

Conjectural Facet of Segmentation to Know Customer

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ABSTRACT-

Market segmentation is the process of identifying distinct groups and or subgroups of customers in the market, who have distinct needs, characteristics, preferences and/or behaviors, and require separate product and service offerings and corresponding marketing mixes. The focus of this paper is on the concept of market segmentation. The aim of investigation is to identify usefulness of segmentation. The research also discusses role of segmentation variables in consumer markets. The present research is based on secondary literature of different researchers. The study brings forth that segmentation have a key role in marketing strategy. Companies are using the segmentation method to identify their customers in consumer market. A description of different variables used in consumer markets was provided as an attempt to present research. The study also pointed out the basis of segmentation in consumer markets as well as the mistakes that companies made during segmentation. The research concludes that companies are using segmentation method to plan their marketing strategy.

Keywords- Segmentation, Market, Consumer, Target, Company

I INTRODUCTION

Segmentation is the method of dividing the complete marketplace into smaller cluster that share analogous personality. Market segmentation has appeared as a significant and commonly accepted marketing instrument. Segmentation is based upon developments on the demand side of the market and represents a logical as well as more specific adjustment of product along with marketing effort to consumer and user requirements (Smith, W. (1956); Haley, R.I. (1968)). It is the process by which people with similar needs and wants are grouped together for the purpose of serving and focusing better on the market (Mill and Morrison, 1985). Segmentation is based on the principle that there are existing groups or segments in every market which have fairly different needs and wants, that have to be satisfied in a different manner (Kotler, P. (1998)).

Market segmentation is a marketing approach that involves dividing a broad target market into subsets of consumers who have familiar desires and then scheming and implementing strategies to aim their needs and wishes using media channels and other touch-points that best allow reaching them.

In simple words, market segmentation is the method of dividing a market into different subsets of consumers with universal needs and selecting one or more segments to target with a separate marketing mix. Segmentation allows companies or firms to avoid competition in the marketplace by differentiating the products on the basis of price, packaging, promotion, distribution technique, style and superior service. Market segmentation is one of the key stages in marketing strategy. Marketer selects one or two segments to target after dividing the markets into homogeneous clusters. Marketer focuses on a specific marketing mix such as a specific product, price,

channel, and promotional appeal for each distinct segment to achieve the segmented market.

Companies want the segmentation should be viable because the complete process is based on the market research which involves cost, time and human resource. Market segmentation will become attractive marketing strategy once the key five criteria such as Measurable, Substantial, Accessible, Differentiable and Actionable are fulfilled.

II OBJECTIVE & METHODOLOGY

- (a) **Objective:-**The aim of the paper is to understand the process of segmentation, basis of market segmentation and segmentation variables in consumer markets. Moreover, highlights of marketers' common mistakes in segmentation have been included in the present research.
- (b) **Methodology:-**The present study is based on literature review of secondary information such as research papers, articles available in Emerald, EBSCO and online newspapers, blogs etc. However, the study has been carried out to understand the concept of market segmentation. The study has been conducted from the time period of November 2012 to May 2013.

III SEGMENTATION

Market segment consists of consumers who share similar needs and wants, and marketers identify the segments with respect to the characteristics. One of the most important developments in marketing is that the quantity of increased interest in market segmentation and marketers major focus has been shifted to segmentation which is used before launching any product or in building the marketing strategy. The concept of market segmentation was developed in

economic theory to show how a firm selling a homogeneous product in a market characterized by heterogeneous demand could maximize profits (Claycamp and Massy, 1968).

Segmentation process reduces the companies' time of targeting customers and focuses on getting reliable specific customers. Segmentation facilitates companies to know their actual target audience and assist the firm to identify them from the mass. In the marketing strategy segmentation has following advantages.

- It increases profitability
- It helps to have customer retention
- It helps in expansion of market
- It increases competitiveness of a firm from an overall view
- It increases the focus of a company or firm

Markets are heterogeneous. A company can't connect with all customers in huge and dissimilar markets. Consumers vary on many dimensions and often can be grouped according to one or more characteristics. A company needs to identify which market segments it can serve effectively. Different researchers have suggested different approach for segmenting. The major types of segmentation for consumer markets are mentioned below:

(a) **Geographic Segmentation:**-This is possibly the most familiar form of market segmentation wherein organizations segment the market by aiming at a particular geographical area. For example, a brand could be sold only in one city, rural or semi-urban regions of India. Regional differences in buyer's preferences occur and this often provides a basis for geographic specialization.

Geographic segmentation can take many forms such as urban versus rural, north versus south, warm areas versus cold, class 1 and class 2 cities versus metro cities and so on. These examples reveal that geographic segmentation is sometimes a substitute for other types of segmentation.

(b) **Demographic Segmentation:**-Genders, family size, age, income, housing type, occupation, SEC and education level are common demographic variables. Brands have different target consumers. Some brands are targeted only to women, others only to men. Education levels often define demographic market segments.

(c) **Psychographic or Lifestyle Segmentation:**-Psychographic (or lifestyle) segmentation is based upon multivariate analyses of consumer attitudes, values, behaviours, emotions, perceptions, beliefs, and interests. This kind of segmentation is a legal way to segment a market, if one can properly identify the segmentation variables. Qualitative research provides the insight, the conceptual knowledge, and the consumer's exact language necessary to design the segmentation questionnaire.

Usually, word for word comments from consumers are used to build basis of lifestyle statements. A large delegate's samples of consumers (generally 1,000 or more) are then asked about the degree to which they agree or disagree with each statement.

(d) **Price Segmentation:** - It is common and widely practiced market segmentation. Difference in household incomes creates an opportunity for segmenting along price aspect. If individual incomes range from low to high, then a company should offer some cheap products, some medium-priced ones, and some expensive ones. Chevrolet varied in price (and status) along a clearly defined spectrum to appeal to successively higher income groups.

(e) **Distribution Segmentation:** - A method of segmenting the market based on where (what channel of distribution) consumers purchase a product. This type of distributional segmentation is common, especially among small companies that contribute each channel a unique brand to gain distribution within that channel. An upscale line of clothing sold only in expensive department stores, or a hair shampoo sold only through upscale beauty salons are examples of this type of segmentation.

(f) **Media Segmentation:** - Different media tend to reach different audiences. If a brand uses all its funds into one particular media, it can probably lead the segment of the market that reads that particular magazine. This type of segmentation is most often practiced by companies that have some control over the media and can somehow put off competitors from using that media.

(g) **Time Segmentation:** - The time dimension can be an interesting basis for segmentation. This type of segmentation too is less common but can be very successful. For example, some stores stay open late than others or stay open on weekends. Some products are sold only at certain times of the year (e.g., Christmas cards, Olympic goodies, fireworks etc.). Markets can be segmented by hobbies, by religion, by sports team loyalties, by universities attended and several other variables.

IV BASIS OF MARKET SEGMENTATION IN CONSUMER MARKETS

It is now understood that segmentation is an approach taken up by the marketers to divide the market into small-small segments or parts based on consumers requirements which are common in nature. Overall, it is an assessment and reconsiders the strategy and its incorporation in the changes that are required. Majority of the firms do segmentation on the basis of the following categories:

- (a) **Age Group:**-The marketers divide the market on the basis of age group of the target audience. The products and marketing strategies for kids would obviously be different than grown-ups. Normally the ages of consumers are divided as under 6 years, 6-11 Years, 12-19 Years, 20-30 Years, 30-49 Years, 50-60 Years, 60+ years. Some of the examples for different products are highlighted below:

- (i) (0-4 Years) – Nappies, Baby Food etc.
- (ii) (0-12 years) –Toys, School bags etc.
- (iii) (16 years and above) – Cosmetics, magazines etc.

- (b) **Family Size:**-Companies use family size as a basis to segment the consumers in the market. Few categories of family sizes are as young and single, young and married but no children, young and married with children below 5 years age, older and married with children, older and married with children less than 15 years age, older and married but no children, older and single, others.

- (c) **Gender:**-The marketers divide the market into minor segments based on gender. Based on the gender both men and women have different interests and preferences. In general marketers do the segmentation on two categories such as male and female.

For example, a woman would not buy a product meant for males and vice versa. It is important in many industries like cosmetics, footwear, jewellery and apparel industries to do the segmentation with respect to the gender.

- (d) **Marital Status:**-Market segmentation can also be as per the marital status of the persons. In India, marketers signify marital status categories as: single, married, widow, divorcee. For example, a travel agency would have different holiday packages for bachelors and married couples.

- (e) **Income:** - Marketers divide the consumers into small segments based on their income. Persons or households are categorized into segments according to their monthly or annual earnings.

There are three categories based on income. They are:

- (i) High income group
- (ii) Mid income group
- (iii) Low income group

Pantaloan, 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. Few segments that were done with income are such as

low (upto INR 40, 000 per annum), lower middle (INR 40, 001 – INR 80,000 per annum), middle (INR 80,001 – 120,000 per annum), upper middle (INR 120,000 – 160,000 per annum) and high (above INR 160,000).

- (f) **Occupation:**- Occupation plays a major role in buying process. Marketers focus on the occupation of the consumers to segment and target for their product. Occupation such as unskilled worker, skilled worker, petty traders, shop owners, business person, professionals such as doctors, lawyer etc. Example such as office goers would have different needs as compared to school/college students.

- (g) **Education:**-Sometimes companies target the consumers on the basis of their educational qualifications. Educational qualification for consumer markets was divided as illiterate, school up to 4 years, school between 5 and 9 years, SSC/HSC, non-graduate, graduate/postgraduate general category, graduate/postgraduate professional category and so on.

- (h) **Socio-Economic Classification:**-Indian market is very complex and has encouraged the development of socioeconomic classification (SEC) as a viable method to segment the diverse markets. Consumption behaviour in India is based on the people’s education and occupation for urban markets as well as occupation and types of house for rural markets. This classifies the categories such as A1, A2, B1, B2, C, D, E1 and E2 for urban areas and categories such as R1, R2, R3, R4 for rural areas.

V MISTAKES IN MARKET SEGMENTATION

Segmentation studies tend to be large and complicated, so it’s easy for errors and mistakes to be made. Some of the most common mistakes that companies made during the segmentation process are mentioned as follows:

- (a) **Segmenting a segment.** For example, someone might want to segment the market for shampoos among 18- 24 year olds who live in Mumbai and buy brand ABC. The client is asking for a tiny part of the market that segmented. This tiny part can be segmented, but rarely are the resulting segments will be of any worth because they are just too small. For this reason, the general thumb rule will be to segment the whole market, including all age groups.

- (b) **Overlooking the “universals.”** There are cases when many attitudinal statements in the questionnaire tend to be the same across all segments. Statements that everyone agrees with, or everyone disagrees with (are said as “universals”) cannot explain much in the

multivariate analyses. Variables have to move up and down for the multivariate analysis to work. The highest rated variables, and the lowest rated, are likely to fall out of the multivariate analyses. However, marketers should always look at these universal statements. Any one of them might be the basis for a positioning.

- (c) **Creating too many segments.** There should be a control to the size of segments that companies can effectively target. If one creates more than three or four market segments, then it can be said that the resulting segments will be too small to target, at least by mass media. However this cannot be always true, but it is a good rule of thumb.
- (d) **Confusing the results.** Segmentation studies are large and complex, with enormous amounts of data.
- (e) **Targeting people instead of money.** A market segment represents a small part of the market. One should always look at the money potential of market segments and not just only the number of people in the segments.

VI CONCLUSION

Companies, agencies, institutes and organizations are using the segmentation process to divide and group their markets to target their finest customers and prospects. Segmentation clarifies customer multiplicity, abridges marketing movement, illustrates consumer lifestyle and assimilates an extensive collection of data. The research has indicated few effective segmentation criteria such as measurable, substantial, accessible, differentiable and actionable. Segmentation will become striking strategy once the effective segmentation criterions are fulfilled. The research has pointed out various characteristics of ideal market segment.

Markets are not homogeneous. It has become essential for the companies to segment the market. The research has designated some key types of segmentation for consumer markets and business markets. Consumer markets segmentations are Geographic Segmentation, Demographic Segmentation, Psychographic or Lifestyle Segmentation, Price Segmentation, Distribution Segmentation, Media Segmentation and Time Segmentation. The investigation revealed that majority of the firms do segmentation on the basis Age, Family Size, Gender, Marital Status, Income, Occupation, Education and SEC.

Segmentation studies are very huge and complicated as compared to others and it's hard for marketers to overcome the errors and mistakes. A company also makes mistakes during the segmentation process. Segmentation process works on the hypothesis that customer with similar preferences and behaviours can

be easily put together in a group to target a particular product. The behaviours can be easily measured by the companies to understand consumers. Segmentation has provided huge benefits to the companies because it helps companies to get accurate information about their consumers, constituents, or members. Finally, segmentation method aid companies to plan the marketing strategy for their product.

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