



MARKET SEGMENTATION

The Role of Market Segmentation



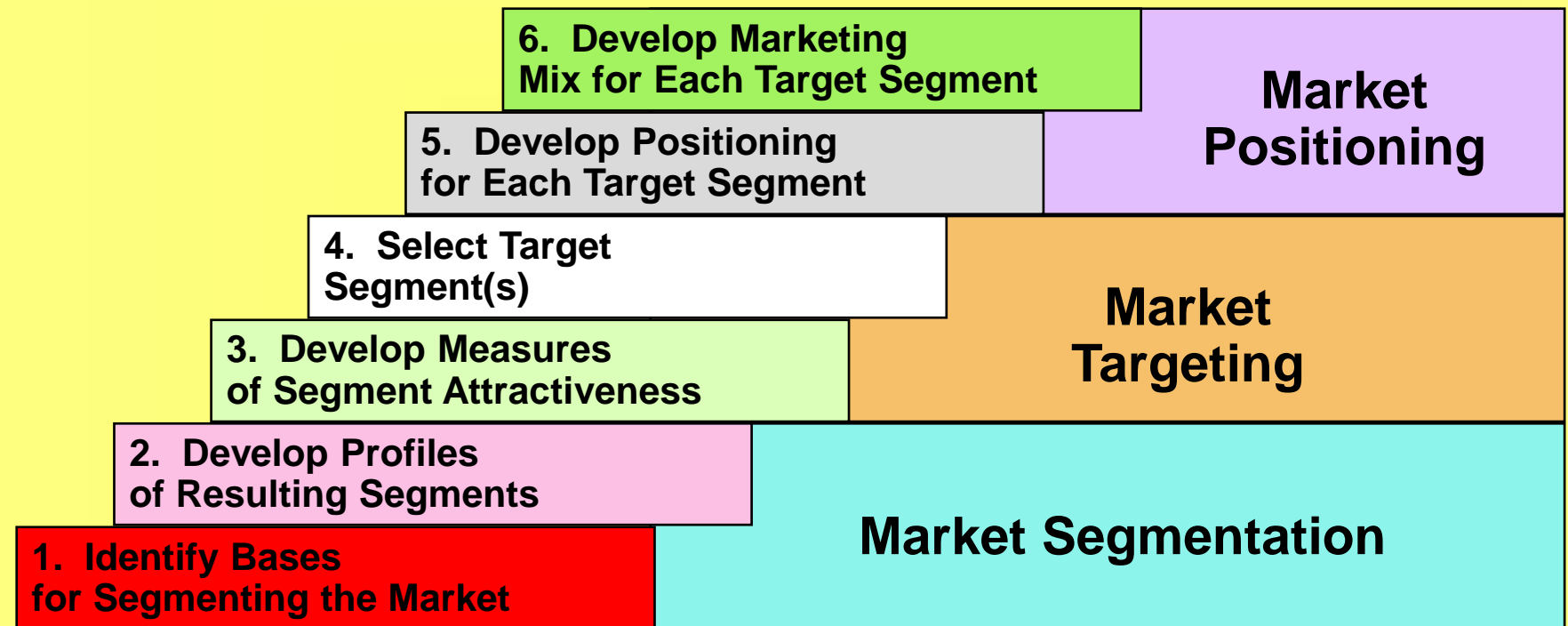
- **Market Segmentation**
Division of the total market into smaller, relatively homogeneous groups
- No single marketing mix can satisfy everyone. Therefore, separate marketing mixes should be used for different market segments.



Steps in Target Marketing

- Market segmentation
 - Dividing a market into smaller groups of buyers with distinct needs, characteristics, or behaviors requiring separate products or marketing mixes.
- Target marketing
 - Evaluating each segment's attractiveness and selecting one or more to enter.
- Market positioning
 - Setting the competitive positioning for the product and creating a detailed marketing mix.

Steps in Segmentation, Targeting, and Positioning



No Market Segmentation



Segmented by Sex



Segmented by Age



Step 1. Market Segmentation

Levels of Market Segmentation

Mass Marketing

*Same product to all consumers
(no segmentation)*

Segment Marketing

*Different products to one or more segments
(some segmentation)*

Niche Marketing

*Different products to subgroups within segments
(more segmentation)*

Micromarketing

*Products to suit the tastes of individuals or locations
(complete segmentation)*



Mass Marketing

- A large identifiable group within a market with similar wants, purchasing power, geographical locations, buying attitudes



Niche Marketing

- What is an attractive niche ?
- A distinct set of needs
- A premium can be charged
- Not likely to attract competition
- Gains certain economies through specializations
- Sufficient size, profit and growth potential



Local Marketing

- When the marketing mix is altered to suit the local conditions
 - eg. Giving a higher/ lower discount than what's prevailing in the rest of the markets
 - or implementing a different promotion scheme



Individualized Marketing

- When the firm deals with each customer on a **one – to – one** basis.
- When products are **customized** for the customer.
- Wind and Rangaswamy gave the concept of **-customerisation**.



Market Segmentation

- Key variables:
 - Geographic
 - Demographic
 - Psychographic
 - Behavioral
- No single way to segment a market.
- May combine more than one variable to better define segments.

Market Segmentation

Bases for Segmenting Consumer Markets

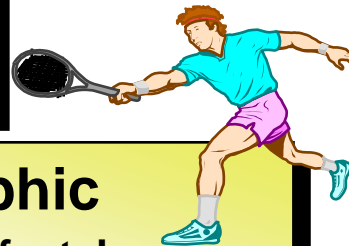
Geographic

Region, villages,
Density, climate,
culture



Demographic

Age, gender, family structure,
life cycle, income, education,
house type, land ownership,
occupation, religion and caste

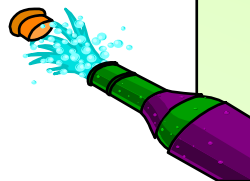


Psychographic

Social class, lifestyle,
or personality

Behavioral

Occasions, benefits,
uses, loyalty status, pop





Market Segmentation

- Geographic:
 - Region of country
 - Village size
 - Density
 - Climate
 - Culture



Market Segmentation

- Demographic:
 - Age, gender, family size, family life cycle, income, occupation, education, race, religion, caste, landownership etc.
 - The most popular bases for segmenting customer groups.
 - Easier to measure than most other types of variables.



Market Segmentation

- Psychographic:
 - Social class (Upper, middle and lower)
 - Lifestyle (Trendsetters, followers/adopters, traditionalists)
 - Personality (Authoritarian, ambitious)



Market Segmentation

- Behavioral:
 - Occasion segmentation
 - Special promotions and labels for holidays.
 - Special products for special occasions.
 - Benefits Sought
 - Different segments desire different benefits from products. Focuses on the attributes that people seek in a good or service and the benefits that they expect to receive from that good or service
 - Groups consumers into segments based on what they want a product to do for them



Market Segmentation

- User Status
 - Nonusers, ex-users, potential users, first-time users, regular users
- Usage Rate
 - Light, medium, heavy
- Segmenting by grouping people according to the amounts of a product that they buy and use
- Markets often divided into heavy-user, moderate-user, and light-user segments
- The 80/20 principle (“Pareto’s Law”)



Market Segmentation

- Buyer-Readiness Stage
 - Unaware, Aware, Interested, Desire, Intention to buy
- Loyalty Status
 - Hard-core loyal, Split loyal, Shifting loyal, No loyal
- Attitude
 - Enthusiastic, Positive, Indifferent, Negative, Hostile



■ **Brand Loyalty**

- Segmenting consumers grouped according to the strength of brand loyalty felt toward a product
- Frequent flyer programs of airlines and many hotels



Requirements for Effective Segmentation

Measurable

- Size, purchasing power, profiles of segments can be measured.

Accessible

- Segments must be effectively reached and served.

Substantial

- Segments must be large or profitable enough to serve.

Differential

- Segments must respond differently to different marketing mix elements & actions.

Actionable

- Must be able to attract and serve the segments.

The Market Segmentation Process



- Develop a Relevant Profile for each Segment
- Forecast Market Potential
- Forecast Probable Market Share
- Select Specific Market Segments



EVALUATION OF SEGMENTS

OVERALL ATTRACTIVENESS

- Size
- Growth rate
- Accessibility
- Profitability
- Scale economics
- Low risk

COMPANY OBJECTIVES AND RESOURCE COMPETENCIES



SELECTION OF SEGMENTS

- After evaluating the segments according to the above-mentioned factors, segments can be selected by rating them on a pre-determined scale (low, medium, high) with respect to the evaluation factors.



COVERAGE OF SEGMENTS

- Undifferentiated marketing.
- Differentiated/targeted marketing.
- Concentrated marketing.



Thank you for your attention!

Any questions please?