CHAPTER 4
MARKET SEGMENTATION

DEFINITION OF MARKET SEGMENTATION

The process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs, wants, or demand characteristics.

NEED FOR MARKET SEGMENTATION

Not all individuals have similar needs. A male and a female would have varied interests and liking towards different products. A kid would not require something which an adult needs. A school kid would have a different requirement than an office goer. Market Segmentation helps the marketers to bring together individuals with similar choices and interests on a common platform.

- Market Segmentation helps the marketers to devise appropriate marketing strategies and promotional schemes according to the tastes of the individuals of a particular market segment. A male model would look out of place in an advertisement promoting female products. The marketers must be able to relate their products to the target segments.
- Market segmentation helps the marketers to understand the needs of the target audience and adopt specific marketing plans accordingly. Organizations can adopt a more focused approach as a result of market segmentation.
- Market segmentation also gives the customers a clear view of what to buy and what not to buy. A Rado or Omega watch would have no takers amongst the lower income group as they cater to the premium segment. College students seldom go to a Zodiac or Van Heusen store as the merchandise offered by these stores are meant mostly for the professionals. Individuals from the lower income group never use a Blackberry. In simpler words, the segmentation process goes a long way in influencing the buying decision of the consumers.
- Market segmentation helps the organizations to target the right product to the right customers at the right time. Geographical segmentation classifies consumers according to their locations. A grocery store in colder states of the country would stock coffee all through the year as compared to places which have defined winter and summer seasons.
- Segmentation helps the organizations to know and understand their customers better. Organizations can now reach a wider audience and promote their products more effectively. It helps the organizations to concentrate their hard work on the target audience and get suitable results.

Requirements of Market Segments

- Identifiable: the differentiating attributes of the segments should be able to be identified.
- Substantial: the segments should be sufficiently large to justify the resources required to target them.
- Accessible: the segments must be reachable through communication and distribution channels.
- Measurable: It has to be possible to determine the values of the variables used for segmentation with justifiable efforts. This is important especially for demographic and geographic variables. For an organization with direct sales (without intermediaries), the own customer database could deliver valuable information on buying behaviour (frequency, volume, product groups, mode of payment etc).

BASES FOR MARKET SEGMENTATION

1. GEOGRAPHIC SEGMENTATION

Market segmentation strategy whereby the intended audience for a given product is divided according to geographic units, such as nations, states, regions, countries, cities, or neighbourhoods. Marketers will tailor marketing programs to fit the needs of individual geographic areas, localizing the products, advertising, and sales effort to geographic differences in needs and wants. Marketers will also study the population density or regional climate as factors of geographic segmentation.

2. BEHAVIOR SEGMENTATION

Market segmentation strategy whereby the division of the target market is made according to the patterns in which the people in the market live and spend their time and money. Buyers in a market will differ in their wants, resources, locations, buying attitudes, and buying practices and any of these variables can be used to divide a market. In behavior segmentation, potential buyers of a product are divided into groups based on their knowledge, attitude, uses, or responses to a product.

3. DEMOGRAPHIC SEGMENTATION

Market segmentation strategy whereby the intended audience for a given product is divided into categories based on demographic variables (demographics). Demographic segmentation is the most popular basis for dividing groups, primarily because consumer usage and wants or needs usually match demographic categories, but also because

demographic variables are easy to measure and obtain. Age and life cycle segmentation is a form of demographic segmentation.

4. **PSYCHOGRAPHIC SEGMENTATION**

Market segmentation strategy whereby the intended audience for a given product is divided according to social class, lifestyle, or personality characteristics. Marketers segment markets by social class for the promotion of products such as cars, clothes, home furnishings, and leisure activities. When segmenting a market according to consumer lifestyles, marketers promote their products as expressions of those lifestyles, such as the promotion of natural fiber products as ideal for a natural, healthy, active life. Marketers use personality factors to segment markets by giving their products personalities that match consumer personalities. Typically this strategy is used to promote products such as women's cosmetics or liquor.