
Market Segmentation

- Methods of Segmenting Consumer Markets
- Advantages of Market Segmentation
- Choosing the Right Market Segment

Methods of Segmenting Consumer Markets

- Demographic Segmentation
- Geographic Segmentation
- Lifestyle Segmentation
- Geo-demographic Segmentation
- Benefit Segmentation

Demographic Segmentation

- Most common method
- Market is categorised according to age, sex, family size, income levels, levels of education.
- E.g. Different income levels of people read different magazines. Different magazines target a different readership.
- This is reflected in the sorts of products and services advertised within their pages.

Geographic Segmentation

- Marked contrast exist in costumer behaviour between countries .
- Large variations in consumption patterns can also be found between different regions of a country.
- Therefore it makes sense to segment markets by geographical areas.
- This enables firms to allocate their budgets across the country better.

Lifestyle Segmentation

- Lifestyle segmentation describes people in terms of their interests, personalities, opinions, values and day to day activities.
- The information is gained by asking people to respond to a list of lifestyle statements by stating how well each one describes themselves.
- Then you get a set of beliefs and values which are used to build a profile of that customer.

Geo-demographic segmentation

- Geo-demographic segmentation is based on the principle that people like us live next door to us.
- People living in similar housing tend to share many demographic characteristics in common such as age, income, race

Benefit segmentation

- The market is divided by the basis of the benefits sought by consumers when buying a product
- E.g. benefit brand
fresh breath spearmint flavoured
 Golgate

Advantages of Market Segmentation

By using a market segmentation firms can

- Define their markets more precisely to gain a better understanding of the costumers' needs and wants and their buying behaviour
- Devise effective strategies to meet and satisfy this needs
- Analyse main competitors
- Respond rapidly to changing market trends
- Allocate resources effectively by concentration on a particular group
- Identivy gaps in the market by discovering areas of the market where customer' needs are not being catered for yet.



Choosing the Right Market Segment

Targeting Strategies

- Mass Marketing
- Selective Marketing
- Niche Marketing

Targeting Strategies

- **Mass marketing** = undifferentiated marketing: selling one product on the entire market.

Advantages: mass production, distribution in bulk, global advertising

- **Selective marketing = differentiated marketing.** Carefully designed to meet the needs of each segment served
- **Niche marketing = concentrated marketing.** Firms concentrate their selling to a small market segment or niche

Advantages:

- high level of specialisation results in a reduction of costs
- Possibility to occupy a dominant market position within the chosen niche
- Possibility to establish a strong image
- absence of large firms as competitors