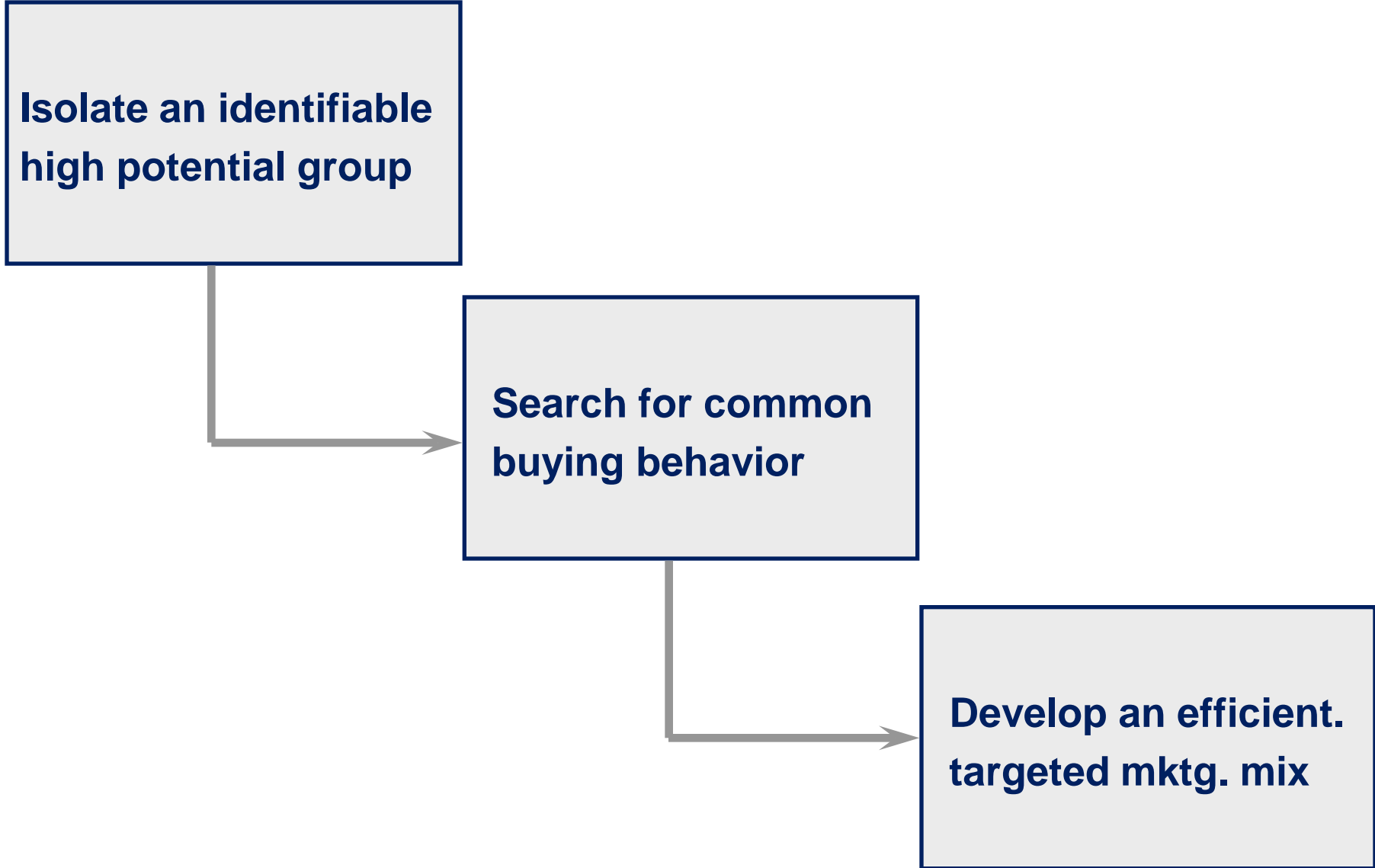
*Particularly relevant for communications strategy*

# “Classic” Approach

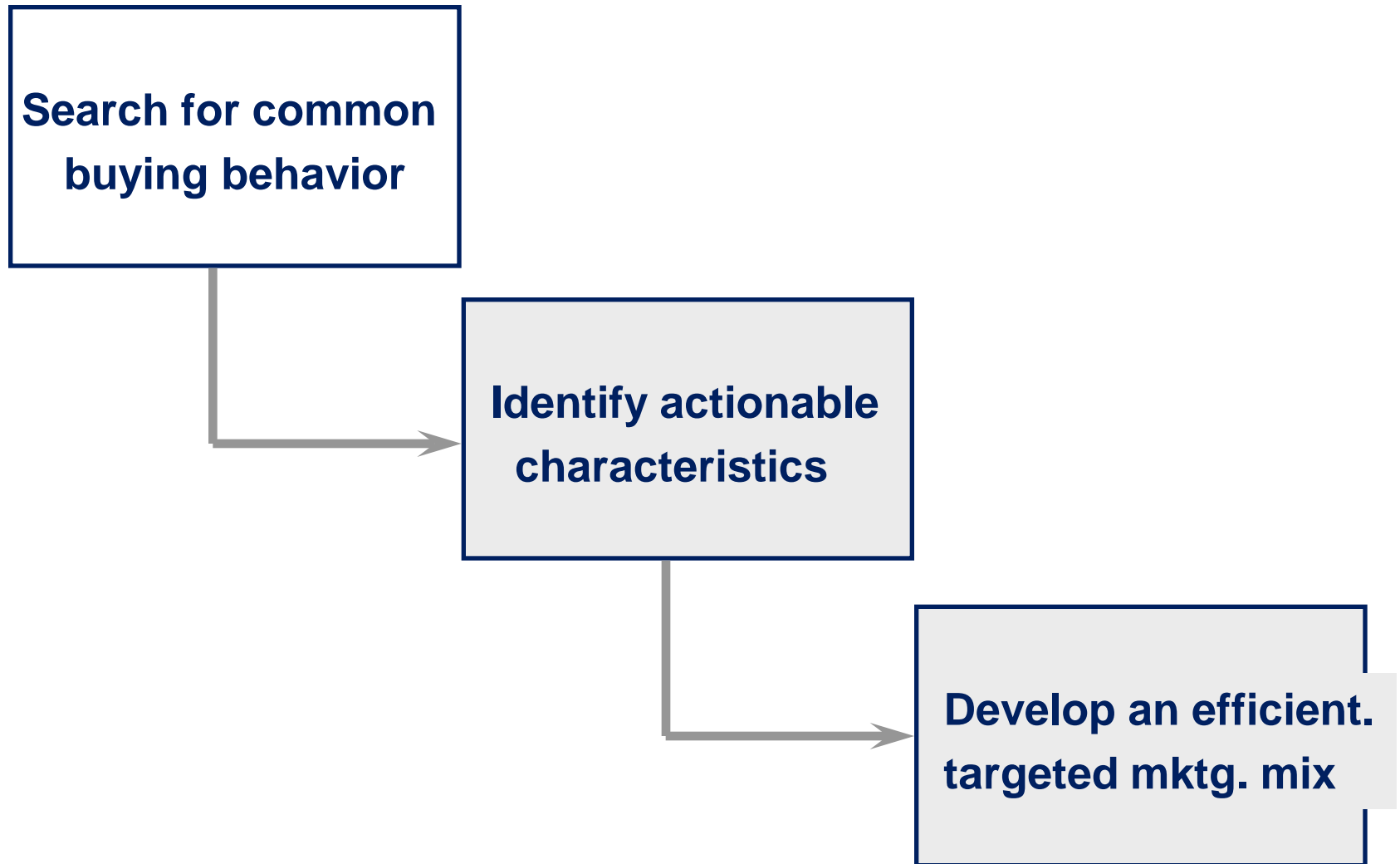
**Isolate an identifiable  
high potential group**

**Search for common  
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# Behavioral Approach



# Behavioral Segments

## Benefits

Toothpaste : cosmetic, hygiene, economy

## Use occasions

Business, vacation, family travel

## Life cycle events

Birth, graduation, retirement, death

## User status

Non-user, 1st timer, ex-user, regular

## Usage rate

Heavy, average, light

## Loyalty

Switcher, shifting, split, hard core

## Readiness stage

Aware, informed, interested, intending

## Attitude

Enthusiastic, positive, indifferent, negative, hostile

# Heavy Users

PRODUCT (% USERS)	HEAVY HALF	LIGHT HALF
Soups and detergents (94%)	75%	25%
Toilet tissue (95%)	71%	29%
Shampoo (94%)	79%	21%
Paper towels (90%)	75%	25%
Cake mix (74%)	83%	17%
Cola (67%)	83%	17%
Beer (41%)	87%	13%
Dog food (30%)	81%	19%
Bourbon (20%)	95%	5%

# Heavy Users

- Top 50% typically > **75%** of total sales
- Heavy users (beer) = 7X light users
- Often, the most demanding segment
- Sometimes vulnerable to price appeals
- But, surprisingly resistant to change

# “Apparent Loyalty”

Low price

Habit

Indifference

High switching costs

Availability

Bottom line : Loyals may not really be loyal

# Benefits Segmentation

## Link to Product Valuation Model

What's important ?

What's ideal ?

Proximity to ideal ?

## Find groups with similar importance weights and ideal points

Cluster analysis (related groups)

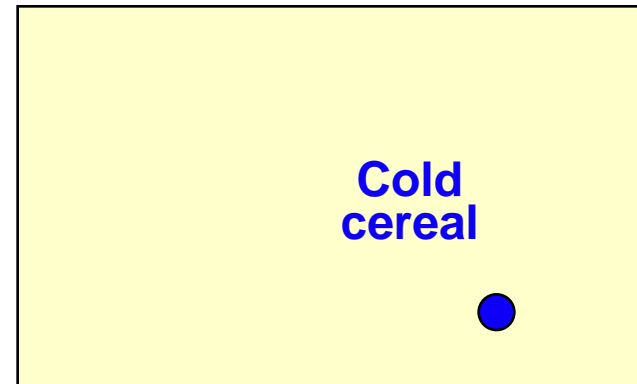
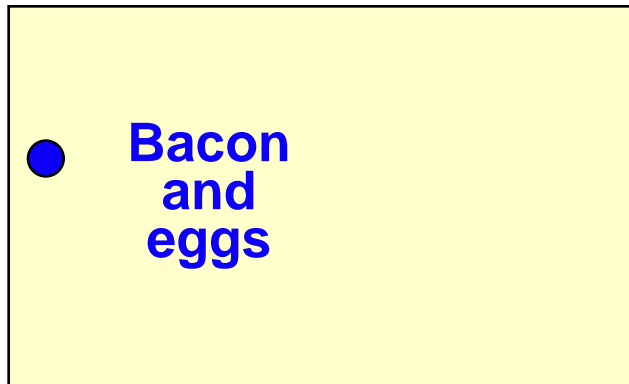
Factor analysis (High correlations)

## Analytical endpoint : perceptual map

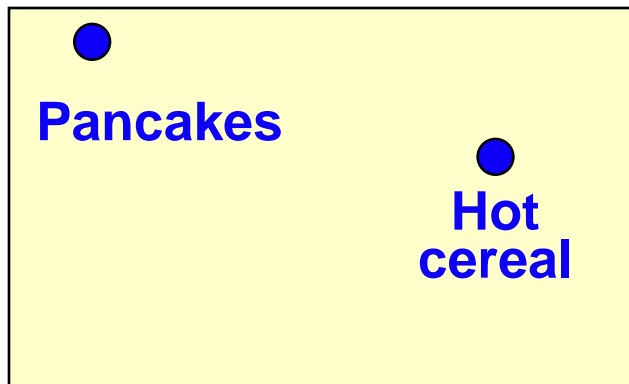
# Product Positioning Map

## *Breakfast Market*

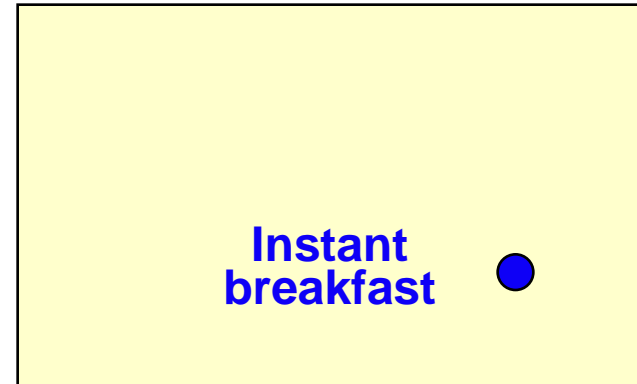
Expensive



Slow



Quick



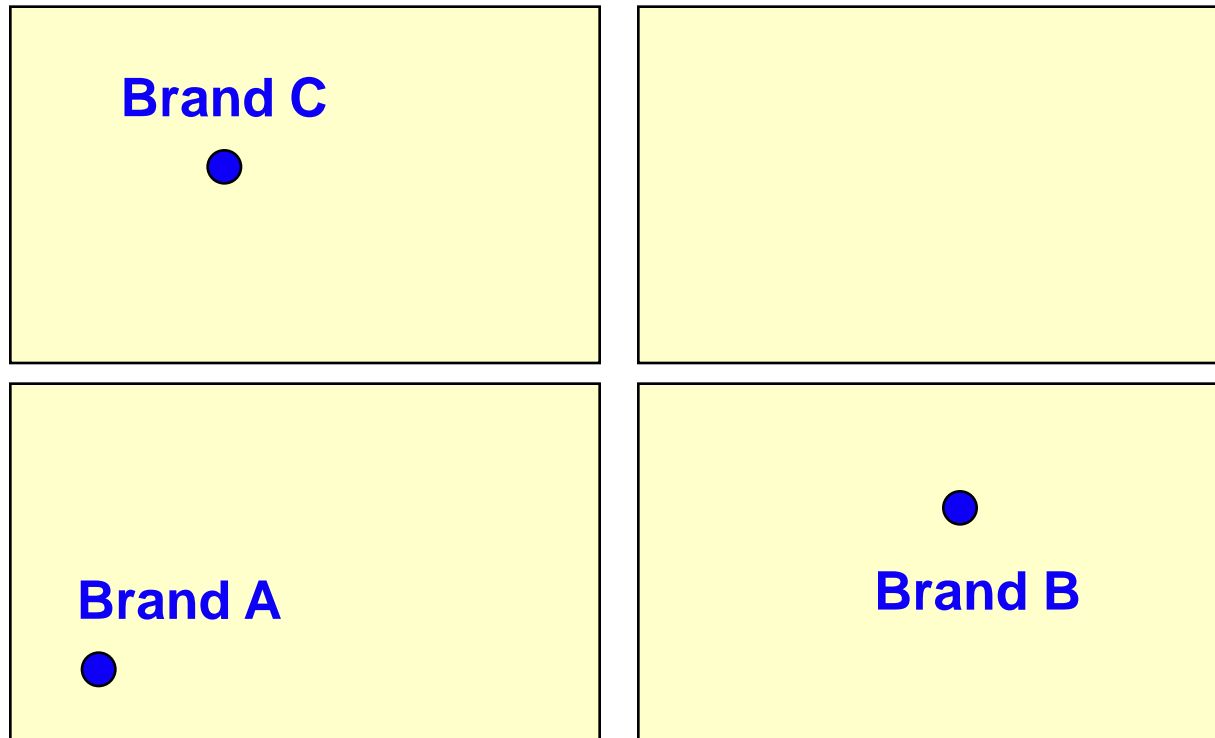
Inexpensive

# Product Positioning Map

## *Instant Breakfast Market*

High price per ounce

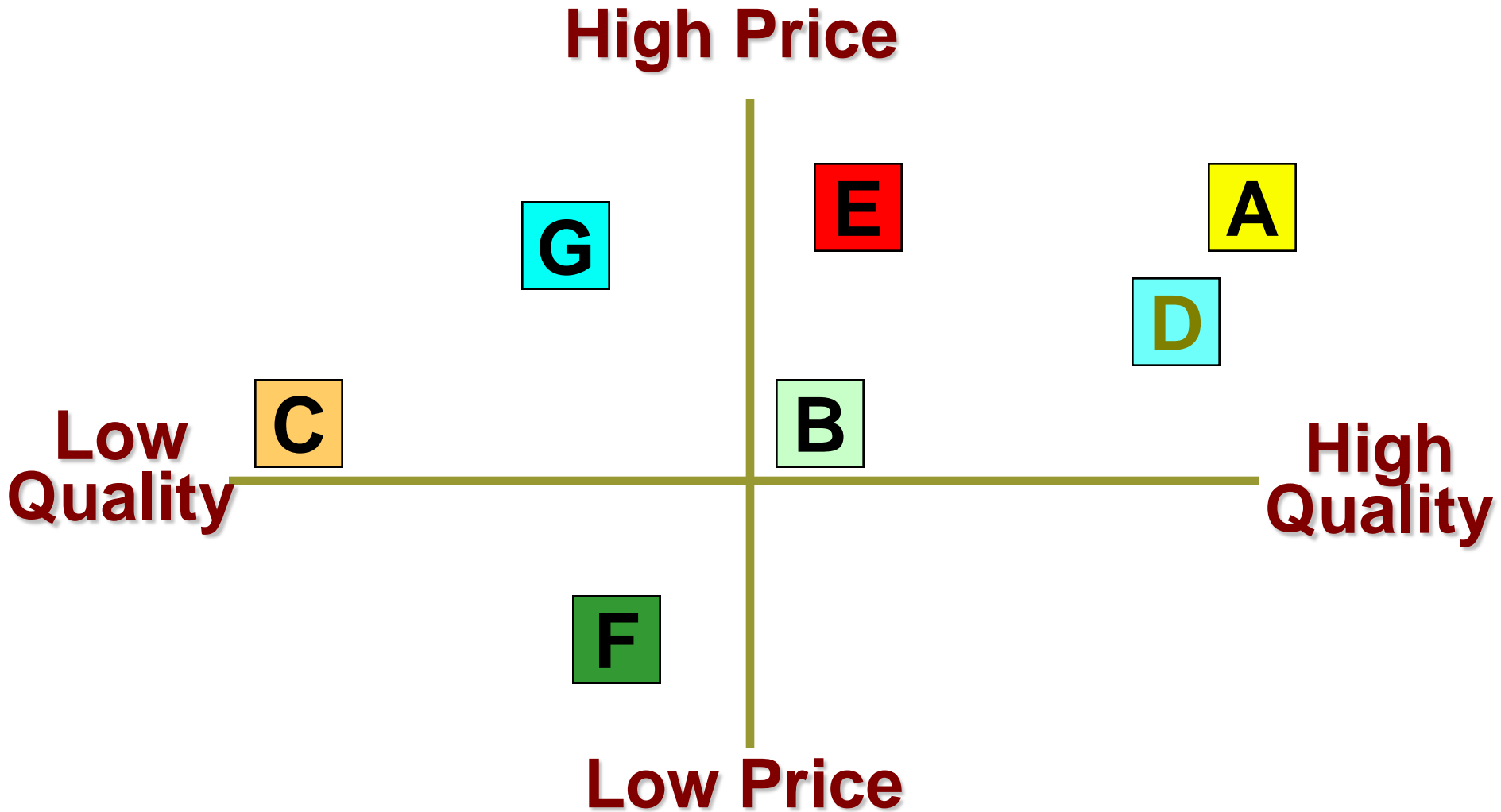
Low in calories



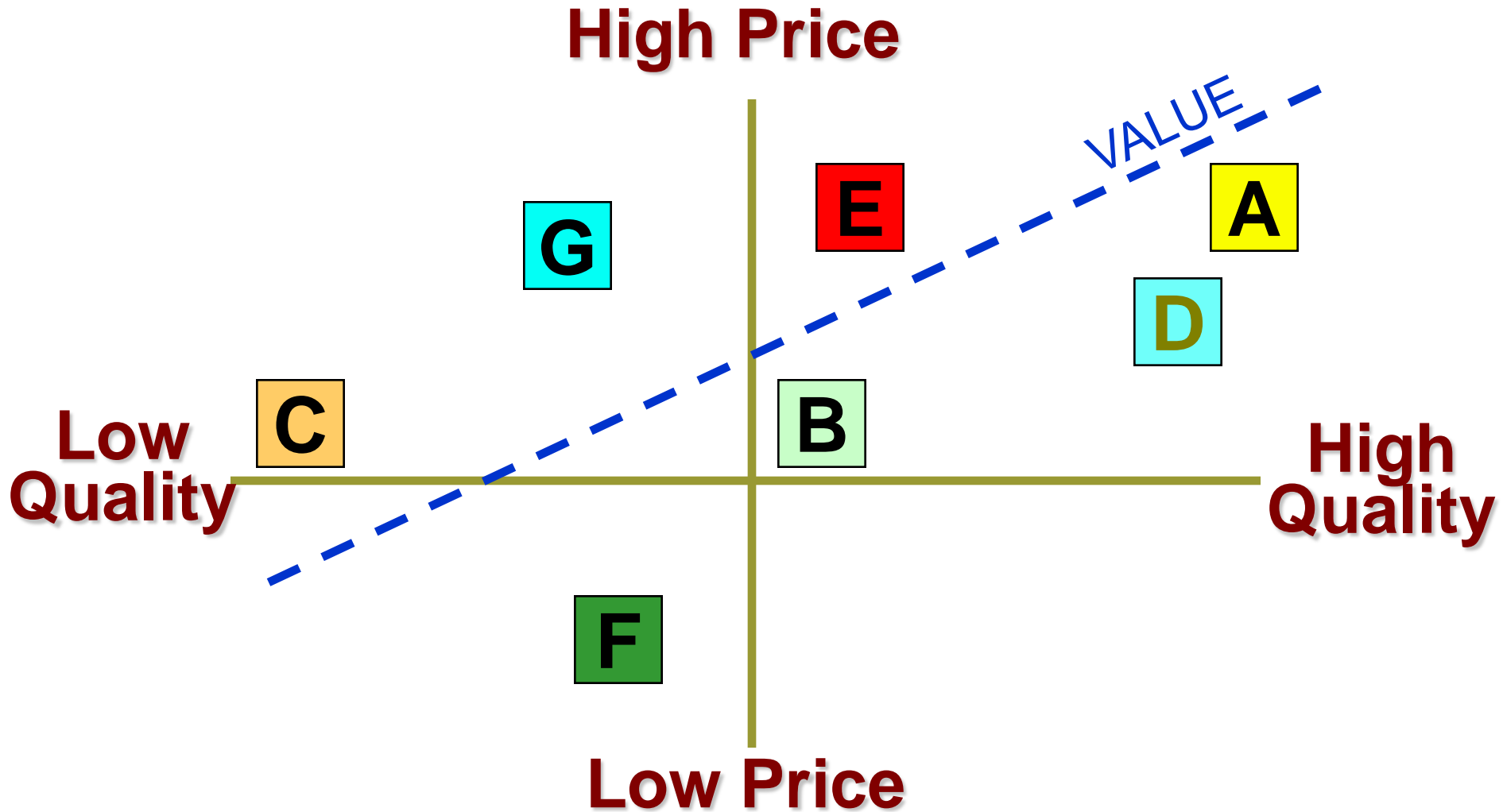
High in calories

Low price per ounce

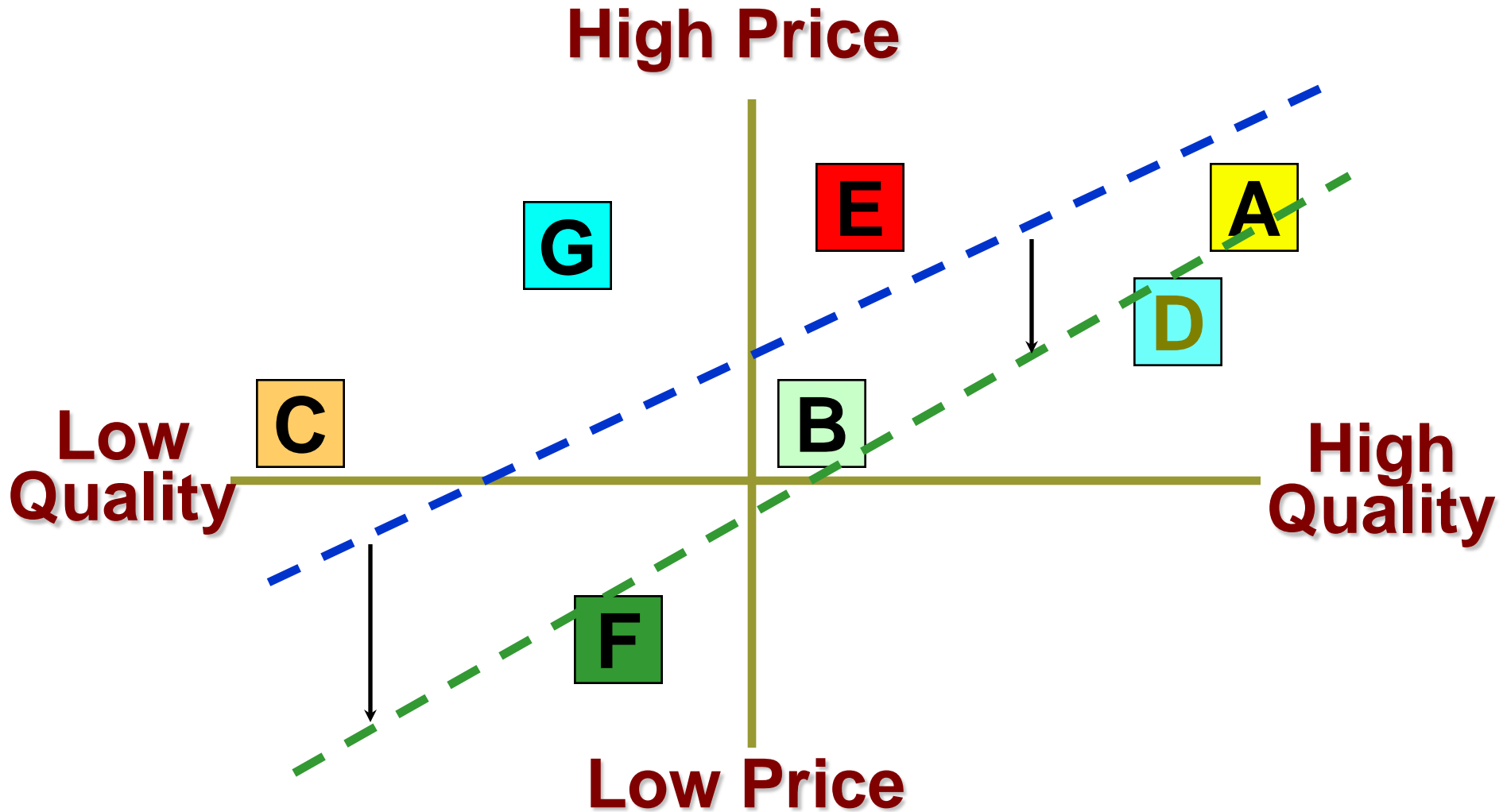
# Perceptual Map



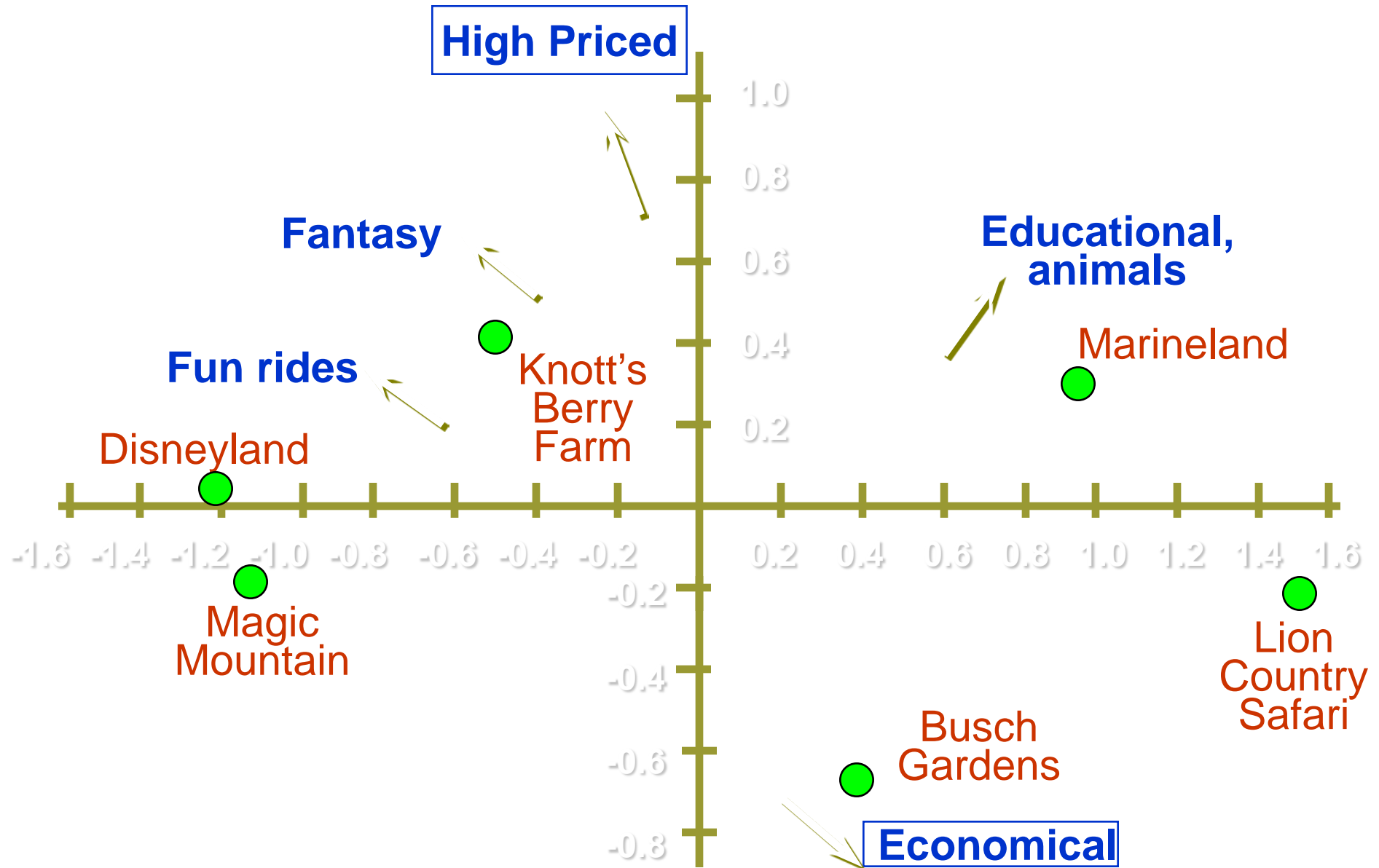
# Perceptual Map



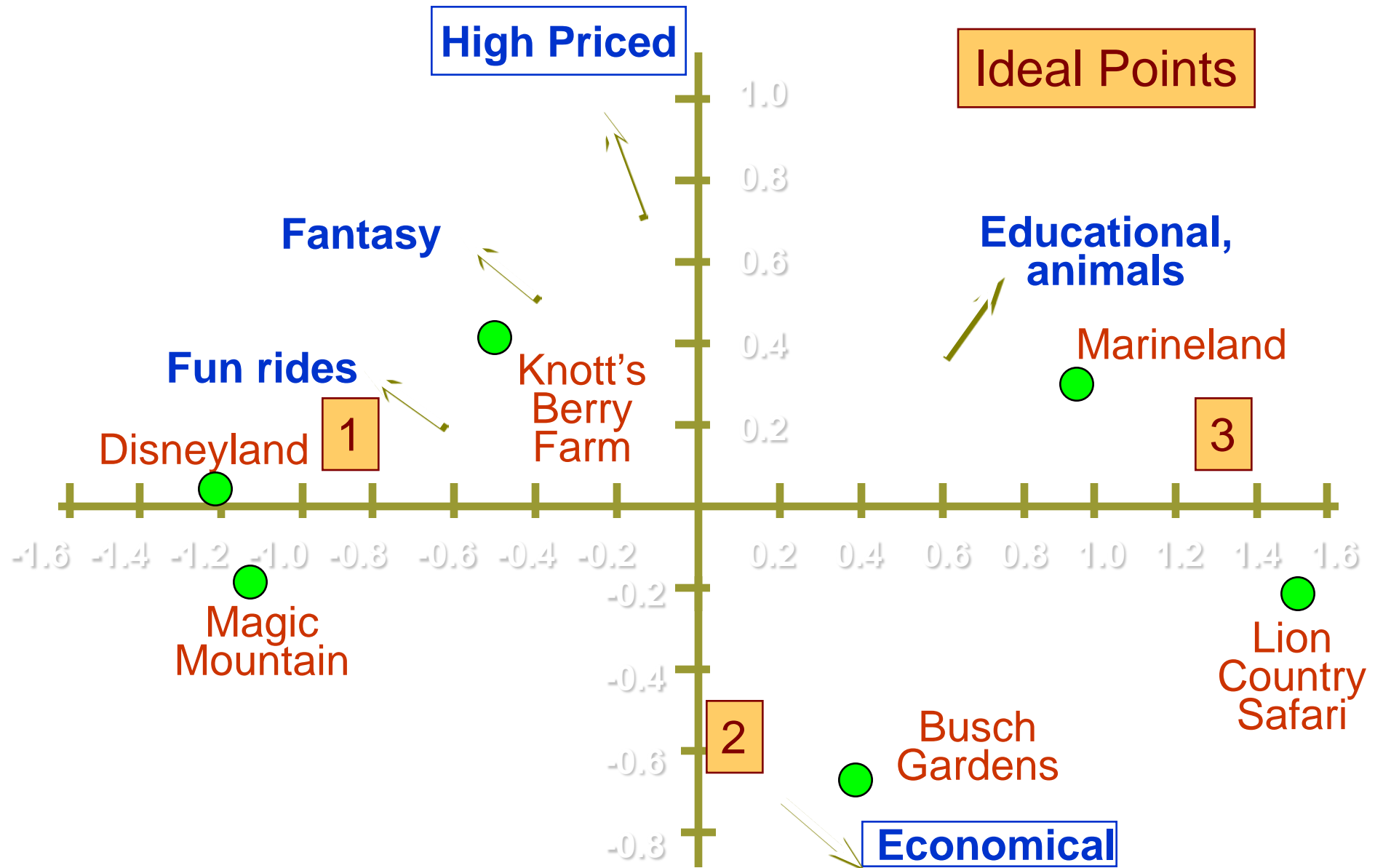
# Perceptual Map



# Perceptual Map



# Perceptual Map



# Takeaways

Analytically driven, data intensive

Infinite combinations & permutations

Simplifying heuristics : perceptual maps

Classic & behavioral approaches  
eventually meet “in the middle”

Goal : creativity + actionable efficiency