

MARKETING MANAGEMENT

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Topic – Market Segmentation

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Market Segmentation

Meaning & Definitions

A Market is a group of customers with certain characteristics. Market can be classified in several ways depending on customers' characteristics. Division of different groups of market on the basis of income level, age, gender, standard of living, education etc, is known as Market Segmentation.

According to Philip Kotler, "Market segmentation is the sub-dividing of market into homogeneous subsets of customers, where any subset may conceivably be selected as a market target to be reached with a distinct marketing mix."

In the words of Cundiff & Still "Market Segments are grouping of consumers according to such characteristics as income, age, degree of urbanization, race of ethnic classification, geographic location or education."

According to Stanton, "Market Segmentation consists of taking the total heterogeneous market for a product and dividing into several sub-markets or segments, each of which tends to be homogenous in all significant aspects."

In short, we can say that, market segmentation is a process by which a market is divided into several segments.

Purpose

According to Philip Kotler, "The purpose of Market Segmentation is to determine difference among buyers which may be consequential in choosing among them marketing to them.

Esomd Pearce stated that "The Purpose of Market Segmentation is to determine the difference among purchasers which may affect the choice of market area or marketing methods."

The purpose of market segmentation is to fulfil the needs of buyers and customers. A successful marketing strategy which depends upon the market segmentation.

Criteria for Market Segmentation

Cundiff and Still presented two criteria of Market Segmentation – Consumer Market Segmentation and Industrial Market Segmentation.

Criteria for consumer market are income, age, sex, degree of urbanisation, geographical market segmentation, educational attainment & religion of the consumer.

Criteria for industrial market are kind of business, usual purchasing, procedure, size of user and geographical market segmentation.

Professor Philip Kotler provided four classes of variables used in segmenting the consumer market, viz. geographic variables, demographic variables, psychographic variables, and buyer-behaviour variables.

Consumer Market Segmentation

From study point of view, criteria of market segmentation can be broadly divided into two main approaches:

1. People Oriented
2. Product Oriented

1. People Oriented Approach:

It is also known as customer personal characteristics approach. We can classify the customers by many customer dimensions such as demographic, geographic location and psychographic. These variables are used in segmenting the consumer market. The following are the people-oriented approaches-

- a) Demographic & Socio-Economic – Demographic & Socio-Economic criteria is used very widely for market segmentation. This is very convenient, easy to measure and data is easily available. Under this criteria, we can make own groups of customers on the basis of their income, age, education, occupation, religion, size of family, social class etc, and on this basis, we can sub divide for example- on the basis of age group, we can divided as children, teenager, adult and aged. Thus, we can earn maximum profit.

- b) Geographic – Geographic location is the usual and popular criteria for market segmentation. For the purpose of formulating the marketing plan, market segmentation may be on the basis of geographic location. Under geographic location, we can sub divide the country on the basis of zones, regions, urban & rural places, density of population, country size and climate.
- c) Psychographic – Psychographic criteria for market segmentation is also a very important factor. Under psychographic segmentation, consumers or buyers are divided into, different groups on the basis of personality, lifestyle and personality characteristics.

2. Product Oriented Approach:

It is also known as customer response approach or buyer-behaviour characteristics. It may be considered in relation to product benefits, product uses and brand loyalty. Buyer-behaviour involves psychological factor such as buying motives perception, preferences and attitudes. Under this approach, these are briefly as below-

- a) Usage of product: Market may be segmented on the basis of use pattern. A buyer may be classified as users, non-users, ex-users and potential users or regular users. On the basis of volume, buyers may be classified as heavy, medium and light.
- b) Readiness stage: in this stage, we study how much a buyer is ready or prepared for purchasing the product. Buyer may be aware, unaware, interested, desirous and intending to buy the product.
- c) Benefits sought: Benefit sought is also an important buyer behaviour characteristic. This segmentation gives emphasis on wants and desires of buyers. Benefits sought by consumers are the reason for the existence of market segment. Buyer's Satisfaction mainly depends upon product benefits, for example- economy, style, durability, taste, flavour, performance, status etc. A manufacturer may be segment of market on the basis of customers' benefits.

- d) **Brand Loyalty:** Customer loyalty may be used as a basis of market segmentation. Loyalty segmentation enables marketer to make the promotional content and product appeal to retain the loyal customers, to attract new customers from competitive brands or to convert non-loyal to loyal buyers. Brand loyalty measurement is a difficult task for the marketer. A manufacturer creates brand loyalty through a strong understanding of their customers' priorities and buyers' behaviour.

- e) **Marketing Factor:** Marketing may be a basis of market segmentation. It includes price of product, quality of product, retail advertisement etc. Thus, market segmentation may be decided on the basis of these factors.

- f) **Attitude:** A manufacturer may be segmenting the market on the basis of attitude of the customers. These attitudes are: enthusiastic, positive, indifferent, negative and hostile.

Industrial Market Segmentation:

Industrial Market Segmentation almost depends upon the same variables and basis of consumer market segmentation.

Cundiff & Still presented the following basis of market segmentation for industrial market-

1. Kind of Business
2. Usual Purchasing Procedures
3. Size of User
4. Geographical Segmentation

We can briefly study through following ways-

1. Kind of Business – Industrial Market may be segmented on the basis of kind of business activities such as genetic, agriculture, extractive, manufacturing, constructive, mining, forestry, wholesale trade, retail trade, export and import trade and auxiliaries to trade like transportation, finance, insurance, communication, storage, electric and gas.

2. Purchasing Procedure- This is also a basis for industrial market segmentation. Purchasing procedure can vary from one organisation to another. We focus on purchasing criteria.
3. Size of User - Industrial market segmentation also depends upon size of the user. Generally, users are divided into three groups-heavy, medium, and light users or non-users.
4. Geographical Segmentation – Geographical location of the user is generally influenced by the sources of raw material, labour supply, easy access to the market and financial institutions.

On the basis of geographical segmentation, industrial buyers can be segmented into following segments:

Location: Rural and urban customers.

Distance: Local, regional, national and international market.

Terrain Area: Hilly, desert, valley and plains.

Climate: Level and intensity of humidity, rain, heat and cold etc.