

Semester: II (UG)

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Lecture Note # 2



Module – I, Unit -II

MARKET SEGMENTATION

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Market segmentation is the process of dividing a market of potential customers into groups, or segments, based on different characteristics. The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as similar interests, needs, or locations.

The customers show heterogeneous expectations from a particular commodity. Now, the task of the marketer is to segregate the customers having homogeneous expectation into sub-groups from this heterogeneous group. For example, the expectation from 'wrist watch' is different for different group of people. The youths use wrist watch for style, the aged men use it for knowing time only, the women may want it to be used as jewellery. Now the marketers need to develop the product specifically for these groups. The '*fastrack*' is the brand developed by Tata for the youths, the '*Titan*' for the Aged men, and the '*Raga*' for the women.

BASES OF MARKET SEGMENTATION

Segmenting is dividing a group into subgroups according to some set 'basis'. These bases range from age, gender, etc. to psychographic factors like attitude, interest, values, etc.

Gender

Gender is one of the simplest yet important bases of market segmentation. The interests, needs and wants of males and females differ at many levels. Thus, marketers focus on different marketing and communication strategies for both. This type of segmentation is usually seen in the case of cosmetics, clothing, and jewellery industry, etc.

Age group

Segmenting market according to the age group of the audience is a great strategy for personalized marketing. Most of the products in the market are not universal to be used by all the age groups. Hence, by segmenting the market according to the target age group, marketers create better marketing and communication strategies and get better conversion rates.

Income

Income decides the purchasing power of the target audience. It is also one of the key factors to decide whether to market the product as a need, want or a luxury. Marketers

usually segment the market into three different groups considering their income. These are

- High Income Group
- Middle Income Group
- Low Income Group

This division also varies according to the product, its use, and the area the business is operating in.

Place

The place where the target audience lives affect the buying decision the most. A person living in the mountains will have less or no demand for ice cream than the person living in a desert.

Occupation

Occupation, just like income, influences the purchase decision of the audience. There are many products which cater to an audience engaged in a specific occupation.

Usage

Product usage also acts as a segmenting basis. A user can be labelled as heavy, medium or light user of a product. The audience can also be segmented on the basis of their awareness of the product.

Lifestyle

Other than physical factors, marketers also segment the market on the basis of lifestyle. Lifestyle includes subsets like marital status, interests, hobbies, religion, values, and other psychographic factors which affect the decision making of an individual.

IMPORTANCE OF MARKET SEGMENTATION

Market segmentation makes it easier for marketing teams to develop highly targeted and effective marketing campaigns and plans.

The followings are the several benefits which exist with understanding and defining market segments.

Greater company focus

When a company has identified specific market segments, it helps them to focus on what segments they want to target with specific products/ services/ content/ blogs and

campaigns. When a company has a focus on specific segments, they ensure they are targeting the right segment with the right product which will see the greatest ROI.

Better serve a customer's needs and wants

Having defined segments enables companies to satisfy a variety of customer needs by offering different bundles and incentives. Different forms and promotional activities will be used for different segments based on that segments needs/ wants and characteristics.

Market competitiveness

When a company is focusing on a specific segment, their market competitiveness increases. Which in turn will lead to a higher ROI. The company is focused on specific segments and learns everything they need to know about that segment, to market their products to them.

Market expansion

With geographic segmentation as discussed earlier, market expansion is possible immediately. When a company understands their segments and how to market to a segment in a particular location, they can expand immediately into another nearby location. If segmentation is based on demographics, then once the company knows their demographic segment they can expand in that segment with similar products.

Targeted communication

Even when product features and benefits are the same, it is important for companies to target segments with specific communication. For example, if your segment was senior engineers, they may respond better to technical information about a product in the form of white papers or infographics, but a project manager might respond better to information regarding cost savings, efficiencies etc. in the form of a blog, case study or video. Messaging will be different for different segments. Platforms which are used to target different segments will be different also. The key is to understand your segments and target communication relevant to them on the relevant platforms.

DIFFERENCES BETWEEN PRODUCT DIFFERENTIATION & MARKET SEGMENTATION

Product Differentiation

A small business can differentiate its product using marketing techniques, by physically changing the product or by changing the price. Using marketing, you can create a brand or image in the mind of consumers by pointing out the difference between your product and those of your competitors. For example, your advertising can show that while your product may cost the same as that of your competitor's, it lasts longer, making it less expensive to use. If you sell tennis shoes, you can reinforce the toes, making it a longer-lasting shoe that appeals to frequent players who wear out their shoes. Lowering or raising the price of a product differentiates you from your competition.

Market Segmentation

Because consumers have different needs, even when shopping for the same product, it's important to know who is buying your product. This will help you plan your marketing, product development and pricing. You can sell a higher-priced version of your product with extra features in specialty stores to attract young, affluent singles, and sell another version with fewer features at a lower cost to young families or seniors. You can sell one version of your product to consumers, and another to businesses.

Reference:

- ❖ <https://www.feedough.com/market-segmentation-definition-basis-types-examples/>
- ❖ <https://www.imsmarketing.ie/business-strategy/the-importance-of-market-segmentation/>