
Understanding Market Segmentation and How to Apply it to Your Business

Segmentation is a pretty big word that often puts people off. A simple way to understand market segmentation is to acknowledge the grouping of consumers with similar needs. You can then use these groups to understand differences in purchasing behavior.

A business should try to understand consumer needs, focusing its resources on opportunities that match its capabilities. In that way you are trying to take a product or service that you do well and sell it to the people in society who need it the most.

There are a variety of forces that influence the needs of consumers. You can use one or a variety of these forces to define the differences between the segments of consumers in your market. Look at the Demographics of consumers such as their age, income, marital status, education and occupations. Lifestyle also influences customer needs, the range of activities a consumer is involved in, their values, interests and attitudes will also influence their purchase behavior. Another way to segment your consumers is to group them by their usage behavior, or how often, when and where they use your products or services.

Now the first step to creating meaningful market segmentation is to group your customers with similar needs together. Then from these groups look for demographics, lifestyle forces, and usage behaviors which make them distinct from customers with different needs.

You will then need to review the attractiveness of each segment in terms of profitability and whether it suits the core competencies and competitive advantage that your business offers the market. Don't overlook your unique brand identity either. Have your chosen market segments fitted into your existing brand proposition? If not which is more valuable to you, it could be that your brand is in need of a makeover and a change in direction.

Now we have one or more target markets which we understand, are complimentary to our business and have profit potential. At this point create your positioning strategy, a value proposition that defines how your business will satisfy the needs of your target markets. This value proposition can then be echoed throughout the range of marketing activities your business is involved in. Now go to it, take your products and services to the world!