

Market segmentation -hmv



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Market segmentation is the fundamental component of a market-based strategy. A market segment is a specific group of customers with distinctive customer needs, purchase behaviours and different descriptive characteristics. (Best, 2000) By categorizing markets into sub sectors, targeting marketing effort in such a way as to meet the technical and other requirements of each of these, organisations maybe able to secure greater competitive position than if they attempted to satisfy the general requirements of the market as a whole.

There are four criteria that have to be satisfied in order for market segmentation to be effective. A market segment should be identifiable, substantial, accessible and stable. Identifiable, at which there should be observable indicators that enable the segment to be defined and quantified. Substantial, meaning that the segment should be of enough size to make the effort involved in segmentation worthwhile.

Accessible, that is, it should be probable to target specifically the segment using existing communication and distribution channels. Stable, so that after classification of the segment there should be sufficient time to capitalize on the investment implicated in segmentation. (Baker, 1995) Markets can be segmented using a variety of philosophical approaches. In terms of operationalizing these approaches, demographic approaches, geographic approaches, socio-economic approaches and psychographic approaches are commonly used. There are a number of demographic-related bases for segmenting markets such as age, the stage in the family life-cycle, gender, ethnic group and household composition. Age segmentation is one of the

most widely used bases for market segmentation which is generally easy to measure the size of segments.

Individuals usually go through a number of family roles, and that at each stage of development, an individual's buying behaviours are likely to change as well as their ability to pay for those purchases will also change. Gender is also a very commonly used basis for segmenting markets as it is an easy one to measure and the firms can have a reasonably good idea of the gender-specific market in any given area. There is evidence that various ethnic groups retain distinctive preferences in their purchases which distinguishes them from the native community. Households differ in their size and composition in which these differences are associated with varied buying behaviour.

The geographic approaches have usually used as a basis for market segmentation. Very often, there have been very good geographical reasons of why the product preferences should vary between regions. Many companies have managed to adapt their product offer to meet the needs of various regional segments. The most measurable indicators of social class that are generally used as a basis for market segmentation are occupation and income. The size of individuals' employing firms and their pension rights are effectively reflecting an individuals' status and their purchasing power in the marketplace.

Many studies have shown that, while individuals' incomes increase, their expenditure on certain categories of product increases. For the psychographic approaches, the factors such as the effects of life-style,

attitudes, values, benefit sought and loyalty will be considered. People of similar age and socio-economic status may lead rather different life-styles, and firms have been quick to adapt their products to meet the needs of these life-styles. Attitudes are more difficult to categorize and maybe revealed only in subtle ways. Values can be more difficult to measure than attitudes and apparent inconsistencies may question the existence of a subconscious value system.

Each segment is likely to respond in certain ways to variations in product design, packaging, pricing and promotion. In many markets, a segment can be found that shows considerable loyalty to a brand, whilst other segments will be prepared to switch between brands in response to products, with offering more benefits and, or lower prices. (Palmer, 2004) HMV is known as one of the world's leading retailers of music and video, with 328 stores worldwide. They have a very clear strategy for the pursuit of their goal and vision.

The market segmentation as well as the identification of target markets is the important element of each marketing strategy at which they are the basis or determining any particular of the marketing mix, which is product, pricing, place and promotion. Market segmentation reveals the company's market segment opportunities. The company has to evaluate the various segments and decide how many and which segments it can serve the best. In evaluating different market segments, a company must consider of three factors, that is, segment size and growth, segment structural attractiveness and also company's objectives and resources.

(Armstrong & Kotler, 2005) Different categories of each music and DVD section are of different target markets and each segment can be addressed with an individually targeted marketing mix. All of these distinctive categories have met the criteria for effective market segmentation as they are easily identified, comprise all the needs demanded by customers provided with a variety of music and video in each store, accessible in the case of which the customers can purchase their products through online official website or in store and also stable in the way that they are able to establish their reputations known worldwide. A segment-orientated marketing approach generally offers a range of advantages for both, businesses and customers. It can be concluded that HMV is using the geographic, social-class and psychographic approaches in their market segmentation.

HMV is known universal at which there are 328 stores worldwide and this make possible for the customers are able to purchase their products in their own country or even from the official website to purchase their products. This is considered as an effective segmentation since they view the customers as a whole but not for only certain countries of certain places or regions. The income level of customers might affect their purchasing power of products. The price of products that they are advertising in the market should be set under fair price at which in average everyone is able to purchase their product.

Psychographic approach for HMV is being used in their market segmentation. The life-styles, attitudes, values, benefit sought and brand loyalty is important when segmenting the market as this can enable the company to

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seek the target customers in the market. People of different interests may tend to have different tastes and preferences on the products and therefore the company provides a great variety of products to the customers so that everyone is able to purchase the products which they desired. In addition to that, the status of brand loyalty to the products among the customers is vital to the company and HMV has made a great effort on it to make its brand known worldwide. The ability of a company to familiarize about its markets, competition, the needs and buying habits of its customers, the more exactly it can target marketing efforts at which most likely to purchase the company's products.

Under music section, different strategies of each marketing mix is applied uniquely among various categories of these. Differentiated segmentation, which is also referred as niche marketing, is being used for HMV and this can be observed when they analysed the total market as well as focuses the company's activities to develop a single marketing mix which is directed towards a particular group within the market and this allows the company to specialize also to develop a reputation within a particular field. (Dann & Dann, 2004) Under music section, it can be divided into nine main genre, they are classical, country, dance, easy listening, jazz/blues, rock/pop, soundtracks and world/folk, while the DVD section, it can be classified into five main categories, that is, movies, children, sports, music and other. From this, every category for DVD section will be sub-divided into different type and thus this can ease the customers to search for the desired products easily at any time. For movies, they are sub-classified into thirteen categories, which is, action/war, adventure/fantasy, animated, Japanese animated, children's,

comedy, drama, foreign, musicals, sci-fi/horror, thriller, western and miscellaneous.

Subsequently, there are four main categories for children's' DVD, they are cartoons, Disney, educational and feature films. Furthermore, there are AFL, basketball, boxing, cricket, equestrian, fitness/aerobics, golf, motor sport, soccer, tennis, water sports, winter sports and wrestling under sports' DVD section. Besides, there are eight sub-classifications under TV/shows, they are, action, adventure/fantasy, comedy, drama, thriller/crime, sci-fi/horror, western and miscellaneous. For music, there are another six sub-divisions like classical, country, jazz/blues, karaoke, rock/pop as well as specialist. Last of all, there are ten sub-divisions under other category, which is, adult, aviation, cookery, documentary, gardening, geography, health, history, how to and also railways. The marketing mix is the set of factors that the marketing practitioner can control through their own organisational efforts, which include product, price, place and promotion.

Dann & Dann, 2004) Products are one the main asset in the company and thus the packaging and design of the CD covers will be different in order to attract customers of varied age range, tastes and preferences or other possible reasons. Price is another important factor that has to be considered about as this will affect the ability to purchase the products among the customers. Before setting the prices for their products, the company ought to identify all the relevant information of the existing customers in the market so as to determine their ability of purchasing the products. Place is important in targeting market so that the products can be distributed to the

customers in the located store and the customers are able to purchase the products easily.

Promotion is an essential one to be considered about so as to advertise the products that are available to the customers. From the website, it can be seen that the promotion strategy that is being used recently is sales. It is held to attract the customers of purchasing more products from their stores located worldwide. (HMV, 2005) Bibliography Armstrong, G. & Kotler, P. (2005), Marketing: An Introduction, 7th edn, Pearson Education, Inc.

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