

What is Market Segmentation?

Market Segmentation is the process of grouping potential customers together based on different factors. It is basically the method used by businesses to identify their target customer/market.

Markets can be segmented in different ways and some businesses choose to use more than one characteristic to specifically segment their market.

Explain each of these ways a market can be segmented...

☆ **Age** – This is basically how old the customer is. Businesses tend to segment their market into age brackets. Toys, for example, are aimed at younger audiences, potentially between ages 3 and 13.

☆ **Gender** – This is whether the target customers are typically going to be male or female. Make-up, for example, is targeted at females – this doesn't mean that males cannot buy it, it is just who the business is targeting.

☆ **Occupation** – Occupation means the job or career that the people within the target market may have. This could be a specific job, for example Gym equipment being targeted at Personal Trainers, or a more general group of jobs, Office Workers for example.

☆ **Income** – Some businesses segment their market based on how much money their potential customers make. Luxury branded items, for example, will be targeted at customers with more disposable (spare) income.

☆ **Geographic** – This is when businesses segment their market by their location. A local newspaper, for example, will segment their market to include only those in the area in which the newspaper reports.

☆ **Lifestyle** – Businesses could segment their market based on what their customers' lifestyle is like; this is basically their hobbies, their routines and their habits.

What are the benefits of Market Segmentation?

By segmenting their market, businesses are:

- Able to focus on the wants/needs of specific customers and more likely to meet these wants/needs.
- More likely to make sales because they've focused on specific groups of people (if they segment successfully).
- More able to focus their advertising and other marketing at the right groups of customers – if their market is segmented to include female customers, then the business could choose to advertise in magazines aimed at females, for example.
- More able to produce a specific customer profile, which is a portrait of the business's main target customer.

Cambridge National in Enterprise & Marketing R064 Learning Outcome 1

How do customers vary (how are they different)?

Customers are different/vary because of:

- The amount of money they are able to spend
- The amount of money they are willing to spend (some older customers may have more money, but may not be willing to spend this money as readily as younger customers)
- The quantity of products/services they require
- The quality of products/services they require
- The location in which they want/can purchase items (some customers prefer to buy online, for example)
- The time in which they want to/can purchase items

What Customer Feedback Techniques are available for business start-ups?

Customer Feedback Techniques are the methods a business uses to allow customers to tell them what they think about their products or services and can include:

- Social Media / Online Communities
- Websites with reviews
- Online surveys
- Customer comment cards
- Comments made to staff members
- Telephone/email surveys
- Email contact forms

Why are Customer Feedback Techniques useful for new business start-ups?

If things aren't going well for a business, customer feedback will give them the reasons why. Taking action could improve sales and help businesses meet customer wants/needs better. Customer feedback also makes people feel they are being listened to, so customer satisfaction will improve.

What is Market Research?

Market Research is the process of finding out what customers want and what they need. Businesses typically carry out Market Research before developing a new product as well as during the testing of the product to get the opinions of their potential customers.

What is the purpose of Market Research?

The purpose of Market Research is initially to find out what customers want and need – this helps businesses develop products that are more likely to be successful. Market Research also helps understand customers' tastes and opinions and can change the design or specification of products based on the outcomes of the research. Finally, Market Research can also be used to gauge what products are already on the market and what competitors are doing.

What is Primary (field) Market Research? Give example methods...

Primary Research, sometimes called Field Research, is when businesses gather their own data and information. This can be done through surveys, questionnaires, focus groups, observations, consumer trials and 'taste tests'. The data gathered is unique to the business and does not already exist.

What are the benefits of Primary (field) Research?

Carrying out Primary Research means that the results are exactly what the business wants to find out, because this research has been tailor made for their own specific needs. Researchers can include everything the business wants to find out from their potential customers.

What are the drawbacks of Primary (field) Research?

Primary Research is usually more expensive to carry out than Secondary Research because the business is creating and analysing everything from scratch. This also means that Primary Research is more time consuming to carry out and is, therefore, slower to get results for the business.

What is Secondary (desk) Market Research? Give example methods...

Secondary Research, sometimes called Desk Research, is when the business uses data or information that already exists. This is not tailor made for the business. Methods of Secondary Research include Internet research, books, newspapers and data already collected by competitors, the Government or other sources of statistics.

What are the benefits of Secondary (desk) Market Research?

Secondary Research is quicker to complete, because the data has already been collected and, in some cases, analysed. Secondary Research is also cheaper to carry out – looking at websites for Internet Research is clearly cheaper than preparing and carrying out a questionnaire, for example.

What are the drawbacks of Secondary (desk) Market Research?

The data that is used when completing Secondary Research is not unique and not specific to the business's needs, unlike when Primary Research is carried out. Secondary Research doesn't allow businesses to ask further questions to those that took part in the research either.