

# Market Segmentation, Meaning, Definition, Strategies, Bases, Levels and Benefits

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**Market Segmentation** is the process of dividing a large heterogeneous market into smaller homogenous groups or segments that share similar needs, characteristics, or behaviors. The goal of market segmentation is to enable a company to tailor its marketing mix to meet the specific needs of each segment, resulting in more effective marketing and higher sales.

Market segmentation is a process of dividing a large and heterogeneous market into smaller and more homogeneous groups of consumers who have similar needs, preferences, and behaviors. The primary objective of market segmentation is to help companies understand their customers better, so that they can tailor their marketing strategies to meet the specific needs and wants of different groups of customers.

There are several definitions of market segmentation provided by different scholars and authors. Some of these definitions are as follows:

- **According to Philip Kotler**, market segmentation is “the process of dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviors and who might require separate products or marketing programs.”
- **According to William J. Stanton**, market segmentation is “The process of dividing a market into groups of similar buyers who have distinct needs and characteristics that require different marketing mixes.”
- **According to David Ogilvy**, market segmentation is “The process of dividing a heterogeneous market into homogeneous submarkets or segments, each of which responds differently to a particular marketing mix.”
- **According to Michael Porter**, market segmentation is “The identification of distinct groups of buyers with different needs, characteristics, or behavior that might require separate marketing strategies or mixes.”
- **According to Richard Bagozzi**, market segmentation is “The process of identifying and targeting groups of customers who have different needs and preferences, and designing specific marketing programs to meet their needs.”
- **According to John D. Howard and Jagdish N. Sheth**, market segmentation is “The process of dividing a market into smaller groups of customers who have similar needs or preferences, and targeting these groups with differentiated marketing strategies.”

## | Strategies opted for Market Segmentation

Once a company has identified the various segments of the market, it needs to develop specific strategies for each segment to meet the needs of customers effectively. Here are some of the strategies that companies can opt for market segmentation:

### **Product Differentiation**

A company can differentiate its products to meet the specific needs of each segment. It can offer different versions of its products or services, such as premium and economy versions, to cater to different customer segments.

**For example**, automobile manufacturers offer a range of cars targeting different customer segments such as luxury cars for high-income customers, mid-range cars for the middle class, and budget cars for price-sensitive customers.

A company can use different pricing strategies for different market segments. The price of a product or service can be adjusted to match the segment's willingness to pay or the perceived value of the product.

**For example**, luxury hotels charge higher prices for their services than budget hotels, as they cater to high-end customers who are willing to pay more for better quality services.

A company can tailor its promotional activities to target specific customer segments. The messaging, advertising channels, and content used in promotion can vary for different segments.

**For example**, companies may use different advertising media to target different segments, such as social media for younger consumers and traditional media for older consumers.

A company can use different distribution channels to reach different customer segments. The distribution strategy can be tailored based on the segment's preference for online or offline shopping.

**For example**, an online retailer can use different websites or platforms to target different customer segments, such as using Amazon to target tech-savvy consumers and eBay to target budget-conscious customers.

A company can provide different levels of customer service based on the needs of different segments. The service level can be tailored based on the customer's preferences and needs.

**For example**, some airlines provide premium services for their first-class passengers, such as priority boarding, access to airport lounges, and more personalized service.

A company can segment its market based on geographic factors such as region, city, or climate. This can help companies to understand the unique needs and preferences of customers in different regions and tailor their products and services accordingly.

**For example**, clothing retailers may offer different products in different regions based on climate or local fashion trends.

## | Bases for Market Segmentation

Market segmentation is the process of dividing a broad market into smaller groups of consumers with similar needs, preferences, and behaviors. The ultimate goal of segmentation is to create a targeted marketing mix for each segment that addresses the specific needs and

desires of the customers in that segment. There are several bases or criteria for market segmentation, and each of them provides a unique perspective on the market. Here are the major bases for market segmentation:

### **Geographic Segmentation**

This type of segmentation divides the market based on geographic location such as country, region, city, or climate. Geographic segmentation is particularly useful for businesses with local or regional markets or those that sell products that are influenced by climate or cultural differences. Examples of geographic segmentation include regional marketing campaigns, city-specific promotions, and tailored products for consumers living in certain climates.

For example, a clothing company may offer different products for different regions based on climate or local fashion trends. A company may also use geographic segmentation to offer localized promotions, such as discounts for customers living in specific areas or seasonal promotions for customers living in different climates.

### **Demographic Segmentation**

This type of segmentation divides the market based on demographic factors such as age, gender, income, education, occupation, marital status, and family size. Demographic segmentation is useful for businesses that sell products that are used by specific age groups or genders, or products that are influenced by income or education levels. Examples of demographic segmentation include products aimed at specific age groups or genders, targeted advertising campaigns based on income or education levels, and family-friendly products aimed at parents with young children.

For example, a toy company may offer different products for different age groups, such as educational toys for younger children and video games for older children. Similarly, a luxury car company may target high-income consumers, while a budget car company may target price-sensitive consumers.

### **Psychographic Segmentation**

This type of segmentation divides the market based on psychological factors such as personality traits, values, attitudes, and lifestyles. Psychographic segmentation is useful for businesses that sell products that are influenced by consumer beliefs or values, or that are associated with a particular lifestyle or image. Examples of psychographic segmentation include products aimed at consumers with a certain lifestyle or attitude, targeted advertising campaigns based on consumer values, and products that reflect specific consumer beliefs or attitudes.

For example, a company that sells organic and sustainable products may target consumers who prioritize environmentally friendly products and lifestyles. Similarly, a luxury fashion brand may target consumers who value high-end fashion and luxury lifestyles.

### **Behavioral Segmentation**

This type of segmentation divides the market based on consumer behavior such as usage rate, loyalty, and purchase behavior. Behavioral segmentation is useful for businesses that sell products that are used differently by different consumers, or that are influenced by customer loyalty or purchasing habits. Examples of behavioral segmentation include products aimed at frequent or infrequent users, targeted advertising campaigns based on customer loyalty, and products that reward customer loyalty.

For example, a coffee company may offer different products for frequent and infrequent coffee drinkers, such as high-caffeine blends for frequent drinkers and decaf blends for infrequent drinkers. Similarly, a hotel loyalty program may offer rewards and incentives to frequent guests.

### **Technographic Segmentation**

This type of segmentation divides the market based on technology adoption and usage patterns. Technographic segmentation is useful for businesses that sell products or services that are influenced by consumer technology adoption and usage, such as mobile devices, social media, and online platforms. Examples of technographic segmentation include products aimed at early technology adopters, targeted advertising campaigns based on online behavior, and products that are optimized for specific devices or platforms.

**For example**, a mobile app development company may target early technology adopters with cutting-edge features and functionality, while a social media platform may offer targeted advertising based on user behavior and preferences.

### **| Levels of Market Segmentation**

Market segmentation can be done at different levels, depending on the complexity of the market and the nature of the product or service. The following are the different levels of market segmentation:

This is the simplest level of segmentation where a company targets the entire market with a single product or service. The company assumes that all customers have the same needs and preferences, and therefore, the product or service is designed to appeal to everyone. Examples of mass-marketed products include Coca-Cola, Pepsi, and McDonald's.

This level of segmentation involves dividing the market into smaller segments based on similar needs and preferences. The company then develops a different marketing mix for each segment. For example, a company that sells smartphones may develop different models for different customer segments such as business users, budget-conscious consumers, and high-end users.

This level of segmentation involves targeting a small and specific segment of the market that has unique needs and preferences. The company develops a marketing mix that caters to the specific needs of the niche market. For example, a company that sells gluten-free products targets customers who have celiac disease or gluten sensitivity.

This level of segmentation involves targeting individual customers or very small groups of customers. The company develops a unique marketing mix for each customer or group of customers based on their needs and preferences. For example, a company that sells customized clothing may create unique designs for each customer based on their specific measurements and preferences.

## **| Benefits of Market Segmentation**

### **Better Understanding of Customer Needs**

Market segmentation helps marketers understand the diverse needs, preferences, and expectations of different groups of consumers. Instead of treating the entire market as homogeneous, segmentation divides customers based on factors such as age, income, lifestyle, and behavior. This detailed understanding enables firms to identify specific customer requirements accurately. As a result, products and services can be designed to meet the exact needs of each segment, leading to higher customer satisfaction.

### **Effective Product Planning and Development**

One major benefit of market segmentation is improved product planning and development. When firms know the characteristics of each market segment, they can design products with suitable features, quality, size, and packaging. Segmentation reduces the risk of product failure because offerings are developed based on actual consumer demand. Customized products for specific segments increase acceptance and success in competitive markets.

### **Efficient Use of Marketing Resources**

Market segmentation ensures efficient utilization of marketing resources such as money, time, and manpower. Instead of spending heavily on mass marketing, firms can focus their efforts on profitable segments. Targeted advertising and promotion reduce wastage and improve return on investment. Efficient resource allocation helps firms achieve marketing objectives at lower cost and improves overall marketing efficiency.

### **Improved Pricing Strategies**

Segmentation allows marketers to adopt suitable pricing strategies for different customer groups. Consumers in different segments have varying purchasing power and price sensitivity. By understanding these differences, firms can fix appropriate prices for each segment. This helps in maximizing profits while ensuring customer acceptance. Differential pricing strategies become easier and more effective through market segmentation.

### **Better Promotional Effectiveness**

Market segmentation increases the effectiveness of promotional activities. Promotional messages can be designed according to the needs, interests, and media preferences of specific segments. Targeted communication creates greater impact and better response from consumers. Segmentation helps firms choose suitable advertising media and promotional tools, making marketing communication more persuasive and meaningful.

## **Stronger Competitive Advantage**

Market segmentation provides a strong competitive advantage to businesses. By focusing on specific segments, firms can differentiate themselves from competitors and build a strong market position. Specialized products and services help firms serve customers better than competitors. This leads to brand loyalty, customer retention, and long-term competitive strength in the market

## **Expansion of Market Opportunities**

Segmentation helps firms identify new and untapped market opportunities. By analyzing different segments, marketers can discover niche markets with specific needs that are not adequately served. This encourages innovation and market expansion. Firms can introduce new products or modify existing ones to cater to emerging segments, leading to business growth and diversification.

## **Higher Customer Satisfaction and Loyalty**

The ultimate benefit of market segmentation is higher customer satisfaction and loyalty. When customers receive products and services that closely match their needs, satisfaction levels increase. Satisfied customers are more likely to make repeat purchases and recommend the brand to others. This builds long-term relationships, enhances brand image, and ensures sustainable business success.

# Consumer Behaviour Meaning and Importance, Significance, Determinants, Strategies

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Consumer behavior refers to the actions and decisions made by individuals and households when purchasing goods and services. It involves the process of understanding why and how people buy products or services, including their decision-making processes, motivations, and preferences.

Consumer behavior is influenced by a range of factors, including personal, social, and cultural factors, as well as psychological and situational factors. These factors can influence a consumer's decision to purchase a product, their perception of a product's value, and their overall satisfaction with the product or service.

Understanding consumer behavior is important for businesses as it can help them to develop more effective marketing strategies, including product design, pricing, promotion, and distribution. By understanding what motivates consumers to make a purchase, businesses can better target their marketing efforts and increase their chances of success in the marketplace.

There are several different definitions of consumer behavior that have been proposed by various authors. Here are some examples:

- **According to Philip Kotler**, a renowned marketing expert, consumer behavior refers to “the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.”
- **Leon G. Schiffman and Leslie Lazar Kanuk** define consumer behavior as “the behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs.”
- **Michael R. Solomon**, in his book “Consumer Behavior: Buying, Having, and Being,” defines consumer behavior as “the study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires.”
- **According to David Loudon and Albert Della Bitta**, consumer behavior is “the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and wants.”
- **Peter F. Drucker**, a management consultant and author, defines consumer behavior as “the process through which the ultimate buyer of a product or service decides what, when, how, from whom, and at what price to buy.”

## Factors that influence consumer behavior:

- **Personal factors:** These include factors such as age, income, occupation, lifestyle, and personality.
- **Social factors:** These include factors such as family, friends, social class, and culture.

- **Psychological factors:** These include factors such as motivation, perception, learning, and attitudes.
- **Situational factors:** These include factors such as the time, place, and reason for the purchase, as well as the consumer's mood and level of involvement in the purchase decision.

## Importance of consumer behaviour

Consumer behavior is important for businesses for several reasons:

- **Developing effective marketing strategies:** By understanding the factors that influence consumer behavior, businesses can develop more effective marketing strategies that target the right audience, address their needs and preferences, and offer products and services that are more likely to be purchased.
- **Identifying market opportunities:** Understanding consumer behavior can also help businesses identify new market opportunities and niches that they may be able to fill. By identifying unmet needs or preferences, businesses can develop products or services that better meet the needs of their target market.
- **Improving customer satisfaction:** By understanding what motivates consumers to make a purchase and what factors influence their satisfaction with a product or service, businesses can improve the overall customer experience and increase customer satisfaction levels.
- **Developing better products and services:** By understanding consumer behavior, businesses can also develop better products and services that meet the needs and preferences of their target market. This can lead to increased customer loyalty, repeat business, and positive word-of-mouth recommendations.
- **Adjusting to changes in the market:** Consumer behavior is not static and can change over time due to a range of factors such as changing economic conditions, social trends, and technological advances. By monitoring changes in consumer behavior, businesses can adjust their marketing strategies and product offerings to stay relevant and competitive in the marketplace.

## Significance of Studying Consumer Behaviour

- **Understanding consumer needs and wants:** Understanding consumer behavior helps businesses to understand the needs and wants of their customers. This knowledge can be used to develop products and services that meet those needs and wants.
- **Developing effective marketing strategies:** Knowledge of consumer behavior can be used to develop marketing strategies that are more effective in reaching and convincing consumers to buy products and services.
- **Identifying market trends:** By studying consumer behavior, businesses can identify market trends and anticipate changes in consumer behavior. This can help them to adjust their marketing strategies and product offerings to stay ahead of the competition.
- **Improving customer satisfaction:** By understanding consumer behavior, businesses can improve customer satisfaction by providing products and services that meet their needs and wants.

- **Enhancing product design:** Understanding consumer behavior can also help businesses to design products that are more appealing to consumers. This can help them to gain a competitive edge in the marketplace.
- **Enhancing customer loyalty:** By understanding consumer behavior, businesses can build better relationships with their customers, which can lead to increased customer loyalty and repeat business.

### **Determinants of Consumer Behaviour:**

Consumer behavior is influenced by various factors. Some of the significant determinants of consumer behavior include:

- **Cultural Factors:** Culture is an essential determinant of consumer behavior. Culture includes values, beliefs, customs, and traditions that are passed down from generation to generation. Culture influences the way people behave, their buying habits, and the products they consume.
- **Social Factors:** Social factors such as family, reference groups, social class, and opinion leaders also affect consumer behavior. The influence of these factors on consumer behavior depends on the degree of their involvement in the purchase decision.
- **Psychological Factors:** Psychological factors such as perception, motivation, learning, attitudes, and personality traits are also determinants of consumer behavior. Perception influences how consumers interpret and process information about products and services. Motivation drives consumers to satisfy their needs and wants through their purchasing behavior.
- **Personal Factors:** Personal factors such as age, gender, income, occupation, and lifestyle are also determinants of consumer behavior. These factors influence consumers' needs, preferences, and decision-making.
- **Situational Factors:** Situational factors such as time, place, and mood also influence consumer behavior. These factors may affect the way consumers perceive products and services and their willingness to buy them.
- **Marketing Mix.:** The marketing mix, including product, price, promotion, and place, also affects consumer behavior. Consumers' decisions to purchase products are influenced by the marketing mix elements, such as the product design, the price of the product, promotional strategies, and the availability of the product.

### **Consumer Behaviour Strategies**

There are various strategies that businesses can use to influence consumer behavior. Here are some examples:

- **Product Design:** The design of a product can influence consumer behavior. By designing products that are visually appealing, user-friendly, and meet the needs and preferences of consumers, businesses can influence purchasing decisions.
- **Pricing:** Pricing is a crucial factor in consumer behavior. By offering competitive prices or using pricing strategies such as discounts, coupons, and sales promotions, businesses can influence consumer behavior and encourage them to make a purchase.

- **Advertising and Promotion:** Advertising and promotional strategies can influence consumer behavior by creating awareness about products and services, highlighting their benefits, and creating a desire to buy them. Advertising can also create a perception of quality and superiority, which can influence purchasing decisions.
- **Personal Selling:** Personal selling involves direct interaction between the seller and the buyer. By using personal selling techniques, such as building relationships with customers, addressing their needs and preferences, and providing them with personalized recommendations, businesses can influence consumer behavior.
- **Social Media and Online Marketing:** Social media and online marketing strategies can influence consumer behavior by creating a strong online presence, engaging with customers, providing valuable content, and offering personalized recommendations.
- **Branding:** Branding is a powerful tool for influencing consumer behavior. By creating a strong brand identity, businesses can create a perception of quality, trust, and reliability, which can influence purchasing decisions.

# Factors determining Consumer Behaviour

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Consumer behavior is influenced by various factors, which can be broadly categorized into internal and external factors. Here are some examples:

## Internal Factors:

- **Perception:** Perception refers to the way consumers interpret and process information about products and services. Perception is influenced by various factors, such as past experiences, expectations, and cultural background. For example, consumers may perceive a particular brand as high quality based on past experiences, and this perception may influence their purchasing behavior.
- **Motivation:** Motivation refers to the driving force behind consumers' behavior. Consumers are motivated by various needs, such as physiological, safety, social, esteem, and self-actualization needs. For example, a consumer may be motivated to buy a luxury car to satisfy their social and esteem needs.
- **Learning:** Learning refers to the way consumers acquire knowledge and experience about products and services. Learning can be influenced by personal experience, social interactions, and marketing communication. For example, consumers may learn about the benefits of a particular brand through advertising or word of mouth.
- **Attitudes:** Attitudes refer to consumers' overall evaluation of products and services. Attitudes are influenced by personal values, beliefs, and experiences. For example, a consumer may have a positive attitude towards eco-friendly products because they value sustainability.
- **Personality:** Personality refers to consumers' individual characteristics that influence their behavior. Personality traits such as extroversion, conscientiousness, and openness can influence consumer behavior. For example, an extroverted consumer may be more likely to purchase products that reflect their outgoing personality.

## External Factors:

- **Culture:** Culture refers to the values, beliefs, and customs of a society. Culture influences consumer behavior by shaping consumers' needs, wants, and behavior. For example, in some cultures, it may be more common to purchase products that reflect status and social class.
- **Social Factors:** Social factors such as family, reference groups, and opinion leaders influence consumer behavior. For example, a consumer may be influenced by their family members or friends when making a purchasing decision.
- **Demographic Factors:** Demographic factors such as age, gender, income, and education influence consumer behavior. For example, a young consumer may be more likely to purchase products that reflect their lifestyle and interests.
- **Economic Factors:** Economic factors such as income, inflation, and recession influence consumer behavior. For example, during a recession, consumers may be more price-sensitive and purchase lower-priced products.

- **Marketing Mix:** The marketing mix, which includes product, price, promotion, and place, influences consumer behavior. For example, consumers may be more likely to purchase a product if it is promoted through social media or offered at a discount price.

<b>Factors</b>	<b>Definition</b>	<b>Examples</b>
<b>Internal Factors</b>		
<b>Perception</b>	The way consumers interpret and process information about products and services.	Past experiences, expectations, cultural background.
<b>Motivation</b>	The driving force behind consumers' behavior.	Physiological, safety, social, esteem, and self-actualization needs.
<b>Learning</b>	The way consumers acquire knowledge and experience about products and services.	Personal experience, social interactions, marketing communication.
<b>Attitudes</b>	Consumers' overall evaluation of products and services.	Personal values, beliefs, experiences.
<b>Personality</b>	Consumers' individual characteristics that influence their behavior.	Extroversion, conscientiousness, openness.
<b>External Factors</b>		
<b>Culture</b>	The values, beliefs, and customs of a society.	Social norms, traditions, religion.
<b>Social Factors</b>	The influence of family, reference groups, and opinion leaders.	Family members, friends, colleagues.
<b>Demographic Factors</b>	The influence of age, gender, income, and education.	Young consumers, high-income earners, college graduates.
<b>Economic Factors</b>	The influence of income, inflation, and recession.	Price sensitivity, buying power.
<b>Marketing Mix.</b>	The influence of product, price, promotion, and place.	Brand reputation, price discounts, advertising, distribution channels.

# Stages in the Buying Decision Process

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The Buying Decision Process consists of several stages that consumers go through before making a purchase. These stages are important for businesses to understand as they help to develop effective marketing strategies that target consumers at each stage of the process. Here are the stages of the buying decision process:

In this stage, consumers recognize that they have a problem or need that they want to fulfill. This can be triggered by internal factors such as hunger or external factors such as an advertisement. For example, a consumer may recognize the need for a new laptop when their old one breaks down.

## **Information Search:**

In this stage, consumers gather information about possible solutions to their problem or need. This can be done through personal sources, such as friends and family, or commercial sources, such as advertising or salespeople. For example, a consumer may search for information about different laptop brands, features, and prices on the internet or visit a store to talk to a salesperson.

## **Evaluation of Alternatives:**

In this stage, consumers compare and evaluate different options to determine which one best satisfies their needs and preferences. Consumers consider various attributes such as price, quality, and features of each alternative. For example, a consumer may compare different laptop brands based on factors such as price, processor speed, memory, and battery life.

In this stage, consumers make a decision to purchase the chosen product or service. The decision may be influenced by factors such as availability, convenience, and price. For example, a consumer may choose to purchase a laptop from a store that offers free shipping or a discount price.

## **Post-Purchase Evaluation:**

In this stage, consumers evaluate their purchase decision and experience with the product or service. If the product or service meets their expectations, they are likely to make a repeat purchase in the future. If not, they may seek to return the product or complain to the company. For example, a consumer may be satisfied with their new laptop's performance and features, or they may be dissatisfied and return the product to the store.