

Segmentation analysis literature review essay



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Segmentation Analysis Literature Review To match the needs of costumers, consumers and producers, not only in case of private people but of businesses or companies, target marketing is needed. To obtain the particular market firstly a marketer has to prepare a market research, after which he segments the market, and then targets a single segment or series of segments, and finally positions within the segment(s).

From these processes, I have chosen Segmentation Analysis as the topic of this essay, because it is a crucial element in the “ formula” of marketing. In marketing plans mass media strategies are very popular, but it is dangerous to rely on them entirely. In addition, Swenson (1990) says, “ Such strategies are no longer as efficient or cost-effective as they once were in that the marketplace is changing. We have moved from a manufacturing-driven to a consumer-driven economy; the mass media itself is fragmenting; we are celebrating ethnic and social diversity, rather than pouring everyone into a homogeneous mould; and the growth rate of the population is slowing with a resultant impact on the demand for goods and services”. Furthermore, segmentation is after market research the first step in STP and herby the second most important in the marketing process. Moreover, if from a marketing strategy a proper segmentation is missed, it will definitely harden the targeting, positioning and easily mislead the whole process.

According to KnowThis LLC (1998-2008) the proper definition of Market Segmentation is the following: Because people are different and seek different ways to satisfy their needs, nearly all organizations, whether for-profits or not-for-profits, industrial or consumer, domestic or international, must use a Market Segmentation approach to target marketing. This

approach divides broad markets, consisting of customers possessing different characteristics, into smaller market segments in which customers are grouped by characteristic shared by others in the segment. " To fulfil these duties Market Segmentation must be: •Measurable •Accessible by communication and distribution channels Relevant •Different in its response to a marketing mix •Substantial enough to be profitable •Durable (not changing too quickly) Identifying segmentation variables and segmenting the market The segmentation itself can be done in three separate stages according to the segmentation variables and funds available. Stage I. This stage is recommended for those who think that their companies need to move its product to the market quickly.

The information bases of this level are the easily accessible demographical, geographical and financial secondary data sources. For example, financial reporting services, government data and trade associations. The benefits of this stage are the low cost and the short time. Stage II. The aim of this stage is to move beyond the secondary research methods and collect information, which allows the marketer to target the customer needs much more efficiently. Information at this stage includes learning what options customers have chosen to satisfy their needs, what circumstances within customers' environment could affect how purchases are made, and understanding local conditions that could impact purchase decisions.

This can be done through surveys, purchased market reports, personal contact. The benefits of this stage is a much deeper understanding of the customer needs and wants, however it is time consuming and requires more funds than stage one. Stage III. This last and deepest level aims the

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gathering of segmentation variables, such as psychological and behavioural data.

That are certain personal information that many customers are not likely to share with any company. Furthermore, if a marketer possesses these variables he gained competitive advantage over rivals whose segmentation efforts have not gone so far. The question is how can we gain this information? The answer is in the primary research techniques, such as in-depth interviews, focus groups, observation research and any other high level market research methods. Segmentation variables for consumer market are the following:

- Geographic Region, country/county size, city size, density, climate
- Demographic Age, gender, family size, family cycle, race, income, religion, occupation, education, nationality
- Geo-demographic Type of dwelling, type of neighbourhood, singles living with parents, Dinks,
- Psychographic Lifestyle, social class, generation next, personality, generation x, the millenials
- Behavioural Purchase occasion, benefits sought, user status, usage rate, loyalty status, readiness state, product attitudes

Bases for segmenting business markets are the following:

- Demographic Industry, company size, location
- Operating variables Technology, user status, customer capabilities
- Purchasing approaches Power structure, purchasing-function organization, nature of existing relationships, general purchase policies, purchasing criteria
- Situational factors Urgency, specific application, size of order
- Personal characteristics Attitudes toward risk, buyer-seller similarity, loyalty

Adapted from Thomas V. Bonoma and Benson P.

Shapiro, *Segmenting the Industrial Market* (Lexington, MA: Lexington Books, 1983). Developing the customer segment profile All customer and business segments have to be examined in different aspects. Further segment descriptors are needed, such as their psychographics, mediagraphics, demographics, behaviour, and attitudes. The best situation is when the marketer discovers that the segments differ in the above mentioned fields.

So that he can match the most suitable channel of advertising to the target consumers and customers, result in a perfect market situation, which will more likely end up in buying the certain product. Successful Segmentation

There are numberless ways to segment a market, however not all segmentations are effective. There are two important problems, which might occur during market segmentation. Firstly, segment names are still intoned like marketing mantras, though in many cases they do lose relevance as time goes on.

Secondly, we have to be careful that segmentation should not give us dim and mysterious glimpses into the obvious, what we already know. Evaluation of Market Segmentation According to the MarketingTeacher Ltd. " A company will evaluate each segment based upon potential business success. Opportunities will depend upon factors such as: the potential growth of the segment the state of competitive rivalry within the segment how much profit the segment will deliver how big the segment is how the segment fits with the current direction of the company and its vision.

" Finally, as Susan Ward, small business guide says, " The beauty of target marketing is that it makes the promotion, pricing and distribution of your

products and/or services easier and more cost-effective. Target marketing provides a focus to all of your marketing activities. Target marketing can be the key to a small business's success. " In addition, target marketing is the cornerstone of any business activity related to selling a product, be it a small enterprise or a blue-chip company. REFERENCES: Book: Chester A.

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