

Market segmentation

There are three ways to classify what the customer wants. It is known as needs, wants and demands. However, to decide the needs, wants and demands, you need to carry out segmentation first. And in segmentation, the first step is to define your target audience. Who would want your product and whether it falls in the needs segment, the wants segment or the demands segment. Once you decide the product you are going to make, then you decide on the market segmentation.

There are 4 different types of market segmentation and all of them vary in their implementation in the real world. Let us discuss each of them in detail.

Demographic segmentation – Demographic segmentation is one of the simplest and widest types of market segmentation used. Most companies use it to get the right population in using their products. Segmentation generally divides a population based on variables. Thus demographic segmentation too has its own variables such as Age, gender, family size, income, occupation, religion, race and nationality. Demographic segmentation can be seen applied in the automobile market. The automobile market has different price brackets in which automobiles are manufactured. For example – Maruti has the low price bracket and therefore manufactures people driven cars. Audi and BMW have the high price bracket so it targets high end buyers. Thus in this case, the segmentation is being done on the basis of earnings which are a part of demography. Similarly, Age, life cycle stages, gender, income etc can be used for demographic type of market segmentation.

Behavioral segmentation – This type of market segmentation divides the population on the basis of their behavior, usage and decision making pattern. For example – young people will always prefer Dove as soap, whereas sports enthusiast will use Lifebuoy. This is an example of behavior based segmentation. Based on the behavior of an individual, the product is marketed. This type of market segmentation is in boom especially in the smart phone market. For example – Blackberry was launched for users who were business people, Samsung was launched for users who like android and like various applications for a free price, and Apple was launched for the premium customers who want to be a part of a unique and popular niche.

Another example of behavioral segmentation is marketing during festivals. Say on Christmas, the buying patterns will be completely different as compared to buying patterns on normal days. Thus, the usage segmentation is also a type of behavioral segmentation.

Psychographic segmentation– Psychographic segmentation is one which uses people's lifestyle, their activities, interests as well as opinions to define a market segment. Psychographic segmentation is quite similar to behavioral segmentation. But psychographic segmentation also takes the psychological aspects of consumer buying behavior into account. These psychological aspects may be consumer's lifestyle, his social standing as well as his AIO. Do refer more to Activities, interests and opinions.

Application of psychographic segmentation can be seen all across nowadays. For example – Zara markets itself on the basis of lifestyle, where customers who want the latest and differential clothing can visit the Zara stores. Similarly Arrow markets itself to the premium office lifestyle where probably your bosses and super bosses shop for the sharp clothing. Thus, this type of segmentation is mainly based on lifestyle or AIO.

Geographic segmentation – This type of market segmentation divides people on the basis of geography. Your potential customers will have different needs based on the geography they are located in. People who are located in non-municipal areas might require a RO water purifier whereas those located in municipal areas might need UV based purifiers. Thus, the need can vary on the basis of geography.

Similarly in cold countries, the same company might be marketing for heaters whereas in hot countries, the same company might be targeting air conditioners. Thus, many companies use geographic segmentation as a basis for market segmentation. This type of segmentation is the easiest but it was actually used in the last decade where the industries were new and the reach was less. Today, the reach is high but still geographic segmentation principles are used when you are expanding the business in more local areas as well as international territories.

Thus, the above are the 4 main types of market segmentation. Usage based market segmentation, price based market segmentation, all these different types of segmentation are a derivative of the above 4 types only.