

MS-107 (Marketing Management)

Unit- 7: STP Concept and Market Segmentation

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Market Segmentation

Market Segmentation is the process of breaking down the whole market into smaller & homogenous groups of customers. These groups are homogenous in the sense that the customers within a particular group have similar needs and thereby similar product preferences. On the other hand, the customers in two different groups have widely different needs and product preferences. These customer-groups into which the whole market is divided are referred to as market segments.

Segmentation variable for Consumer Markets

- ❖ Geographic Segmentation
- ❖ Demographic Segmentation
- ❖ Psychographic Segmentation
- ❖ behavioural Segmentation

Consumer Markets vs. Business Markets

Consumer markets consists of those entities which purchase goods or services for personal use. Customers in the consumer markets tend to make frequent but small volume purchases.

On the other hand, business markets consists of those individuals or organisations which acquire goods and service not for personal use but for some commercial purpose. Bulk volume purchases are common in business markets.

Take example of a soap. How many soaps do you purchase in a month for your family? Just a few! What about the shopkeeper from whom you buy these soaps? How many units of soap does he purchase from the wholesaler every month? At least a few hundred! And he has purchased these soaps not for his personal use but to sell them to customers like you.

Hence, while your family and other such families constitute the consumer market, the shopkeepers are part of the business market.

Segmentation variable for Business Market

- ❑ Demographic Variables
- ❑ Operating Variables
- ❑ Purchasing Approach
- ❑ Situational Variables
- ❑ Customer Characteristics

Attributes for effective Segmentation

- ☐ They should be measurable
- ☐ They should be substantial in size and should have large number of customers.
- ☐ They should be accessible
- ☐ They should be differentiable
- ☐ They should be actionable

Definitions

Mass-Marketing- It is the practice of producing & selling the same standard product to all the customers without any regard to their unique needs and preferences.

Experience Curve- A graphical representation of improvement in workforce-efficiency that results from faster accumulation of experience owing to doing the same work repetitively.

Production Orientation- It is the marketing philosophy that advocates that the customers prefer widely available & inexpensive products and seeks to provide the same through high-volume production of standardised products.

Micro-marketing- The strategy of focussing marketing efforts on a small group of highly-defined customers.

Consumer Markets- Customers who buy a product or service for personal consumption.

Definitions (Continued)

Business Markets- Customers buying a product or service for commercial or business use.

Segmentation- It is the process of dividing the customers into different groups on the basis of their needs and product preferences.

Market Segment- It is a homogenous group of customers with similar needs and product preferences.

Brands- Those names or symbols which help customers distinguish between different products (eg-Lux, Breeze, Dove) in the same product category (bathing soaps).

Definitions (Continued)

Market Offerings- The term used to denote both products and services being offered by a marketer to customers in a market.

Multi-Attribute Segmentation- It is the practice of using two or more segmentation variables simultaneously to identify customer segments.

Targeting- The process of deciding how many and which market segments to serve.

Positioning- Designing company products and image to suit & attract the target segments.

Reference

SILM developed by Uttarakhand Open University for MS-107 (Marketing Management), Year 2020, ISBN: 978-93-85740-13-8.

Thank You!