Market Segmentation is the process of dividing an entire market into different consumer segments in which each segment has a common characteristic such as needs or behavior.

It is a strategy of “divide and conquer”. In other words, it is a marketing strategy that divides a broad target market into subsets of consumers, businesses, or countries that have, or are perceived to have, common needs, interests, and priorities and then designing and implementing strategies to target them.  The term ‘Market Segmentation’ has been defined by several authors as follows:

* **Philip Kotler:** “Market Segmentation is the sub-dividing of a market into homogeneous subsets of customers, where any subset may conceivably be selected on a market target to be reached with a distinct marketing mix.”
* **William J. Stanton:** “Market Segmentation consists of taking the total heterogeneous market for a product and dividing into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects.”
* **Webster:** “Market Segmentation is a method for achieving maximum market response from limited marketing resources by recognizing differences in the response characteristics of various parts of the market. It is a strategy of divide and conquer that adjusts marketing strategy to inherent differences in buyer behaviors.”

**Objective of Market Segmentation**

The objective of market segmentation is to determine the differences among the purchasers of a product and to divide these purchasers on the basis of these differences into several groups so that different marketing programmes, policies and strategies may be prepared for every group of consumers and maximum satisfaction may be provided to maximum consumers and the purpose of earning of maximum profits may be achieved. The purpose of marketing segmentation has been defined by several authors as follows:

* **Prof Esmond Pearce:** “The purpose of market segmentation is to determine the difference among the purchasers which may affect the choice of market area or marketing methods.”
* **Philip Kotler:** “The purpose of market segmentation is to determine difference among the buyers which may be consequential in choosing among them or marketing to them.”

## Bases of Market Segmentation

The firms can segment the market on the following bases:



1. **Geographical Segmentation:** Here, the segmentation is done on the basis of the geographical location of the customers. The geographical segmentation is based on the premise that people living in one area have different purchasing or buying habits than those living in other areas of the country.

For example, the banking needs of people living in rural and urban areas are different and. Therefore, different banking products and services are designed keeping in mind the different preferences of each customer group. Also, the factors like climatic zone, state, region, constitutes geographic segmentation.

1. **Demographic Segmentation:**The demographic segmentation means dividing the customer market on the basis of several variables such as age, sex, gender, occupation, income, education, marital status, family size, community, social status, etc. Such segmentation is based on the premise, that customer’s buying behavior is very much influenced by his demographics, and moreover, these variables can be measured easily as compared to the other factors.
2. **Psychographic Segmentation:**The psychographic segmentation relates to the personality, lifestyle, and attitude of the individual. It is believed that the consumer buying behavior can be determined by his personality and lifestyle. The personality refers to the traits, attitudes and habits of an individual and the market is segmented according to the personal traits such as introvert, extrovert, ambitious, aggressiveness, etc.

The lifestyle means the way a person lives his life and do the expenditures. Here the companies segment the market on the basis of interest, activities, beliefs and opinions of the individuals.

1. **Behavioral Segmentation:**Here, the marketer segments the market on the basis of the individual’s knowledge about the product and his attitude towards the usage of the product. Several behavioral variables are occasions, benefits, user status, usage rate, buyer readiness stage, loyalty status and the attitude.

The buyers can be classified as those who buy the product or services occasionally, or who buy only those products from which they derive some sort of benefits. Also, there are buyers who can be called as ex-users, potential users, first-time users and regular users; the marketers can segment the market on this classification. Often, the market is segmented on the basis of the usage rate of the customers, such as light, medium and heavy users.

Thus, market segmentation helps the companies to divide the prospective customers into small groups who have similar needs and plan the marketing strategies accordingly. This enables a firm to concentrate more on a specific group and earn more profits rather than catering to the needs of the entire market who have different needs and desires.

#### Importance of Market Segmentation

The Market Segmentation strategy is a **consumer-oriented philosophy**. It benefits both the marketers and the consumers. The following points explain the importance of market segmentation:

##### Helpful in Competition

Market segmentation provides an opportunity of making deep study of the products, policies and strategies of competitors in all the segments. With this, the business enterprise can adopt different strategies for different markets taking into account the rival strategies.

##### Provides opportunities to expand market

By segmenting the market, a marketer is able to create new markets for their products.

##### To discover marketing opportunity

Market segmentation helps in making intensive marketing research in all the segments. The habits, tastes, hobbies and nature of consumers of all the segments can be understood deeply. Such research helps in discovering marketing opportunities in these segments.

##### Knowledge of customer needs

By the help of market segmentation, the marketing manager can easily get to know why customer do or do not buy certain products or services. All marketing activities are directed towards the customer satisfaction. With the help of segmentation, it becomes easy to measure the level of segmentation of each segment and also to make improvements in the segmentation level.

##### Adjustment in products

Under market segmentation, marketing manager can easily make adjustments in their products and market communication according to the change in taste, need, nature and income of the consumers.

##### Increase in Sales Volume

By segmentation, the marketing manager can increase the sales volume of the enterprise. Each market segment has different demand pattern and when the marketing manager satisfies the demands of different segments by changing the products, the total sales volume of an enterprise increases.

##### Adopt sound and effective marketing programme

When customer needs are fully understood by the marketing manager Market segmentation divides the whole market into several segments and Individual marketing programmes are prepared for every segment. These programmes are better and more effective than a single programme for the whole market.

##### Effective advertising appeal

The advertising appeals are designed in a way so as to create a positive image of the individuals who use certain products. The message conveyed through advertising appeals influences the purchasing decisions of different buyers groups which are recognized with the help of market segmentation. Thus, different advertising appeals can be formulated for different segments.  Hence, segmentation helps to make the advertising appeals more effective.

##### Increases marketing efficiency

The market segmentation increases marketing efficiency by offering specific pricing, sales promotion and distribution channels as per the requirements of different segments.  The unique market strategies can be framed regarding product, pricing, advertising, sales promotion, distribution channel, etc. according to the changing needs of the segments. This increases the marketing efficiency of the business enterprise.