

# Types and importance of market segmentation



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A market is made up of individuals and organizations in need, money to spend and the desire to spend. However, in most of the markets ' needs and desires of the buyers are not the same. A company must deepen the knowledge of market in order to adapt its offering and its strategy of marketing to the requirements of it. How can the company accommodate such diversity? The segmentation takes as point starting to recognize that the market is heterogeneous, and intends to divide into groups or homogeneous segments, which can be chosen as a target market of the company. Thus, segmentation involves a process of differentiation within a market needs. The identification and selection of market segments raises the problem of deciding the position you want the company to occupy in those markets, i. e., choose a position for its products . One of the key factors in the success of products face competitive markets is in proper positioning. In a way one might speak of the position and the way in which we will know our product or service and how we intend to be perceived by our target market. Then develop these two important issues for marketing.

## **MARKET SEGMENTATION**

What is market segmentation? The market segmentation is a process that involves dividing the total market for a good or service several smaller groups and internally homogeneous. The essence Segmentation is the consumer really knows. One of the key elements of a successful company is its ability to properly target your market. Segmentation is also an effort to improve the accuracy of marketing a business . It is a process of aggregation: group in a niche market for people with similar needs. The

market segment is a group of relatively large and homogeneous consumers can be identified within a market, who have desires to purchase, geographic location, attitudes, purchase or similar buying habits and will react similarly to a mixture marketing. The behaviour of consumers is often too complex to explain in one or two characteristics should be taken into account several dimensions, starting from the needs of consumers. It is therefore advisable to present flexible market offerings to the market segment. Supply demand is flexible: A solution consisting of product and service elements that all segment members value and options that only a few values, each option involves an additional fee.

A good segmentation should result in subgroups or market segments with the following characteristics. Intrinsically homogeneous (similar) consumer segment should be as close as possible about their likely responses to the variables of the marketing mix and segmentation dimensions.

Heterogeneous among themselves, consumers in several segments should be as different as possible about their likely response to the variables of the marketing mix. Quite large: to guarantee the profitability of the segment.

Operational: To identify the customers and choose the variables of the marketing mix. It must include the demographic dimension to make decisions concerning the place and promotion.

## **What is the process of market segmentation?**

Market segmentation can have multiple sources of work. It can be client – centred from the targeting criteria in which we analyse the profiles and their buying behaviour (analysis before, during and after purchase, frequency, volume, time), focusing on products / services in which knowledge of the <https://assignbuster.com/types-and-importance-of-market-segmentation/>

dominant buying motives, differentiating primary and secondary benefits, etc., focused on the supplier, which leads to a focus on image, perception and preference. And regardless of the approach, the segmentation must be dynamic (constant and regular) because consumers time and changing social norms and perceptions of products and suppliers. The market segmentation process includes the stages of study, analysis and customer profiling. Study: We examine the market to determine the specific needs met by current offerings, which are not and those that could be recognized. Are held exploratory interviews and group sessions (focus groups) to better understand the motivations, attitudes and behaviours of consumers (psychographic and behavioural segmentation?) Collects data attributes and the importance given to them, brand awareness and brand ratings, usage patterns and attitudes toward the product category, as well as, demographic, geographic, socio-economic participants. Analysis: interpreting the data to eliminate the variables and build the group or segment of consumers who share a particular requirement and what distinguishes them from other market segments with different needs. Profile preparation: Prepare a profile of each group in terms of distinctive attitudes, behaviours, demographics, geography, etc... And he names each segment based on its dominant characteristic. The segmentation must be repeated periodically because the segments change. We also investigate the hierarchy of attributes that consumers consider when choosing a brand, this process is called partition of the market. This can reveal new market segments.

Segmentation is effective to the extent that the company is capable of performing differentiated offerings for each segment. Such differences must

be perceived by clients and considered relevant. The use of information technologies facilitates the stages of analysis and preparation of profiles, and micro segmentation. The latter is based on the proper management of databases of customer behaviour and consumption. The management of databases consists of processes associated with micro segmentation, to distinguish between active and inactive customers, major and minor, to monitor the value of a customer in time, predict their buying behaviour, identify similar prospects to major customers; personalized communication. As well as the profitability of customers and segments, the productivity of the sales force, dropout rates or fidelity among others.

## **Types of market segmentation**

There are several types of market segmentation. The most common segmentation criteria are the demographics. In marketing literature, the word demographics means ‘ of measurable size of a population’. UN’s department of population studies defining the term as follows: “ Demography is the revision of the measurable aspects of human populations, especially their size, arrangement and progress”

The most commonly used demographic criteria are:

Sex

Age

Distribution of the regional population.

Consumer spending patterns

Household Size

Income

Education

Position

When to segment the market by demographics, it is usual to start with one or more of the following demographic variables: gender, age, income, occupation, and marital status, number of persons in the household, education, and house type. We shall now look at 4 of the common bases used demographic area.

## **Sex**

Sex is an obvious basis for segmenting consumer markets. Many traditional buying patterns are being broken. If one chooses to use sex, it should be because one expects that a “ marketing mix” for women and another for men will result in greater sales than a “ marketing mix” directed against the entire market. For example, a service that caters to both men and women would be a petrol station. This is because these days, there are many male and female drivers in the world. So this market is open to both men and women. You can find things for sale in petrol kiosks that both men and women use.

## **Age**

Segmenting the consumer market by age group is a useful approach in the market for many products. The children’s market (5 to 13 years) results in three ways in marketing. First, children can influence parents’

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purchases. Second, parents spend hundreds of millions of dollars in this group. Third, children make purchases of goods and services for personal use. The teenage market is an important and difficult market to conquer. Young people are not all equal. The age group 13 to 16 is certainly very different from the group of 17 to 20 years of age. The marketing staff must be on understanding the young consumer market size and because its members have an increasing amount of money to spend. They are good consumers of cassettes, automobiles, cosmetics, clothing, jewellery and other products.

### **Distribution of population:**

People are the main component of a market. Distribution must consider the geographic and demographic composition of the population, as a first step in understanding the consumer market. Total population: The total market is so large and so diverse in their characteristics, which must be analyzed in segments. Market differences by age, gender, lifestyles and ethnic backgrounds are a problem for marketing executives. Regional distribution: it is important for the marketing staff because the differences affect local differences in demand for many products. - Distribution of urban, rural and suburban areas: the declining population in rural areas has led some marketing experts do not take into account the rural market. This market, both industrial and agricultural equipment, such as consumers with increased purchasing power is still very large. Employers have considerable influence on buying behavior. If a company wants to provide a service or product, they have to see the distribution of population, for example, a population of a city with a majority of busy working class middle income

families like Pasir Gudang would be interested in services such as dobi or restaurants. This is because such businesses would do well because the general population consists of busy working people who may not have time to do their laundry or cook lunch or dinner.

### **Consumer spending patterns:**

Spending patterns are not the same for all families. The patterns vary considerably, depending on family income, stage in the life cycle and other factors are influenced by life cycle stage of the consumer. The marketing personnel need to worry about the contrasts in factors of spending among those in stage I married very young children, and people in the empty nest stage, i. e. all stages of family life. This is an important base because the business owner needs to see how much the consumer is willing to spend on their services/products. For example, a town with a high population of rich residents such as Mount Austin may spend more than a quiet, lower-income neighborhood like Taman Universiti. If a shop were to open in Mount Austin selling shoes and sports apparel, it may have more business with a similar shop opened in Taman Universiti.

### **Distribution of Income Relation:**

The results indicate the type of information that sellers must obtain from the analysis of spending patterns by income group. There is high degree of uniformity in spending patterns in media interest groups; the social class structure is often a significant feature in determining spending patterns. For each product category there is a considerable absolute increase in spending, as income increases, when comparing a group of revenue with a higher income group. Low-income families spend a higher percentage of their total



spending in some product categories such as food. In each successive higher income group, the amount of expenditure on food decreases as a percentage of total expenditure. Consumers with higher incomes are usually big spenders. Their financial security can be exploited by setting up stores in their place of residence. For example, City Square is located right after the Malaysian checkpoint. Singaporeans coming into Malaysia often go shopping in City Square. Their higher income (doubled thanks to the exchange rate) helps City Square do well because higher income people spend their money there. This base is an important base because it has the potential to bring a lot of revenue if studied carefully.

### **Benefits of market segmentation:**

First find out the needs of customers within a submarket (segment) and then meets them. Market segmentation we use an individual approach and the aggregation market is a joint approach. The market segmentation strategy, a company can design products that really match the market requirements. The media can be used to make it better because promotional messages can be directed more specifically to each market segmentation. Market segmentation allows the identification of customer needs within a submarket (micro segmentation process) and design more effective marketing mix to meet them. Businesses can also grow faster if they get a solid position in niche markets just because they target a specific customer base. The company can create a product or service offering more refined qualities and put the appropriate price for the target audience. They can also facilitate the selection and improving the efficiency of distribution channels and media. Companies that incorporate market segmentation face fewer

competitors in a specific segment and can generate new growth opportunities and the company obtains a significant competitive advantage.

## **CONCLUSIONS**

Market segmentation is one way to find new market opportunities across all real knowledge of consumers. Takes place through a process that consists of 3 stages: study, analysis and preparation of profiles. The market segment should be homogeneous within and heterogeneous abroad, with a sufficient number of consumers to be cost-effective and operational, i. e., including demographic dimensions to work properly in place, and promotion of the product. Segments are changing so it is important to periodically segmentation. Positioning is the place the product in the consumer's mind; it is also an indicator customer perception of our product and marketing mix in comparison to other products on the market. Perceptual maps are a more visual picture of our place in relation to competitors and customer perception of us. The ladder of products refers to the position of the company that best remembered with respect to the other. Through more simplified messages achieved better communicate the positioning strategy was decided. We can then ensure that the segmentation and positioning are complementary activities, which depend on each other to make the product able to stay in the mind of the target consumer for an extended period or even permanently.