

Market Segmentation in the Age of Diversity: A Necessity of Marketers

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Abstract

Marketing is communications between the company and the market to make customers interested in the products or services. It supports sales efforts and the starting point of marketing is the target market. Because one product or service cannot satisfy everybody's needs, a company needs to segment the available markets, and target a specific segment which its product really suits. It means market segmentation is very important nowadays. Companies can not survive without segregation of the market. The present paper discussed about the need of market segmentation and how the market can be segmented.

Key words: marketing, Marker Segmentation, Necessity

Introduction

Marketing is communications between the company and the market to make customers interested in the products or services. It supports sales efforts and the starting point of marketing is the target market. Because one product or service cannot satisfy everybody's needs, a company needs to segment the available markets, and target a specific segment which its product really suits. For example, you have to differentiate the rich and the price sensitive, male and female, adults and kids, gays and straights, etc, and you have to know "who" would possibly buy your products or services. Without knowing the different segments, you won't be able to promote your product to reach the right group of potential buyers. Segmentation refers to a process of bifurcating or dividing a large unit into various small units which have more or less similar or related characteristics.

Market Segmentation

- Market segmentation is a marketing concept which divides the complete market set up into smaller subsets comprising of consumers with a similar taste, demand and preference.
- A market segment is a small unit within a large market comprising of like minded individuals.
- One market segment is totally distinct from the other segment.
- A market segment comprises of individuals who think on the same lines and have similar interests.
- The individuals from the same segment respond in a similar way to the fluctuations in the market.

Basis of Market Segmentation

Gender

The marketers divide the market into smaller segments based on gender. Both men and women have different interests and preferences, and thus the need for segmentation.

Organizations need to have different marketing strategies for men which would obviously not work in case of females.

A woman would not purchase a product meant for males and vice a versa.

The segmentation of the market as per the gender is important in many industries like cosmetics, footwear, jewellery and apparel industries.

Age Group

Division on the basis of age group of the target audience is also one of the ways of market segmentation.

The products and marketing strategies for teenagers would obviously be different than kids.

Age group (0 - 10 years) - Toys, Nappies, Baby Food, Prams

Age Group (10 - 20 years) - Toys, Apparels, Books, School Bags

Age group (20 years and above) - Cosmetics, Anti-Ageing Products, Magazines, apparels and so on

Income

Marketers divide the consumers into small segments as per their income. Individuals are classified into segments according to their monthly earnings.

The three categories are:

High income Group

Mid Income Group

Low Income Group

Stores catering to the higher income group would have different range of products and strategies as compared to stores which target the lower income group.

Pantaloon, Carrefour, Shopper's stop target the high income group as compared to Vishal Retail, Reliance Retail

or Big bazaar who cater to the individuals belonging to the lower income segment.

▪ **Marital Status**

Market segmentation can also be as per the marital status of the individuals. Travel agencies would not have similar holiday packages for bachelors and married couples.

▪ **Occupation**

Office goers would have different needs as compared to school / college students.

A beach house shirt or a funky T Shirt would have no takers in a Zodiac Store as it caters specifically to the professionals.

Types of Market Segmentation

▪ **Psychographic segmentation**

The basis of such segmentation is the lifestyle of the individuals. The individual's attitude, interest, value help the marketers to classify them into small groups.

▪ **Behaviouralistic Segmentation**

The loyalties of the customers towards a particular brand help the marketers to classify them into smaller groups, each group comprising of individuals loyal towards a particular brand.

▪ **Geographic Segmentation**

Geographic segmentation refers to the classification of market into various geographical areas. A marketer can't have similar strategies for individuals living at different places.

Nestle promotes Nescafe all through the year in cold states of the country as compared to places which have well defined summer and winter season.

McDonald's in India does not sell beef products as it is strictly against the religious beliefs of the countrymen, whereas McDonald's in US freely sells and promotes beef products.

Market segmentation is the technique used to enable a business to better target its products at the right customers. It is about identifying the specific needs and wants of customer groups and then using those insights into providing products and services which meet customer needs.

Segments are usually measured in terms of sales value or volume.

Why do businesses need to segment their markets? Because customers differ in the...

- Benefits they want
- Amount they are able to or willing to pay
- Media (e.g. television, newspapers, and magazines) they see
- Quantities they buy
- Time and place that they buy

Purpose of marketing segmentation

The aim is to avoid a 'scattergun approach' to marketing by targeting your messages at specific groups of customers. This means different messages for different groups.

Customers like to receive information that is relevant to them and their needs which is the reason for carrying out market segmentation. But it also helps you to determine whether they are high, medium or low value customers.

High value customers buy expensive items on a regular basis whereas low value customers make the odd purchase now and again. Medium value customers are in between these two.

Need of Market Segmentation in Modern Marketing

Marketing segmentation is a vital part of any marketing campaign as it helps you to gain a greater understanding of your customers needs.

Better matching of customer needs

Customer needs differ. Creating separate offers for each segment makes sense and provides customers with a better solution.

Enhanced profits for business

Customers have different disposable income. They are, therefore, different in how sensitive they are to price. By segmenting markets, businesses can raise average prices and subsequently enhance profits.

Better opportunities for growth

Market segmentation can build sales. For example, customers can be encouraged to "trade-up" after being introduced to a particular product with an introductory, lower-priced product.

Retain more customers

Customer circumstances change, for example they grow older, form families, change jobs or get promoted, change their buying patterns. By marketing products that appeal to customers at different stages of their life ("life-cycle"), a business can retain customers who might otherwise switch to competing products and brands.

Target marketing communications

Businesses need to deliver their marketing message to a relevant customer audience. If the target market is too broad, there is a strong risk that (1) the key customers are missed and (2) the cost of communicating to customers

becomes too high / unprofitable. By segmenting markets, the target customer can be reached more often and at lower cost.

Gain share of the market segment

Unless a business has a strong or leading share of a market, it is unlikely to be maximising its profitability. Minor brands suffer from lack of scale economies in production and marketing, pressures from distributors and limited space on the shelves. Through careful segmentation and targeting, businesses can often achieve competitive production and marketing costs and become the preferred choice of customers and distributors. In other words, segmentation offers the opportunity for smaller firms to compete with bigger ones.

Conclusion

The American Marketing Association defines market segmentation as the process of subdividing a large homogenous market into identifiable segments having similar needs, similar behaviours or demand characteristics. Then, every targeted segment will be reached with the right marketing strategy.

There is a market and a target market for practically everything. Very few companies are big enough to supply the needs of an entire market, but most of them appreciate the need to find out who will buy their products.

Not knowing who will buy a product or assuming that everybody will do, can lead to wrong decisions, wrong pricing, wrong messages, and subsequently the downfall of the business is likely.

In order to avoid failing in reaching the business objectives, market segmentation becomes absolutely necessary. Why? In simple terms, because the market is comprised of millions of people and organizations that are so different from each other. This diversity requires dividing the market so that a company can aim its efforts and marketing resources in the most profitable way.

There are mainly three criteria that are used to determine market segments:

1. **Homogeneity (common needs within a segment)**
2. **Distinction (unique from other groups)**
3. **Reaction (similar response to market)**

The concepts to be measured within the criteria above can be: age, gender, education, marital status, lifestyle, income, family life cycle, social class, opinion, attitudes and beliefs, activities and interests.

In the case of B2B companies other concepts need to be acknowledged, such as: industries available, company stability, sales volume, location, and number of employees.

Once all this information has been compiled a description about potential customers can be written. It may be possible to locate them, or even to estimate how many of them there are where the business is looking for expansion. It is the moment to let prospective customers know that you exist.

Therefore, it is vital that companies and organizations carry out good Market Segmentation. In this way they will enjoy the benefits from showing consistency with their marketing strategy, and –more importantly– become more competitive with their target audience.

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