

# CHAPTER 6

## MARKET SEGMENTATION

### Objectives:

After completing this chapter, student should be able to understand:

1. Market segmentation
2. Benefits of segmentation
3. The process of segmentation
4. Effective segmentation
5. Bases of segmentation
6. Target market strategies
7. Market positioning
8. Market repositioning

# MARKET SEGMENTATION

- Can be defined as subgroup of people or organization, sharing one or more characteristics that cause them to have similar product needs

# Benefits of market segmentation

- *Market segmentation is customer-oriented.*  
Marketer will identify the customer need and want then only decide if it is practical to develop marketing mix to satisfy those wants.
- The management can respond to meet changing market demand.
- Management can do a better marketing job.
- Develop strong positions in spealized market segment.

# PROCESS OF MARKET SEGMENTATION

1. Identify the current and potential wants that exist in the market.
2. Identify the characteristic that distinguish among the segments
3. Determine who has each want. Final step is to estimate how much demand and potential sales each segment represents.

# Effective segmentation

- Measurable
- Accessible
- Substantial
- Actionable and responsiveness

# **BASES OF SEGMENTING CONSUMER MARKET**

- Geographic segmentation
- Demographic segmentation
- Psychographics segmentation
- Benefit segmentation
- Usage rate segmentation.

# TARGET MARKET STRATEGIES

- Aggregation strategy
  - A seller treat its total market as a single segment.
  - Example: gasoline
- Single –segment strategy
  - Also known as a concentration strategy. Focus on one segment from within the total market.
  - Example: Harley Davidson- super heavy weight market.
- Multiple Segment Strategy
  - Two or more different groups of potential customer are identified as target market.

# ADVANTAGE & DISADVANTAGE OF TARGET MARKET STRATEGIES

## 6.6.1 Advantages and Disadvantages of Target Market Strategies

Targeting Strategy	Advantages	Disadvantages
<b>Undifferentiated</b>	<ul style="list-style-type: none"><li>• Potential savings on production / marketing costs</li><li>• Company more susceptible to competition</li></ul>	<ul style="list-style-type: none"><li>• Unimaginative product offerings</li></ul>
<b>Concentrated</b>	<ul style="list-style-type: none"><li>• Concentration of resources</li><li>• Can better meet the needs of a narrowly defined segment</li><li>• Allow some small firms to better compete with larger firms</li><li>• Strong positioning</li></ul>	<ul style="list-style-type: none"><li>• Segments too small, or changing</li><li>• Larger competitors may more effectively market to niche segment</li></ul>
<b>Multiple Segment</b>	<ul style="list-style-type: none"><li>• Greater financial success</li><li>• Economies of scale in producing / marketing</li></ul>	<ul style="list-style-type: none"><li>• High costs</li><li>• Cannibalisation</li></ul>



# MARKET POSITIONING

- A company must decide how to position itself in relation to the competitors for that segment.
- Positioning could be on the basis of the:
  - Product's unique selling proposition
  - Price
  - Design characteristic
  - Method of distribution

# MARKET REPOSITIONING

- Repositioning is changing consumer 's perception of a branding relation to competing brands.
- Products and companies repositioned in order to sustain in slow growth market or to correct positioning mistake.
- Example: gun industry.