

Course: PGDMM

Paper: I

Topic: Market Segmentation

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Market Segmentation

Market segmentation is the process of dividing a market of potential customers into groups, or segments, based on different characteristics. The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as similar interests, needs, or locations.

Benefits of Market Segmentation

1. Determining market opportunities:

Market segmentation enables to identify market opportunities. The marketer can study the needs of each segment in the light of current offerings by the competitors. From such study, the marketer can find out the current satisfaction of customers.

Segments with low level of satisfaction from present offering may represent excellent market opportunities. For example, customers may not be satisfied with the current offering of water

purifiers in terms of product or after-sale service. Such situation enables a marketer to launch a new range of water purifiers and market them well.

2. Adjustments in marketing appeals:

Sellers can make best possible adjustments of their product and marketing appeals. Instead of one marketing programme aimed to draw in all potential buyers, sellers can create separate marketing programmes designed to satisfy the needs of different customers. Proper advertising and sales promotional appeals can be made depending on the target audience.

3. Developing marketing programmes:

Companies can develop marketing programmes and budgets based on a clearer idea of the response characteristics of specific market segments. They can budget funds to different segments depending on their buying response.

4. Designing a product:

Market segmentation helps in designing products that really match the demands of the target audience. Products with high market potential can be designed and directed to meet the satisfaction of the target market.

5. Media selection:

It helps in selection of advertising media more intelligently and in allocating funds to various media. The funds are allocated to various media depending on the target audience, impact of the media, competitor advertising, and so on.

6. Timing of marketing efforts:

It helps in setting the timings of the promotional efforts so that more emphasis is placed during those periods when response is likely to be at its peak. For instance, consumer goods can be heavily advertised to Christians during Christmas season and to Hindus during Diwali time.

7. Efficient use of resources:

By tailoring marketing programme to individual market segments, management can do a better marketing job and make more efficient use of the marketing resources. For example, a small firm can effectively use its limited resources – money, sales force, etc. – in one or two segmented markets rather than unsuccessfully aiming at a wider market.

8. Better service to customers:

Market segmentation enables a company to concentrate its marketing efforts in a particular market area, thereby, providing a better service to the target customers. Proper marketing segmentation can facilitate customer satisfaction.

9. Helps in fixing prices:

The marketing segmentation also enables to fix prices of the goods and services. Since different market segments have different price perceptions, it is necessary to adopt different pricing strategies for the markets. For instance, the prices for lower-income groups have to be lower and the product and promotional efforts are adjusted accordingly.

10. Assist in distribution strategies:

Segmentation also assists in adopting suitable distribution strategies. Different market segments may require different distribution mix. For example, if the product is of very high quality intended to target the upper class, then it must be distributed at prestigious outlets located at selective places.