STRATEGY AND ORGANIATIONAL STRUCTURE

Lecture 2: Segmenting consumer market

Dr. Imane BENHALIMA

University of M'sila- ***Management Sciences Department***

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It is important for managers, independently whether they operate in a B2C or B2C context, to agree which are the levels of aggregation and criteria for a segmentation strategy in particular; the market can be segmented in a macro and a micro level.

Macro segmentation:

Gives the company a first and a general look about the actual markets where they are or they want to be. It refers to dividing the market into broad groups (large groups).

For example: the buyer type. Here, the division of the market into households, organizations, companies, communities and government, corresponds to macro segmentation.

So, in macro segmentation, a group of customers may be the group of households, and a more detailed analysis analyzing the needs of households according to: age, income level,...etc., falls under micro segmentation.

Or, on a geographical basis like dividing the market into: continents, regions, group of countries or a single country. That is to say, macro-segments are "composed of individual or groups of countries".

So, here the macro segment can be the buyers from Asia or Africa, or by countries like India, and for a detailed analysis within this macro segment, we can divide it into micro segment based on income, gender, social class,..., etc.

Micro segmentation:

After the macro segmentation is conducted, the consumers in each macro-segment could be micro segmented by more specific consumer characteristics.

So, micro segmentation tries to split these macro segments in heterogeneous subgroups to get a better description of the market composition.

Segmentation variables:

There is no single way to segment a market. A marketer has to try different segmentation variables alone and in combination. Here are some variables:

Geographic segmentation:

Geographic segmentation calls for dividing the market into different geographical units, such as continents, regions, countries, or cities.

A company may decide to operate in one or a few geographical areas, or to operate in all areas but pay attention to geographical differences in needs and wants.

So, geographic segmentation involves selecting potential markets according to where they are located.

This segmentation approach may consider variables such as climate, terrain, natural resources and population density, among other geographic variables.

Demographic segmentation:

Demographic segmentation consists of dividing the market into groups based on variables such as age, gender, family size, income, occupation, education, religion. These segmentation methods are a popular way of segmenting the customer markets, as the demographic variables are relatively easy to measure.

Psychographic segmentation:

Psychographic segmentation could be used to segment markets according to social class, personality traits, values, motives, interests and lifestyles. A psychographic dimension can be used by itself to segment a market, or it can be combined with other segmentation variables.

Behavioral Segmentation

It is defined as the segmentation of the market according to individual purchase behaviors. It is conspicuous with the benefits sought from the product, with the identification of specific buying behaviors, in terms of shopping frequency and volumes of purchase, et cetera.

Behavioral segmentation divides buyers into groups based on their knowledge, attitudes, uses or responses to a product. Many marketers believe that behavior variables are the best starting point for building market segments. And these variables are:

- **Purchasing circumstances (Occasions):**

Here the purchasing decision is influenced by the occasion for which the purchase is made, for example: purchasing the product as a gift or for personal use.

Buyers can be grouped according to occasions when they get the idea to buy, make their purchase or use the purchased item.

- **Benefits sought:**

A powerful form of segmentation is to group buyers according to the different benefits that they seek from the product. It requires finding the main benefits people look for in the product class, the kinds of people who look for each benefit and the major brands that deliver each benefit.

- **Usage status:**

Markets can be segmented into: non-users, ex-users, potential users, first-time users and regular users of a product. Potential users and regular users may require different kinds of marketing appeal.

- **Usage rate**

This is related to the repeat purchase. Here markets can be segmented into light, medium and heavy-user groups. Heavy users are often a small percentage of the market, but account for a high percentage of total buying

Loyalty status

Many firms are now trying to segment their markets by loyalty and are using loyalty schemes.

To do it. They assume that some consumers are completely loyal — they buy one brand all the time "hard core loyals". Others are somewhat loyal — they are loyal to two or three brands of a given product "soft core loyals", or favor one brand while sometimes buying others "shifting loyals". Still other buyers show no loyalty to any brand "switchers" who either want something different each time they buy or always buy a brand on sale. In most cases, marketers split buyers into groups according to their loyalty to their product or service, then focus on the profitable loyal customers.

Attitude:

This refers to the customers' attitude towards the product and thus the customers can be segmented to: enthusiastic, positive, indifferent, negative or hostile about a product