

Principles of Marketing

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Module 3: Segmentation, Targeting, and Buyer Behavior

Module Overview

Great marketing starts with one uncomfortable truth: **not everyone is your customer**. The fastest way to waste time and money is trying to speak to “everyone” with one message. In this module, you’ll learn how marketers group customers into meaningful segments, choose a target market, and understand why people buy what they buy—especially when they’re stressed, busy, or overwhelmed.

ESTIMATED TIME

Total: 45–75 minutes

- Reading: 45–60 minutes
- Mini-lecture: 12–18 minutes (if assigned)

MODULE TO-DO LIST

1. Read: Module 3 Reading (Part A, Part B, Part C)
2. Watch: Mini-lecture — Choosing Your Target Customer (if assigned)

Learning Objectives

By the end of this module, you will be able to:

1. Explain the purpose of segmentation and targeting
2. Identify segmentation bases (demographic, geographic, psychographic, behavioral)
3. Compare targeting approaches (undifferentiated, differentiated, concentrated/niche)
4. Describe the buyer decision process and key influences on behavior
5. Create a target market description that is specific and logical

Key Terms

Segmentation

Target market

Demographic segmentation

Geographic segmentation

Psychographic segmentation

Behavioral segmentation

Targeting strategies

Buyer behavior

Decision process

Module 3 Reading – Part A

Segmentation: Why “Everyone” Is Not a Target Market

Estimated time: 18–22 minutes

1) The “everyone” trap

When businesses say “our product is for everyone,” they usually mean:

- they aren’t sure who their best customers are yet, or
- they’re afraid of losing customers by narrowing focus

But targeting “everyone” creates problems: the message becomes vague, the offer becomes confusing, customers can’t tell why they should choose you, and marketing costs increase because you’re trying too many things at once.

Segmentation is how marketers avoid the “everyone” trap. It helps you identify groups of people with similar needs and behaviors, tailor value propositions to what those groups care about, and focus resources where they will have the most impact.

Story: The Campus Smoothie Shop That Tried to Please Everyone



A new smoothie shop opens just off campus. The owner—let’s call her **Tara**—has been dreaming about this for years. She wants the shop to be “the place everyone talks about.”

On opening week, Tara goes all-in. The menu is huge because she’s trying to make sure **no one feels left out**. She designs categories for every possible customer: Protein smoothies for athletes, Dessert-style shakes for cravings, Keto bowls, Vegan options, Budget items, and Premium superfood blends.

In her mind, it makes perfect sense: **more options = more customers**.

Week 1: Curiosity traffic. Students stop in because it’s new. Tara sees a long line and thinks, *This is working*. But something is happening in that line. Students step up to the menu board and freeze. A student named **Eli** scans the board, overwhelmed: 14 smoothie options, 12 add-ins, 8 boosts. He whispers to his friend, “What even is maca?” By the time he orders, he’s stressed. He doesn’t feel excited—he feels like he just took a quiz.

Week 3: The cracks start showing. By the third week, curiosity traffic fades. Now the shop has to survive on **repeat customers**. Tara notices patterns: The line is slow, staff keep asking questions, and inventory costs climb due to too many ingredients. Reviews start saying: “Good, but it took forever” or “I didn’t know what to pick.”

The Turning Point. Tara finally asks: “Who is our best customer?” She looks at the data. A clear pattern shows up: A large portion of consistent purchases come from students leaving the gym and athletes after practice. These customers value **speed, protein, and consistent taste.**

Tara makes strategic changes. She narrows the menu to highlight “Protein + Recovery,” builds a faster ordering experience, and creates a simple bundle. Sales improve—not because the smoothies taste better, but because the value becomes clear: “This is the smoothie place for gym and post-practice fuel.”

Contextual Takeaway

*This shop didn't fail because it had “bad marketing.” It struggled because it didn't have **focus***

. When you're clear about who you serve, everything gets easier: your message, your menu, your pricing, and your operations.

2) What makes a “good” segment?

A useful segment is:

- **Meaningfully different** (different needs or behaviors)
- **Reachable** (you can actually market to them)
- **Clear** (you can describe them)
- **Valuable enough** (large enough or profitable enough)

Quick Check (2 minutes)

Write a segment for something on campus using this formula:

“Students who [action/characteristic] and value [benefit] because [reason].”

Segmentation Bases: How Marketers Group Customers

Estimated time: 15–20 minutes

Segmentation bases are the “lenses” marketers use to group customers. Most real marketing uses a mix—not just one.

1) Demographic segmentation (who they are)

Demographics include age, income, education, family status, and occupation.

Campus Example:

“First-year students living on campus” vs “Graduate students working full-time.”

A first-year student may value social connection and convenience. A working graduate student may value speed, reliability, and low friction.

2) Geographic segmentation (where/how they live)

Geographic segmentation includes campus vs off-campus, commuter vs residential, and location patterns.

Story: The Commuter Student Problem

A campus bookstore wants to sell more school supplies. They plan a midday promotion event. But commuter students often arrive right before class and leave immediately after. The bookstore realizes commuters are a segment with different “costs”: time pressure and limited campus downtime. A geographic insight changes the strategy: offer online ordering with fast pickup near parking areas.

3) Psychographic segmentation (why they think/feel)

Psychographics include lifestyle, values, motivations, identity, and attitudes. Two students can be the same age and income but totally different buyers.

Mini Story: The Same Hoodie, Different Meaning

A campus store sells two hoodies. Hoodie 1 is cheap and simple. Hoodie 2 is expensive and supports a scholarship fund.

Some students choose Hoodie 2 not for warmth, but for identity: "I'm part of this community."

That's psychographic value in action.

4) Behavioral segmentation (what they do)

Behavioral segmentation groups customers by benefits sought (what they want most), usage rate (heavy vs light users), loyalty, and readiness stage.

Example:

"Daily coffee buyers" vs "Finals-week coffee buyers."

These are different segments with different needs and habits.

Quick Check (3 minutes)

Choose a campus service and identify:

- 1 demographic segment
- 1 psychographic segment
- 1 behavioral segment

Module 3 Reading – Part C

Targeting + Buyer Behavior: Why People Choose What They Choose

Estimated time: 15–20 minutes

Segmentation creates groups. **Targeting** means choosing which group(s) to focus on.

1) Targeting approaches

- **Undifferentiated:** One message for everyone (rarely effective for small orgs).
- **Differentiated:** Different offers/messages for multiple segments.
- **Concentrated (Niche):** Focus strongly on one segment (common for small businesses).

Story: The Tutoring Center That Misunderstood Buyer Behavior



The Situation:

A campus tutoring center has a problem. The center has strong results—students who attend see real improvement in their grades. The staff cares deeply. The service is completely free. Yet usage is frustratingly low.

The center's posters say: *"Free tutoring available. Math • Science • Writing • More!"*
The director is genuinely confused. "It's free. We have great tutors. Why aren't students coming?"

The Marketing Mistake:

The director assumes the problem is awareness. They print more flyers. They post on social media. They send emails. But attendance barely changes. The center is falling into a classic trap: **assuming buyer behavior is purely rational.**

If students were purely rational decision-makers, the thought process would be simple:

"I'm struggling → Tutoring is free and effective → I should go."

But real buyer behavior is much more complex. Students don't just evaluate functional benefits—they evaluate emotional costs, social risks, and friction.

The Real Barriers (Understanding the Decision Process):

When the center finally surveys students who *don't* use tutoring, they discover the real barriers:

- **Embarrassment:** "What if I look stupid? What if the tutor thinks I should already know this?"
- **Uncertainty:** "What actually happens in tutoring? Do I just show up? Do I need to prepare something?"
- **Time friction:** "I don't have time to figure out the booking system."
- **Low confidence:** "I'm already so behind—will tutoring even help at this point?"
- **Social influence:** "Do people like me use tutoring, or is it just for people who are really struggling?"

The Real Competition:

In other words, tutoring isn't just competing against other tutoring centers. It's competing against:

- YouTube videos (easier, private, no judgment)
- Group chat study sessions (social, feels less formal)
- AI tools like ChatGPT (instant, anonymous, no scheduling needed)
- Procrastination and avoidance (the path of least resistance)

The "competitor" is often **whatever feels easiest and safest in the moment.**

The Insight:

This is not an awareness problem. It's a **friction and emotional cost problem**. Students know tutoring exists—they just don't know if it's "for them," and the perceived effort of starting feels too high when they're already stressed.

A Better Marketing Approach (Reducing Barriers):

The center shifts strategy. Instead of just promoting availability, they focus on reducing the specific barriers students mentioned:

- **Reduce embarrassment:** "Stuck on one concept? We'll help you get unstuck—no judgment, just answers."
- **Reduce uncertainty:** Short video showing exactly what happens: "Here's what a 20-minute session looks like."
- **Reduce friction:** "Walk-in hours 2-5 PM. No appointment needed. Just show up."
- **Build confidence:** "Even if you're behind, we'll meet you where you are and help you catch up."
- **Use social proof:** "Over 300 students used tutoring last month—including A students preparing for exams."

Marketing Lesson:

Great marketing isn't just about communicating benefits. It's about understanding the full decision-making process—including emotional barriers, uncertainty, and perceived effort—and designing solutions that make choosing your offer easier, safer, and more confident.

2) Buyer decision process

People often move through these steps:

1. **Recognize a problem:** "I don't understand this chapter."
2. **Search for options:** YouTube, friends, tutoring, AI.
3. **Evaluate options:** Which is fastest? Least stressful?
4. **Choose:** Often the easiest option with the lowest emotional risk.
5. **Post-decision reaction:** Did it help? Will I do it again?

3) Marketing can change decisions by reducing friction

Marketing isn't just awareness. It can improve decision-making by making the first step easier, reducing uncertainty, and reducing emotional risk.

Mini Case: The Gym Beginner Program (Targeting + Behavior in Action)



The Challenge:

A campus gym wants more consistent usage. Membership is included in student fees, so cost isn't the barrier. The facility is modern and well-equipped. Yet many students sign up during orientation week and never return.

The gym director initially thinks: "We just need better promotion." They post flyers, send emails,

and create an Instagram account. But usage barely changes.

The Real Barrier (Understanding Buyer Behavior):

The problem isn't awareness—it's

emotional cost

. When the gym surveys non-users, they hear:

- "I don't know how to use the equipment."
- "Everyone there looks like they know what they're doing."
- "I feel out of place."
- "I'm afraid of doing something wrong and looking stupid."

This is a

segmentation insight

: there's a large group of students who want to work out but feel intimidated. They aren't "non-gym people"—they're potential customers blocked by psychological friction.

The Segmentation Decision:

Instead of marketing to everyone with generic messages like "Get Fit!" the gym decides to target one specific segment:

"Students who want to work out but feel intimidated by gym culture and don't know where to start."

The Solution (Reducing Friction):

The gym creates a program designed specifically for this segment:

- **"Beginner Hours"**
(7–9 AM, Mondays/Wednesdays): A designated time when only beginners are welcome. This removes the social comparison anxiety.
- **Free 15-minute orientation:**
Staff show students three simple routines they can do immediately. No complicated plans—just "start here."
- **Simple visual guides:**
Posters at each machine showing one basic exercise with photos and steps.

- **Workout starter cards:**

Pre-printed cards with "Beginner Routine A" and "Beginner Routine B" that students can follow without thinking.

- **Messaging shift:**

Instead of "Transform Your Body," the new posters say: *"New to the gym? We'll show you exactly where to start. No experience needed."*

The Result:

Within one semester:

- Beginner Hours see 40% higher attendance than regular hours
- Students who attend orientation are 3x more likely to return within the week
- Word-of-mouth increases: "It's actually not scary—they help you"

Marketing Insight:

*The gym didn't change the weights, machines, or physical facility. They changed the **perceived value***

by understanding their target segment's real decision-making process:

- **Problem recognition:**

"I want to get in shape, but I don't know how."

- **Evaluation barrier:**

"The gym feels intimidating."

- **Marketing intervention:**

Reduce emotional cost, eliminate uncertainty, make the first step obvious and safe.

By targeting a specific segment and addressing their specific behavioral barriers, the gym turned non-users into regular members—not through better advertising, but through better understanding of why people choose what they choose.

Key Takeaways

- Segmentation helps you find groups with shared needs/behaviors.
- Targeting is choosing which group to focus on first.

- Buyer behavior includes emotion, convenience, risk, and social influence—not just logic.
- Great marketing reduces friction and increases confidence.