



## **Market Segmentation**

**Subject : Business Economics**

**Course : B.A., 2nd Semester,  
Undergraduate**

**Paper No. : 204 (Two Zero Four)**

**Paper Title : Marketing Management**

**Unit No. : 2 (Two)**

**& Title : Nature of Marketing**

**Lecture No. : 1 (One)**

**& Title : Market Segmentation**

## **Credits**

### **Subject Co-ordinator:**

Dr. V. Chari  
Professor, S. D. School of Commerce,  
Gujarat University,  
Ahmedabad.

### **Subject Expert**

Prof. Swati Dave  
Asst. Prof., J. G. College  
Ahmedabad.

### **Technical Assistants**

Smita Bhatt  
Archana Patel

### **Presenter**

Swati Dave

### **Editing**

Akash Choudhary

### **Multimedia**

Gaurang Sondarva

**Camera**

Mukesh Soni

**Technician**

Mukesh Soni

**Helper**

Ambalal Thakore

Ishwar Maratha

Jagdish Jadeja

**Prod. Asst. & Editing Concept**

Mukesh Soni

**Graphic Artist & Animator**

Dilip Dave

Akash Choudhary

**Producer**

Dinesh Goswami

# **Academic Script**

## **Market segmentation**

### **Introduction:**

The company cannot serve all the customers in the broad market because the customers are different as far as demography, psychology, behavior and geography is concerned. The company has to select the group of customers with specific taste and preferences on the basis of demography, psychology, behavior and their geographic location. The selection of group of customers for their products is known as market segmentation.

### **Meaning:**

In simple terms market segmentation is process of dividing the market in to submarkets on the basis of some definite criteria.

### **Levels of Segmentation:**

Levels of segmentation describe the manner in which markets are segmented. In mass marketing the seller engages himself in to mass production, mass distribution and mass promotion of one product for all the buyers. It is difficult for the every company to reach mass customers at a time therefore the companies resort to four levels of segmentation.

1. Segment Marketing
2. Niches
3. Local Marketing
4. Individual Customer Marketing

1. **Segment marketing:**

Segments means group of customers who shares similar set of wants, instead of selecting large number of customers as markets the marketer can select customer groups who shares similar set of wants and manufacture product according to their requirements. This is known as segment marketing.

2. **Niches:**

Niche market is a defined group which usually consist of group seeking a distinctive mix of benefits. The customers in the niche markets have distinct set of needs and they are ready to pay extra price for the products.

3. **Local Marketing:**

When the company selects the customer groups, which consist of local people, it is called local marketing. The companies take in to consideration the needs of local customers while marketing their products.

4. **Individual Customer Marketing:**

It can also be called as "segment of one marketing or customized marketing or one to one marketing." In the past the customer needs were satisfied individually. After industrial revolution the companies use to make mass production and customer used to fit in to those products but now in the age of information revolution the companies are resorting to mass customization. Mass customization means the companies produce products and services on the mass basis to meet each customer's requirements. The customers are changing they are determining what to buy, they design the products themselves and they are analyzing the products and services offered to them, this has led to customerization. Customization means mass customization which empowers the customers to design and products and services themselves. Customization is becoming a popular concept in modern marketing world.

### **Patterns of segmentation:**

There are three patterns of market segmentation:

1. **Homogeneous Preferences:** It means customers have almost same taste and preferences for the product.
2. **Diffused Preferences:** That means customers have different taste and preferences for the same product.
3. **Clustered Preferences:** It means there are clusters of consumers having same taste and preferences for the same product. For example: in case of the same chocolate some customers like smoothness of the chocolate and some likes sweetness of the chocolate.

### **Market Segmentation:**

There is a process of market segmentation. Now let us study the process of market segmentation in detail.

1. Define the market for the organization: The first step in market segmentation process is dividing the customers in to different segments depending upon the needs and benefits sought by the customer.
2. Create market segments: The marketer has to identify the segment taking different basis in to consideration. The basis of segmentation are psychology, behavior, geography etc. for and crate market segment for itself.
3. Evaluate the segments: The third stage is to evaluate the segments and find out the proper segment that matches with the company's product. There are various alternatives available to the marketer. For example a car manufacturer can select the middleclass or rich segments.
4. Selecting the target markets : The company has to select the target market. The company can select product specialisation, market specialisation, selective specialization or full market coverage.
5. Segment attractiveness: The segment which company is selecting should be attractive. The structural attractiveness depends upon five factors.
  - There is existence of strong rivals or competitors
  - Possibility of entry of new rivals
  - Substitute products
  - bargaining power of the buyers
  - bargaining power of the supplier

For example the segment can be structurally attractive if there is less possibility of entry of new rivals or if the bargaining power of the buyer is less.

6. Segment profitability: The Company has to decide the segment profitability. Analysis of the profitability of each

segment and the most profitable segment is to be selected.

7. Segment positioning: The positioning strategies are to be decided by the company for each segment. Positioning strategies can be attribute positioning or competitors positioning etc
8. Construct segment profile: The Company is required to prepare the detailed profile of the segment. That means the details about the customers age, geographical location, their lifestyle etc.
9. Marketing mix strategy: The Company has to decide the marketing mix strategy for each segment which means it has to decide product strategy, price strategy, place strategy and promotion strategy which can also be said as 4 Ps strategies.
10. Review Performance: After deciding the strategies the company has to keep on checking whether the product is accepted by market segment or not otherwise it has to take corrective actions.

### **Basis of Segmentation:**

Basis of segmentation can be divided in to four parts.

1. Geographic segmentation
2. Demographic segmentation
3. Psychographic segmentation
4. Behavioralsegmentation

#### **1. Geographic segmentation:**

Here the market is divided on the basis of region, city, density and climate.

#### **2. Demographic segmentation:**



In demographic segmentation buyers are grouped into different market segments on the basis of variables such as age, income occupation etc.

- (i) **Sex:** Here the products are manufactured for two segments male or female. For example cosmetics are manufactured especially for women.
- (ii) **Age:** The market is divided as per the age of the customers. For example Fashionable garments and bikes are designed for young consumers.
- (iii) **Size of the family:** Products are manufactured for small sized family as well as large families. For example Colgate tooth paste is available in two sizes for small and big families.
- (iv) **Income:** Customers belong to different income group and the marketers produce products for different income group. For example, cars for middle income group and higher income group.
- (v) **Family life Cycle:** The purchase of the customers is affected by family life cycle. The family does not remain of the same age all the time, as the life cycle changes the taste and preferences of the members also changes. The manufacturers also take in to consideration family life cycle while segmenting the market.
- (vi) **Occupation:** on the basis of occupation customers are divided in to groups such as professional and non professionals for example executive shirts are manufactured for executives.
- (vii) **Religion:** In India people follow various religions producers can produce the products as per religion. For example religious books for Hindus and Muslims and Christians.

(viii) **Education:** As per education customers can be segmented as educated and uneducated customer.

### 3. **Psychographic Base:**

In psychographic base the buyers are divided according to personality, lifestyle and social class they belong to.

- **Social Class:** Customers are generally divided into very rich, rich, upper middle class, lower middle class and poor class. The producers will produce the good for the customers belonging to different social class.
- **Lifestyle:** The purchase behavior of the customer is affected by different types of lifestyles. The marketer of furniture segments take this into consideration.
- **Personality:** Personality of the customer can also be considered as the base of market segmentation Customer can be ambitious dignified enterprising prestige conscious and self confident.

### 4. **Behavioral Base:** According to behavioral base the markets can be divided as per the occasion, rate of consumption, user status, usage rate, loyalty status, buyers readiness stage and attitude.

- (i) **Occasions:** The buyers can also be segmented as per the occasions, on some occasions there is a heavy demand and hence marketers can select occasion as the base. For example demand for hotel rooms during vacations.
- (ii) **Rate of consumption:** Buyers can also be segmented according to the rate of consumption .Customers can be segmented as heavy users low users frequent users etc.

- (iii) **Benefits:** The customers can be divided according to the benefit they seek from the product. For example some customers seek fresh breath from tooth paste some want germicheck, some clean and white teeth.
- (iv) **User status:** Market can be segmented as nonusers ex-users, potential users first time users and regular users of the products for example in case of shampoo there can be users, non users and ex users etc.
- (v) **Usage rate:** market can be segmented as heavy users and light users for example there are heavy and light user of sugar and salt.
- (vi) **Loyalty status:** According to loyalty status buyers can be divided into four groups hardcore loyals, split loyals shifting loyals and switchers.
- (vii) **Buyers readiness stage:** buyers can be divided in different stage of readiness to buy the products. For example aware customers,unaware customers,informed customers and uninformed customer.
- (viii) **Attitude:** customers can also be divided as enthusiastic customers, positive customers, indifferent customers negative and hostile customers.
- (ix) **Multi attribute segmentation:** In the competitive world marketer cannot stick to particular segment or few segments they combine several segment to make defined target group. For example the segment selected by the bank is wealthy retired adults as per the case study.

## **Evaluating and selecting market segments:**

The marketer has to be very careful in evaluating and selecting markets segments. If the segment selection is proper the marketer will be able to withstand the competition.

The company has to select five different patterns of target market selection.

1. **Single segment concentration:** It means the marketer manufactures only one product for one market segment.
2. **Selective specialization:** In selective specialization the firm manufactures different products for different market segments.
3. **Product specialization:** Here the firm manufactures one product for several market segments. For example manufacturing microscope for university, Government and commercial laboratories.
4. **Market specialization:** in market specialization the company produces several products for one market. For example the company decides to manufacture high quality soap washing powder, and shampoo for the rich customer.
5. **Full market coverage:** the company decides to manufacture various products for all the segment in the market.

**Conclusion:**

Due to market segmentation it becomes easy for the company to position the product well and develop various strategies related to marketing.