

Market Segmentation

- Segmentation is essentially an identification of the subsets of buyers within a market that share a similar needs and demonstrates similar buyer behaviour. The world is made up of billion buyers with there own set of needs and behaviour. Segmentation made to match different group of buyers with different set of needs & buyer behaviour. Such a group is known as “segment.”

- A customer is allocated to one market segment by the customer's individual characteristics.
- Examples of characteristics used for segmentation:
 - Gender
 - Price
 - Interests
 - Location
 - Religion
 - Income
 - Size of Household

Process of Market Segmentation

Establish overall strategy

→ The org must clearly state its segmentation strategy in consistent to its mission n objectives as well as its current situation- its strengths , weaknesses, opportunities n threats.

Decide the basis For segmentation

→ Any marketer should do segmentation on basis of differe factors may be demographic or psychographic, he shoul have the idea of market characteristics of consumer and buying behaviour.

Select segmentation variables

→ After selecting bases of segmentation, segmentation Variables like in demographic, age, income, occupation etc should taken into consideration.

Profile the segments

→ After segmenting the market, marketers has to analyze his customers in those segments, like what type of customers are there in that market.

Evaluate segment attractiveness

→ Evaluation is done on the basis of estimating the profit contribution by each sector. most importantly he'll see the demand potential of customers from each segment, and the revenue earned out of each segment & expenditure incurred. Other criteria like measurability, accessibility, Responsiveness, risk etc.

Select segment

→ Every marketer can consider only one segment at a time even if the other segments are profitable. ultimately he will select the most profitable segment, this is called targe marketing.

Objectives of Market Segmentation

- To understand the needs, wants, desires and buying habits of customers.
- To formulate marketing programs for each consumer groups according to their nature.
- To develop new products according to consumer's changing needs.
- To expand market & market share.
- To provide satisfaction to consumers.
- To make the marketing strategies and policies consumer oriented.

Product Differentiation

- It is the process of distinguishing a product or offering from others, to make it more attractive to a particular target market.
- This involves differentiating it from competitors' products as well as a firm's own product offerings.

Difference between market segmentation & product differentiation

<u>Market Segmentation</u>	<u>Product differentiation</u>
<ul style="list-style-type: none">•Consumer oriented•Focuses on group of customers•Attempt to match the supply•With demand.•Aims at increasing sales•Concentrates on a limited mkt	<ul style="list-style-type: none">•Production oriented•Focuses on product differences•Attempt to match demand with supply•Aims at facing intense comp•Concentrate on large mkt.•It helps to win the competition.

Criteria for successful segmentation

Substantiality	Segment must be large enough to warrant a special marketing mix
Identifiability Measurability	Segments must be identifiable and their size measurable.
Accessibility	Members of targeted segments must be reachable with marketing mix
Responsiveness	Unless segment responds to a marketing mix differently, no separate treatment is needed
Homogeneity	Customers in one particular Segment should be similar in terms of their responses
Profitability	There should be sufficient demand for goods in the segment selected

Advantages of Market Segmentation

A. Advantages to firms

- Increase in sales volume.
- Helps to prepare effective marketing plans.
- Enables to take decisions
- Helps to understand needs of consumers.
- Helps to win competition.
- Makes best use of resources.
- Achieve marketing goals
- Specialized marketing
- Creates innovations
- Higher market share.

B. Advantages to Consumers

- Customer oriented
- Quality products at reasonable prices
- Other benefits (discounts, buy 1 get 1 free offer, customers become the winner)

Reasons for development of market segmentation

- Rapid change in technology
- Adoption of cost reducing techniques.
- Implementation of marketing programs & marketing mix.
- Introduction of new products.
- Cut- throat competition in the market.


Patterns for segmentation or Market strategies

1. **Undifferentiated marketing**: In this marketing only one mix is used for all customers. For eg: soft drinks.
2. **Differentiated marketing**: In this, different marketing mix is used for each set of segment. Eg; consumer products.
3. **Concentrated marketing**: In this, all the marketing mix are concentrated and applied at each segment.
4. **Customized or personalized marketing**: When marketer see each customer as separate segment and apply marketing strategy as per the requirements of customer. For eg: Interior designers, civil engineering firms design roads as per the requirement of customers.

LEVELS OF MARKET SEGMENTATION



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- **Segment Marketing:** Consists of group of customers who share similar set of needs and wants. can offer better price, design and can fine tune the marketing activities. For eg: Air Deccan.
 - **Niche marketing:** more narrowly defined customer group seeking a distinctive mix of benefits. For eg: some companies make clothes for oversized customers.

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- **Local marketing:** Tailored to the needs & wants of local consumers in trading areas, neighborhoods and even individual stores. For eg: matrimonial websites like Bharat matrimony who are further offering other websites for each n every community say Punjabi, Bengali, Muslim, Sikh etc.
 - **Individual marketing:** Designing the product & service offerings of individual choices. For eg Asian paints, in which you can mix desired colour n quantities of their own choice as per the requirement.

Bases of Market Segmentation

