



AMAZON KINDLE MARKET SEGMENTATION AND TARGETING

Increasing Sales of E-Books

EXECUTIVE SUMMARY

Segmentation of the e-book market has neglected to include the older, silent generation, of book buyers. They represent a market with necessary purchasing power, willingness to buy, buying authority, and demand for books. By focusing on those who are already using the internet, Amazon can capitalize on selling e-books to this segment. Further targeting procedures will be described in the report.

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Introduction

Amazon kindle, as well as other e-book readers and tablets, have seen a plateauing of sales for the tablets themselves and also the e-books. This is clearly evident in Amazon's 7.8% loss of revenue during the period according to Peter Hildick-Smith, CEO of Codex. This is a combination of what is perceived to be high pricing and also an inability to target one important consumer group, the silent generation. This group includes those who were born during the time from the Great Depression to WW2, 1925-1945. Right now these consumers are anywhere between 71-91 years old. This group has been able to take advantage of a strong economy for most of their lives, which has left many within the group financially well off. The silent generation can be further segmented into viable markets, which you will see in the following section, or by looking at figure 1 on page 3.

Segmentation Plan

Starting with the silent generation allows for Amazon to better focus on consumers who have the purchasing power as well as time to read many books. The first way of segmenting the silent generation is by internet use. About 59% of this group is using the internet for things like email, with a smaller percentage actually using social media (Pew Research Center). For a consumer to purchase an e-book, they must be at least somewhat familiar with using the internet. Non-internet users prefer for advertising to be communicated to them through either print or television. While the non-internet user segment represents possible consumers for actual e-book reader devices, like the kindle or kindle fire, they are not yet in the position to be demanding e-books. Silent generation internet users are more inclined to accept the technology of e-book readers and e-books.

Further segmentation breaks the group down by books read per year. The average American reads 12 books per year with a median of 6 books (Pew Research Center). For this reason, Amazon should focus on those who are reading 8 or more books per year. This group can be classified as avid readers who have the potential to make excellent return customers.

The next meaningful segmentation breaks down readers by yearly income. Those who make more than \$75,000 per year are reading more books than the other segments, according to Pew Research Center they average 15 books read per year. This level of income is also important because research from Pew shows almost 65% of people living in this range now own a tablet or e-reader device (Pew Research Center). This data is from 2014, so one could reasonable expect the number to be even higher now.

Geographic segmentation allows for Amazon to focus on areas where there are many people reading more books than other areas. The suburban segment is on par with the American average of 12 books read per year, with a median of 4 books per year, 1 book more than both urban and rural medians (Pew Research Center).

The most significant factor to figuring out how many books someone reads per year is their level of education. Those with a college degree or more fit into the segment of college+. They are reading an average of 17 books per year, while those with high school degrees or less are reading only 7 books per year on average (Pew Research Center).

Targeting

Amazon will achieve the most success by targeting those within the silent generation, who are using the internet, reading 8 or more books per year, with a yearly income greater than or equal to \$75,000, and living in suburban areas with a college degree or more. This group is familiar with the internet, but that does not mean they prefer to be advertised to on the internet as well. Although, their use of e-mail suggests they are comfortable receiving specialized advertisements of new book releases or sales and price decreases on books as well. The silent generation is more interested in print advertisements. Direct mailers and print advertisements in some magazines would be successful at communicating advertising messages to this target segment.

Positioning

To improve the chances of successful advertising, the positioning used to differentiate e-books needs to reflect the values shared by target consumers. Getting the right e-books advertised to this segment means understanding more about their preferences for books. If this segment could be introduced to shopping for e-books, they may search for books they are interested in. With this information, advertisements for books the consumers have shown interest in can be sent to them. These ads can also include books the consumer may like, based on other consumers' interests who have actually purchased the same book. With silent generation members "keeping quiet and working hard," they are going to be drawn to good deals. Advertisements should not focus on flashy themes or other messages not associated with informing the consumer about a good deal.

References

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Figure 1

