

- **Methods For Market Segmentation**

The following four methods are generally used for market segmentation:

Geographic Segmentation

Behavioral Segmentation

Demographic Segmentation

Psychographic Segmentation



Geographic Segmentation

Markets can be segmented according to geographic criteria; some of them are as follows:

Regions – for example in the United Kingdom these might be England, Scotland, Wales, Northern Ireland or at a more detailed level, countries or major metropolitan areas

Countries – for example categorized by size, development or membership of geographic region

City/Town Size – for example population within ranges or above a certain level

Population Density – for example, urban, suburban, rural and semi rural

Climate – for example northern and southern

The geo-cluster approach combines demographic data with geographic data to create a more accurate or specific profile. With respect to region, in rainy regions, merchants can sell products suitable for protection from the rains, for example, raincoats, umbrellas and gum

boots. In hot regions, merchants can sell products suitable for summers, for example, clothes made of light weight material, tank tops, tees, shorts, sun glasses. In cold regions, merchants can sell products suitable for winters, for example, clothes made of higher gsm fabrics or wool, warm coats, leather jackets, sweaters, cardigans etc.

A small business commodity store may target only customers from the local neighborhood, while a large department store can target its market towards several neighborhoods in a larger city or area, while ignoring customers in other continents.

Geographic segmentation is an important process particularly for multi-national and global businesses and brands. Many of such companies have regional and national marketing programs which alter their products to suit the individual needs of geographic units.

Behavioral Segmentation

Behavioral Segmentation is based on consumer's behaviors. This includes their patterns of use, price sensitivity, brands loyalty and benefits sought. A company may have consumers with similar demographic make-up but distinct behavioral tendencies. Some may use product daily while other may use it weekly or monthly. Higher income earners may be more interested in higher quality products versus low quality products. This situation may prompt the provider to target higher-end products and services to one group and more value-oriented offerings to lower-income or budget-conscious customers.

The following are common behavioral segments:

Occasions – groups individuals according to the occasions when they purchase, use or think of buying a product

Benefits Sought - groups individuals according to the benefits they seek from the product

Usage Rate – groups individuals according the level of usage they make of the product, be it heavy, medium or light usage

User Status – groups individuals according to whether they are non-users, potential users, first time users, regular users or ex users of a product

Loyalty Status – groups individuals according to their level of loyalty to a product. Hard core loyals will ALWAYS purchase their product/brand while soft core loyals will sometimes purchase another brand. Switchers will not specifically seek out a particular brand but rather purchase the brand available to them at time of need or the one which is on sale.

Buyer Readiness Stage – groups individuals according to their readiness to buy the product.

Demographic Segmentation

The demographic segmentation consists of dividing the market into groups based on variables such as age, gender, family size, income, occupation, education, race, religion and nationality.

Demographic segmentation variables are amongst the most popular basis for segmenting consumer groups particularly because the consumer wants are closely tied up to variables such as income and age.

The main demographic variables are as follows:

Life-Cycle Stage – is particularly important in markets such as leisure and tourism.

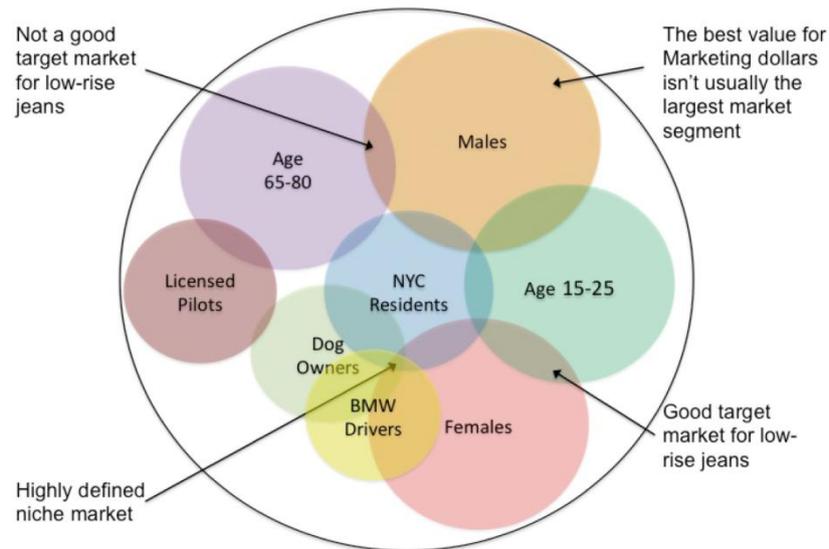
Age – consumer needs and wants changes with age although they may still wish to consume the same types of products. So the marketers design, package and promote products differently to meet the needs of different age groups. Good examples include marketing of toothpaste (contrast the branding of toothpaste for kids and adults) and toys (with many age-based segments).

Gender – separate products for men and separate products for women specially, for products like clothing, hairdressing, magazines, toiletries and cosmetics.

Income – products/services classified according to various income groups. Good examples are hotels (7 star, 5 star, 2 star etc.), airlines (offering first class, business class and economy class), banks (offering varying investment products), cars (BMW, Benz, Audi, Toyota, Suzuki etc.) and clothing stores (Gucci, D&G, H&M etc.)

Social Class – many marketers believe that a consumer's "perceived" social class influences their preferences for cars, clothes, home furnishing, leisure activities and other products and services. There is a clear link here with income-based segmentation.

The following graph explains some aspects of demographic segmentation:



Psychographic Segmentation

Life Style is a growing phenomenon. Marketers are increasingly getting interested in the effect of consumer “lifestyles” on demand. Unfortunately there are many different lifestyle categorization systems; many of these are designed by advertising and marketing agencies as a way of capturing new market clients and campaigns.

Psychographic or lifestyle segmentation has becoming increasingly common as companies look to identify consumers based on interests and activities in lieu of demographics. A good example of this segmentation strategy are camping enthusiasts, for instance, have a few consistent demographic traits. Campers are a diverse group. Thus, marketers would likely target a segment of outdoor hobbyists or campers for new camping equipment through outdoor programs or magazines.