Business Virtual Learning

HS/Marketing

Topic: Market Segmentation - Part 1

May 14, 2020

Lesson Objectives:
1. Describe how market segments are defined.

Warm up:
How does a company decide who their target market is?

Lesson Instructions:
1. Read the slides introducing market segmentation.
2. Read the article about segmenting and write a summary of the article.

Market segmentation is the process of dividing a **market** of potential customers into groups, or segments, based on different characteristics. The segments created are composed of consumers who will respond similarly to **marketing** strategies and who share traits such as similar interests, needs, or locations.

Segmentation is essentially the identification of subsets of buyers within a market who share similar needs and who demonstrate similar buyer behavior. The world is made up of billions of buyers with their own sets of needs and behavior. Segmentation aims to match groups of purchasers with the same set of needs and buyer behavior. Such a group is known as a 'segment'.

Segmentation is a form of critical evaluation rather than a prescribed process or system, and hence no two markets are defined and segmented in the same way. However there are a number of underpinning criteria that assist us with segmentation:

- Is the segment viable? Can we make a profit from it?
- Is the segment accessible? How easy is it for us to get into the segment?
- Is the segment measurable? Can we obtain realistic data to consider its potential?

The are many ways that a segment can be considered. For example, the auto market could be segmented by: driver age, engine size, model type, cost, and so on. However the more general bases include:

- by geography - such as where in the world was the product bought
- by psychographics - such as lifestyle or beliefs
- by socio-cultural factors - such as class
- by demography - such as age, sex, and so on.

Lesson Activity:

1. Read the article found on the accompanying PDF or this link. If you follow the link you only need to read through the 4 types of segmentation.

2. Write a summary of the article making sure you include:
    a. The benefits of market segmentation with explanation of each.
    b. The four types of segmentation discussed with explanation of each.
    c. Include examples of each type of segmentation - not the same ones given in the article.