

Informative essay on
market
segmentation psychology essay



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This essay will argue about the market segmentation concept. First I will describe the segmentation itself along with its kinds. Secondly I will try to give a balanced opinion about the market segmentation including both the bright and dark aspects of its implementation. Next paragraphs are meant to deliver some understanding about how Heron Engineering segmented the market, who is their customers, how they cope with the competition and what kind of resources do they have.

I will try to relate those issues to the theoretical background. In the conclusion I will summarise the whole essay to provide a better understanding and a clear picture of the subject matter. Market segmentation can be perceived as a way of satisfying customer needs by implementing marketing concepts to the diverse groups of people (Jobber, 2007, p275). We can segment consumer market in accordance with behavioural, psychographic and profile factors (Jobber, 2007, p278).

Organizational market can be segmented using either macrosegmentation that consists of profiling along the lines of organizational size, industry or geographic location or microsegmentation that includes other indicators like choice criteria, buy class or organizational innovativeness to name a few (Jobber, 2007, p293). Some rare examples include a unique approach of profiling Great Britain using the ACORN consumer classification (Phipps et al., 1996, p33) that has great discriminatory power for locating the customers (Tonks, 1989, p339). The Stanford Research Institute developed a VALS(tm) system that can be used to describe the lifestyle based segmentation. (Reedy et al.

, 2004, p192). There are also other behavioural methods we can implement like The LOV and Rokeach (Raaij et al., 1994, p51). It is also important to add that segmenting markets according to qualities on a stand-alone basis may not be as useful as when creating their combination (Czinkota et.

al 2001, p477). In line with Phipps it is deliberated that marketers segment markets in order to spot the space in the market that is either untaken or partly filled. Then firms can position a brand corresponding to competitors brands within its product field (Phipps et al., 1996, p30). Along the lines of Dibb we can scrutinize that in either mature or declining markets, segmentation can help to spot segments of a growth potential and then marketers can identify new opportunities in under-served customer groups.

He also emphasises that market segmentation can lead to a better distribution of resources and can help to build up and preserve an advantage over rival organizations (Dibb et al., 1997, p52). Finally Jobber says that market segmentation can be very useful for discovering both opportunities and threats because markets are constantly changing therefore market segmentation is a way of keeping the hand on pulse all the time (Jobber, 2007, p276). Dibb warns about the pitfalls of market segmentation that may cause its ineptitude.

The main discrepancies would include that segments must be meaningful to the customers not to the companies. Secondly, some marketers tend to overestimate market segmentation to the detriment of primary objectives. They have a propensity for sticking too much to the details therefore they loose the vision and are unable to link the segmentation concept with the

business' strategic planning (Dibb, 1998, p396). Market segmentation can be a limitation when incorrectly applied, sometimes it can be seen that over-segmenting can increase the costs of maintaining product lines.[Czinkota, Kotabe 2001, p215]There are two sides of the coin because market segmentation can be a very powerful and practical concept but there are also cases that it can be totally ineffective as it may bring about false assumptions about real people. That is why Wright concludes that before we apply segmentation we need evidence, that two vital assumptions hold true; that is that the segments are associated with an unwavering set of preferences, and that when we target those segments, we can expect a higher return than from other approaches (Wright, 1996, p23).

Heron Engineering has many customers ranging from small supermarkets to large facilities like airports, docks, factories and so on. Heron (Jobber, 2007, p71-73) divided customers into segments along with macrosegmentation indicators like geographic location: Western European region (WE) and Central and Eastern European region (CEE) (Jobber, 2007, p293). Moreover, they have created two extra segments for each region: high-technology sector and a low-technology one. In each of the segment customers' needs have been different. In the low-technology sector for both the WE and CEE countries the prime choice criterion was the price along with the product availability.

In the high-technology sector customers from WE countries esteemed high value functionality and sophisticated customisation of products while CEE customers have put an accent on attractive financing and functionality. It could be seen that a matter of crucial importance is to delight the customers.
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Donovan and Samler argue that satisfying customers should be almost mandatory business strategy thus they present a ten step approach to the process for creating a customer driven organization (Donovan et al., 1994, p38). In agreement with McDougall's point of view we can also apply a three step process in order to estimate the duration of customer value. (McDougall et al.

, 1997, p6) Heron's competitive resources include those tangible and intangible ones. Heron has the 30% of market share in CEE and 40% in WE. They have a well known and respected brand name, own foreign branches, have a know-how and funds which in combination with a big market share creates a solid foundation for further improvements. There are 5 forces that decide about competitive advantage: threat of newcomers to the market, threat of replacing products or services, suppliers' and customers' bargaining power and local rivalry. The strength of these forces depends on the industry's main economic and technical traits (Passemar et al.

, 2000, p111). Generally speaking diverse sources of competitive advantage consist of lower prices, better product quality and distribution, better skills and infrastructure (Viswanathan et al., 2007, p52). Firms like Heron should provide customers with the same or better value than competition and be more efficient in the production. They can also create processes that generate a larger final value. Such activities can be called Porter's "Chain Value" (Passemar et al.

, 2000, p112). It can be argued that Heron should be more focuses on preserving the competition advantage which is much harder than creating

one. This depends on three conditions: the source of the advantage that can be either minor (reduction of the costs of work force or production) or major (ownership of the unique technology that is not easily imitable). Second one is the number of competitive advantage sources and the last one is the company's commitment to constant and continuous improvement and enhancement.

(Passemar et al., 2000, p113). Based on the Heron case study we can notice that the concept of market segmentation is a really useful one but we can not afford to overestimate it. Companies should be able not only to incorporate the best from it into their practices but what is more important they need to be aware how does it influence their business strategy.

Marketing managers should also be able to detect the changes in the market and then immediately act even if it requires a change from the previous course.

Having that in mind I hope that I was able to present a balanced opinion and to create an urgent need for further readings about that appealing issue of market segmentation.