# Capture your market with 'MARKET SEGMENTATION'
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## Introduction

Marketing is a managerial process which explores the business opportunities among individuals and organizations by understanding the need want and desires of the consumers and using the mediums of media to achieve the goal of profit maximization and increased sales.

"*Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.* "

*American Marketing Association*

## What is Market?

A market consists of all the potential customers sharing a particular need or want who are willing and able to engage in exchange to satisfy their need or want. In simple words, market refers to a place where buyers and sellers gathered together to exchange their goods.

### Types of Markets:

The various types of markets existing are:

1. **Physical Markets**

Physical market is a set up where buyers can physically meet the sellers and purchases the desired merchandise from them in exchange of money. Shopping malls, department stores, retail stores are examples of physical markets. Traditionally people use to purchase it from shops or retailers and followed by concept of one stop shop i.e. malls.

2. **Non Physical Markets/Virtual markets**

In such markets, buyers purchase goods and services through internet. In such a market the buyers and sellers do not meet or interact physically, instead the transaction is done through internet. Examples - Rediff shopping, eBay etc. E-commerce is now the latest buzz word used to describe such transactions.

3. **Auction Market**

In this market, the goods are put on to auction and good is sold to the seller who is the highest bidder. More the money, more powerful is the purchaser and this type of format is applicable with making a deal during real estate business and in B2B business as well.

4. **Market for Intermediate Goods**

Such markets sell raw materials (goods) required for the final production of other goods. These markets are constituted by the primary producers of raw material that further sell into the manufacturers for refining it.

5. **Black Market**

A black market is a setup where illegal goods like drugs and weapons are sold. This type of market though exists but doesn't constitute the legitimate business in the society.

6. **Knowledge Market**

Knowledge market is a set up which deals in the exchange of information and knowledge based products. The new population known as netizens can be considered as a part of this as they are continuously involved in the process of gaining and spreading the information.

7. **Financial Market**

Market dealing with the exchange of liquid assets (money) is called a financial market. The best example of such market is the stock markets.

Though all these markets might fall into our category for segmenting them but they are essential for understanding the division of our markets. The marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.

## Market Segmentation

India a land with multiple diversities is a complex market and in order to achieve the successful campaigns, it becomes very essential for the marketers to divide this complex market into simple segments. Therefore, segmentation refers to a process of bifurcating or dividing a large unit into various small units which have more or less similar characteristics. In simple words**,** market segmentation refers to dividing the markets into sub markets in order to understand the bifurcate the consumers with similar characteristics and satisfy their specific needs. It is also essential to understand every market traits are distinct from other market's characteristics. Every customer has different need, wants and desires and in order to provide them as per their requisites, marketers segment the market. The segmentation of markets can be done under various categories as there are n numbers of products available in the market.

## Why is segmentation required?

a) It is required so that right market is targeted for the advertising and promotion of the product.

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b) Then after the right market is selected, further segmentation is required for further tapping the right kind of consumers.

c) Segmenting the market would be a great help to the marketers as they will makes the marketing efforts more efficient and economic

d) Helps identify less satisfied segment and concentrate on them

## Types of Segmentation:

The factors which are to be used to segment a market are the segmentation variables. Common variables include demographic, geographic, psychographic and behavioural consideration.
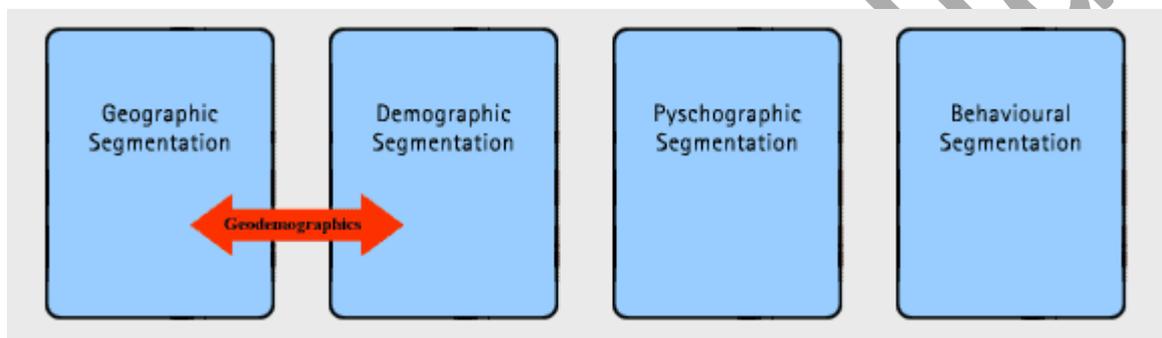


a) **GEOGRAPHIC:**

Geographic segmentation refers to the segmentation of the market as per the geographical boundaries. As every country has citizens with different characteristics, similarly people residing in different places can't be approached with similar strategies.

For examples; 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.

b) **DEMOGRAPHIC**

Demographic segmentation is done on the basis of age, sex, educational qualification, income group, etc. As per the category of the product and the target audience for which the product is made, it is very essential to segment the market.

For example preference of teenagers is going to be different from the adults. Consumers earning 1 lakh as their monthly income are going to have different preference from the consumers whose annual income is 1 lakh. Demographics variables are used to segment the customer base so as to create an

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effective marketing. Similarly working women will be having different choice as compared to housewife. College going boys will prefer bikes and trendy clothes as compared to office going men. You can segment markets by many different characteristics, such as age, income, gender, race and so on.

## c) PSYCHOLOGICAL

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

For example there are few products in the market that are just meant to be for the elite class like Mercedes, Rolex watches, etc., similarly product like Nano car will be preferred by the middle class. People consuming healthy products like olive oil, etc. will not be preferred and affordable by all the consumers.

## d) SOCIAL CULTURAL

Culture and social class are the two main parameters for segmenting the market. Every nation has its own culture and what differentiates the market from one another is the different preference of the people residing in those nations. Culture is something that an individual imbibes from the childhood and is brought up as per their social norms of the society.

On the other hand, social class makes a tremendous difference on the consumer behaviour as we live in society where certain preferences are as per the class. For example in content to the segmentation on basis of social class, there is lower class, middle class and upper class and the behavioural pattern in terms of purchasing is going to be different for all the classes.

## e) BEHAVIOURISTIC:

Now days, consumers are also segmented on the basis of their loyalties and more usage of certain brands. 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.

The segment majorly focuses on various types of consumers from the online buyers to those purchasing through the stores. There are few consumers who purchase material in a bulk as well. Whether they conduct an online survey, whether they are regular visitor or whether the consumers are buying from the shopper stop exclusively, this would help the marketer to segment the consumer as per their behaviour pattern.

**SEGMENTATION IN DIGITAL ECONOMY:**

*Positioning is not what you do a product,*

*It's what you do to the mind of the consumer.*

This stands true for the digital world that creates a virtual world in itself. Information is collected, aggregated and used to define segments of homogenous consumers. In providing targeted offering to these consumers, several segmentation techniques are valuable:

a) **Database Management:** In digital economy market is segmented on the basis of database collected by the marketers on the basis of regular visitors of the particular site with specific preference.

b) **Anonymous Personalization:** The anonymous data collected and utilized for drawing the personalized information and making them a customer.

c) **Permission Based marketing:** This type of segmentation is created on the basis of people signing up and creating a permission based and authentic data.