UNIT –II: *Market Segmentation: Criteria of effective segmentation – Benefits – Bases for market segmentation - Factors influencing consumer behavior – Buyer motives – Buying process.*

MARKET SEGMENTATION

Market segmentation is a marketing concept which divides the complete market set up into smaller subsets comprising of consumers with a similar taste, demand and preference. A market segment is a small unit within a large market comprising of likeminded individuals. One market segment is totally distinct from the other segment.

- A market segment comprises of individuals who think on the same lines and have similar interests.
- The individuals from the same segment respond in a similar way to the fluctuations in the market.

CRITERIA OF EFFECTIVE SEGMENTATION

The following 5 market segmentation criteria should be useful when planning your own company's market segmentation strategy. **A market segment should be:**

1. **Measurable**:

   Market segments are usually measured in terms of sales value or volume (i.e. the number of customers within the segment). Reliable market research should be able to identify the size of a market segment to a reasonable degree of accuracy, so that strategists can then decide whether, how, and to what extent they should focus their efforts on marketing to this segment.

2. **Substantial**:

   Simply put, there would be no point in wasting marketing budget on a market segment that is insufficiently large, or has negligible spending power. A viable market segment is usually a homogenous group with clearly defined characteristics such as age group, socio-economic background and brand perception. Longevity is also important here: no market segmentation expert would recommend focussing on an unstable customer group that is likely to disperse, or change beyond recognition within a year or two.

3. **Accessible**:

When demarcating a market segment, it is important to consider how the group might be accessed and, crucially, whether this falls within the strengths and abilities of the company's marketing department. Different segments might respond better to outdoor advertising, social media campaigns, television infomercials, or any number of other approaches.

4. **Differentiable**:

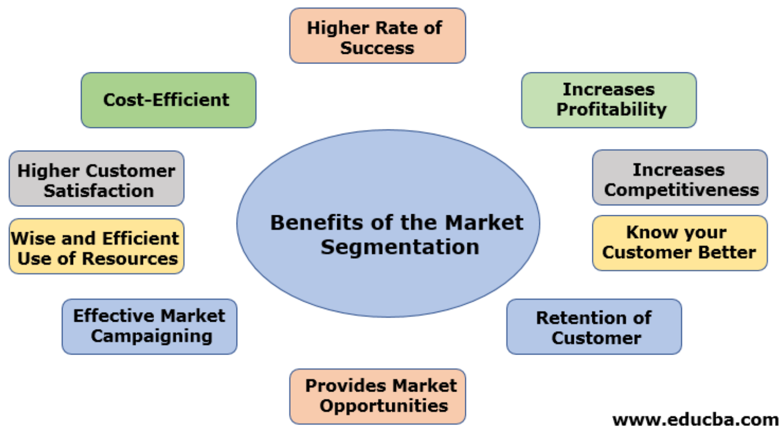
An ideal market segment should be internally homogeneous (i.e. all customers within the segment have similar preferences and characteristics), but externally heterogeneous. Differences between market segments should be clearly defined, so that the campaigns, products and marketing tools applied to them can be implemented without overlap.

5. **Actionable**:

The market segment must have practical value – its characteristics must provide supporting data for a marketing position or sales approach, and this in turn must have outcomes that are easily quantified, ideally in relation to the existing measurements of the market segment as defined by initial market research.

A good understanding of the principles of market segmentation is an important building block of your company's marketing strategy – the foundation for an efficient, streamlined and ultimately successful approach to customers, and a means of targeting your products and services accurately, with the minimum of wastage.

BENEFITS OF MARKET SEGMENTATION:



1. Higher Rate of Success

Market segmentation means to study your market, to be more precise it helps to divide a bigger market into smaller modules and lets the marketers know the potential of the market/consumers which reduces the risk of loss and thus there are higher chances of success for the business.

2. Increases Profitability

Market segmentation is a very effective process for business and it helps the business to target particular segments of the market and thus helps to find better business opportunities pertaining to that particular market segment. The marketers can thus, strategize their campaigns as per the chosen market segment needs and requirements and helps to increase the business profitability. This technique lets the company's focus on one particular segment rather than the whole market which in return gives increased profit.

3. Increases Competitiveness

When the focus and the target market is clearly identified to the marketers and the business team, then comes the competitiveness. As the target market is known to the business, the competition in the market will increase and the marketing team will come up with new innovative ideas to promote their brand better to stand out among the competitors. Different offers and discounts will help the marketing team to attract more consumers and knowing your consumers better will help gain brand loyalty.

4. Retention of Customer

Retaining customers is very crucial for the business and market segmentation helps in customer retention. Once the business knows the consumers, their needs can be catered well and the customer’s experience with the market brand will help to connect with the product/service like the hospitality sectors. Consumers mostly prefer the products/services they have experienced especially in the cases of airlines and hospitals.

5. Creates and Provides Market Opportunities

Market segmentation helps to identify and recognize potential market opportunities. The market segments where the consumers are less satisfied with the other brands are the opportunity areas for the company to focus and to establish their brand. The companies can work in these segments and provide a better product to the consumers than the already existing ones in the market and earn the consumer’s loyalty. Thus, market segmentation gives excellent market opportunities.

6. Effective Market Campaigning

As the business knows the consumers and their needs, the marketing team can customize or personalize their marketing campaign accordingly and organize their strategies as per the need of the market which is directly proportional to the success of the business.

7. Wise and Efficient Use of Resources

Market segmentation helps to save unnecessary time and effort engaged in the marketing campaign by identifying the potential areas of the market. Thus it helps to use the company resources and money in a more streamlined and efficient manner.

8. Higher Customer Satisfaction

Market segmentation directs or guides the company to make its marketing efforts consumer and market-oriented in a specific market segment, and lets the companies serve the consumers better, increasing customer satisfaction which is the ultimate goal of the business.

9. Cost-Efficient

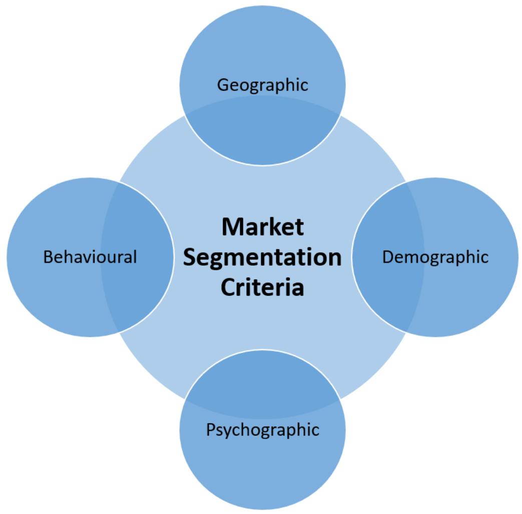
Efficient market research and market segmentation help to save a lot of useful time, money and resources invested in the marketing campaign. Also as the customers are grouped as per their needs, commonalities, choices, statuses, etc. it becomes easy to target the audience for the marketers. Thus through market segmentation, the campaign management process is conducted very smoothly and efficiently in a cost-effective manner.

10. Know your Customer Better

The market segmentation helps to study the market needs and potential consumer which reduces the risk of loss or unsuccessful marketing campaigns. As the market research is done in advance before the campaign the chances of being successful are much more as the segmentation of the market helps the marketers to do their homework for marketing. The marketers can strategize and plan their campaign as per the generic needs of the potential consumers as per the market research.

It is very important to understand what the consumer and the market demands for and what are their actual needs. Effective marketing can be implemented only if the potential and promising market has been identified else all the efforts of marketing go in vain. Companies must always put themselves in the place of consumers first and must analyze what they would have expected out of the product/services if they would have been in their shoes.

BASIS OF MARKET SEGMENTATION:



- **Psychographic segmentation**

  The basis of such segmentation is the lifestyle of the individuals. The individual's attitude, interest, value help the marketers to classify them into small groups.

- **Behaviouralistic Segmentation**

  The loyalties of the customers towards a particular brand help the marketers to classify them into smaller groups, each group comprising of individuals loyal towards a particular brand.

- **Geographic Segmentation**

  Geographic segmentation refers to the classification of market into various geographical areas. A marketer can't have similar strategies for individuals living at different places.

Nestle promotes Nescafe all through the year in cold states of the country as compared to places which have well defined summer and winter season.

McDonald’s in India does not sell beef products as it is strictly against the religious beliefs of the countrymen, whereas McDonald’s in US freely sells and promotes beef products.

- **Gender**

The marketers divide the market into smaller segments based on gender. Both men and women have different interests and preferences, and thus the need for segmentation.

Organizations need to have different marketing strategies for men which would obviously not work in case of females.

A woman would not purchase a product meant for males and vice a versa.

The segmentation of the market as per the gender is important in many industries like cosmetics, footwear, jewellery and apparel industries.

- **Age Group**

Division on the basis of age group of the target audience is also one of the ways of market segmentation.

The products and marketing strategies for teenagers would obviously be different than kids.

Age group (0 - 10 years) - Toys, Nappies, Baby Food, Prams

Age Group (10 - 20 years) - Toys, Apparels, Books, School Bags

Age group (20 years and above) - Cosmetics, Anti-Ageing Products, Magazines, apparels and so on

- **Income**

Marketers divide the consumers into small segments as per their income. Individuals are classified into segments according to their monthly earnings.

The three categories are:

High income Group
Mid Income Group
Low Income Group

Stores catering to the higher income group would have different range of products and strategies as compared to stores which target the lower income group.

Pantaloon, Carrefour, Shopper's stop target the high income group as compared to Vishal Retail, Reliance Retail or Big bazaar who cater to the individuals belonging to the lower income segment.

- **Marital Status**

Market segmentation can also be as per the marital status of the individuals. Travel agencies would not have similar holiday packages for bachelors and married couples.

- **Occupation**

Office goers would have different needs as compared to school / college students.

A beach house shirt or a funky T Shirt would have no takers in a Zodiac Store as it caters specifically to the professionals.

CONSUMER BEHAVIOR

Definition:

The **Consumer Behavior** is the study of how an individual decides to purchase a particular product over the other and what the underlying factors that mold such behavior are.

Factors Influencing Consumer Behavior:

The marketers try to understand the actions of the consumers in the marketplace and the underlying motives for such actions. These motives are the factors that influence the consumer behavior. These are:

Psychological Factors:

The human psychology plays a crucial role in designing the consumer's preferences and likes or dislikes for a particular product and services. Some of the important psychological factors are:

Social Factors:

The human beings live in a complex social environment wherein they are surrounded by several people who have different buying behaviors. Since the man is a social animal who likes to be acceptable by all tries to imitate the behaviors that are socially acceptable. Hence, the social factors influence the buying behavior of an individual to a great extent. Some of the social factors are:

- Family
- Reference Groups
- Roles and status

Cultural Factors:

It is believed that an individual learns the set of values, perceptions, behaviors, and preferences at a very early stage of his childhood from the people especially, the family and the other key institutions which were around during his developmental stage. Thus, the behavioral patterns are developed from the culture where he or she is brought up. Several cultural factors are:

- Culture

- Subculture
- Social Class

Personal Factors:

There are several factors personal to the individuals that influence their buying decisions. Some of them are:

- Age
- Income
- Occupation
- Lifestyle

Economic Factors:

The last but not the least is the economic factors which have a significant influence on the buying decision of an individual. These are:

- Personal Income
- Family Income
- Income Expectations
- Consumer Credit
- Liquid Assets of the Consumer
- Savings

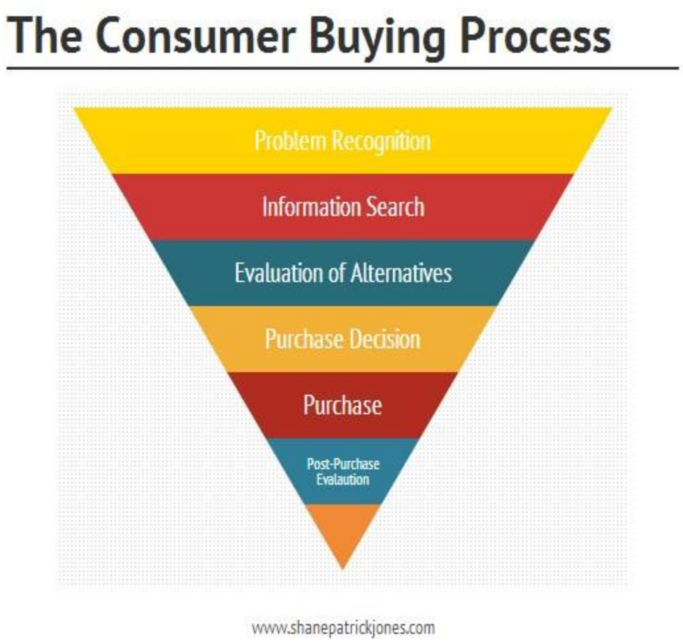
These are some of the underlying factors that influence the consumer behavior, and the marketer must keep these in mind, so that appropriate strategic marketing decision is made.

BUYING PROCESS

A buying process **is the series of steps that a consumer will take to make a** purchasing **decision. A standard model of consumer** purchase **decision-making includes recognition of needs and wants, information search, evaluation of choices,** purchase**, and post-**purchase **evaluation.**

The Six Stages of the Consumer Buying Process

Far too often, retailers think that consumer buying is randomized. That certain products appeal to certain customers and that a purchase either happens or it doesn't. They approach product and service marketing in the same way, based on trial and error. What if there were a distinctive set of steps that most consumers went through before deciding whether to make a purchase or not? What if there was a scientific method for determining what goes into the buying process that could make marketing to a target audience more than a shot in the dark?



The good news? It does exist. The actual purchase is just one step. In fact, there are six stages to the consumer buying process, and as a marketer, you can market to them effectively.

1. Problem Recognition

Put simply, before a purchase can ever take place, the customer must have a reason to believe that what they want, where they want to be or how they perceive themselves or a situation is different from where they actually are. The desire is different from the reality – this presents a problem for the customer.

However, for the marketer, this creates an opportunity. By taking the time to "create a problem" for the customer, whether they recognize that it exists already or not, you're starting the buying process. To do this, start with content marketing. Share facts and testimonials of what your product or service can provide. Ask questions to pull the potential customer into the buying process. Doing this helps a potential customer realize that they have a need that should be solved.

2. Information Search

Once a problem is recognized, the customer search process begins. They know there is an issue and they're looking for a solution. If it's a new makeup foundation, they look for foundation; if it's a new refrigerator with all the newest technology thrown in, they start looking at refrigerators – it's fairly straight forward.

As a marketer, the best way to market to this need is to establish your brand or the brand of your clients as an industry leader or expert in a specific field. Methods to consider include becoming a Google Trusted Store or by advertising partnerships and sponsors prominently on all web materials and collaterals.

Becoming a Google Trusted Store, like CJ Pony Parts – a leading dealer of Ford Mustang parts – allows you to increase search rankings and to provide a sense of customer security by displaying your status on your website.

Increasing your credibility markets to the information search process by keeps you in front of the customer and ahead of the competition.

3. Evaluation of Alternatives

Just because you stand out among the competition doesn't mean a customer will absolutely purchase your product or service. In fact, now more than ever, customers want to be sure they've done thorough research prior to making a purchase. Because of this, even though they may be sure of what they want, they'll still want to compare other options to ensure their decision is the right one.

Marketing to this couldn't be easier. Keep them on your site for the evaluation of alternatives stage. Leading insurance provider Geico allows customers to compare rates with other insurance providers all under their own website – even if the competition can offer a cheaper price. This not only simplifies the process, it establishes a trusting customer relationship, especially during the evaluation of alternatives stage.

4. Purchase Decision

Somewhat surprisingly, the purchase decision falls near the middle of the six stages of the consumer buying process. At this point, the customer has explored multiple options, they understand pricing and payment options and they are deciding whether to move forward with the purchase or not. That's right, at this point they could still decide to walk away.

This means it's time to step up the game in the marketing process by providing a sense of security while reminding customers of why they wanted to make the purchase in the first time. At this stage, giving as much information relating to the need that was created in step one along with why your brand, is the best provider to fulfill this need is essential.

If a customer walks away from the purchase, this is the time to bring them back. Retargeting or simple email reminders that speak to the need for the product in question can enforce the purchase decision, even if the opportunity seems lost. Step four is by far the most important one in the consumer buying process. This is where profits are either made or lost.

5. Purchase

A need has been created, research has been completed and the customer has decided to make a purchase. All the stages that lead to a conversion have been finished. However, this doesn't mean it's a sure thing. A consumer could still be lost. Marketing is just as important during this stage as during the previous.

Marketing to this stage is straightforward: keep it simple. Test your brand's purchase process online. Is it complicated? Are there too many steps? Is the load time too slow? Can a purchase be completed just as simply on a mobile device as on a desktop computer? Ask these critical questions and make adjustments. If the purchase process is too difficult, customers, and therefore revenue, can be easily lost.

6. Post-Purchase Evaluation

Just because a purchase has been made, the process has not ended. In fact, revenues and customer loyalty can be easily lost. After a purchase is made, it's inevitable that the customer must decide whether they are satisfied with the decision that was made or not. They evaluate.

If a customer feels as though an incorrect decision was made, a return could take place. This can be mitigated by identifying the source of dissonance, and offering an exchange that is simple and straightforward. However, even if the customer is satisfied with his or her decision to make the purchase, whether a future purchase is made from your brand is still in question. Because of this, sending follow-up surveys and emails that thank the customer for making a purchase are critical.

Take the time to understand the six stages of the consumer buying process. Doing this ensures that your marketing strategy addresses each stage and leads to higher conversions and long-term customer loyalty.

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