

Market Segmentation

The division of a market into different homogeneous groups of consumers is known as **market segmentation**.

Rather than offer the same marketing mix to vastly different customers, market segmentation makes it possible for firms to tailor the marketing mix for specific target markets, thus better satisfying customer needs. Not all elements of the marketing mix are necessarily changed from one segment to the next. For example, in some cases only the promotional campaigns would differ.

A market segment should be:

- measurable
- accessible by communication and distribution channels
- different in its response to a marketing mix
- durable (not changing too quickly)
- substantial enough to be profitable

A market can be segmented by various bases, and industrial markets are segmented somewhat differently from consumer markets, as described below.

Consumer Market Segmentation

A basis for segmentation is a factor that varies among groups within a market, but that is consistent within groups. One can identify four primary bases on which to segment a consumer market:

- **Geographic segmentation** is based on regional variables such as region, climate, population density, and population growth rate.
- **Demographic segmentation** is based on variables such as age, gender, ethnicity, education, occupation, income, and family status.
- **Psychographic segmentation** is based on variables such as values, attitudes, and lifestyle.
- **Behavioral segmentation** is based on variables such as usage rate and patterns, price sensitivity, brand loyalty, and benefits sought.

The optimal bases on which to segment the market depend on the particular situation and are determined by marketing research, market trends, and managerial judgment.

Profiling the Segments

The identified market segments are summarized by profiles, often given a descriptive name. From these profiles, the attractiveness of each segment can be evaluated and a target market segment selected.