

## MARKET DEFINITION AND TARGETING

Successful businesses and products are built on a thorough definition of their markets. Who are your customers — as well as the potential customers who will expand your business? What are their unmet needs and aspirations? Where are they going — and how can you reach them?

Consumers today are more demanding; they usually have more choices at their disposal — in terms of price and benefits — and they also have more information at their disposal about what is good. They insist on having good products that meet their specific needs. The marketplace for consumer packaged goods is therefore evolving from a “make and sell” mentality to “sense and respond.” As this evolution occurs, the importance of understanding your target audience from the inside out grows exponentially.

There are four critical questions that any marketer needs to address regarding market definition and targeting:

- What is the size of my market and who is in it?
- How can I get to know my market better?
- What is the optimal way to approach and convince my best targets?

Knowledge Networks (KN) is uniquely positioned to help you address these three questions.



### What is the Size of my Market and Who is in it?

Sizing opportunities is critical in today's market, because each individual product has a smaller, more targeted sweet spot; so over- or underestimation of an opportunity can have devastating effects. The Knowledge Networks approach goes beyond sizing the current market to explore other possibilities and scenarios, based largely on an understanding of who target consumers are and where their lives are taking them. This is essential to creating products that have “legs,” and not just a short-lived outburst of success.

### How Can I Get to Know my Market Better?

**Segmentation** enables you to identify portions of any market that are different from one another. It is a tool that can help you understand how your target audience may differ from the general market, as well as the commonalities and differences among various groups that may make up your target audience. Segmentation is critical for developing and channeling marketing communications because it can incorporate a variety of attitudinal, behavioral, demographic, and life-style information. Through segmentation, we can help you develop a definition of your target market that can focus and enhance your marketing efforts. By incorporating multiple dimensions, you can derive richer and more meaningful definitions of your market.

KN delivers segmentation strategies that extend beyond the creation of intriguing but ultimately abstract consumer categories; we tie those categories back to real-world opportunities for studying and reaching your most important customers and prospects. It represents KN's broader commitment to actionable consumer insights.

To provide you with the optimal method for defining your market, we use a combination of Latent Class Modeling and Maximum Difference Scaling (MaxDiff).

**Latent Class Modeling** is our recommended approach to segmentation. These models can be used to form relevant, data-rich, and tangible market segments. This is because segments can include a combination of behavioral, attitudinal, life-style and demographic information. Unlike other segmentation methods, Latent Class Modeling is not limited by the form (metrics) of the information that may have been collected on each respondent. Further, while the explanatory power of other segmentation approaches can be increased by continuously allowing for the addition of new segments, latent class models provide a “goodness of fit” measure, which is a superior guide to identifying the optimal number of segments.

For collecting attitudinal and motivational information, we recommend the use of **Maximum Difference Scaling**. Traditional methods for collecting this information (e.g., ratings scales or rankings) have important limitations and often lead to poorly defined segments or segments that do not capture distinctions that are important to business decisions. Forced Choice methods utilizing Maximum Difference Scaling are superior because they assess the relative importance of different factors, as well as the magnitude of differences.

### **What is the Optimal Way to Approach and Convince my Best Targets?**

The ways in which consumers access information today are changing dramatically. Consumers are no longer just passive recipients of information; the Internet has enabled them to be active seekers of information. Targeting consumers effectively means understanding their particular preferences:

- What are their most important and trusted sources of information about your category
- Where and when they may be most — and least — receptive to advertising and other messaging
- Whether your positioning fits with their feelings about products such as yours

This can all be accomplished by marrying an actionable segmentation to insights from the profile information Knowledge Networks collects on its panelists. KN frequently surveys its panelists about their attitudes, needs and concerns on a variety of key topics — health and wellness, finances, spirits, packaged goods, and media, to name just a few. These provide a window into the specific consumers you need to convince, bringing to life the segments of your best customers and prospects.

### **Our Perspective**

Launching successful businesses and products starts with having a clear picture of your best customers. As products and services are more narrowly targeted, these definitions need to be both more precise and richer in information and insights. The window for proving success is shrinking, so having good information from the word “go” is indispensable.

We believe that a successful launch program must include:

- Ongoing information about all consumer trends relevant to your product
- A segmentation of top prospects that can be tied directly to insights on buying habits, media use and other key facts about the same consumers
- A methodology that provides the clearest picture of which possible approaches are the winners

Collectively, this approach gives you the best, most practically valuable picture of where to focus your efforts tactically.

If you would like to learn more about Marketing Definition & Targeting, please contact:

*Wendy Wallner, Vice President, Group Account Director,  
at [wwallner@knowledgenetworks.com](mailto:wwallner@knowledgenetworks.com) or 650.289.2176*