

## 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.

# **CHAPTER 4**

## **MARKET SEGMENTATION**

### **DEFINITION OF MARKET SEGMENTATION**

The process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs, wants, or demand characteristics.

### **NEED FOR MARKET SEGMENTATION**

Not all individuals have similar needs. A male and a female would have varied interests and liking towards different products. A kid would not require something which an adult needs. A school kid would have a different requirement than an office goer. Market Segmentation helps the marketers to bring together individuals with similar choices and interests on a common platform.

- Market Segmentation helps the marketers to devise appropriate marketing strategies and promotional schemes according to the tastes of the individuals of a particular market segment. A male model would look out of place in an advertisement promoting female products. The marketers must be able to relate their products to the target segments.
- Market segmentation helps the marketers to understand the needs of the target audience and adopt specific marketing plans accordingly. Organizations can adopt a more focused approach as a result of market segmentation.
- Market segmentation also gives the customers a clear view of what to buy and what not to buy. A Rado or Omega watch would have no takers amongst the lower income group as they cater to the premium segment. College students seldom go to a Zodiac or Van Heusen store as the merchandise offered by these stores are meant mostly for the professionals. Individuals from the lower income group never use a Blackberry. In simpler words, the segmentation process goes a long way in influencing the buying decision of the consumers.
- Market segmentation helps the organizations to target the right product to the right customers at the right time. Geographical segmentation classifies consumers according to their locations. A grocery store in colder states of the country would stock coffee all through the year as compared to places which have defined winter and summer seasons.
- Segmentation helps the organizations to know and understand their customers better. Organizations can now reach a wider audience and promote their products more effectively. It helps the organizations to concentrate their hard work on the target audience and get suitable results.

## **Requirements of Market Segments**

- Identifiable: the differentiating attributes of the segments should be able to be identified.
- Substantial: the segments should be sufficiently large to justify the resources required to target them.
- Accessible: the segments must be reachable through communication and distribution channels.
- Measurable: It has to be possible to determine the values of the variables used for segmentation with justifiable efforts. This is important especially for demographic and geographic variables. For an organization with direct sales (without intermediaries), the own customer database could deliver valuable information on buying behaviour (frequency, volume, product groups, mode of payment etc).

## **BASES FOR MARKET SEGMENTATION**

### **1. GEOGRAPHIC SEGMENTATION**

Market segmentation strategy whereby the intended audience for a given product is divided according to geographic units, such as nations, states, regions, countries, cities, or neighbourhoods. Marketers will tailor marketing programs to fit the needs of individual geographic areas, localizing the products, advertising, and sales effort to geographic differences in needs and wants. Marketers will also study the population density or regional climate as factors of geographic segmentation.

### **2. BEHAVIOR SEGMENTATION**

Market segmentation strategy whereby the division of the target market is made according to the patterns in which the people in the market live and spend their time and money. Buyers in a market will differ in their wants, resources, locations, buying attitudes, and buying practices and any of these variables can be used to divide a market. In behavior segmentation, potential buyers of a product are divided into groups based on their knowledge, attitude, uses, or responses to a product.

### **3. DEMOGRAPHIC SEGMENTATION**

Market segmentation strategy whereby the intended audience for a given product is divided into categories based on demographic variables (demographics). Demographic segmentation is the most popular basis for dividing groups, primarily because consumer usage and wants or needs usually match demographic categories, but also because

demographic variables are easy to measure and obtain. Age and life cycle segmentation is a form of demographic segmentation.

#### **4. PSYCHOGRAPHIC SEGMENTATION**

Market segmentation strategy whereby the intended audience for a given product is divided according to social class, lifestyle, or personality characteristics. Marketers segment markets by social class for the promotion of products such as cars, clothes, home furnishings, and leisure activities. When segmenting a market according to consumer lifestyles, marketers promote their products as expressions of those lifestyles, such as the promotion of natural fiber products as ideal for a natural, healthy, active life. Marketers use personality factors to segment markets by giving their products personalities that match consumer personalities. Typically this strategy is used to promote products such as women's cosmetics or liquor.

# **Marketing Environment: Meaning, Features Types and Importance**

## **1. Meaning of Marketing Environment:**

The marketing environment refers to all internal and external factors, which directly or indirectly influence the organization's decisions related to marketing activities. Internal factors are within the control of an organization; whereas, external factors do not fall within its control. The external factors include government, technological, economical, social, and competitive forces; whereas, organization's strengths, weaknesses, and competencies form the part of internal factors.

Marketers try to predict the changes, which might take place in future, by monitoring the marketing environment. These changes may create threats and opportunities for the business. With these changes, marketers continue to modify their strategies and plans.

## **2. Features of Marketing Environment:**

Today's marketing environment is characterized by numerous features, which are mentioned as follows:

### **2.1. Specific and General Forces:**

It refers to different forces that affect the marketing environment. Specific forces include those forces, which directly affect the activities of the organization. Examples of specific forces are customers and investors. General forces are those forces, which indirectly affect the organization. Examples of general forces are social, political, legal, and technological factors.

### **2.2 Complexity:**

It implies that a marketing environment include number of factors, conditions, and influences. The interaction among all these elements makes the marketing environment complex in nature.

### **2.3. Vibrancy:**

Vibrancy implies the dynamic nature of the marketing environment. A large number of forces outline the marketing environment, which does not remain stable and changes over time. Marketers may have the ability to control some of the forces; however, they fail to control all the forces. However, understanding the vibrant nature of marketing environment may give an opportunity to marketers to gain edge over competitors.

### **2.4. Uncertainty:**

It implies that market forces are unpredictable in nature. Every marketer tries to predict market forces to make strategies and update their plans. It may be difficult to predict some of the changes, which occurs frequently. For example, customer tastes for clothes change frequently. Thus, fashion industry suffers a great uncertainty. The fashion may live for few days or may be years.

## **2.5. Relativity:**

It explains the reasons for differences in demand in different countries. The product demand of any particular industry, organization, or product may vary depending upon the country, region, or culture. For example, sarees are the traditional dress of women in India, thus, it is always in demand. However, in any other western country the demand of saree may be zero.

## **3. Types of Marketing Environment:**

The sale of an organization depends on its marketing activities, which in turn depends on the marketing environment. The marketing environment consists of forces that are beyond the control of an organization but influences its marketing activities. The marketing environment is dynamic in nature.

Therefore, an organization needs to keep itself updated to modify its marketing activities as per the requirement of the marketing environment. Any change in marketing environment brings threats and opportunities for the organization. An analysis of these changes is essential for the survival of the organization in the long run.

A marketing environment mostly comprises of the following types of environment:

1. Micro Environment
2. Macro Environment

The discussion of these environments are given below:

### **1. Micro Environment:**

Micro environment refers to the environment, which is closely linked to the organization, and directly affects organizational activities. It can be divided into supply side and demand side environment. Supply side environment includes the suppliers, marketing intermediaries, and competitors who offer raw materials or supply products. On the other hand, demand side environment includes customers who consume products.

**Let us discuss the micro environment forces in the following points:**

#### **i. Suppliers:**

It provides raw material to produce goods and services. Suppliers can influence the profit of an organization because the price of raw material determines the final price of the product. Organizations need to monitor suppliers on a regular basis to know the supply shortages and change in the price of inputs.

#### **ii. Marketing Intermediaries:**

It helps organizations in establishing a link with customers. They help in promoting, selling, and distributing products.

## **Marketing intermediaries include the following:**

### **a. Resellers:**

It purchases the products from the organizations and sell to the customers. Examples of resellers are wholesalers and retailers.

### **b. Distribution Centers:**

It helps organizations to store the goods. A warehouse is an example of distribution center.

### **c. Marketing Agencies:**

It promotes the organization's products by making the customers aware about benefits of products. An advertising agency is an example of marketing agency.

### **d. Financial Intermediaries:**

It provides finance for the business transactions. Examples of financial intermediaries are banks, credit organizations, and insurance organizations.

### **iii. Customers:**

Customers buy the product of the organization for final consumption. The main goal of an organization is customer satisfaction. The organization undertakes the research and development activities to analyze the needs of customers and manufacture products according to those needs.

### **iv. Competitors:**

It helps an organization to differentiate its product to maintain position in the market. Competition refers to a situation where various organizations offer similar products and try to gain market share by adopting different marketing strategies.

## **2. Macro Environment:**

Macro environment involves a set of environmental factors that is beyond the control of an organization. These factors influence the organizational activities to a significant extent. Macro environment is subject to constant change. The changes in macro environment bring opportunities and threats in an organization.

### **Let us discuss these factors in details:**

#### **i. Demographic Environment:**

Demographic environment is the scientific study of human population in terms of elements, such as age, gender, education, occupation, income, and location. It also includes the increasing role of women and technology. These elements are also called as demographic variables. Before marketing a product, a marketer collects the information to find the suitable market for the product.

Demographic environment is responsible for the variation in the tastes and preferences and buying patterns of individuals. The changes in demographic

environment persuade an organization to modify marketing strategies to address the altering needs of customers.

## **ii. Economic Environment:**

Economic environment affects the organization's costs structure and customers' purchasing power. The purchasing power of a customer depends on the current income, prices of the product, savings, and credit availability.

### **The factors economic environment is as follows:**

#### **a. Inflation:**

It influences the customers' demand for different products. For example, higher petrol prices lead to a fall in demand for cars.

#### **b. Interest Rates:**

It determines the borrowing activities of the organization. For example, increase in interest rates for loan may lead organizations to cut their important activities.

#### **c. Unemployment:**

It leads to a no income state, which affects the purchasing power of an individual.

#### **d. Customer Income:**

It regulates the buying behavior of a customer. The change in the customer's income leads to changed spending patterns for the products, such as food and clothing.

#### **e. Monetary and Fiscal Policy:**

It affects all the organizations. The monetary policy stabilizes the economy by controlling the interest rates and money supply in an economy; whereas, fiscal policy regulates the government spending in various areas by collecting the revenue from the citizens by taxing their income.

## **iii. Natural Environment:**

Natural environment consists of natural resources, which are needed as raw materials to manufacture products by the organization. The marketing activities affect these natural resources, such as depletion of ozone layer due to the use of chemicals. The corrosion of the natural environment is increasing day-by-day and is becoming a global problem.

**Following natural factors affect the marketing activities of an organization in a great way:**

#### **a. Natural Resources:**

It serves as raw material for manufacturing various products. Every organization consumes natural resources for the production of its products. Organizations are realizing the problem of depletion of resources and trying best to use these resources judiciously. Thus, some organizations have indulged in de-marketing their products.

For example, Indian Oil Corporation (IOC) tries to reduce the demand for its products by promoting advertisements, such as Save Oil, Save India.

**b. Weather:**

It leads to opportunities or threats for the organizations. For example, in summer, demand for water coolers, air conditioners, cotton clothes, and water increases while in winter, the demand for woolen clothes and room heaters rises. The marketing environment is greatly influenced by the weather conditions of a country.

**c. Pollution:**

It includes air, water, and noise pollution, which lead to environmental degradation. Now-a-days, organizations tend to promote environment friendly products through its marketing activities. For example, the organizations promote the usage of jute and paper bags instead of plastic bags.

**iv. Socio-Cultural Environment:**

Socio-cultural environment comprises forces, such as society's basic values, attitudes, perception, and behavior. These forces help in determining that what type of products customers prefer, what influences the purchase attitude or decision, which brand they prefer, and at what time they buy the products. The socio-cultural environment explains the characteristics of the society in which the organization exists. The analysis of socio-cultural environment helps an organization in identifying the threats and opportunities in an organization.

For example, the lifestyles of people are changing day-by-day. Now, the women are perceived as an active earning member of the family. If all the members of a family are working then the family has less time to spend for shopping. This has led to the development of shopping malls and super markets, where individuals could get everything under one roof to save their time.

**v. Technological Environment:**

Technology contributes to the economic growth of a country. It has become an indispensable part of our lives. Organizations that fail to track ongoing technological changes find it difficult to survive in today's competitive environment.

Technology acts as a rapidly changing force, which creates new opportunities for the marketers to acquire the market share. Marketers with the help of technology can create and deliver products matching the life style of customers. Thus, marketers should observe the changing trends in technology.

**Following points explain the technological trends that affect the marketing environment:**

**a. Pace of Technological Change:**

It leads to product obsolescence at a rapid pace. If the pace of technological change is very rapid then organizations need to modify their products as and when required.

On the other hand, if the technology is not changing at a rapid pace then there is no need for the organization to bring constant changes in the product.

**b. Research and Development:**

It helps in increasing growth opportunities for an organization. Many organizations have developed a separate team for R&D to bring innovation in its products. Pharmaceutical organizations, such as Ranbaxy and Cipla, have started putting greater force in R&D and these efforts have led to great opportunities in global market.

**c. Increased Regulation:**

It refers to government guidelines to ban unsafe products. Marketers should be aware of these regulations to prevent their violation. Every pharmaceutical organization takes the approval of the Drugs Controller of India, which lays down the standards for drugs manufacturing.

**vi. Political and Legal Environment:**

Political and legal environment consists of legal bodies and government agencies that influence and limit the organizations and individuals. Every organization should take care of the fact that marketing activities should not harm the political and legal environment prevailing in a country. The political and legal environment has a serious impact on the economic environment of a country. For example, in some regions of Uttar Pradesh, Reliance Fresh had to shut down its stores because of the lack of political support.

**Various legislations affecting the marketing activities are as follows:**

- a. Anti-pollution laws, which affect the production or manufacturing of various products.
- b. Customer legislation, which tries to protect the customer's interest.

**The important acts set by the Indian government, which effect the marketing environment of an organization:**

- i. Prevention of Food and Adulteration – 1954
- ii. Drugs Control Act – 1954
- iii. Company Act – 1956
- iv. Standard Weights and Measurement Act – 1956
- v. MRTP- Monopoly and Restrictive Trade Practices – 1969
- vi. Display of Price Order – 1963
- vii. Indian Patents Act – 1970
- viii. Packaged Commodities Order – 1975
- ix. Environment Act – 1986

x. Consumer Protection Act – 1986

#### **4. Need for Analyzing the Marketing Environment:**

The business environment is not static. It is continuously changing with fast speed.

##### **The marketing environmental analysis will help the marketer to:**

- i. Become well acquainted with the changes in the environment.
- ii. Gain qualitative information about the business environment; which will help him to develop strategies in order to cope with ever changing environment.
- iii. Conduct marketing analysis in order to understand the markets needs and wants so as to modify its products to satisfy these market requirements.
- iv. Decide on matters related to Government-legal-regulatory policies in a particular country so as to formulate its strategies successfully amidst these policies.
- v. Allocate its resources effectively and diversify either into a new market segment or totally into a new business which is outside the scope of its existing business.
- vi. Identify the threats from the environment in terms of new competitors, price wars, competitor's new products or services, etc.; and prepare its strategies on the basis of that.
- vii. Identify the opportunities in the environment and exploit these opportunities to firm's advantage. These opportunities can be in terms of emergence of new markets; mergers, joint ventures, or alliances; market vacuum occurred due to exit of a competitor, etc.
- viii. Identify its weaknesses such as lower quality of goods or services; lack of marketing expertise; or lack of unique products and services; and prepare strategies to convert its weaknesses into strengths.
- ix. Identify its strengths and fully exploit them in firm's advantage. These strengths can be in terms of marketing expertise, superior product quality or services, or giving unique innovative products or services.

#### **5. Importance of Marketing Environment:**

The study of marketing environment is essential for the success of an organization.

##### **The discussion of importance of marketing environment is as follows:**

##### **1. Identification of Opportunities:**

It helps an organization in exploiting the chances or prospects for its own benefit. For example, if an organization finds out that customers appreciate its products as compared to competitors' products then it might encash this opportunity by giving discounts on its products to boost sale.

## **2. Identification of Threats:**

It gives warning signals to organizations to take the required steps before it is too late. For example, if an organization comes to know that a foreign multinational is entering into the industry then it can overcome this threat by adopting strategies, such as reducing the product's prices or carrying out aggressive promotional strategies.

## **3. Managing Changes:**

It helps in coping with the dynamic marketing environment. If an organization wishes to survive in the long run then it has to adapt to the changes occurring in the marketing environment.

## **Market segmentation**

Market segmentation is one of the most efficient tools for marketers to cater to their target group. It makes it easier for them to personalise their campaigns, focus on what's necessary, and group similar consumers to target them in an effective manner.

The process is being practised by marketers since the late 1900s. Simple though it may be, it is of vital use to forming any marketing plan.

### **What Is Market Segmentation?**

Market segmentation is a process of dividing the market of potential customers into smaller and more defined segments on the basis of certain shared characteristics like demographics, interests, needs, or location.

The member of these groups share similar characteristics and usually have one or more than one aspect common among them which makes it easier for the marketer to craft marketing communication messages for the entire group.

There are many reasons as to why market segmentation is done. One of the major reasons marketers segment market is because they can create a custom marketing mix for each segment and cater them accordingly.

### **Importance Of Market Segmentation**

Companies often deal with customers who belong to different age groups, have varied interests, and are motivated by different triggers.

Segmenting these potential customers into different groups –

- Makes it easier for the marketer to develop a different marketing mix for each customer segment which is more likely to bring results.
- Increases the results of the marketing efforts as each of the groups witness personalised marketing messages according to what stimulates them to do the task.

For example, a chips brand can launch a party pack for \$15 in cities where teens are more likely to buy them for parties. Whereas, the same brand may launch small packs in the country-side where people don't spend a lot on chips.

### **Bases Of Market Segmentation**

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

#### **Gender**

Gender is one of the most simple 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
- Mid 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. A need for an entrepreneur might be a luxury for a government sector employee. There are even 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.

## **Types Of Market Segmentation**

### **Geographic Segmentation**

Geographic segmentation divides the market on the basis of geography. This type of market segmentation is important for marketers as people belonging to different regions may have different requirements. For example, water might be scarce in some regions which inflates the demand for bottled water but, at the same time, it might be in abundance in other regions where the demand for the same is very less. People belonging to different regions may have different reasons to use the same product as well. Geographic segmentation helps marketer draft personalized marketing campaigns for everyone.

### **Demographic Segmentation**

Demographic segmentation divides the market on the basis of demographic variables like age, gender, marital status, family size, income, religion, race, occupation, nationality, etc. This is one of the most common segmentation practice among marketers. Demographic segmentation is seen almost in every industry like automobiles, beauty products, mobile phones, apparels, etc and is set on a premise that the customers' buying behaviour is hugely influenced by their demographics.

### **Behavioural Segmentation**

The market is also segmented based on audience's behaviour, usage, preference, choices and decision making. The segments are usually divided based on their knowledge of the product and usage of the product. It is believed that the knowledge of the product and its use affect the buying decision of an individual. The audience can be segmented into –

- Those who know about the product,
- Those who don't know about the product,
- Ex-users,
- Potential users,
- Current Users,
- First time users, etc.

People can be labelled as brand loyal, brand-neutral, or competitor loyal. They can also be labelled according to their usage. For example, a sports person may prefer an energy drink as elementary (heavy user) and a not so sporty person may buy it just because he likes the taste (light/medium user).

### **Psychographic Segmentation**

Psychographic Segmentation divides the audience on the basis of their personality, lifestyle and attitude. This segmentation process works on a premise that consumer

buying behaviour can be influenced by his personality and lifestyle. Personality is the combination of characteristics that form an individual's distinctive character and includes habits, traits, attitude, temperament, etc. Lifestyle is how a person lives his life.

Personality and lifestyle influence the buying decision and habits of a person to a great extent. A person having a lavish lifestyle may consider having an air conditioner in every room as a need, whereas a person living in the same city but having a conservative lifestyle may consider it as a luxury.

### **Nature of A Market Segment**

A market segment needs to be **homogeneous**. There should be something common among the individuals in the segment that the marketer can capitalise on. Marketers also need to check that different segments have different distinguishing features which make them **unique**. But segmenting requires more than just similar features. Marketers must also ensure that the individuals of the segment **respond in a similar way** to the stimulus. That is, the segment must have a similar type of reaction to the marketing activities being pitched.

A good market segment is always *externally heterogeneous and internally homogeneous*.

### **Examples Of Market Segmentation**

Market segmentation is a common practice among all the industries. It is not possible for a marketer to address the mass with same marketing strategy. Here are some examples of market segmentation to prove this point.

#### **Beauty Products**

While marketing beauty products, marketers often segment the target market according to the age of the users, the skin type, and also the occasion. A perfect example of this is Olay.

The company developed its 'Age Defying' product range to cater to mature adults and 'Clearly Clean' range to cater to young adults and teens.

#### **Fast Food**

Fast food chains like McDonald's often segment their target audience into kids and working adults and develop different marketing plans for both. Marketing efforts like distributing a toy with every meal works well for kids and providing the food within 10 minutes, free WiFi, and unlimited refills work well for working adults.

#### **Sports**

Sports brands like Nike, Adidas, Reebok, etc. often segment the market based on the sports they play which help them market the sports-specific products to the right audience.

## **Benefits Of Market Segmentation**

Segmenting the market offers the following benefits to the businesses –

- **Better Matching Of Customer Needs:** Different customers have different needs. By segmenting the target market and developing homogeneous groups, it becomes easier for the marketer to cater to the customer needs better.
- **Identification Of Gaps In The Market:** Market segmentation also results in the identification of target groups that are not targeted well in the market. This opens up opportunities for the business to exploit and make profits from.
- **Increased ROI:** Since market segmentation helps serve the customer needs better, it not only decreases spending unnecessarily but it increases repeated sales, and customers also return the favour in the form of referrals, word of mouth, etc.
- **Customer Retention:** Customers retain with a business which understands their needs and fulfils them as they require. Segmentation helps in this.
- **Increased Market Share:** Through market segmentation and targeted communication, a competitive advantage can be built which results in increased market share.

## **Disadvantages Of Market Segmentation**

Even though there are many advantages of market segmentations, there are some disadvantages and limitations as well.

- **Extensive Research And Development:** The process of market segmentation requires the business to do extensive research which is not feasible for some of the businesses.
- **Expensive Process:** Segmentation is an expensive process, both in terms of time and money. It requires the business to spend a lot to identify different groups and market to them differently according to their needs.

## **Marketing mix**

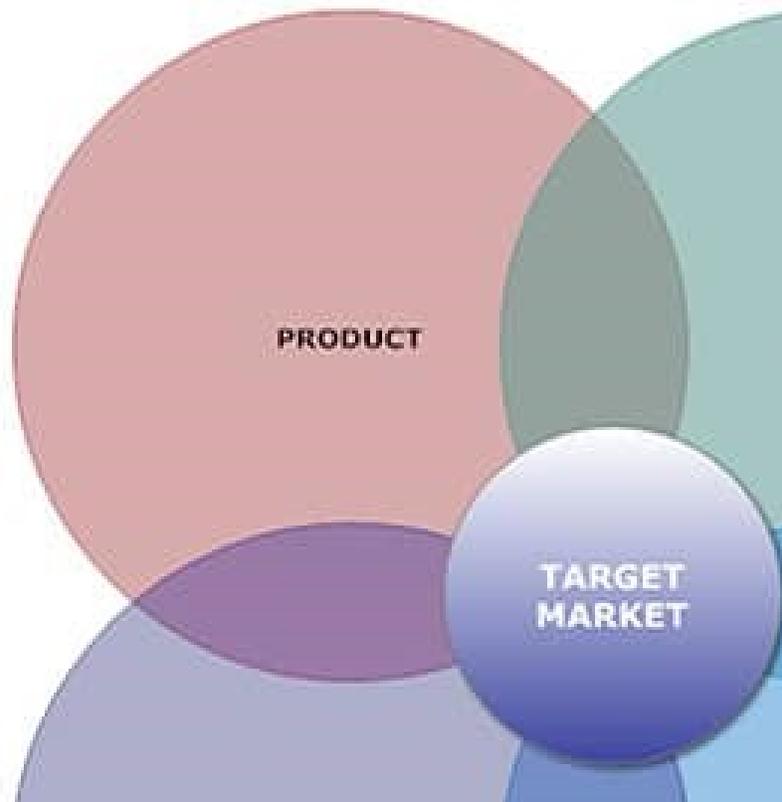
The **marketing mix definition** is simple. It is about putting the right product or a combination thereof in the place, at the right time, and at the right price.

The difficult part is doing this well, as you need to know every aspect of your business plan.

*As we noted before, the marketing mix is predominately associated with the 4P's of marketing, the 7P's of service marketing, and the 4 Cs theories developed in the 1990s.*

Here are the principles used in the application of the right marketing mix starting with the 4P's:

## Marketing Mix 4P's



A marketing expert named E. Jerome McCarthy created the Marketing 4Ps in the 1960s.

The **marketing mix definition** is simple. It is about putting the right product or a combination thereof in the place, at the right time, and at the right price.

The difficult part is doing this well, as you need to know every aspect of your business plan.

*As we noted before, the marketing mix is predominately associated with the 4P's of marketing, the 7P's of service marketing, and the 4 Cs theories developed in the 1990s. The marketing 4Ps are also the foundation of the idea of marketing mix.*

### **PRODUCT**

A marketing mix always begins with a product to sell. In the early development phase of your product, it is extremely important to carry out extensive research on the life cycle of the product you are creating. All products have their own life cycle including the growth phase, the maturity phase, and the sales decline phase. Once a product reaches the sales decline phase, marketers need to find new ways to increase sales again.

When developing the right product, it's important to ask yourself a series of questions to make sure your product is better than your competitors, i.e. what does the client want from the product? Or, how, where and why the client uses the product?

## **PLACE**

In a marketing mix, place refers to the position and distribution of the product you are selling in a place that is accessible to your target audience, this could be a high street shop, an online store, or mail order. Examples of distribution strategies include: intensive, exclusive, selective and franchising.

To make sure you position your product in the best possible place, it's vital to understand your customer and what their shopping habits may be. Therefore, to develop a distribution strategy, you need to ask yourself the following questions:

- Where do clients look for my product?
- Where do clients usually shop for products?
- Should I sell the product online?

## **PRICE**

Pricing is an extremely important component to your marketing mix as it determines your profit and costing of your product. Altering the price of a product can affect the entire marketing strategy, whilst also affecting the sales and demand of your product.

As a newcomer to the market, it's tempting to set your prices high, especially if you know your product is worth the price you are asking for. However, it's unlikely that your target audience will be willing to pay the price, simply because your brand is only starting out so you're not as recognisable or trustworthy – this comes with time.

Pricing also helps consumers to determine the perception of your product. For example, a lower priced product is deemed less inferior in terms of quality and ability, as opposed to a highly priced product.

## **PROMOTION**

In a marketing mix, promotion is an element that can boost sales and brand recognition through advertising, sales promotion, sales organisation, and public relations.

When promoting a product, you may decide on all of the promotion elements above, or simply choose the techniques that will target your audience more effectively. However, in order to create a successful product promotion strategy, here are a number of questions to ask yourself first:

- When is the best time to promote my product?
- What is the strategy my competitors are using?
- Should I use social media to promote the product?

- How can I send marketing messages to my target audience?
- What marketing channel is the best to promote my product for my audience?

The promotional strategy you use is also dependent on your budget, your communication and how you want to get your message across, and your target market.

## **PEOPLE**

Another important element in the marketing mix is people. This includes whether or not your target audience is large enough, and if there is a large enough demand for your product or not.

Consumers aren't the only important people to consider in your marketing strategy, you also have to take into the account the people who will be delivering the marketing and sales of your product. To make sure you deliver excellent service and marketing, you'll need people who are fully trained for the job, whether this is customer service assistants, copywriters, designers or a sales representative for example.

## **PROCESS**

As for processes in the marketing mix, the process of your organisation can affect the performance of the service you provide, involving the delivery of your product to consumers. As a business, it's crucial to make sure you're easy to do business with, meaning you're efficient, helpful and timely.

By making sure your business has a good process in place, you will also save time and money due to greater efficiency, and your standard of service to customers will remain consistent, which is excellent for developing a brand reputation and customer loyalty.

## **PHYSICAL EVIDENCE**

The final P in a marketing mix stands for physical evidence and it refers to everything your customers sees or hears when interacting with your business. This includes your branding, your product packaging, a physical space such as a shop, and even the way your staff and sales representatives act and dress – it's not all about the product! The way that you portray your brand physically has a great impact on consumers and can either lead or an increase, or decrease, in sales.

## **USING THE MARKETING MIX**

Each of the 7Ps found in a marketing mix work together to ensure your business is a success. The 7Ps also have an impact on your positioning, targeting, and segmentation decisions, so it's crucial to understand their benefits to create your own marketing mix.