



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.



PURPOSE OF SEGMENTATION

- Target market selection
- Tailored marketing mix
- Differentiation
- Opportunities and threats



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

6. Develop Marketing Mix for Each Target Segment

Market Positioning

5. Develop Positioning for Each Target Segment

4. Select Target Segment(s)

Market Targeting

3. Develop Measures of Segment Attractiveness

2. Develop Profiles of Resulting Segments

Market Segmentation

1. Identify Bases for Segmenting the Market

No Market Segmentation



Segmented by Gender



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)***



Market Segment

- 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**.



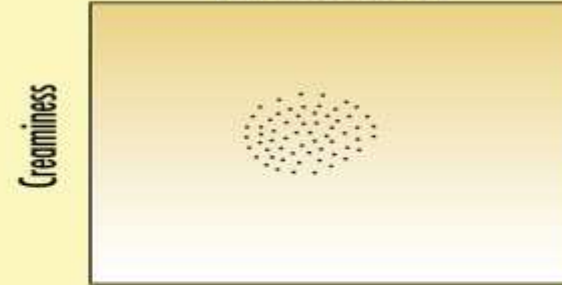
Patterns of Segmentation

- Homogeneous Preferences-Mass Marketing
- Diffused Preferences-Individual
- Clustered Preferences-Segment



Basic Market- Preference Patterns

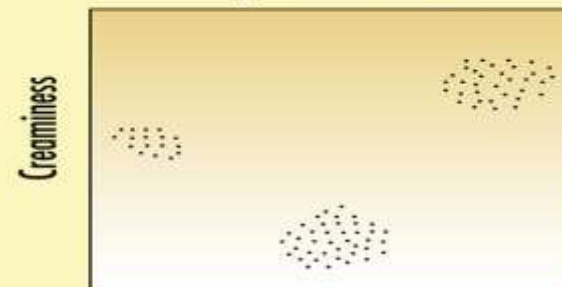
(a) Homogeneous preferences



(b) Diffused preferences



(c) Clustered preferences





Market Segmentation

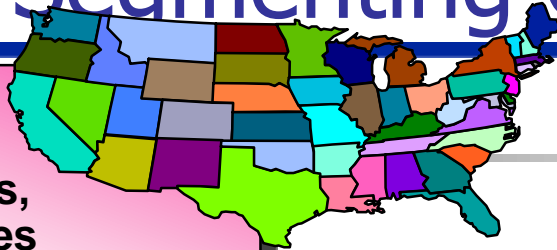
- Key variables:
 - Geographic
 - Demographic
 - Psychographic
 - Behavioral
- No single way to segment a market.
- May combine more than one variable to better define segments.

Market Segmentation

Bases for Segmenting Consumer Markets

Geographic

Nations, states,
regions or cities



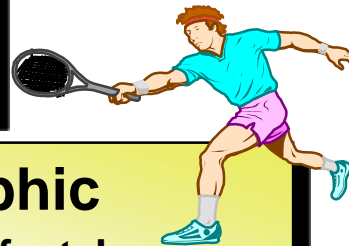
Demographic

Age, gender,
family size and
life cycle, or
income



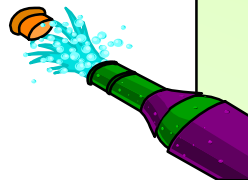
Psychographic

Social class, lifestyle,
or personality



Behavioral

Occasions, benefits,
uses, or responses





Market Segmentation

- Geographic:
 - World region or country
 - Region of country
 - City or metro size
 - Density or climate



Market Segmentation

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



Market Segmentation

- Age and Life-Cycle Stage:
 - Example: Colgate has different toothpastes for different age groups.



Market Segmentation

- Income:
 - Identifies and targets the affluent for luxury goods.
 - People with low annual incomes can be a lucrative market.
 - Some manufacturers have different grades of products for different markets.



Market Segmentation

- Psychographic:
 - Social class
 - Lifestyle
 - Personality



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





■ **Using Multiple Segmentation Bases**

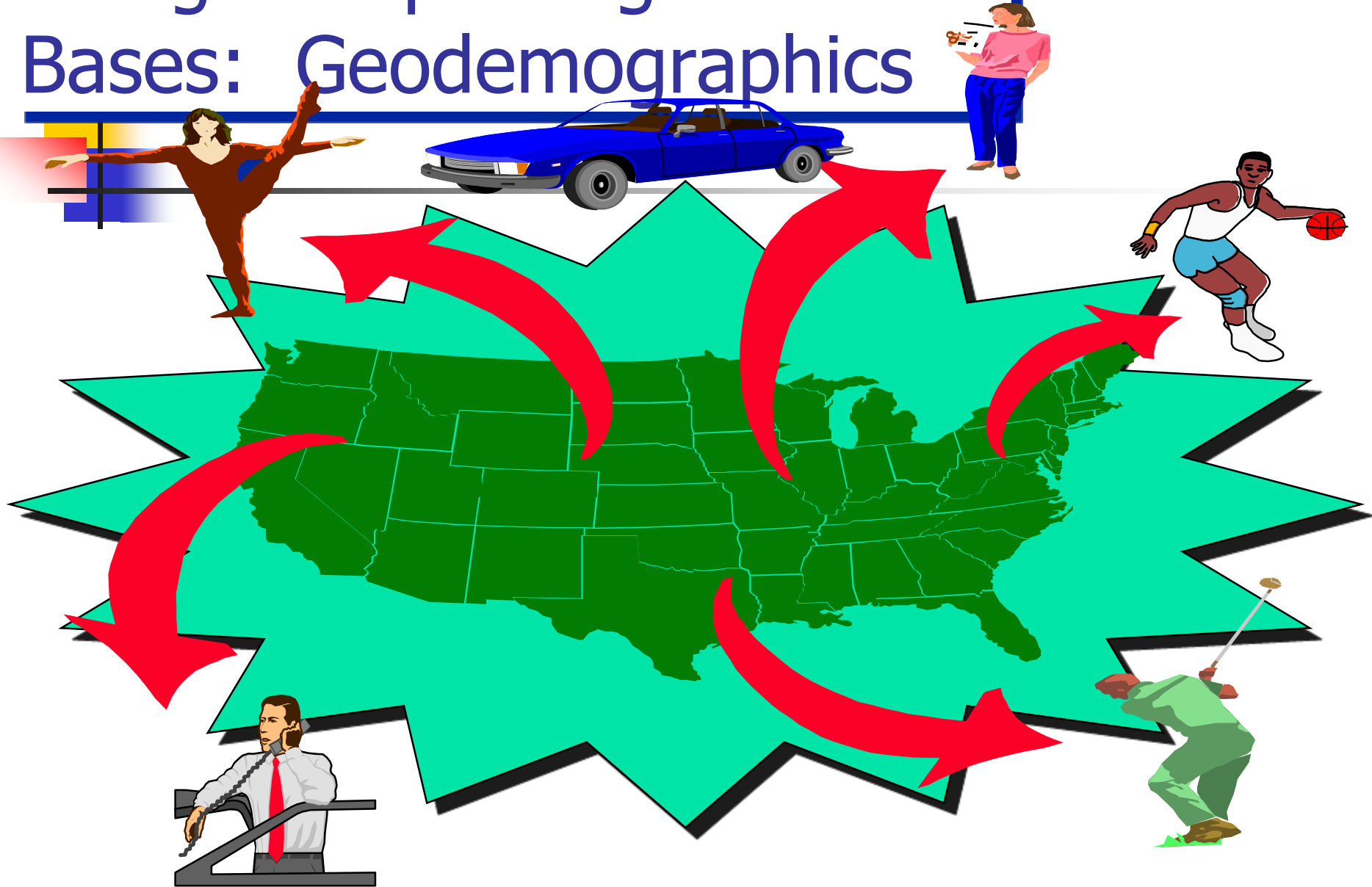
- Increase accuracy in reaching the right markets
- Combine multiple bases
 - Geographic and Demographic
 - Product-related with income and expenditure patterns
 - Others



Market Segmentation

- Best to use multiple approaches in order to identify smaller, better-defined target groups.
 - Start with a single base and then expand to other bases.
 - Geodemographic segmentation is becoming more common.

Using Multiple Segmentation Bases: Geodemographics





Segmenting Business Markets

- Consumer and business markets use many of the same variables for segmentation.
- Business marketers can also use:
 - Operating Characteristics-Technology
 - Purchasing Approaches-Purchasing policies
 - Situational Factors-Urgency, Size of the order
 - Personal Characteristics



Segmenting International Markets

- Factors used:
 - Geographic location
 - Economic factors
 - Political and legal factors
 - Cultural factors
- Intermarket segmentation:
 - Segments of consumers who have similar needs and buying behavior even though they are located in different countries.

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.

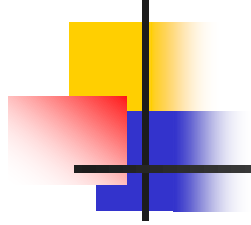
Actionable

- 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



Thank you for your attention!

Any questions please?