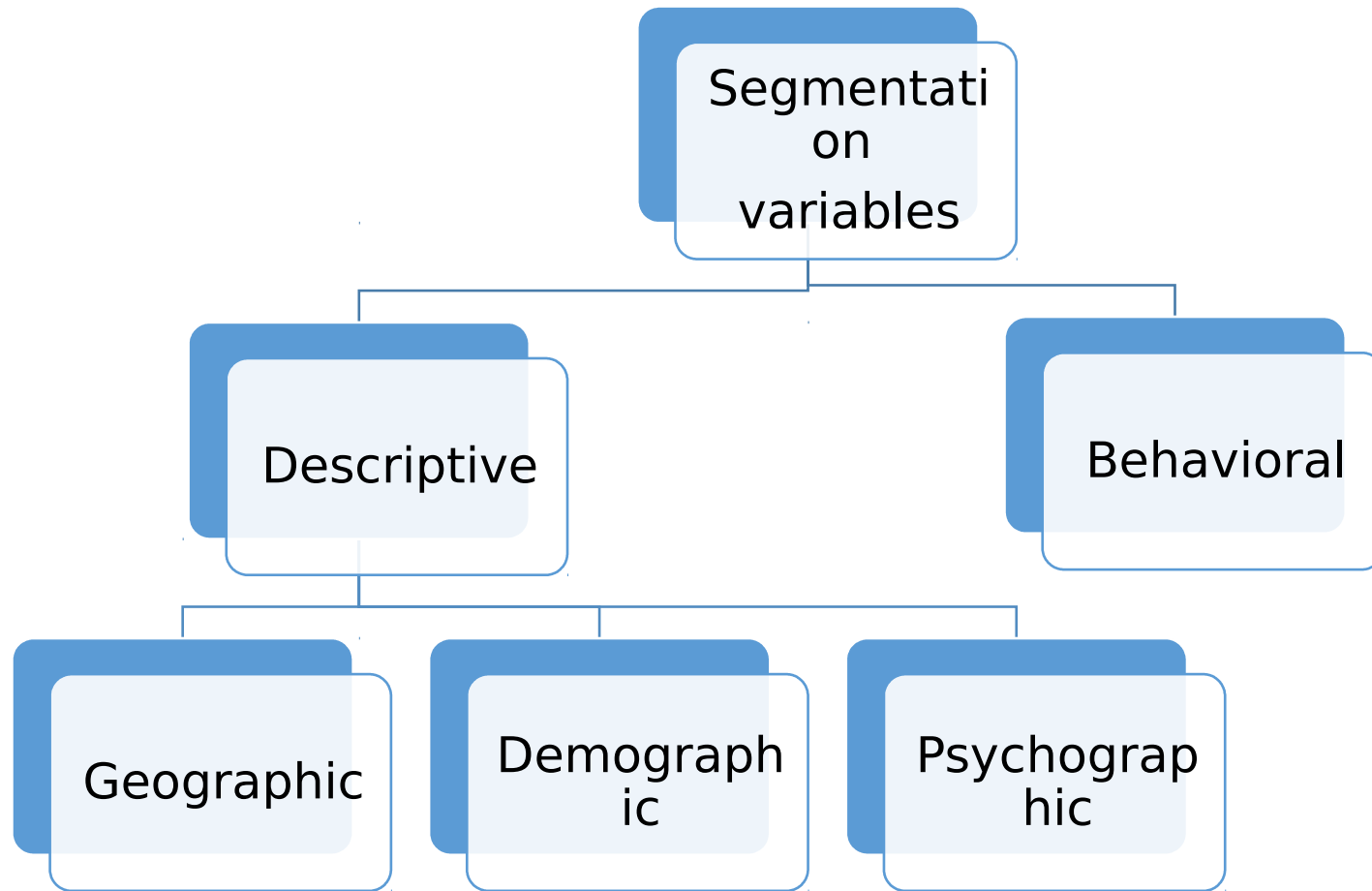


CHAPTER 7: IDENTIFYING MARKET SEGMENTS AND TARGETS

- Market segmentation is the process of defining and subdividing a complete market into clearly identifiable segments having similar needs, wants, or demand characteristics.
- A market segment consists of a group of customers who share a similar set of needs and wants.

Bases of segmenting consumer markets



Geographic segmentation

Countries

Region (International) – South Asia, Indochina, Latin America, etc

Region (Domestic)– South, West, North, East

State

City –Tier 1 cities, Tier 2 cities, etc

Rural and semi-urban areas

Climate

Demographic segmentation

Age and life cycle stage

Life stage

Family size

Marital status

Gender

Income

Occupation

Education

Socio-Economic Classification (SEC)

Generation – Baby boomers, Generation X, Generation Y, Generation Z,
Generation alpha

Psychographic Segmentation

In psychographic segmentation, buyers are divided on the basis of their psychological/personality traits, lifestyles or values

Lifestyle

Beliefs

Personality traits

Interests

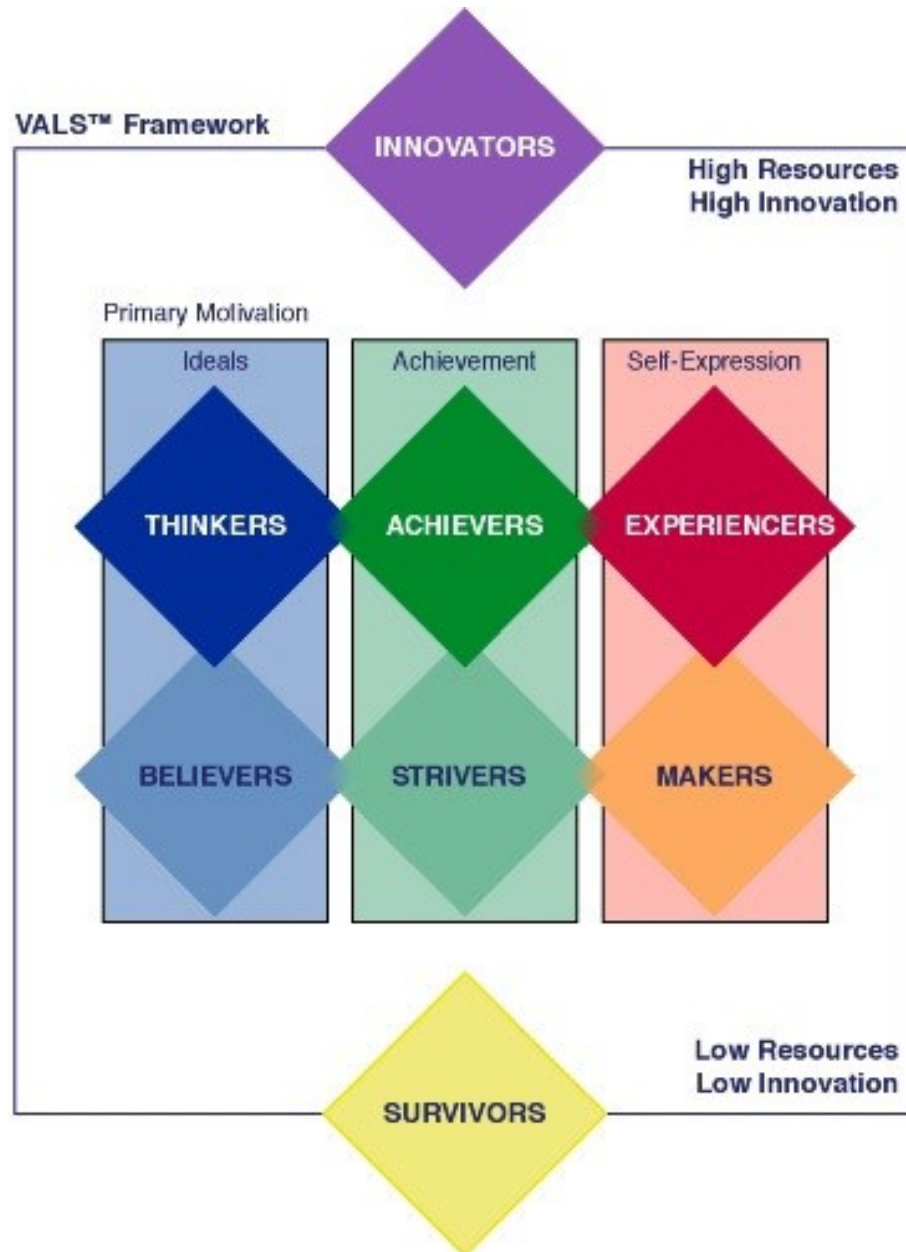
VALS framework

Three primary motivations

Ideals - Consumers driven by knowledge and principles

Achievement - Consumers driven by demonstrating success to their peers

Self-expression - Consumers driven by a desire for social or physical activity, variety, and risk taking



Four groups with higher resources

Innovators - Image is important to them as an expression of taste, independence, and character. Seek relatively upscale, niche-oriented products and services.

Thinkers - They are mature, responsible, well-educated. They seek durability, functionality and value in products.

Achievers - Successful goal oriented people who focus on career and family. Prefer premium products that show success to their peers.

Experiencers - Young, enthusiastic people who seek variety and excitement. Spend more on fashion, entertainment and socializing

Four groups with lower resources

Believers - Conservative, conventional and traditional people with concrete beliefs. Favor local products and established brands.

Strivers - Trendy- and fun-loving people. Favor stylish products that emulate the purchase of those with greater material wealth.

Makers - Practical, down-to-earth, self-sufficient people. They appreciate practical and functional products

Survivors - They are the oldest of all the segments. Within their limited means, they tend to be brand-loyal consumers.

Behavioural segmentation

- Purchase/Usage Occasion – Regular, Special
- Benefit sought – Quality, service, economy, speed, service level, access
- User Status – Non-user, ex-user, potential user, first-time user, regular user
- Usage rate – Light user, heavy user, moderate user
- Loyalty status – None, medium, strong, absolute
 - Hard-core loyals, Split loyals, Shifting loyals, Switchers
- Readiness stage – Unaware, aware, informed, interested, desirous, intending to buy
- Attitude towards the product – Enthusiastic, positive, indifferent, negative, hostile
- Adopter status – Early adopter, late adopter, laggard

Bases for segmenting business markets

Demographic

Type of industry

Company size

Location

Operating variables

Technologies

User status – Heavy users, medium users, light users or nonusers

Customer capabilities

Purchasing approaches

Purchasing function organisation: highly centralized or decentralized

Power structure: engineering dominated, financially dominated, etc

Nature of existing relationship

General purchasing policies: On the time payment, leasing, service contract, credit transactions, sealed bidding

Purchasing criteria: Seeking quality or price or service or any of the combinations

Situational factors

Urgency

Specific application

Order size

Personal characteristics

Buyer-seller similarity

Attitude toward risk

Loyalty

Five key effective segmentation criteria

Measurable

Size, purchasing power profile of segment

Substantial

Large and profitable enough to serve

Accessible

Can be effectively reached and served

Differentiable

Segments should be differentiable and respond differently to different marketing mix elements and programs.

Actionable

Effective programs can be formulated for attracting and serving the segments

Targeting

Is the process of identifying and focusing on the segments that are most feasible for the organization.

Target market

Target market consists of set of buyers who share common needs and characteristics that the company decides to target. Target market is a subset of the total market for a product or service.

Steps in segmentation process

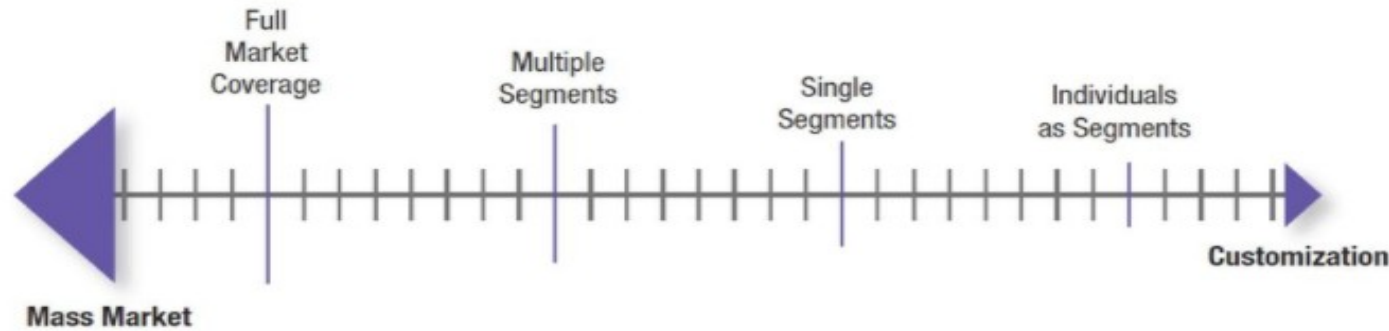
- 1) **Needs-Based Segmentation** : Grouping customers based on similar needs and benefits sought by customers in solving a particular consumption problem
- 2) **Segment identification**: Based on needs-based segment, determine demographics, usage behaviours , etc that make the segment distinct and identifiable
- 3) **Segment attractiveness**: Study the over all attractiveness of each segment and based on criterias like size, risk, market growth, competitive intensity and market access.

Porter's five force model

- a) Threat of intense segment rivalry
- b) Threat of new entrants
- c) Threat of substitute products
- d) Threat of buyers' growing bargaining power
- e) Threat of suppliers' growing bargaining power

- 4) Segment profitability:** Study the profitability of each segment that have been found as substantially attractive for the organisation
- 5) Segment positioning:** For each feasible segment, create a value proposition and product-price positioning strategy based on segment's unique customer needs and characteristics.
- 6) Segment acid test:** Testing the attractiveness of each segment's positioning strategy
- 7) Marketing-mix strategy:** Expand the segment positioning strategy to include all the elements of marketing mix.

Possible levels of segmentation



1) Full market coverage

Firm attempts to serve all the customers with all the products they might need.

Undifferentiated/mass marketing – the firm ignores segment differences and goes after the whole market with one offer

Differentiate marketing – Firm sells different products with different marketing mix to different segments

2) Multiple segment specialization

3) Single segment concentration

Firm markets only to one particular segment

Niche – A sub segment under a segment that seeks a distinctive mix of benefits

4) Individual marketing/Customized marketing

THANK YOU