Market Segmentation Analysis

By -Tushar Kesare

Strategic of Marketing:

Strategic marketing is a method through which an organization differentiates itself from its competition by focusing on its strengths to provide better service and value to its customers.

strategic marketing planning process:

- **Planning phase**: In this phase, the various aspects of an organisation, such as its strengths, weaknesses and technology are assessed. The overall state of the organisation is also presented to the management.
- **SWOT analysis**: This method analyses the strengths, weaknesses, opportunities and threats related to the organisation. The results of this analysis help in developing a strategic marketing proposal for the organisation.

Market Segmentation:

Market segmentation is a marketing term that refers to aggregating prospective buyers into groups or segments with common needs and who respond similarly to a marketing action.

Market segmentation helps companies minimize risk by figuring out which products are the most likely to earn a share of a target market and the best ways to market and deliver those products to the market.

Market segmentation is a marketing strategy in which select groups of consumers are identified so that certain products or product lines can be presented to them in a way that appeals to their interests.

Benefits of Market Segmentation:

1. Higher Rate of Success

Market segmentation means to study your market, to be more precise it helps to divide a bigger market into smaller modules and lets the marketers know the potential of the market/consumers which reduces the risk of loss and thus there are higher chances of success for the business.

2. Increases Profitability

Market segmentation is a very effective process for business and it helps the business to target particular segments of the market and thus helps to find better business opportunities pertaining to that particular market segment. The marketers can thus, strategize their campaigns as per the chosen market segment needs and requirements and helps to increase the business profitability. This technique lets the companies focus on one particular segment rather than the whole market which in return gives increased profit.

3. Increases Competitiveness

When the focus and the target market is clearly identified to the marketers and the business team, then comes the competitiveness. As the target market is known to the business, the competition in the market will increase and the marketing team will come up with new innovative ideas to promote their brand better to stand out among the competitors. Different offers and discounts will help the marketing team to attract more consumers and knowing your consumers better will help gain brand loyalty.

4. Retention of Customer

Retaining customers is very crucial for the business and market segmentation helps in customer retention. Once the business knows the consumers, their needs can be catered well and the customer's experience with the market brand will help to connect with the product/service like the hospitality sectors. Consumers mostly prefer the products/services they have experienced especially in the cases of airlines and hospitals.

5. Creates and Provides Market Opportunities

Market segmentation helps to identify and recognize potential market opportunities. The market segments where the consumers are less satisfied with the other brands are the opportunity areas for the company to focus and to establish their brand. The companies can work in these segments and provide a better product to the consumers than the already existing ones in the market and earn the consumer's loyalty. Thus, market segmentation gives excellent market opportunities.

6. Effective Market Campaigning

As the business knows the consumers and their needs, the marketing team can customize or personalize their marketing campaign accordingly and organize their strategies as per the need of the market which is directly proportional to the success of the business.

7. Wise and Efficient Use of Resources

Market segmentation helps to save unnecessary time and effort engaged in the marketing campaign by identifying the potential areas of the market. Thus it helps to use the company resources and money in a more streamlined and efficient manner.

8. Higher Customer Satisfaction

Market segmentation directs or guides the company to make its marketing efforts consumer and market-oriented in a specific market segment, and lets the companies serve the consumers better, increasing customer satisfaction which is the ultimate goal of the business.

9. Cost-Efficient

Efficient market research and market segmentation help to save a lot of useful time, money, and resources invested in the marketing campaign. Also as the customers are grouped as per their needs, commonalities, choices, statuses, etc. it becomes easy to target the audience for the marketers. Thus through market segmentation, the campaign management process is conducted very smoothly and efficiently in a cost-effective manner.

10. Know your Customer Better

Market segmentation helps to study the market needs and potential consumer which reduces the risk of loss or unsuccessful marketing campaigns. As the market research is done in advance before the campaign the chances of being successful are much more as the segmentation of the market helps the marketers to do their homework for marketing. The marketers can strategize and plan their campaigns as per the generic needs of the potential consumers as per the market research.

Step 1: Deciding to Segment

Implications of Committing to Market Segmentation:

Segmentation helps marketers to be more efficient in terms of time, money and other resources. Market segmentation allows companies to learn about their customers. They gain a better understanding of customer's needs and wants and therefore can tailor campaigns to customer segments most likely to purchase products.

Customers

The main implication of a marketing strategy is the orientation toward meeting customer needs that results in increased customer satisfaction. Once you have identified your target market and the characteristics of your targeted customers through surveys and market studies, you can focus on strategies to serve your customers better than your competition. Customer impressions of your company improve with this focus, and your image in the marketplace becomes more positive.

Products

A marketing strategy has important implications for product design and promotion. Once you know what your customers want, you have to ensure that the product features meet their needs or change the design to add corresponding features. Instead of convincing customers to buy the product you have, you offer them the product they need and promote the features they want. A marketing strategy focused on offering products that suit your target market promotes innovation and improves product quality. The marketing strategy then specifies that you run ads promoting the innovative nature and high quality of your products.

Performance

With improved customer satisfaction and innovative products of high quality, your company can increase both sales and profitability. Your marketing strategy projects the increased demand based on market studies and allows you to plan production to meet it. At the same time, your marketing strategy identifies the price that members of the target market are willing to pay for the newly revised product. A well-implemented marketing strategy lets you plan for increased production with confidence while reducing costs by eliminating expensive product features that your target market members don't value. The result is improved company performance.

Employees

For employees, an effective marketing strategy implementation means working for a more successful company. Better company performance improves employee morale, and high-quality products result in high levels of commitment to the organization. The customer-orientation of the marketing strategy gives employees increased job satisfaction as they deal with customers who have positive experiences with company products and in customer service. Such an atmosphere is conducive to excellent team spirit and employee cooperation to achieve ambitious company objectives.

Implementation Barriers

Products

Product quality affected by a marketing Segmentation because of the quality what to provide and quality may be poor it's harm company growth as well as company status. Product may be poor quality or not good then product may be discontinued as soon as and also company reputation will be loss.

Performance

Performance of the product was not good then automatically disrespect of the product by peoples way Social media ,by person to person talk ,blogs etc.

Employee/staff

Good staff or employee also be a part to become successful business or market Segmentation but if the employee behavior and service provide are not good then company affect market Segmentation.

Cost

Cost of the product also important factor to more production of the product if cost is higher side then can not buy a middle-class people .

Cost can be decide quality based also if quality was not good and price is high then it's not good for market Segmentations.

Step 2: Specifying the Ideal Target Segment

Segment Evaluation Criteria

1.Measurable

The size and purchasing power profiles of your market should be measurable, meaning there is quantifiable data available about it. A consumer's profiles and data provide marketing strategists with the necessary information on how to carry out their campaigns.

It would be difficult to create advertisements for markets that have little to no data or for audiences that can't be measured. Always ask whether there is a market for the kind of product or service that your business wants to produce then define how many possible customers and consumers are in that market.

2. Accessible

Accessibility means that customers and consumers are easily reached at an affordable cost. This helps determine how certain ads can reach different target markets and how to make ads more profitable.

A good question to ask is whether it's more practical to place ads online, on print, or out of house. For example, gather data on the websites a specific target market usually visits so you can place more advertisements on those websites instead.

3. Substantial

The market a brand should want to penetrate should be a substantial number. You should clearly define a consumer's profiles by gathering data on their age, gender, job, socio-economic status, and purchasing power.

It doesn't make sense to try and reach an unjustifiable number of people — you're just wasting resources. However, you also don't want to market the brand to a group too small that the business doesn't become profitable.

4. Differentiable

When segmenting the market, you should make sure that different target markets respond differently to different marketing strategies. If a business is only targeting one segment, then this might not be as much of an issue.

But for example, if your target market is college students, then it's essential to create a marketing strategy that both freshman students and senior students react to in the same positive way. This process ensures that you are creating strategies that are more efficient and cost-effective.

5. Actionable

market segments need to be actionable, meaning that they have practical value. A market segment should be able to respond to a certain marketing strategy or program and have outcomes that are easily quantifiable.

As a business owner, it's important to identify what kind of marketing strategies work for a certain segment. Once those strategies have been identified, ask yourself if the business is capable of carrying out that strategy.

Knock-Out Criteria

1. Measurable

Market segments are usually measured in terms of sales value or volume (i.e. the number of customers within the segment). Reliable market research should be able to identify the size of a market segment to a reasonable degree of accuracy, so that strategists can then decide whether, how, and to what extent they should focus their efforts on marketing to this segment.

2. Substantial

Simply put, there would be no point in wasting marketing budget on a market segment that is insufficiently large, or has negligible spending power. A viable market segment is usually a homogenous group with clearly defined characteristics such as age group, socio-economic background and brand perception. Longevity is also important here: no market segmentation expert would recommend focusing on an unstable customer group that is likely to disperse, or change beyond recognition within a year or two.

3. Accessible

When demarcating a market segment, it is important to consider how the group might be accessed and, crucially, whether this falls within the strengths and abilities of the company's marketing department. Different segments might respond better to outdoor advertising, social media campaigns, television infomercials, or any number of other approaches.

4. Differentiable

An ideal market segment should be internally homogeneous but externally heterogeneous. Differences between market segments should be clearly defined, so that the campaigns, products and marketing tools applied to them can be implemented without overlap.

5. Actionable:

market segment must have practical value – its characteristics must provide supporting data for a marketing position or sales approach, and this in turn must have outcomes that are easily quantified, ideally in relation to the existing measurements of the market segment as defined by initial market research.

Attractiveness Criteria

Once companies have identified potential market segments to target, how do they choose one? Well, certain aspects make some segments more attractive than others. For example, a larger market segment is more attractive than a small one, basically because a larger market segment offers more potential customers and more potential conversions for a company. A marketing strategy doesn't have to be expensively tailored and effective in this case, which is better for the company.

Implementing a Structured Process

1: Group Potential Buyers into Segments

There are five main criteria to use when forming the segments:

1. Potential for increased profit: Segmentation is costly. Businesses apply segmentation only if it will lead to higher profits. If there is no chance of increasing profits, then there is no need for segmentation.
2. Similarity of needs of potential buyers within a segment: Potential consumers who are in the same segment must share similar needs and wants. Businesses take marketing actions towards each segment and they expect to get the same reaction from the consumers who are in the same segment.
3. Difference of needs of buyers among segments: Potential consumers who are in different segments must have different needs and wants. If they share similar needs and wants, they should be in the same segment. Different segments require different marketing actions, which means greater costs. It helps to lower the costs if the firm combines the segments that are not significantly different so that it reduces the number of marketing actions.
4. Potential of a marketing action to reach a segment: Reaching a segment requires effective marketing actions. If the actions are very complicated or impossible to take then there is no point in segmentation.
5. Simplicity and cost of assigning potential buyers to segments: As mentioned earlier, segmentation is costly. It requires research to identify specific needs of potential buyers. If the research shows the needs are very diverse and that trying to segment will lead to so many micro segments to which it will be very costly to reach out then there is no point in segmentation.

2: Group Products to be Sold into Categories

Businesses pay close attention to the differences in the needs of consumers in each segment. In order to address the needs in the best way possible, businesses create differentiated products. These products could be different based on the features of the product, pricing, distribution, etc.

3: Develop a Market-Product Grid and Estimate Size of Markets

You have seen an example of a market-product grid from Sleep Country. Below is an additional example from a fast food restaurant that is located next to an urban university. We label the market segments in the horizontal rows and products in the vertical columns as shown in the table below. The market sizes are estimates from zero to three. Zero means no potential. One represents small potential. Two represents medium size potential. Three shows the most potential.

4: Select Target Markets

Once you develop a market-product grid, it is fairly easy to identify the target market from the grid based on the highest market size estimates.

5: Take Marketing Actions to Reach Target Markets

Identifying target markets makes it possible to take actions towards the segments we include in the target market. Based on the characteristics of each segment, marketers decide on the best tools to reach out to these segments. We will cover promotional strategies in future lessons.

Step 3: Collecting Data

Segmentation Variables

Geographic: The geographic aspect looks into the region or physical location of the target consumers.

Psychographic: These aspects look into the lifestyle and personality characteristics of the target consumers.

Demographic: Demographic aspects focus on quantifiable features such as gender, age, education level, family structure, and income level.

Behavioral: The behavioral variable focuses on the target customers' needs and wants concerning the product and their expectations.

Geographic Segmentation

Geographic segmentation organizes your audience into groups based on their physical location, such as country or postal code. This type of segmentation can provide valuable insights into the buying trends and preferences of different regions, allowing for more targeted and effective marketing efforts.

Behavioral Segmentation

Behavioral segmentation is a type of marketing strategy that filters and groups potential customers based on shared behavioral patterns. This strategy can offer valuable insights and help organizations develop effective ways to increase customer engagement, satisfaction and sales.

Data from Survey Studies

Survey data are cheap and very easy to access .
Survey can be help full to analysis the how customer likes your products,
What should be increased quality etc.. all the questions and query for market Segmentation purpose.

Choice of Variables

The choice of segmentation variables is one of the key strategic decisions when segmenting a market. As befits such an important decision, an enormous amount of work has gone into exploring all manner of different segmentation variables. Demographics have been used, such as age, gender, height, weight, race and social class. Filmographic – which are characteristics of companies, such as number of employees, turnover and industry – are regularly used in business segmentations.

Response Options

1.Positive feedback vs negative feedback

Positive feedback:

Positive feedback always matter for market marketing growth as well as brand value.
If positive feedback get increase your products quality.

Negative feedback:

Negative feedback are loss our company growth as well as company reputation,
Negative feedback decrease the product quality.

2.Rural vs urban(location)

Rural:

Rural location can increase our productivity based on peoples and analysis the rural interest area then according to area and interest go further product quality.

Urban:

Urban location also similar to rural area,
Urban location can increase our productivity based on peoples and analysis the urban interest area then according to area and interest go further product quality.

3.Gender:

Male female based divide the product to analyze the how female gender like a product and also analyze male gender which product must like.

Response Styles

Response styles are problematic in survey research. Once data has been collected, it is difficult to separate respondents' beliefs from their response styles. The inseparability of beliefs and response styles can lead to the misinterpretation of response styles as content.

acquiescence response style (ARS)

disacquiescence response style (DARS)

net acquiescence response style (NARS)

extreme response style (ERS)

Sample Size

The first thing that many people will want to know when you present a study is the sample size in market research. This refers to the number of people who participated in your study.

Having a good sample size in market research allows you to draw appropriate conclusions about how the larger population would behave. But keep in mind that having a larger sample size doesn't necessarily correlate to more accurate findings.

Data from Internal Sources

1. Survey Your Customer Base

Customer surveys can be a powerful resource to gather more information about your different target audiences beyond gender and age. First, identify the goals of your survey:

2. Customer Interviews

Another great resource for completing market research about specific audiences is interviewing. Aim to interview at least five people for each group

3. Quizzes

ecommerce stores, online courses, and all sorts of other businesses use quiz funnels to segment and grow their audiences.

Data from Experimental Studies

Market segmentation research is research that is used to help a firm identify segments in a market, with the end goal of developing different strategies and tactics for the different segment's

1.Quantitative survey-based research

Survey-based research involves the collection of data from a survey of people in the market of interest, and then using a segmentation algorithm, such as *k-means cluster analysis* or *latent class analysis,* to form segments

2.Research carried out based on company databases

Segmentation research studies based on company databases tend to focus on behavioral data, such as frequency and types of products purchased, customer value, and loyalty.

Step 8: Selecting the Target Segment

The Targeting Decision

segmenting the market in many ways based on your company's market research. Four common ways are behavioral, demographic, geographic, and psychographic segmentation.

Behavioral Segmentation:

This segment looks at how consumers interact with brands and products. For instance, you can look at which platforms your ideal customer most frequents, their social media usage, and their customer journey online, Looking forward the brand value and particular product quality and market growth.

Demographic Segmentation:

Businesses tend to feel this is the most important criteria to identify their target market. These include age, gender, education level, income level, social class, nationality, family size, marital status, and religion. Knowing these demographics about the customer need to help what you want from this brand for market Segmentation.

Geographic Segmentation:

Yes, this segment has to do with details on a consumer's location or where they live. Aside from nationality, you can consider their state, county, town, or city.

Psychographic Segmentation:

Businesses can look at elements such as parts of a consumer's personality lifestyles and consumer behavior, this Segmentation can used research method to divide the customer to analysis the characteristics including lifestyles, social activities, interested area etc.

To Effectively Create Target Market Segmentation

Creating a target market analysis will help you understand the types of consumers you need to market to and will even help you break into market's.

1. Gather Accurate and Current Data

Gathering details from outside sources can be incredibly valuable to help you gain better insights into your market segment, potential customers, and even your industry as a whole. Plus, if you're just starting out, you may not have enough internal data to get a good enough view of what customer groups you need to target based on customer needs.   The challenge when gathering data is that there is plenty out there. Make sure what you're using is both current and accurate data for market Segmentation to analyze the how customer like your brand/product.

2. Divide up Market Based on Chosen Characteristics

Consumers who are most likely attracted to your brand, product, or service will share the same types of characteristics, Divide the product according to the quality what type of category ,also divided by like or dislike this about divide rules analysis the market based Segmentation.

Market Segment Evaluation

Segmentation is an important marketing technique that helps you reach each group of potential customers with an approach that appeals to them. Evaluating each segment ensures that your company doesn't waste resources on segments that won't buy your products.

Market Potential:

You can evaluate the market potential of a segment by looking at the number of potential customers in the segment, their income and the number of people in the segment who need the kind of product you offer. A market participant is one who is going to buy such a product, and the total number of participants times their purchases forms the total market. A market participant has to need the product, have the ability to pay the price of the product and has to want to buy the product. Evaluating how many such people are in each segment lets you gauge the potential market.

Sales Potential:

The sales potential is the share of the potential market of a segment that your company expects to achieve. You can estimate your company's share based on your performance in other markets, or you can build up your share by asking how much of your product you expect an average customer of a segment to buy and multiplying by the total number of customers. The result of this evaluation gives you an idea of how valuable each segment is to your company.

Competition:

A key factor in the evaluation of each segment is the competitive situation. If the total sales of existing suppliers are below the market potential, then you can achieve sales without taking business away from competitors. If the sales of your competitors are close to the market potential, then any sales you make will result in fewer sales for them. This means you will have to lower your prices or spend more money on promotion to achieve your sales potential, and it makes the segment less valuable for your company.

Cost:

Some markets cost a lot of money to service and this affects the value of the segment. If you physically have to deliver large items over long distances, the costs will be high and the resulting prices may put your product out of the reach of the customers' income range. If the cost of the promotional campaign you think is required to introduce your product to a particular segment is high in relation to the expected sales, then the value of the segment is low. Your evaluations identify the segments which will be the most valuable for your company.

Step 9: Customising the Marketing Mix Implications for Marketing Mix Decisions
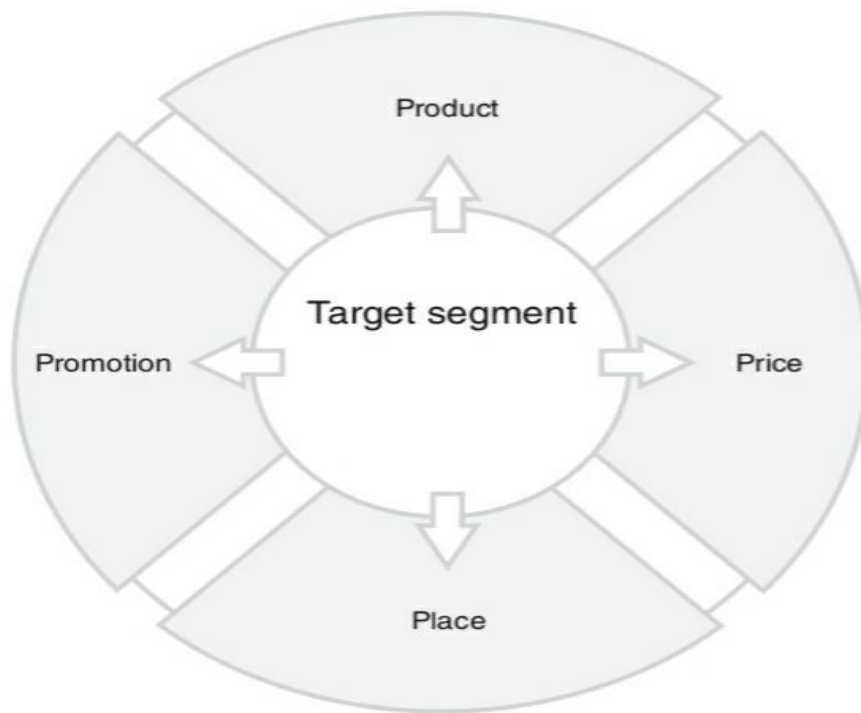
Implementation of a marketing strategy can improve business profitability because of implications for all aspects of the company's operations. The marketing strategy focuses company attention on particular target market segments and makes it clear what product characteristics are required for successfully satisfying customer needs.

Products:

A marketing strategy has important implications for product design and promotion. Once you know what your customers want, you have to ensure that the product features meet their needs or change the design to add corresponding features. Instead of convincing customers to buy the product you have, you offer them the product they need and promote the features they want. A marketing strategy focused on offering products that suit your target market promotes innovation and improves product quality. The marketing strategy then specifies that you run ads promoting the innovative nature and high quality of your products.

Place:

Place always matter because off which product or what type of product to be sale that place/area are good enough for market Segmentation or these place can be help out to join the good customer to your company. It can be very useful for market Segmentation.

Price:

Price of the product vary from product type and product quality when the price is high but similar product price from another brand with same quality then our company product may be less priority in market or less market value. Then always keep in mind the product price is according to the product quality.

Promotion:

Many way of the promotion the product now days the social media is the best platform for promotion your products quality ,price and product services, social media like YouTube, Facebook, twitter etc. Experts peoples also for review the product quality and recommend to other person,
Advertising is also a method of promoting your products in market.