Target Market Approaches

A target market is

- a group of people
- who share certain measurable characteristics
- that influence recreation & leisure behavior
- in ways that are consistent & can be predicted.
Steps in establishing target markets:

- Separate current consumers into distinct market segments
- Separate overall market into distinct market segments
- Select market segments the agency wants to target
- Determine if these potential target markets are feasible target markets based on organization capacity

Target market descriptors

- The measurable characteristics used to identify & define target markets

Remember:
People can be described using many different measurable characteristics, but not all of these characteristics are useful descriptors.

*What makes a descriptor relevant is the likelihood that it influences recreation & leisure behaviors.*
5 categories of target marketing descriptors

- Leisure needs & interests
- Geographic
- Socio-demographic
- Behavioral
- Time

Leisure needs & interests

- What people do with their leisure
- Why they do it
Geographic factors

• Residence
• Employment
• “Third places” — where people hang out
• Topography
• Climate

Socio-demographic factors include

• Age
• Education, income & occupation
• Ethnicity & nationality
• Family life cycle stage
• Gender roles
Age is linked to

- Physical and intellectual abilities
- Expectations, beliefs & attitudes about recreation & leisure
- Leisure needs & interests

Education, income & occupation are linked to

- Expectations, beliefs & attitudes about recreation & leisure
- Activity preferences
- Activity costs
- Activity skill & experience levels
- Participation rates
- Participation preferences (how often, where)
Ethnicity & nationality are linked to

- Values & cultural norms
- Customs & traditional practices

Family life cycle stage is linked to

- Time availability
- Relational needs
- Relational constraints
- Socialization (learning new social roles)
Gender roles are linked to

- Social norms & expectations
- Leisure needs & interests

Behavioral factors include

- Participation status (usage status)
- Skill & specialization status
- Loyalty status
- Readiness stage
- Lifestyles
Participation status (usage status)

- Non-participants
- Ex-participants
- Potential participants
- Beginning or novice participants
- Regular participants
- Irregular participants

Skill & specialization status

- Level of skill, ability & knowledge about an activity
- Intensity of involvement in or commitment to an activity
Loyalty status

- Commitment to a specific activity
- Commitment to a specific service provider

Readiness stage

- Threshold of knowledge or awareness necessary to stimulate participation
Lifestyles

- Attitudes, behaviors & values that affect participation

Time factors

- Work & work-related obligations
- Family obligations
- Distribution of work & free time (work schedule, weekends, vacations)
- Perceptions of time pressures
Market segmentation is the process of

- Identifying which target market factors are relevant
- Separating a given population into potential target markets using data on the distribution of the relevant target market factors in that population
- Deciding which target markets, if any, are sufficiently attractive and/or appropriate for the organization to pursue.
  - This decision depends on
    - organization mission & goals
    - organizational resources

The Market Segmentation Process

- Market assessment
- Market identification
- Market selection
Understanding Consumer Segmentation

- Post hoc or taxonomies methods of segmentation (e.g. a satisfaction survey of consumers)
- Cluster Analysis Technique (dividing people into subgroups according to specific criteria that highlight the group’s similarities)
- A priori market segmentation

Types of Segmentation

- Benefit based segmentation
- Demographic segmentation
- Psychographic segmentation
- Multi-dimensional Segmentation
Identifying market segment potential

- Which target markets are sustainable?
  - Are they fragmented?
- Which target markets have the highest probability of success and the least competition?
- Which target markets have the greatest need for our expertise? Which target markets can we most effectively serve based on existing resources?
- Which target markets are reachable?
- Which target markets can we allocate resources?
- Which target markets most effectively assist in reaching our overall agency goals? Which target markets support our mission?

Market Fragmentation

- Market fragmentation occurs when a market is divided into so many segments that
  - Not only would finding people who fit these micro-descriptions would be difficult, but
  - There would likely be too few of them to constitute a viable target market anyway
Target marketing strategies

- After identifying market segments, you must select which to pursue and which target marketing strategy to adopt.
- These decisions based on:
  - the homogeneity or diversity of the market segments you wish to target
  - the organization’s mission & goals
  - the resources available to the organization
  - the type & scope of the competition facing the organization

Target marketing strategies

- Traditional:
  - Undifferentiated
  - Differentiated
  - Concentrated
- New:
  - Mass customization
Undifferentiated strategy

- The entire population is treated as a single market.
- One basic marketing mix is used even if the organization offers different types of services or products.

There may be differences in a population, but the organization decides to ignore them. Instead, the organization bases its marketing on commonalities on the assumption that this facilitates reaching the largest number of potential customers or users.

Undifferentiated strategy by age

- Children
- Pre-teens
- Teens
- Young Adults
- Adults
- Seniors
Differentiated strategy

- Population is divided into several market segments.
- Marketing mixes & possibly products or services are specifically designed for two or more of these market segments (but not necessarily for all of them).

Differentiated strategies usually have higher response levels than undifferentiated strategies, but they also cost more.

Differentiated strategy by age

- Teens
- Young adults
- Adults
Concentrated strategy

- Several market segments exist within a population.
- The organization develops a marketing mix with a set of products and/or services specifically for one market segment only.

The organization commits itself to outstanding performance in reaching this one market segment.

Success requires detailed information about this segment, particularly about its recreation & leisure behaviors.

Concentrated marketing reduces program development & marketing costs, but entails much higher risks than undifferentiated or differentiated strategies.
Mass-customization strategy

• A new marketing strategy made possible by technological advances in marketing research & direct communications.

• An organization targets all segments within a population, but uses customized offerings to respond to specialized needs & interests.

Customers provide necessary information about themselves, allowing highly personalized responses & reducing market research costs.

Production & inventory costs are reduced because the organization can operate “on demand.

Deciding on a target marketing strategy

• Limited organizational resources ➔ concentrated strategy (more efficient use of those limited resources — provided resource levels are sustainable in the mid- & long-term)

• Homogeneous market ➔ undifferentiated strategy (if people are basically similar, little need for different marketing messages)

• Well-established competition ➔ differentiated strategy (focused on segments where competition is less direct or less established)
Leisure Service Agency Market Segments

- Baby Boomers
- Seniors
- Women
- Gay, lesbian and transgender
- Single parents
- Teens
- Persons with disabilities

Value of Target Marketing

- More specific and effective use of marketing resources (e.g. budget, time expertise)
- Greater impact on overall agency effectiveness
- Clearer understanding of markets needs, wants and desires
- Enhanced ability to identify competitive advantages, establish positioning
- More strategic approach to agency development
Limitations of Market Segmentation

- It is difficult to segment markets correctly
- It is difficult to identify the most appropriate variables to use to segment the group
- Agencies can select a market segment that is not viable
- It is difficult to define the size of the market
- There is an expense to analyzing segments and fear that an agency may not be doing it correctly
- Agencies do not gain full leadership support for developing a segmented versus mass market approach
- Agencies do not fully understand the concept