# **SUMMARY OF FUNDAMENTALS OF MARKET SEGMENTATION ANALYSIS**

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**Ten Steps of Market Segmentation Analysis**

**STEP 1: DECIDING (NOT) TO SEGMENT**

Market segmentation analysis involves dividing a market into smaller groups of consumers who have similar needs or characteristics. Segmentation can help businesses better understand their customers and tailor their marketing efforts to be more effective.

Whether or not to segment depends on the specific business and its goals. Here are some factors to consider:

1. Size of the market: If the market is small, segmenting it may not be necessary. However, if the market is large and diverse, segmenting can help businesses focus their efforts on specific groups of consumers.
2. Customer needs and preferences: If customers have diverse needs and preferences, segmentation can help businesses create targeted marketing campaigns that resonate with each group.
3. Competition: If competitors are already using segmentation strategies, businesses may need to segment in order to stay competitive.
4. Resources: Segmentation can require additional resources, such as market research and marketing campaigns for each segment. If resources are limited, businesses may need to prioritize which segments to focus on.
5. Product or service offering: If the business offers a product or service that appeals to a wide range of consumers, segmentation may not be necessary. However, if the product or service has features that appeal to specific groups, segmentation can help the business reach those customers more effectively.

In summary, deciding whether or not to segment depends on the specific business and its goals. If the market is large and diverse, customers have diverse needs and preferences, and competition is already using segmentation strategies, it may be necessary to segment in order to stay competitive. However, if the market is small, customers have similar needs and preferences, and the product or service appeals to a wide range of consumers, segmentation may not be necessary.

**STEP 2 : SPECIFYING THE IDEAL TARGET SEGMENT**

Market segmentation analysis is a crucial process that involves dividing a market into smaller groups of consumers who have similar needs or characteristics. Once the market is segmented, businesses need to specify an ideal target segment to focus their marketing efforts on.

To specify the ideal target segment, businesses should consider several factors, such as segment size, growth potential, profitability, accessibility, and compatibility with the business's capabilities and resources.

The segment size refers to the number of consumers in the segment. A large segment size means a larger potential customer base for the business. Growth potential refers to the potential for the segment to expand or grow over time. Businesses should consider whether the segment is likely to grow or shrink in the future.

Profitability refers to the potential for the segment to generate revenue and profits for the business. A profitable segment is more attractive to businesses. Accessibility refers to the ability of the business to reach and communicate with the consumers in the segment. If a segment is difficult to reach, it may not be an ideal target for the business.

Compatibility refers to the fit between the segment's needs and the business's capabilities and resources. If a segment's needs are not compatible with the business's capabilities or resources, the business may struggle to serve the segment effectively.

By considering these factors, businesses can identify the ideal target segment that aligns with their goals and capabilities. This enables businesses to tailor their marketing efforts to reach and appeal to the specific needs and preferences of the target segment, leading to increased sales and customer loyalty.

**STEP 3 : COLLECTING DATA**

Market segmentation analysis involves collecting data to better understand the needs, characteristics, and behaviour of consumers in a market. This data can be collected through various methods, such as surveys, focus groups, and customer feedback.

To collect data, businesses should first identify the information they need to make informed decisions about market segmentation. This may include

* Demographic data
* Psychographic data
* Geographic data
* Behavioural data.

Demographic data refers to information such as age, gender, income, education, and occupation. Psychographic data refers to information about consumers' lifestyles, values, attitudes, and personality traits. Geographic data refers to information about consumers' location, such as region, city, or neighbourhood. Behavioural data refers to information about consumers' purchasing habits, brand loyalty, and product usage.

Once the necessary data has been identified, businesses can use various methods to collect the data, such as surveys, focus groups, and customer feedback. Surveys can be conducted online, through phone calls, or in-person, and can be designed to collect a wide range of data. Focus groups involve gathering a small group of consumers to discuss their thoughts and opinions on a particular topic. Customer feedback can be collected through various channels, such as social media, email, or in-store interactions.

By collecting data, businesses can gain a better understanding of the needs, preferences, and behaviour of their target audience, allowing them to develop more effective marketing strategies and tailor their offerings to meet the specific needs of different consumer segments.

**STEP 8 : TARGET SEGMENTS**

As per above step, detailed information analysis takes place and retrieve ideal segment to improve organization marketing plan. Organization decide which segment is crucial to take place as per investment required and long term plan. Selecting the target segments is a crucial step in market segmentation analysis. Once a business has identified potential segments and collected data to understand their needs and behaviour, it can choose which segments to target with its marketing efforts.

The selection of the target segments should be based on several factors, including the size of the segment, its growth potential, profitability, accessibility, and compatibility with the business's capabilities and resources.

The size of the segment is important because it determines the potential customer base for the business. A larger segment may provide more opportunities for growth and revenue. Growth potential refers to the potential for the segment to expand or grow over time. Businesses should consider whether the segment is likely to grow or shrink in the future.

Profitability is another important factor. A profitable segment can generate revenue and profits for the business. Accessibility refers to the ability of the business to reach and communicate with the consumers in the segment. If a segment is difficult to reach, it may not be an ideal target for the business.

Compatibility refers to the fit between the segment's needs and the business's capabilities and resources. If a segment's needs are not compatible with the business's capabilities or resources, the business may struggle to serve the segment effectively.

Ultimately, businesses should choose the target segments that align with their goals and capabilities. By focusing on a specific segment, businesses can tailor their marketing efforts to meet the needs and preferences of that segment, leading to increased sales and customer loyalty.

**STEP 9 : CUSTOMISING THE MARKETING MIX**

Market segmentation does not stand independently as a marketing strategy. Rather, it goes hand in hand with the other areas of strategic marketing, most importantly: positioning and competition. In fact, the segmentation process is frequently seen as part of what the segmentation targeting is referred to as positioning approach. To best ensure maximising on the benefits of a market segmentation strategy, it is important to customise the marketing mix to the target segment. The selection of one or more specific target segments may require the design of new, or the modification or rebranding of existing products (Product), changes to prices or discount structures (Price), the selection of suitable distribution channels (Place), and the development of new communication messages and promotion strategies that are attractive to the target segment (Promotion). Customising the marketing mix is an essential step in market segmentation analysis, where businesses tailor their marketing efforts to meet the needs and preferences of specific consumer segments. The marketing mix comprises four key elements: product, price, promotion, and place. By customising these elements for each segment, businesses can create a targeted and effective marketing strategy. The product element involves developing products that meet the specific needs and preferences of each segment. For instance, a business may offer different product features, packaging, or branding for different segments. The price element involves setting prices that are attractive to each segment. For instance, a business may offer discounts or promotions to price-sensitive segments or premium prices to segments that value quality over price.

The promotion element involves creating advertising and promotional campaigns that appeal to each segment. For instance, a business may use different advertising channels or messaging to reach different segments.

The place element involves distributing products through channels that are accessible to each segment. For instance, a business may use different distribution channels or locations to reach different segments.

By customising the marketing mix for each segment, businesses can create a targeted and effective marketing strategy that meets the specific needs and

preferences of each segment. This can lead to increased sales, customer loyalty, and overall business success.