

SOS POLITICAL SCIENCE AND
PUBLIC ADMINISTRATION

MBA FA-206

SUBJECT NAME: FUNDAMENTALS OF
MARKETING

UNIT-I

TOPIC NAME: MARKET
SEGMENTATION

What is market segmentation?

Market segmentation is a business practice relying on research that leads the direction of how a business divides its target market into smaller, more manageable groups based on common ground they share. Simply put, customers of each market segment have similar characteristics that businesses can leverage to optimize their marketing, **advertising**, and sales efforts.

The purpose of segmentation is that you are able to introduce a more tailored message that will be received successfully. This is advantageous for companies who may have a product or service in the marketplace that boasts multiple benefits or uses for different types of customers.

Have you ever heard the phrase: “You can’t be everything for everybody”? The same proves true with one marketing solution. As a marketer, you can’t solve everyone’s problem or appeal to every single person, which is why market segmentation can be such an effective **growth strategy** to implement.

Bases of Market Segmentation

Segmenting is dividing a group into subgroups according to some set 'basis'. These bases range from age, gender, etc. to psychographic factors like attitude, interest, values, etc.

Gender

Gender is one of the most simple yet important bases of market segmentation. The interests, needs and wants of males and females differ at many levels. Thus, marketers focus on different marketing and communication strategies for both. This type of segmentation is usually seen in the case of cosmetics, clothing, and jewellery industry, etc.

Age group

Segmenting market according to the age group of the audience is a great strategy for personalized marketing. Most of the products in the market are not universal to be used by all the age groups. Hence, by segmenting the market according to the target age group, marketers create better marketing and communication strategies and get better conversion rates.

Income

Income decides the purchasing power of the target audience. It is also one of the key factors to decide whether to market the product as a need, want or a luxury. Marketers usually segment the market into three different groups considering their income. These are

- **High Income Group**
- **Mid Income Group**
- **Low Income Group**

This division also varies according to the product, its use, and the area the business is operating in.

Place

The place where the target audience lives affect the buying decision the most. A person living in the mountains will have less or no demand for ice cream than the person living in a desert.

Occupation

Occupation, just like income, influences the purchase decision of the audience. A need for an entrepreneur might be a luxury for a government sector employee. There are even many products which cater to an audience engaged in a specific occupation.

Usage

Product usage also acts as a segmenting basis. A user can be labelled as heavy, medium or light user of a product. The audience can also be segmented on the basis of their awareness of the product.

Lifestyle

Other than physical factors, marketers also segment the market on the basis of lifestyle. Lifestyle includes subsets like marital status, interests, hobbies, religion, values, and other psychographic factors which affect the decision making of an individual.

Types of Market Segmentation



Geographic Segmentation

Geographic segmentation divides the market on the basis of geography. This type of market segmentation is important for marketers as people belonging to different regions may have different requirements. For example, water might be scarce in some regions which inflates the demand for bottled water but, at the same time, it might be in abundance in other regions where the demand for the same is very less.

People belonging to different regions may have different reasons to use the same product as well. Geographic segmentation helps marketer draft personalized marketing campaigns for everyone.

You may need to change the language your messaging depending on the region you're targeting. People who live in different countries may also have different interests. Baseball is very popular in the United States, for example, while cricket is more popular in India. If you're marketing sports equipment or publishing sports articles, you will want to take these different preferences into account.

Demographic Segmentation

Demographic segmentation divides the market on the basis of demographic variables like age, gender, marital status, family size, income, religion, race, occupation, nationality, etc. This is one of the most common segmentation practice among marketers. Demographic segmentation is seen almost in every industry like automobiles, beauty products, mobile phones, apparels, etc and is set on a premise that the customers' buying behaviour is hugely influenced by their demographics.

There are numerous ways to gather demographic data. One way is to ask your customers directly. This can be time-consuming, but getting the information directly from customers will help ensure its accuracy. If you go this route, be careful to be respectful in how you ask and give customers sufficient response options so you get accurate results. You may also be able to obtain demographic data directly from customers by looking at social media and other online profiles where they may provide information about themselves.

Behavioural Segmentation

The market is also segmented based on audience's behaviour, usage, preference, choices and decision making. The segments are usually divided based on their knowledge of the product and usage of the product. It is believed that the knowledge of the product and its use affect the buying decision of an individual. The audience can be segmented into –

Those who know about the product,
Those who don't know about the product,

Ex-users,
Potential users,
Current Users,
First time users, etc.

People can be labelled as brand loyal, brand-neutral, or competitor loyal. They can also be labelled according to their usage. For example, a sports person may prefer an energy drink as elementary (heavy user) and a not so sporty person may buy it just because he likes the taste (light/medium user).

Psychographic segmentation

Unlike geographic segmentation and demographic segmentation, psychographic segmentation focuses on the intrinsic traits your target customer possesses. Psychographic traits can range from values, personalities, interests, attitudes, conscious and subconscious motivators, lifestyles, and opinions. To understand your target customers on this level, methods such as focus groups, surveys, interviews, and **case studies** can all prove successful in compiling this type of conclusion.

Think about the lifestyle of someone who lives in a small, beach town and surfs for a living versus someone who lives in a big city working in corporate America. Each of their wants and needs on a daily basis are incredibly different, and marketers must recognize those differences to be successful.

Characteristics will vary based on company size for B2B brands. **Read customer reviews as part of your marketing strategy**; they will give you a number of psychographic insights, including the needs and opinions of your target market.

5 Benefits of Market Segmentation

1. Improves Campaign Performance

Market segmentation can help you to improve the performance of your marketing campaigns by helping you to target the right people with the right messaging at the right time. Segmentation enables you to learn more about your audience so you can better tailor your messaging to their preferences and needs.

Targeting a specific segment that is likely to be interested in your content or product is much more effective than targeting an overly broad audience. If you advertise to an entire market, you will end up spending a massive amount of money on ads, but a relatively small percentage will convert. If you instead direct your marketing to a segment with the right characteristics, you can increase the conversion rate of your campaign considerably.

The more specific the audience of people interested in your brand, the more beneficial targeting can be. For example, there's no reason to market dental tools to anybody but dentists. Marketing them to a broad audience would result in wasted ad dollars.

2. Informs Product Development

Market segmentation can also help companies to develop products that better meet the needs of their customers. You can create products to appeal to needs your main market segment may have and develop different products tailored to different parts of your customer base.

Say, for instance, you run an automotive company, and your primary market segment is middle-class families. You would likely design your car with lots of seating, leg room and space to accommodate a family with multiple kids. You would also create mid-range priced vehicles.

You could, however, also segment your audience further, and create vehicles that appeal to each of those segments. For example, one segment might be families who like to go on outdoorsy vacations. To appeal to this group, you could offer a vehicle with four-wheel drive and lots of cargo space. Another segment might prefer to take trips into the city. You might make this car smaller so that the drivers can easily navigate narrow city streets and fit into tight parking spots.

3. Reveals Areas to Expand

Market segmentation can also help businesses to identify audience segments that they are not currently reaching with their marketing efforts and then expand into new markets.

When you look at your audience data, you might discover interests that you didn't realize your customers had. For example, a company might make the majority of their sales in physical stores. When looking at behavioral data, they might see that many of their customers like to shop online. Based on this information, they could then either open an online store or start advertising their online marketplace more.

As another example, a clothing company that primarily targets middle-aged women might decide to start selling kids clothing as well. They could introduce these items and market them to their current customers, encouraging them to buy them for their kids.

4. Improves Business Focus

Market segmentation can also help businesses to focus their efforts, which enables them to establish a brand identity and specialize in a particular type of products. A brand that tries to appeal to everyone in their marketing will come off as generic and unmemorable. It could also leave customers confused about what the brand stands for and what kind of company it represents. Similarly, a company that tries to sell everything likely won't make a big impact in any one market, and its offerings may be of lower quality compared to companies that specialize. As your company grows, you can expand your offerings, but when first starting out, it can be challenging to differentiate your company if your product offerings are too broad.

5. Informs Other Business Decisions

Market segmentation can also help to inform other important business decisions regarding how you get your product to customers. These decisions may involve matters such as pricing and distribution.

Businesses can use segmentation to help them decide on pricing that maximizes sales while keeping customers happy. Companies may consider demographic information such as income levels. They may also take into account their customers' price sensitivity — the degree to which their price affects their purchase decisions. Paying attention to seasonal demand changes can help businesses time special deals to boost sales.

Market segmentation can also help companies to determine the optimal strategies for the distribution of their products. Some groups of people, for instance, are more likely to shop online, while others are more likely to shop in a store. Companies can also decide which stores to pitch their products to based on where their market segment shops. Their customers may, for example, shop at luxury boutiques or bargain outlets. Looking at geographic data can also help a company decide where to set up a new store.