Market Segmentation

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Marketing Management
Semester I
MBA

Outline:

1. Levels and bases for Segmentation, Segmenting Consumer Markets
2. Business Markets,
3. International Markets

Food and Drink Products @ HUL

Mass Marketing Vs Target Marketing

Mass Marketing: It views the market as a single market. Ex: Vim soap; Coca-Cola.
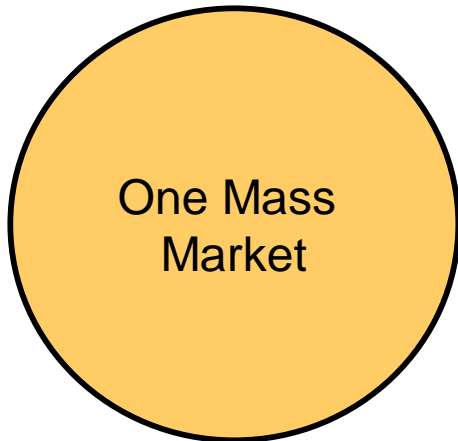
Target Marketing: Recognises and acts on differences within a market. Set of 4Ps is different for different variants.
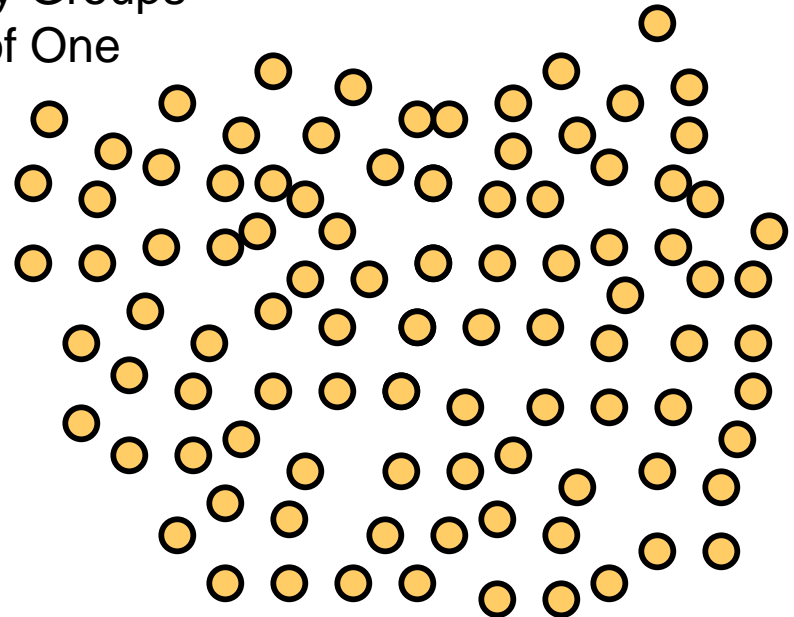
Ex: Indian Railways

Why segment?

Most efficient ←——————→ **Most effective**

One Mass Market

Many Groups of One

Requirements of a Market

- Need
- Ability
- Willingness
- Authority

Types of Markets

1. Consumer Markets
2. Business Markets
3. International Markets
4. Institutional Markets
5. Government Markets

Steps in Market Segmentation, Targeting & Positioning

Market segmentation

1. Identify bases for segmenting the market
2. Develop segment profiles

Target marketing

3. Develop measure of segment attractiveness
4. Select target segments

Market positioning

5. Develop positioning for target segments
6. Develop a marketing mix for each segment

Market Segmentation

Dividing a market into distinct groups with distinct needs, characteristics or behaviour who might require separate products or marketing mixes.

No single marketing mix can satisfy everyone. Therefore, separate marketing mixes should be used for different market segments.

Target Marketing

The process of evaluating each market segment's attractiveness and selecting one or more segments to enter.

Market Positioning

Arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

Bases for segmenting Consumer markets
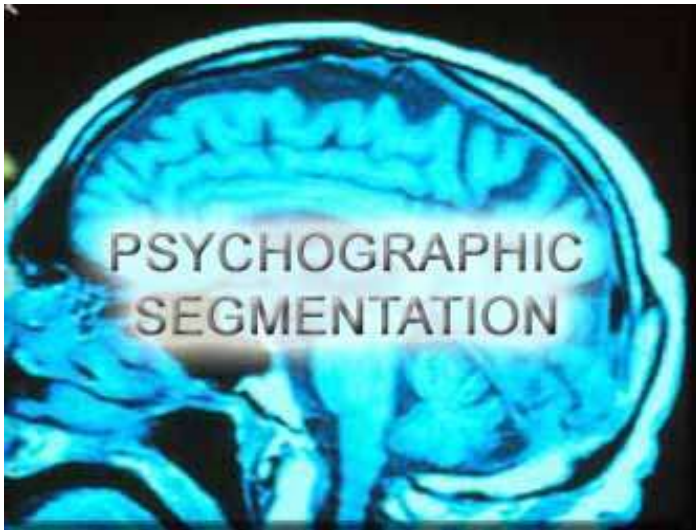
1. Geographic Segmentation
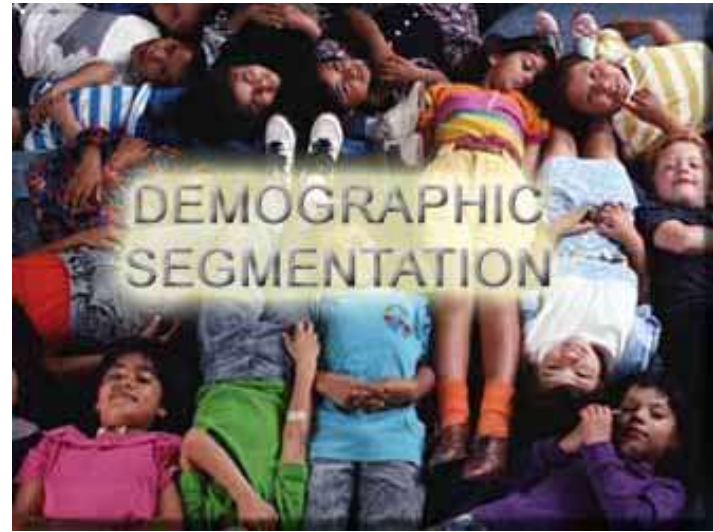
2. Demographic Segmentation

3. Psychographic Segmentation

4. Behavioural Segmentation

Segmenting Consumer Markets

GEOGRAPHIC SETMENTATION

DEMOGRAPHIC SEGMENTATION

PSYCHOGRAPHIC SEGMENTATION

PRODUCT-RELATED SEGMENTATION

Geographic Segmentation

Dividing an overall market into homogeneous geographical units on the basis of their locations, like nations, regions, states, counties, cities or neighbourhoods.

– Does not ensure that all consumers in a location will make the same buying decision.

– Help in identifying some general patterns.

Demographic segmentation

Dividing the market (consumer groups) based on demographic characteristics such as:

- gender,
- age,
- income,
- Occupation,
- education,

- religion,
- race,
- generation,
- nationality,

- family size,
- Stage in the family life cycle.

Psychographic Segmentation

Divides a population into groups that have similar psychological characteristics, namely, **social class**, **lifestyles** and **personality**.

Lifestyle: People's decisions about how to live their daily lives, including family, job, social, and consumer activities.

Behavioural Segmentation

Dividing a market into groups based on the following variables namely:

- Occasions
- Benefits
- User Status
- User Rates
- Use or response to a product

- Loyalty Status
- Readiness Stage
- Consumer Knowledge & Attitude Toward the Product

- **User Staus**: Non-user, Ex-user, Potential-user, first-time user, regular user.

- **Usage Rate**: Light user, Medium user, heavy user.

- **Loyalty Status**: None, medium, strong, absolute.

- **Readiness Stage**: Unaware, aware, informed, interested, desirous, intending to buy.

Segmenting Business Markets

Bases for segmenting Business Markets

- Demographic Segmentation
- Operating Variables
- Purchasing Approaches
- Situational Factors
- Personal Characteristics

- Demographic Segmentation
  - » Industry
  - » Company size
  - » Location

- Operating Variables
  - » Technology
  - » Usage Status – Heavy, Medium or light Users or Non-users
  - » Customer Capabilities

- Purchasing Approaches
  - » Purchasing Function organisation (centralised Vs decentralised)
  - » Power Structure
  - » Nature of existing relationships
  - » General purchase policies
  - » Purchasing Criteria (quality Vs Price Vs Service)

- Situational Factors
  - » Urgency
  - » Specific Application
  - » Size of the order

- Personal Characteristics
  - » Buyer – seller similarity
  - » Attitudes towards risk
  - » Loyalty

Segmenting International Markets

Bases for segmenting International Markets

- Geographic Segmentation

- Economic Factors

- Political and Legal Factors

- Cultural Factors

- **Geographic segmentation**
  - Location or region
- **Economic factors**
  - Population income or level of economic development
- **Political and legal factors**
  - Type / stability of government,
  - monetary regulations,
  - amount of bureaucracy, etc.
- **Cultural factors**
  - Language,
  - religion,
  - values,
  - attitudes,
  - customs,
  - behavioral patterns

The Market Segmentation Process

- Stage I: Identify Segmentation Process

- Stage II: Develop Relevant Profile

- Stage III: Forecast Market Potential

- Stage IV: Forecast Market Share

- Stage V: Select Specific Segment

Requirements for effective Segmentation

- **Measurable**
- **Accessible**
- **Substantial**
- **Differentiable**
- **Actionable**

Measurable

Can you identify the want …..out there…?

- Size,

- Purchasing power,

- Profile of segment

Accessible

Can you contact the segment (efficiently)?

- ….using radio
  - …..TV
  - newspaper
  - mail
  - directly (in a meeting)
  - the Internet
  - the telephone

Can be reached and Served….!

Substantial

Is it **large and profitable enough to serve**...!

Differentiable

Do they respond to your message?

Do they **respond differently.**

Actionable

Effective programs can be developed.

» Sales Promotional Program

» Separate Ad campaigns etc.,