## **What is market segmentation?**

Market segmentation involves dividing a large homogenous market of potential customers into clearly identifiable segments. Customers are divided based on meeting certain criteria or having similar characteristics that lead to them having the same product needs. Segments are made up of customers who will respond similarly to marketing strategies. They share common interests, needs, wants and demands.

Most companies don’t have enough resources to target a mass market. Which is why they need to target the specific market segment that need their product. They divide the market into similar and identifiable segments through market segmentation.

## **What types of market segments can a company have?**

* Geographic – based on land, rural or metropolitan area.
* Demographic – based on age, gender, income, occupation, education, nationality.
* Psychographic – based on social status, lifestyle-type, personality type.
* Behavioural – based on intensity of product use, brand loyalty, user behaviours, price sensitivity, technology adoption.

### **Demographic segmentation**

This is the most common type of segmentation. A target audience is divided based on qualities such as, age, gender, occupation, education, income and nationality.Demographic segmentation is the easiest way to divide a market. Mixing demographic segmentation with another type of market segmentation can help to narrow your market down even further.

For example, a common product which is segmented based on demographics is body wash. Generally, you’ll see body wash for women and body wash for men.

### **Behavioural segmentation**

A company can segment their market based on consumer’s behaviours. By dividing your target audience based on their behaviours allows you to create specific messaging that will accommodate to those behaviours.

Behaviours include;

* What actions were taken on a website?
* What are their online shopping habits?
* How loyal are they to the brand/ product?
* What is their usage rate of your product?
* What need is a consumer trying to satisfy?

This information is relevant because it’s directly related to how a consumer interacts with your products. Therefore, marketers can market more effectively to customers by knowing their behaviours.

### **Geographic segmentation**

This involves splitting up a market based on location. Even though this is a basic form of segmentation it is highly effective. By knowing where a customer is located can help a company better understand the needs of their customers and companies can then target customers with location-specific ads.

You can divide a segment based on their locations, such as town, county, zip code or country. But you can also identify customers based on the climate they live in or the population density of their location. Dividing a segment based on the characteristics of their location, allows marketers to be even more specific with their targeting and messaging.

### **Psychographic segmentation**

This form of segmentation is very similar to demographic segmentation however, it deals with characteristics that are related to mental and emotional attributes. Psychographic segmentation divides a group of customers based on their personality traits, values, interests, attitudes and lifestyles. Demographics as we discussed earlier are much easier to observe than psychographics, however, psychographics give marketers valuable insights into customers motives, preferences and needs. By understanding psychographics, marketers can develop content that is more relatable to their customer segments.

Demographic segmentation can merge very well with psychographic segmentation. If you feel your messaging isn’t appealing to your demographic segment, you can try including psychographic information. It is psychographic information that informs you why people purchase or don’t purchase a product or service.

* **Greater company focus**

When a company has identified specific market segments, it helps them to focus on what segments they want to target with specific products/ services/ content/ blogs and campaigns. When a company has a focus on specific segments, they ensure they are targeting the right segment with the right product which will see the greatest ROI.

* **Better serve a customer’s needs and wants**

Having defined segments enables companies to satisfy a variety of customer needs by offering different bundles and incentives. Different forms and promotional activities will be used for different segments based on that segments needs/ wants and characteristics.

* **Market competitiveness**

When a company is focusing on a specific segment, their market competitiveness increases. Which in turn will lead to a higher ROI. The company is focused on specific segments and learns everything they need to know about that segment, to market their products to them.

* **Market expansion**

With geographic segmentation as discussed earlier, market expansion is possible immediately. When a company understands their segments and how to market to a segment in a particular location, they can expand immediately into another nearby location. If segmentation is based on demographics, then once the company knows their demographic segment they can expand in that segment with similar products.

* **Targeted communication**

Even when product features and benefits are the same, it is important for companies to target segments with specific communication. For example, if your segment was senior engineers, they may respond better to technical information about a product in the form of white papers or infographics, but a project manager might respond better to information regarding cost savings, efficiencies etc in the form of a blog, case study or video