

BEST GRADES

with Erica

Business English for students & teachers

STUDY GUIDE

how you discuss MARKET SEGMENTATION

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TRANSCRIPT

INTRODUCTION

So you've got a pen company and the pen company does **market research** and when you do the market research you identify two groups of people who are interested in buying pens and one is students and the other is executives and after doing this research you decide to manufacture two lines of different pens.

Now this is called **market segmentation**.

So, when it comes to the student pens you decide to produce a line of pens that is reliable but at an **affordable price** and quite durable. They have a design that is quite youthful, it's quite vibrant and it's there to appeal to students. Pens are designed to withstand everything that a student needs to do - taking lots and lots of notes in lectures and in the library and doing exams and so on. And then you decide to market the pen by partnering with educational institutions and offering student discounts.

Now, your company produces a very different line of pens for the executives. These pens are of a higher price, they've got a more **premium price**, a more **upmarket** price, they're made of a higher quality materials and they're designed to make a statement and to have some kind of status. They have style, they're sophisticated and the pens are marketed by collaborating with luxury brands and targeting executives who want to make a strong impression in their professional lives.

So, this is exactly what market segmentation is. It's a matter of looking at the whole and then dividing that whole into different parts. You look at the whole market and then subdivide it into smaller segments. Just like you do with a cake, you take the whole cake and then you take off segments from the cake. And by looking at the different segments and targeting the different segments, this allows your company to target different different groups with different **messaging** and with different **positioning**. This targeting will allow you to gain a larger market share and to increase your **brand presence**, your **brand loyalty** and to increase your sales.

So before we look at the process of segmentation, let's look at some **vocabulary** connected with segmentation.

So first of all, of course, we've got **market segmentation**. A market segmentation is the process of dividing the market into smaller segments. And these segments are based on certain characteristics or certain criteria.

And then we come on to **target market**. And we can say here that target market is that specific segment that your company decides to focus its marketing efforts on.

Demographic are statistical characteristics of the population. These would include things like age, gender, income, education, family size and so on.

Then we come on to **psychographics**, which are sometimes called VALs for short. And VALs is to do with values, attitudes and lifestyle. We could see as an example here, maybe a move, many more people today are choosing to buy vegan and vegetarian products. And they have certain values connected with this. And they have certain attitudes to the market, they have a certain lifestyle and they choose these kind of products.

Then we have **behavioural** segmentation. And this is based on really the behaviour of consumers - so the patterns in which they buy products, the way that they use the products and how often they use the products - the loyalty they have to certain brands and products.

And **geographic** segmentation is to do with location, differences in climate, in culture and in the density of the population.

Then, when I was describing your pen company to you, then I mentioned the word **positioning**. And positioning is a term in marketing, and it's all to do with image and **perception**. So a company makes its products or its services different, it **differentiates** the product, and it differentiates the product in the minds of the consumer. And these **differentiations** occur within particular market segments.. And, for example, here we've got a Rolex watch. This is definitely in premium pricing, a luxury brand and it creates a distinct image or perception in the mind of the consumer.

So, the next question we have to ask ourselves is, well what's the purpose of market segmentation?

Why do companies do market segmentation?

So this process of market segmentation, taking the whole and dividing it into smaller segments, allows a company to identify these target markets. And by identifying these target markets, it helps them to better **allocate** the **resources** that they've got, to increase **customer satisfaction** and to make the best use of their marketing efforts in the company. By identifying and targeting these markets, it allows them to target the profitable sections of the market or the most profitable segments for this particular company. It builds up customer relationships and it gains a **competitive edge** for the company.

So in the **process**, your company does **market research**. And as we've seen then, it divides the market up. It looks at these different segments.

And as we've seen in the vocabulary section, there are different **types of segmentation**. You can look at demographic factors, things like gender and age. You can look at geography, things like culture and climate. You can look at behaviour, the way that people buy the product or their loyalty towards a certain product. And you can look at their values and their attitudes and their lifestyle.

Once you divide the market by using these different segments, then you need to choose, as we've seen in the example with the two pens, they chose two different segments, students and executives. Then, you need to look at these segments and see how they meet with your company's capabilities and your goals and objectives. And you need to look at the different segments and **assess** them in terms of, you know, how big this segment is, what's the **growth potential** of the segment, what's the accessibility of the segment and does it fit with your company's resources and the company's capabilities.

And then the company will come to **positioning** and **marketing mix**. So when it comes to positioning, your company will develop **positioning strategies** to put this certain image into the minds of the consumers that you're targeting. Then the marketing mix, product, price, place, promotion, will be developed in order to meet the needs and the wants of the consumers in this particular segment.

And then we come to the final point, and the final point is about **continuous assessment**. When a company does market segmentation, it really shouldn't be a one-time activity. A company should continually assess and **evaluate** whether the segmentation strategy that it's developed and adopted is really still relevant and it's still responding to the needs and the wants of the market. And it's important continually to look at **market dynamics**.



What are market dynamics?

Well, market dynamics are forces and factors that influence the behaviour of the market. These include things like economic conditions, competition, the trends in the industry and changing consumer preferences.

So, that was it for this video.

We've looked at:

- market segmentation
- what it is
- how it works
- the vocabulary that you need in order to discuss market segmentation.

QUESTIONS

1. What is market segmentation?
2. What is a target market?
3. What are psychographics and how do they relate to market segmentation?
4. What is behavioural segmentation and how is it used in marketing?
5. What is positioning and how does it relate to market segmentation?
6. What is the purpose of market segmentation?
7. How does a company choose which market segments to target?
8. How does a company develop positioning strategies?
9. Why is continuous assessment important in market segmentation?
10. What are market dynamics?

ANSWERS

1. Market segmentation is the process of dividing the market into smaller segments based on certain characteristics or criteria.
2. A target market is a specific segment that a company decides to focus its marketing efforts on.
3. Psychographics are values, attitudes and lifestyle characteristics of a population that can be used for market segmentation.
4. Behavioural segmentation is based on the behaviour of consumers, including patterns of product usage, loyalty to certain brands and frequency of product use.
5. Positioning is a term in marketing that refers to the image and perception of a product or service in the minds of consumers and it is used to differentiate products within particular market segments.
6. The purpose of market segmentation is to divide the market into smaller segments in order to identify target markets and allocate resources more effectively.
7. A company chooses which market segments to target by assessing the segments in terms of size, growth potential, accessibility and fit with the company's resources and capabilities.
8. A company develops positioning strategies by identifying the target market and creating a unique selling proposition that sets the product or service apart from competitors.
9. Continuous assessment is important because it allows a company to evaluate whether its segmentation strategy is still relevant and if it is responding to the needs and wants of the market.
10. Market dynamics are forces and factors that influence the behaviour of the market, including economic conditions, competition, trends in the industry and changing consumer preferences.