**Marketing - Segmenting the Market**

There are several important reasons why businesses should attempt to segment their markets carefully. These are:

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| **Better matching of customer needs** | Customer needs differ. Creating separate products for each segment makes sense and provides customers with a better solution |
| **Better opportunities for growth** | Market segmentation can build sales. For example, customers can be encouraged to "trade-up" after being introduced to a particular product with an introductory, lower-priced product |
| **More effective promotion** | By segmenting markets, target customers can be reached more often and at lower cost |
| **Gain a higher share of the market** | Through careful segmentation and targeting, businesses can often become the market leader, even if the market is small |

There are many ways in which a market can be broken down into segments.

A very popular method of **“demographic”** segmentation looks at factors such as age, gender, income and so on. These are described briefly below:

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| **Age** | Businesses often target certain age groups. Good examples are toothpaste – look at the variety of toothpaste products for children and adults) and toys (e.g. pre-school, 5-9, 10-12, teen, family) |
| **Gender** | We all know that males and females demand different types of the same product. Great examples include the clothing, hairdressing, magazine, toiletries and cosmetics markets |
| **Income** | Many companies target rich consumers with luxury goods (e.g. Lexus, Bang & Olufsen). Other businesses focus on products that appeal directly to consumers on low incomes (e.g. Aldi and Lidl (discounted groceries) and fast-fashion retailers such as TK Maxx) |
| **Social class** | Many businesses believe that a consumers "perceived" social class influences their preferences for cars, clothes, home furnishings, leisure activities and other products & services |

Another approach is known as **“geographic segmentation”.** This tries to divide markets using:

* **Regions**: e.g. in the UK these might be England, Scotland, Wales Northern Ireland or (at a more detailed level) counties or major metropolitan areas
* **Countries**: perhaps categorised by size, development or membership of geographic region
* **City / town size**: e.g. population within ranges or above a certain level
* **Population density**: e.g. urban, suburban, rural, semi-rural

It would be nice to think that market segmentation is the answer to an entrepreneur’s problems. By spotting a clear niche market using segmentation, the start-up business can focus all its efforts on reaching the target customer base.

**Limitations of segmentation**

If only business life was that simple. It isn’t. Here are some key limitations with market segmentation:

* **Lack of information and data:** some markets are poorly researched with little information about different customer needs and wants
* **Difficulty in measuring and predicting consumer behaviour:** humans don’t all behave in the same way all of the time. The way that they behave also changes over time! A good example is the “grey generation” (i.e. people aged over 50). The attitudes and lifestyles of the grey generation have changed dramatically in recent years.
* **Hard to reach customer segments once identified:** it is one thing spotting a segment; it is another finding the right way to reach target customers with the right kind of marketing message