

## **MARKETING MANAGEMENT**

### **UNIT-1**

### **PART-VI**

## **MARKET SEGMENTATION**

### Overview

All firms must formulate a strategy for meeting their potential buyers in markets. There are two possible alternatives. The firm may choose to provide one product to all its customers or it may decide to divide the market into sub-markets having homogeneous features and develop a separate marketing mix for each sub market. The former is known as undifferentiated approach, while the latter is called market segmentation approach. Products that can be marketed successfully with the undifferentiated approach include staple food items, such as sugar and salt, and certain kinds of farm produce. An undifferentiated approach is useful in only a limited number of situations because for most product categories, buyers have different needs. When customers' needs vary, a company should use the market segmentation approach.

### Meaning

Market segmentation is defined as "the process of taking the total heterogeneous market for a product and dividing it into several submarkets or segments, each of which tends to be homogeneous market segment is a group of individuals or organisations within a market that shares one or more common characteristics. The process of dividing a market into segments is called market segmentation Here are two types of market segmentation approaches: concentrated and differentiated. When an organisation uses concentrated market; segmentation, a single marketing mix is directed at a single market; when differentiated market

segmentation is employed, multiple marketing mixes are focused on multiple market segments

**Pre-Requisites for Segmenting Markets**

1. **Substantiality**, Substantiality refers to the size of segmented market When the size of the segment becomes small, it may not be possible for the marketer to develop separate marketing mix for such unprofitable segments. In short, demand from one segment must be substantial enough to make the marketing efforts worthwhile.

**Measurability**. The main purpose of market segmentation is to measure the changing behaviour patterns of consumers. Therefore, the segments should be capable of giving accurate measurements. But this is often a difficult task and the segments are to be under constant review. For example, the segment of a market for a car is motivated by a number of considerations such as economy, status, quality, etc.

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#### **2. Measurability:**

The main purpose of market segmentation is to measure the changing behaviour patterns of consumers. Therefore, the segments should be capable of giving accurate measurements. But this is often a difficult task and the segments are to be under constant review. For example, the segment of a market for a car is motivated by a number of considerations such as economy, status, quality, etc. Fig. 8.1(a) and Fig. 8.1(b) illustrate this.

**Prospects are Always Right, So Sell Them What They Want**

If They Want	<u>Sell Them</u>
<u>Safety</u>	Better Breaker, Date Doors, Better Body
If They Want	<u>Sell Them</u>
<u>Performance</u>	Smooth Pickup, Better Engine
If They Want	<u>Sell Them</u>
<u>Appearance</u>	Second Hand Value, Rust Prof, Interior Decorations
If They Want	<u>Sell Them</u>
<u>Comfort</u>	Riding Comfort, No Roll, No Dip. Better Seats
If They Want	<u>Sell Them</u>
<u>economy</u>	Savings in Fuel Cost, Less Repair
If They Want	<u>Sell Them</u>
<u>Dependability</u>	Weather Proof Battery, Dual Fuel Fillters

**Fig. 8.1: (a) How to Segment a Market?**

Demographic	Psychographic	Geographic	Behaviours
Age	Personality attributes	Region	Volume usage
Gender	Motives	Urban, suburban, rural	End use
Race	Lifestyles	Market density	Benefits expectations
Ethnicity		Climate	Brand loyalty
Income		Terrain	Price sensitivity
Education		City size	
Occupation		Country size	
Family size		State size	
Family life cycle			
Religion			
Social class			

**Fig. 8.1: (b) Common Bases of Market Segmentation**

**3. Accessibility:**

Accessibility could be attained through the existing channel of distribution, advertising media, salesmen, etc. Newspapers and magazines also offer some help in this direction for example, there are magazines meant exclusively for the youth, for the professional people, etc. The segments must permit the firm to direct successfully different marketing effort towards the segments. If the company cannot determine which media is needed to reach them, the market segmentation is useless.

#### **4. Representability:**

Another condition is the representability of each segment. Market segments must be representative in nature and must have individuality of them. For example, each segment will be small in the case of industrial products but comparatively large in respect of consumer products.

#### **5. Nature of Demand:**

Nature of demand refers to different quantities demanded by various segments. Each segmented market must exhibit difference in consumption rates from another segment. In short, segmentation is required only if there are marked differences in the nature of demand.

#### **6. Response Rates:**

The segments must show differences in responses to the marketing variables. If various segments respond in similar ways to a marketing mix, there is no need to develop a separate marketing mix. For example, if all segments respond in identical fashion to price changes, there is no need for different price for individual segments.

It should, however, be remembered that segmentation is much more than "chopping up" a market into one or more divisions. It also requires identifying the level of demand associated with the various segments and designing market mix to meet the unique needs and desires of a specific target segment.