

6 MARKET SEGMENTATION II

6.1 CHARACTERISTICS OF THE MARKET SEGMENTATION: What Are the Characteristics of Market Segments & Target Markets?

Marketing is all about satisfying the needs and wants of consumers. Consumers have the funds and are willing to spend to satisfy their needs by buying goods and services. Marketing strategies are important for a business to satisfy consumer needs. The target market comprises of groups of people or organizations for whom the business intends to implement its marketing strategies. The business then divides the target market into groups of buyers with distinct needs, characteristics or behaviors; these groups are called market segments. Market segments are, therefore, subsets of target markets and their characteristics bring out the characteristics of target markets.

Measurable

Consumers who belong to a particular target market and segment should be clearly identifiable. The characteristics to include or exclude in identification of a market segment are also well defined and measurable. Target markets are quantifiable in terms of population, income and age bracket, among other factors.

Accessible

Market segments should be accessible in terms of geography and economy. To enable accessibility of goods and services, there should be use of appropriate marketing strategies. This is because the marketing strategy used for one group should differ from the strategy used for another, as their needs differ. For example, different age groups have different fashions, styles and consume different products. The way of communicating to this market segment should correspond to the relevant needs of consumers in this segment.

Profitable

A market segment should be large enough to be worth pursuing. The main aim of market segmentation is to be able to tailor marketing techniques toward specific segments. This enables a firm to enjoy economies of scale while at the same time fulfilling consumers' needs. The amount of disposable income the target market is willing to spend in purchasing the goods and services should be enough to enable the firm to earn profits. For example, if a product's target market is young consumers, the price range should be attainable, considering that majority of the young people are dependent on their parents or guardians.

6.2. THE MARKET: WHAT IS MARKETING?

Marketing is defined as the process of determining the needs and wants of

consumers and being able to deliver products that satisfy those needs and wants. Marketing includes all of the activities necessary to move a product from the producer to the consumer. Think of marketing as a bridge from the producer to the consumer.

Marketing starts with market research, a learning process in which marketers get to know everything they can about the needs and wants of consumers, and it ends when somebody buys something. Many companies feel that services provided to customers after the purchase also are an important part of marketing. All of these enterprises -- production, advertising, transportation, processing, packaging, and selling -- are included in the marketing process.

THE NINE FUNCTIONS OF MARKETING

In order for the marketing bridge to work correctly -- providing consumers with opportunities to purchase the products and services they need -- the marketing process must accomplish nine important functions.

The functions are:

Buying - people have the the opportunity to buy products that they want.

Selling - producers function within a free market to sell products to consumers.

Financing - banks and other financial institutions provide money for the production and marketing of products.

Storage - products must be stored and protect ed until they are needed. This function is especially important for perishable products such as fruits and vegetables.

Transportation -products must be physically relocated to the locations where consumers can buy them. This is a very important function. Transportation includes rail road, ship, airplane, truck, and telecommunications for non-tangible products such as market information.

Processing - processing involves turning a raw product, like wheat, into something The consumer can use -- for example, bread.

Market Responsiveness

Consumers in a given market segment should be responsive to the products meant for them. Unless consumers in market segments are willing to respond to the products developed, there is little reason to develop these products. The success of products introduced in the markets depends on whether they meet consumer or organization needs. Consumers' decisions on whether to purchase or not to purchase will be an indicator of the performance of the product in the market.

6.3 MARKET NICHE: A **niche market**^[1] is the subset of the market on which a specific product is focused. The market niche defines the product features aimed at satisfying specific market needs, as well as the price range, production quality and the demographics that is intended to impact. It is also a small market segment. For example, sports channels like STAR Sports, ESPN, STAR Cricket, and Fox Sports target a niche of sports enthusiasts.

Every product can be defined by its market niche. The niche market is highly specialized, and aiming to survive among the competition from numerous super companies. Even established companies create products for different niches, for example, Hewlett-Packard has all-in-one machines for printing, scanning and faxing targeted for the home office niche while at the same time having separate machines with one of these functions for big businesses.

In practice, product vendors and trade businesses are commonly referred as *mainstream providers* or *narrow demographics niche market providers* (colloquially shortened to just *niche market providers*).

Small capital providers usually opt for a niche market with narrow demographics as a measure of increasing their financial gain margins.

The final product quality (low or high) is not dependent on the price elasticity of demand, but the specific needs that the product is aimed to satisfy and, in some cases, aspects of brand recognition (e.g. prestige, practicability, money saving, expensiveness, environmental conscience, power).

Niche audience

Technology and many industrial practices changed with the post-network era. There is a new drive for niche audiences because audiences are now in much greater control of what they watch. It is very rare to have a substantial audience watch a program at once, with few exceptions such as *American Idol*, the Super Bowl and the Olympics. Still, networks do target particular demographics. For

example, Lifetime targets women and MTV targets youth. In this context of greater viewer control, networks and production companies are trying to discover ways to profit through new scheduling, new shows, and relying on syndication. This practice of "narrowcasting" also allows advertisers to have a more direct audience for their messages.

In the fashion industry a growing trend is to have shop-in-shop setups where large stores promote niche brands inside to draw in new demographics.

Online niche marketing

An often used technique for affiliate marketers is Internet-based niche segments of larger markets. Niche websites can be developed and promoted quickly to uniquely serve a targeted customer base, giving the affiliate a small but potentially continuous source of revenue. This technique can then be repeated across several other niche websites. A wider niche is harder to market as the expense of online advertisements increases according to the popularity of the keywords used (on Ad words and YouTube, for example).

Some niches may become saturated with marketers, increasing competition and thus reduce the slice of the pie available to each competitor. One solution is to find smaller, "undiscovered," but still profitable, niches, usually by searching out the best keywords to target. These lower cost keywords are called *long-tailed keywords*, as in the long tail of secondary keyword phrases that usually follow the main keyword in popularity of number of searches conducted by internet users. Because some are so obscure as to have few or no clicks per month, the trick is to find the right ones to target.

3 Rules for Niche Marketing:

Q: What should we know before our company goes after a niche market?

A: Most companies, whether big or small, direct their marketing to select niche audiences. Even the country's largest manufacturers target carefully pinpointed market segments to maximize the effectiveness of their programs and often tackle different niches for each product group. Hewlett-Packard, for example, markets all-in-one machines that print, fax and scan to segments of the home office market, while targeting larger businesses for higher-priced, single-function units.

Niche marketing can be extremely cost-effective. For instance, imagine you offer a product or service that's just right for a select demographic or ethnic group in your area, such as Hispanics or Asians. You could advertise on ethnic radio stations, which have considerably lower rates than stations that program for broader audiences. So your marketing budget would go a lot further, allowing you to advertise with greater frequency or to use a more comprehensive media mix.

Taking on a new niche can be a low-risk way to grow your business, as long as you keep in mind several important rules:

1. Meet their unique needs. The benefits you promise must have special appeal to the market niche. What can you provide that's new and compelling? Identify the unique needs of your potential audience, and look for ways to tailor your product or service to meet them.

Start by considering all the product or service variations you might offer. When it comes to marketing soap, for example, not much has changed over the years. But suppose you were a soap maker and you invented a new brand to gently remove chlorine from swimmers' hair. You'd have something uniquely compelling to offer a niche market--from members of your neighborhood pool to the Olympic swim team.

2. Say the right thing. When approaching a new market niche, it's imperative to speak their language. In other words, you should understand the market's "hot buttons" and be prepared to communicate with the target group as an understanding member--not an outsider. In addition to launching a unique campaign for the new niche, you may need to alter other, more basic elements, such as your company slogan if it translates poorly to another language, for example.

In instances where taking on a new niche market is not impacted by a change in language or customs, it's still vital to understand its members' key issues and how they prefer to communicate with companies like yours. For example, suppose a business that markets leather goods primarily to men through a Web site decides to target working women. Like men, working women appreciate the convenience of

shopping on the Web, but they expect more content so that they can comprehensively evaluate the products and the company behind them. To successfully increase sales from the new niche, the Web marketer would need to change the way it communicates with them by expanding its site along with revising its marketing message.

3. Always test-market. Before moving ahead, assess the direct competitors you'll find in the new market niche and determine how you will position against them. For an overview, it's best to conduct a competitive analysis by reviewing competitors' ads, brochures and Web sites, looking for their key selling points, along with pricing, delivery and other service characteristics.

But what if there is no existing competition? Believe it or not, this isn't always a good sign. True, it may mean that other companies haven't found the key to providing a product or service this niche will want to buy. However, it's also possible that many companies have tried and failed to penetrate this group. Always test-market carefully to gauge the market's receptiveness to your product or service and message. And move cautiously to keep your risks manageable.