

Market segmentation

Market segmentation is one of the most interesting and useful tool in the marketing.

According to American Marketing Association: - market segmentation refers to dividing the heterogeneous market into smaller customer group having certain homogeneous characteristics that can be satisfied by the firm”

Objective of market segmentation

It is a well-known fact that no buyers are identical they may differ on the basis of their nature, habit ,behavior, age, professionals ,liking, disliking and buyer preferences. Therefore the main objective of buyer market segmentation is to locate the difference among the buyer so that homogeneous groups of buyers can be determined.

Philip Kotler define the objectives of market segmentation in the following words the purpose of market segmentation is to determine difference among buyers which may be consequential in choosing among them or marketing to them

The following are some other objectives of market segmentation

- To make grouping of customer on the basis of their common characteristics such as nature, behavior, income, age, education, profession, religion.
- To identify the needs, priority given by the target customers
- To identifying the areas where customers may be created and market areas can be expended
- To determine marketing strategy target and goals of the organization.

Requirement for criteria for effective segmentation

Market segmentation has its own benefit and cost the strength of its lies in better understanding of the customers for making intelligent marketing decisions and their segmentation. Segmenting the market can be beneficial when the segment is used to make separate marketing programs for each segment and implementing them for effective market segmentation.

Following requirements criteria must be considered

- **Identifiable:** - the segment on the group of consumer must be clearly identified that is who is in segment and who is outside the segment. There must be clear difference between different segments
- **Measurable:** - the effectiveness of segmentation depends upon the measurability of variable on the basis of which market is segmented. There are many basis of what segmenting the market demographics, social, economic, resources are the objectives and measurable such as income, age, sex, education, profession.
- **Accessible:** - the segment which is identified must be accessible so that a firm can be reached through suitable means of communication and channels of distribution.
- **Responsiveness:** - identified market segment should respond favorably to our market efforts. Clearly defined segment must respond to change in any of the elements of marketing mix. For example if a particular segment is defined as price conscious it should react negatively to rise in price.
- **Significant:** - Another criterion for effective segmentation is that it must be worth by for cultivating and exploring it it must have sufficient buying power, willingness to purchase on ability to pay.
- **Sustainable-** segment must be large enough to justify a separate marking program. It should be large enough to justify the investment of market for the product and it should be large enough to be profitable

Major bases for segmentation

Market segment should be based on certain clear-cut variable like Geographic, demographic psychographics, behavioral, value-based volume based and benefit based.

- **Demographic segmentation**

This segmentation dividing the larger Markets into smaller groupings on the basis of the demographic variables such as income, age and life cycles, gender, education profession, families, generation or social class .Demographic is the most common bases for segmenting consumer market they are frequently used because wants difference and usage rates are often highly associated with demographic variables and are relatively easy to measure.

EXAMPLES

Age and life cycle stage divide the market on the basis of age as under 10 years ,10 -20 years, 20 -30 years and so on. Gender, such segmentation has been long applied in clothing, cosmetics, fashion, accessories motorcycle, perfume. Income determines the ability to purchase and hence is basis of segmentation. On the basis of education provide segment is done of illiterate, highly educated. Secondary, Senior Secondary graduate, post graduate, professional class of customers.

- **Geographic segmentation**:-marketers are frequently segmented markets on a Geographic basis .Industries which are the geographically concentrated. Like businesses uses natural resources locate close to the source .Sometimes need from source to locate near the industry pioneer so as to provide them with the supplies conveniently .Considering geographical segmentation marketing as means to consider the reliability of public utilities ,for quality of transportation, distribution structure in deciding where to expand its operations
- **Psychographic segmentation** this basis of segmentation is widely used by marketers. The important aspects of psychographic segmentation includes Lifestyle ,social class cultural values, personality of a consumer, a person Lifestyle ,social class ,culture. For example one can think of breaking values sticking to old product by getting rid of old ones.
- **Behavioral segmentation** behavioral segmentation is based on the customer response to his requirement. The way customer response is, address, on the way the product. For their classification it includes need motivation, perception, learning involvement, attitude occasions, benefits and the usage rate.
- **Value based segmentation** the segmentation should be the outcome of a match between the product features and the customer the market mast calculate total lifetime value of their customer and discounted to arrive at an excellent value
Customer's value
$$\text{Net present value of customer} = (\text{annual revenue from customer} \cdot \text{Number of years of association}) - \text{cost of acquiring the customer}.$$
- **Benefit segmentation** market segmentation provides opportunities that exist in market and a firm has to decide which of these opportunities to target with their marketing efforts all the benefits of segmentation. The main benefits of product can also be used as a basis to classify customer high quality ,low price, good taste, speed example of benefits for example some air travelers prefer economy class ,other seek executive class for comfort and status symbol. Some consumers of toothpaste give greater importance to freshness while other equity stall brightness of teeth.