Argument for market segmentation

Finance, Market

Market segmentation is the process of dividing the market according to similarities that exist among the various subgroups within the market. The similarities may be common characteristics, or common needs and desires. (All Business - Directory Of Business Terms 2011) Market segmentation has become an important function in the banking industry because of the existence of intense competition, not only within the industry but also from the likes offinanceand insurance companies. Banks deal with various types of customers e. g. , individuals, group of people, corporate entities, etc. ho all have their likes and dislikes.

No bank can afford to assess the need of each and every individual customer separately. It is nearly impossible for banks to market all these categories of customers on a one-to-one basis, particularly if they simply rely on predictable socio-economic data like age and income as the base for dividing customers into segments. To overcome this problem, a bank must adopt a market segmentation strategy, which recognises the wisdom of specialising to suit the need of a segment of the market rather than trying to address the requirements of each and every customer separately.

Spark Slide 43 highlights that ‘ segmentation is needed because; you cannot be all things to all people’. Market segmentation enables more accurate and effectivecommunicationof benefits in relation to needs. Market segmentation would also help the bank or any organisation identify growth opportunities. ? Market of banking products can be segmented in a number of different ways. Market segmentation must have certain qualities that make it possible to specialise the marketing approaches.

The segmentation must be measurable in terms of the criteria used for segmentation; accessible through the distribution system; and sizable in volume in order to generate the economy of operations. One of the rational ways of segmentation could be dividing the banking market into retail and wholesale market. With market segmentation a bank can gain a competitive edge by programming different marketing strategies for customers of different segments. It could be argued that a bank segments its market into more or less homogeneous groups, in terms of their needs and expectations from the banking industry.

With out market segmentation, organisations do not fully understand their market, their competitors' strategies, and their own customer and prospect base, meaning they are simply not equipped to compete effectively. Their attempts to attract customers will be fruitless, both because the propositions are not sufficiently targeted to be fully relevant to the majority of customers, but also because the communications and channel activities aimed at customer acquisition will lack focus and relevance.