

Market segmentation

Markets consist of buyers, and buyers differ in one or more ways. They may differ in their wants, resources, locations, buying attitudes and buying practices. Through market segmentation, companies divide large, heterogeneous markets into smaller segments that can be reached more efficiently with products and services that match their unique needs. The process of dividing the market into segments (groups) according to customer needs and characteristics is called market segmentation. Thinking in terms of market segmentation helps marketers sell their products more efficiently. When marketers identify and understand the various groups of possible customers they can tailor their offerings to meet the exact needs of one or all of these groups.

▪ Definitions

1. A strategy that involves dividing a larger market into sub categories of consumers who have common needs and applications for the goods and services offered in the market. These subgroups of consumers can be identified by a number of different demographics, depending on the purposes behind identifying the groups. Marketing campaigns are often designed and implemented based on this type of customer segmentation.

2. “Dividing a market into smaller groups of buyers with distinct needs, characteristics or behaviors who require separate products. The company identifies different ways to segment the market and develop profiles of the resulting market segment”.

3. The process of dividing and subdividing a large market into clearly identifiable segments having similar needs, wants, or demands characteristics.

4. A **market segment** is a subgroup of people or organizations sharing one or more characteristics that cause them to have similar product needs.

- it is distinct from other segments (heterogeneity across segments)
- it is homogeneous within the segment (exhibits common attributes)
- it responds similarly to a market stimuli
- it can be reached by a market intervention

▪ Purpose of segmentation

- To increase marketing efficiency by focusing marketing efforts to a particular group
- To maximize scarce marketing resources

- To find a market with limited competition
- To select the most profitable segment
- To serve as a useful approach to marketing for the smaller firms (It allows target markets to be matched to company ability and makes it more achievable for the smaller firms to create a defensible niche in the market)
- To recognise gaps in the market that are not served or under-served (These can provide areas for new product development or extension of the existing product or service range)
- To allow marketers to match a product or service to the needs of the target market.

▪ **Methods of segmentation**

There is no single way to segment a market. The methods of dividing the market into segments are many and often it is a combination of methods that leads to success. A marketer has to try different segmentation variables, alone and in combination, to divide the market into segments. Customer markets are most commonly segmented on the following variables:

- a) Geographic
- b) Demographic
- c) Behavioural
- d) Psychographic
- e) Lifestyle

a) Geographic segmentation

Geographic segmentation calls for dividing the market into different geographical units, such as nations, states, regions, cities or neighbourhoods. A company may decide to operate in one or a few geographical areas, or to operate in all areas but pay attention to geographical differences in needs and wants. Some examples of geographic variables used for segmentation are as follows:

- **Region:** continent, country, state, city
- **Size of metropolitan area:** segmented according to size of population
- **Population density:** often classified as urban, suburban, or rural
- **Climate:** according to climate patterns common to certain geographic regions

b) Demographic segmentation

Demographic segmentation consists of dividing the market into groups based on the following variables:

- Age
- Gender
- Family size
- Education
- Income
- Occupation
- Socio economic status
- Religion
- Nationality
- Ethnicity
- Language

c) Behavioural segmentation

Behavioural segmentation divides buyers into groups based on their knowledge of, and attitudes, uses or responses to a product. Many marketers believe that behaviour variables are the best starting point for building market segments. Some of the behavioural variables used to segment buyer markets include:

- Benefits sought
- Usage rate: light, medium ,heavy users
- Brand loyalty: none, medium, high
- User status: potential, first time, regular, etc.
- Readiness to buy
- Occasions: holidays and events that stimulate purchases

D)Psychographic segmentation

Information about people such as their personality characteristics and lifestyle is called psychographics. When marketers segment a market according to life-style, they consider people's typical way of life. They take into account their family life cycle and the attitudes and values that determine their life-style. Some of the psychographic variables used to segment the market include:

- Personality
- Lifestyle
- Opinions
- Attitudes
- Values

d) Lifestyle segmentation

Lifestyle segmentation involves separating consumers into groups, based on their hobbies, interests, and other aspects of their lifestyles. People coming from the same social group, having the same level of education and even same type of occupation may well have different activities and interests. Some of the main lifestyle variables used to segment the market include:

- Preferences
- Shopping schedule
- Opinions
- Geography (Kotler et al., 1999; Armstrong et al. 2017).

References

- Kotler, P., Armstrong, G., Saunders, J. & Wong, V., 1999. Principles of Marketing, London: Prentice Hall.
- Armstrong, G., Kotler, P., Trifts, V. & Buchwitz, L. A., 2017. Marketing: an introduction, Toronto: Pearson.
- Kotler, P., 2000. Marketing Management, Boston: Pearson Custom Publishing.