Market the set of actual and potential buyers

A market is the set of actual and potential buyers of a product. Originally, the term market stood for the place where buyers and sellers gathered to exchange their goods, such as a village square. Economist use the term to refer to a collection of buyer and sellers who transact in a particular product class, as in the housing market or the grain market. Marketers, however, see the sellers as constituting as industry and the buyers as constituting market. (Kotler, 2005). Thus the sports market consists of sellers such as Adidas, Nike, Puma, Reebok, etc. and all the consumers who buy their sports products. To develop your own knowledge of marketing theories, models and external marketing analysis, take a look at these freemarketing guides.

Market segmentation

Since Smith's (1956) introduction ofmarket segmentation, marketing practitioners and academics have take out the concept enthusiastically, and standard marketing texts now include at least a chapter describing

Segmentation and the benefits it will bring to marketers who adopt the technique. These benefits seem appealing: a full understanding of a market; the ability to predict behaviour accurately; and an increased likelihood of detecting and exploiting new market opportunities (Kotler, 1988).

Process of delimitate and sub-dividing a huge homogenous market into clearly acknowledgeable segments having common wants, needs, or demand characteristics. Its aim is to design a marketing mix that exactly matches the expectations and wants of customer in the targeted segments. Some firms are ample enough to supply the need of an entire market, most

must collapse the total demand into segments and choose the one or few the firms is the best render to handle.

Four basic factors that affect market segments are clear identification of the segments, measurability of its effective size, its accessibility through promotional efforts, and its appropriateness to the policies and resources of the firm.(accessed on 26th march'11 at 01: 47PM)

The four market segmentation is based upon, behavioural, demographic,

Psychographic and geographical differences (accessed on 26th march'11 at 01: 47)

This particularly means that business use market segmentation as a method of focusing and targeting on the wants and needs of a particular consumer and developing a specific marketing mix for these consumers. There are numerous way of segmenting a market as market can divide into various subsets depending upon the required demand and wants of consumer.

Market segmentation is essential for businesses as it enables them to primarily narrow down their target market and hence create the appropriate marketing mix which is most appealing to this market group. Market segmentation arises because it is essential to diversify consumer needs with the capabilities and resources of competing organizations in the market place. (Dibb & Simkin, 1997). The best use of market segmentation is that it helps to a better understanding of consumer needs and characteristics which leads to develop betters marketing strategies that enables allow for greater insight into competitive market. It also helps business to get the review of

consumer's wants and demand in market and how they can be better satisfied.

Positioning

The sum of those attributes normally assigned to the product by the consumers – its standing, its quality, the type of people who use it, its strengths, its weaknesses, any other unusual or memorable characteristics it may possess, its price and the value it represents (T. Harrison, 1989). Market research is essential for the customer's motivation and its expectation in a particular market. Not all the consumer wants a same product, to satisfy different needs it is necessary for a firm to single out consumers in various groups.

Consumers purchasing decision process psychological factors as well for which it is necessary to make a proper segmentation. Perception regarding selecting the product and how much they get motivate for the products matters while buying the products.

So it is necessary to attract customers by providing a differentiated product then its rivals in the market. This process can further be divided in to the concept of 7 P's which are product, place, price, physical environment, people, process and promotion.

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In this diagram we can see that how the firms can target market into various sections as per their customers so that they can get high value for their product. For example when Apple launched its I pad then they first did a

deep study for this product in market. They have to decide that for which age of group will try to attract more of it. The basic theme of this product was that it was neither notebook nor laptop so that they can attract more customers. In context of its place Apple launched this product in USA and in European countries where the 3G's network work quite good an d when they see that its demand is shouting up then they tend to launch these products in rest of the countries where it was highly demand able.

" Marketing segmentation reveal's the firm's market segments opportunities. The firm now has to evaluate the various segments and decide how many and which ones to target. At this point we will look at how companies evaluate and select segments."(Kotler, 2008)

" There are many different types of market segmentation techniques available to businesses. However all the various types of market segmentation are based on a " two- step strategy." This " Two step strategy" involves the business identifying groups of people with certain shared needs and characteristics within the broad markets for consumers of business products and combining these groups into larger market segments according to their mutual interests".

Social class, for instance, used to be a major segmentation variable (Carman, 1965). The social class concept has lost its different segmentation value as society has become less vertically coordinated with more purchasing strength across larger layers of society. Other demographic variables, such as age, education, family type, often easier to put into operation, are used instead. In additional, social class at the level of brand level have lost its

discriminative power, other, more psychological, characteristics such as attitudes and values are being used as basis of segmentation.

Level of variable

subjective

objective

General pattern

(Behavioural Patterns;

Personal characteristics)

Income

Age

Education

Behavioural pattern

General values

Life style

personality

Domain-specific

(product-class usage)

Situation

Frequency of use

Substitution behaviour

Opinion

Perception

Attitude

Domain-specific values

Brand-specific

(brand-usage)

Brand loyalty

(behaviour)

Frequent use of action

Brand loyalty

(attitude)

Preference

Evaluation

Purchase intention

Figure 2: Classification of segment variables.

In the above table segmentations are classified according their subjective or objective character. Objective variables were without much disagreement in measuring and registering among researches. They include scanning data, census data, and consumer panel on substitution and brand switching. Subjective variables are the mental construction data base of consumer which are measured in surveys and interviews. They include evaluation, lifestyle, attitudes, perception, attitudes and intention of consumer.

There are thousands way to segments the markets but a marketer has to try different segmentation variables, to find the appropriate way to view the market structure. Among the entire variables we now go through the major geographic, demographic, psychographic and behavioural variables, to find out that the need to concentrate on them and their benefits to firms.

Geographic segmentation primarily involves companies dividing the market into a variety of geographical units such as nations, regions, states, countries, cities or neighbourhoods (Kotler, 2005). It is very useful for any type of business as it helps the marketing team to discriminate and identify the market into the unit of basis of language, lifestyle and climate conditions. It helps the team to deal with the consumers requirements of that segment and improve upon the basis of commonality identified.

Climate differences lead to different lifestyle as compare to UK from India. The necessity of air conditioner is highly demanded in India as compare to UK. If we compare to the taste then the taste of diet Pepsi in India it is sugarless but if compare it from the diet Pepsi which we get in UK then its taste is not as sugarless as of Indian Pepsi. Geographical segmentation has

huge importance. The most important part of this form of segmentation is that it allows businesses to analyse the various consumer needs and wants in depth as the market are split into small groups of consumer who live together and there is a large possibility that these consumers will have similar tastes and hence the businesses are able to design a specified marketing mix for these consumers and it amounts to a lower cost for the business as they don't have to look at the large scale. Also by being specified the businesses are able to achieve a higher success rate and hence increase profits. Geographical segmentation also allows businesses to identify and penetrate more profitable market segments (http://www. slideshare. , accessed on 28/03/2011)

The next most common method of segmentation is demographic segmentation. This is the form of segmentation which divides the market into groups based on variables such as age, gender, family life cycle, income, occupation, education, religion, race, generation and nationality (Kotler, Armstrong, Wong, & Saunders, 2008). Demographical segmentation primarily involves firms segmenting consumer based upon gender, income, tastes, age etc. This helps the firms to cut down their advertisements and promotion costs as they are able to identify their particular market group to which the product the best market mix and will be most appealing. Like for example call of duty is an 18+ game which means that this game can only be bought by people who are 18 and above, hence the company will employ strategies and mix to target and catch the attention of people 18 and above. Another example of this can be seen through the example of Procter & Gamble, who sell Crest spin brushes featuring children's favourite characters

and more sophisticated models promising a dentist clean feeling twice a day for adults (Kotler, 2008) From this example we state that how the company has used two different marketing strategies for different age group to market the similar or same product. Thus demographic segmentation is one the most popular basis of segmentation in consumer group. " One reason is that consumer needs wants and usage rates often very closely with demographic variables" (Kotler, 2008).

Another type of market segmentation is psychographic segmentation. Psychographic segmentation involves businesses dividing consumers based upon factors such as social class, lifestyle or personality traits (Kotler, Armstrong, Wong, & Saunders, 2008). In this form of segmentation firms can use famous people, who the consumer may relate to, during their advertisement and promotion. This method is employed as people in the same demographic group can have different likes and tastes. This is again a very important method of segmentation as it enables the firms to explore new market and also cut cost of producing marketing mixes for big markets as they are able to spot who their precise target audience is and in turn they are able to bring out the appropriate marketing mix for these specific people.

Another commonly used form of market segmentation is behavioural segmentation. This form of segmentation divides buyers into groups based on their knowledge, attitudes uses or responses to a product (Kotler, Armstrong, Wong, & Saunders, 2008). An assignment of, a behavioural segmentation study took place on some of New Zealanders. " The basis for this information is a mail survey of 1144 randomly selected potential respondents. Respondents were drawn from a national wine mailing list (n=

640) and staff (n= 304) and students (n= 200) from a tertiary institute. No follow-up activity was undertaken and a 28% response rate was achieved"(www. ingentaconnect. com, accessed on 2nd ++april'11). From this search a range of behavioural information was collected. In this research participants were asked to indicate on average that how many bottles of wine do they purchase every month. ". This information forms the basis of segmenting on volumes purchased and, together with other behavioural information, combines to form profiles of wine consumers. Significant differences were found between light, medium and heavy purchasers of wine for several characteristics. While the segmentation platform provides some useful information, its use highlights the absence of other pertinent information. It is concluded that underlying reasons or motivations contributing to group membership would enrich the behavioural segmentation platform. " (www. ingentaconnect. com, accessed on 2nd april'11).

Conclusion

Hence to conclude we have to agree the fact that market can be segmented through various means the major bases on which market can be segmented are geographical, demographical, psychographic and behavioural. So the companies need to clearly divide the market to implement various marketing mix and strategies pertaining to specific segments. The segmentation process also leverages a company to position itself among the heaps of players in the market. Segmentation allows a company to focus upon specific target customers and they can be distinguished and categorised to practice separate strategies on them. They can have separate product lines for a

group of specific customer. For e. g. Toyota have launched Lexus to target high class customer while they have their products for the lower segment as well.