3.5.2 Segmentation

Keywords you need to learn the meaning of	
'The market,	Demand for product & what the sales are
Sales volume	Number of units sold
Sales value	Measures the revenue generated
Revenue	Money received from sales
Segmentation	Occurs when a market is divided into different groups of needs and wants
Opportunity cost	The sacrifice made when a decision is made – what you are giving up

Ways of segmenting a market
This allows a business to target marketing activities more effectively …

Gender
men/women/unisex

Age
Younger/Teenage/ middle age/OAP

Stage reached in life cycle
Single, relationship, family, retired

Location
Local, national, international

Income
High, middle, or low-income earners

BENEFITS

- A business can develop its products to fit the customer needs.
- Target customers more precisely.
- Set the price appropriately.

Targeting – when a business decides to focus on a specific segment

- A business will target a segment if it can make a high enough return, some segments are to small or not profitable
- It can compete effectively to win a market share
- It covers the opportunity cost.

Segmentation methods:

- **Location:** Are their regional differences in preference? E.g. Yorkshire tea in the North of England.
- **Income:** Is their income high or low? What is their disposable income like?
- **Lifestyle:** Are they vegetarian? What are their hobbies/sports?
- **Age:** Which age bracket should you focus on? Under 18's? Over 50's?
- **Other demographic factors:** Gender, race religion?