

# CHAPTER 4 MARKET SEGMENTATION PROCESS

# OUTLINE

## STP Process

### Market segmentation process

### Marketing Approach

- Overview of market segmentation process
- Market segmentation criteria
- Benefits of segmentation

### Market target

- Purpose of market target segmentation
- Ranking of market segments
- SWOT analysis

### Marketing objectives

- Market objectives
- Setting the market objectives

### Market strategies & market objectives

- Market strategies
- Selecting market strategy (practice)



**S**

**Segmentation**

**T**

***Targeting***

**P**

**Positioning**

# STP MARKETING

Segmentation targeting positioning marketing is a core concept in modern-day marketing that examines your products or services as well as the way you communicate their benefits to specific customer segments.

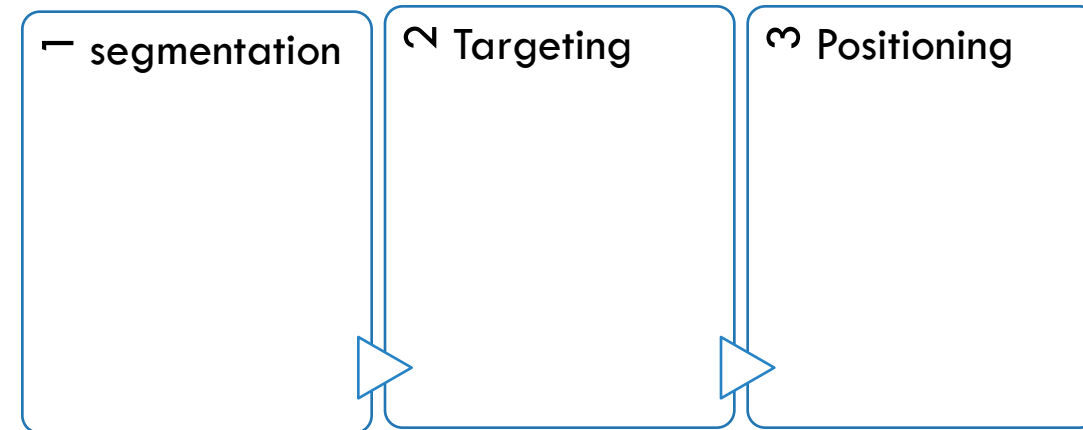


<b>S</b> Segmentation	<b>T</b> Targeting	<b>P</b> Positioning
Divide market into distinct groups of customers (segments) using segmentation practices.	Determine which customer group (segment) to focus your marketing efforts on.	Create product positioning and marketing mix that is most likely to appeal to the selected audience.

# MARKET SEGMENTATION PROCESS

## Overview of market segmentation process

- **3 stages** of market segmentation
  - **1<sup>st</sup> divided market into segment**
    - Identify segment
    - Develop profile
  - **2<sup>nd</sup> identify segments are going to be targeted**
    - Evaluate attractiveness of each segment
    - Select target segment
  - **3<sup>rd</sup> decide how to position the product or service to reach the targeted**
    - Identify possible positioning concept using marketing mix (4Ps) for each segment
    - Select, develop and communicate the chosen positioning concept



# MARKETING APPROACH

## **Total market approach**

– **Homogeneous market** (all customers have similar needs / wants)

- Single marketing mix (standard service, standard pricing strategy, promotion and distribution standard) For example, producers of petrol usually attempt to serve the total market.

## **Segmented market approach**

– **Heterogeneous market** (customers have different requirements)

- Looking for groups of like minded customers and develop products that can be offered directly to the segment
- Each segment selected has a marketing mix aimed at the similar needs and wants of the group.

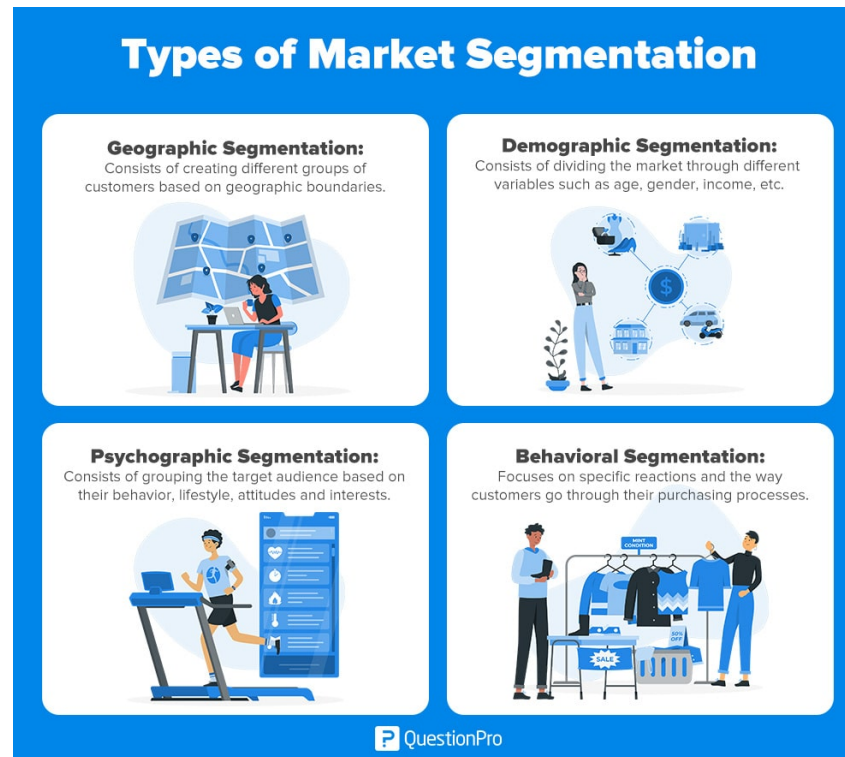
For example, the total market for ready-made garments may be divided into segments like kids, teenagers, ladies and gents.

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# **WHAT IS MARKET SEGMENTATION?**

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Market Segmentation is a decision-making process that involves dividing a market of potential customers into smaller groups to improve what products it offers and how it communicates.





When trying to reach customers with a marketing message or ad campaign, targeting the right market with the right message is essential.

If you aim too broadly, your message might reach a few people who become customers, but you'll also reach a lot of people who aren't interested in your products or services. You'll end up with a lot of wasted advertising dollars.

Market segmentation can help you to target just the people most likely to become satisfied customers of your company or enthusiastic consumers of your content.

Market segmentation can help you to identify the right market for your products and target your marketing more effectively.

for example, you're a marketer who's advertising a new brand of dog food. You could split an audience into segments based on whether they have a dog. You could then segment that audience further based on what kind of dog they have and then show them ads for food formulated for their dog's breed.

The basic aim of market segmentation is **to identify the varying and specific needs of different types of customers** so that appropriate mix of products/services may be designed and offered to satisfy different types of customers



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**Market segmentation can help you**  
to define and better understand your  
target audiences and ideal customers.

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## BENEFITS OF MARKET SEGMENTATION

**Improve campaign performance.** Market segmentation can help you to improve the performance of your marketing campaigns by helping you to target the right people with the right messaging at the right time.

**Informs product development.** Market segmentation can also help you to develop products that better meet the needs of their customers.

**Identifies Areas to Expand.** Market segmentation can also help you to identify audience segments that you are not currently serving.

**Improves Focus.** Market segmentation also helps you to focus your efforts, which enables you to improve return on investment across your marketing spend.

### **Informs Other Business Decisions**

Market segmentation can also help to inform other important business decisions regarding how you get your product to customers. These decisions may involve matters such as pricing and distribution

accessible                      differentiable

**M - A - S - D - A**

Measurable

substantial

actionable

# CRITERIA FOR SEGMENT SELECTION

Kotler (2009) set five criteria that segments must rate positive to be attractive

## **Measurable**

Easy to identify and measure (the airlines need to be able to predict the revenue and profit the segment can make)

## **Accessible**

The members of the segment can be reached, able to find communications channels that provide access to market to your segment. (Airlines need to be able to reach all segment whenever appropriate or needed). For example, you may find that a key segment is resistant to technology and rely on newspaper or radio ads to hear about store promotions, while another segment is best reached on your mobile app.

## Substantial

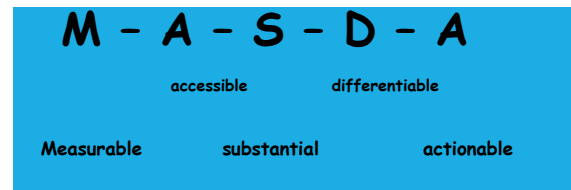
Segment is sufficiently large (by revenue) which targets the profitability of the segment (large enough to be profit) your market might include environmental enthusiasts who are willing to pay a premium for eco-friendly products, leisurely retirees who have can afford your goods, and successful entrepreneurs who want to show off their wealth.

- **Differentiable**

- Does a segment warrant being part of a separate group which means that each segment reacts differently to the marketing mix. This means that each of your segments must be different and unique from each other.

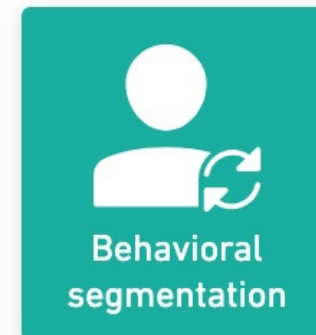
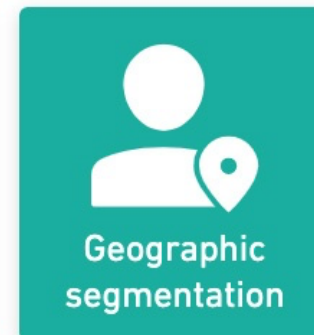
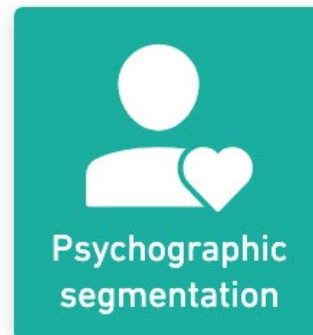
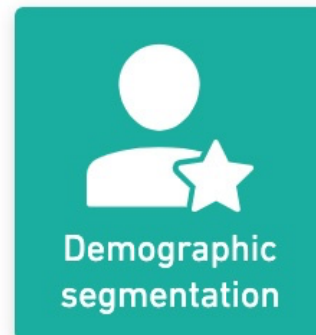
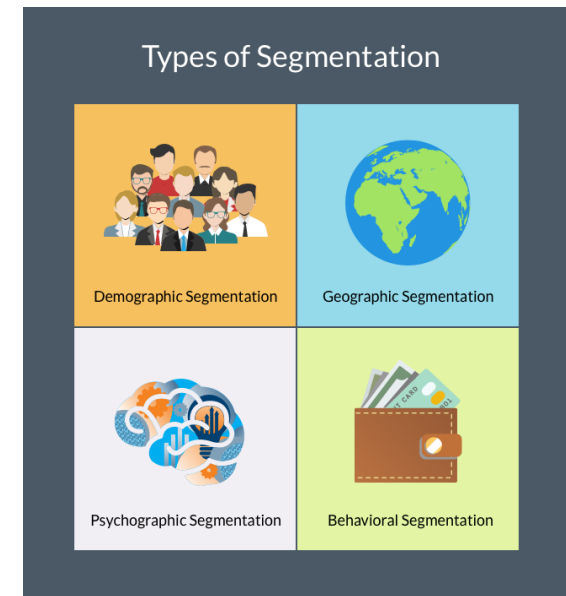
- **Actionable**

- meaning that airlines need to provide value to the segment

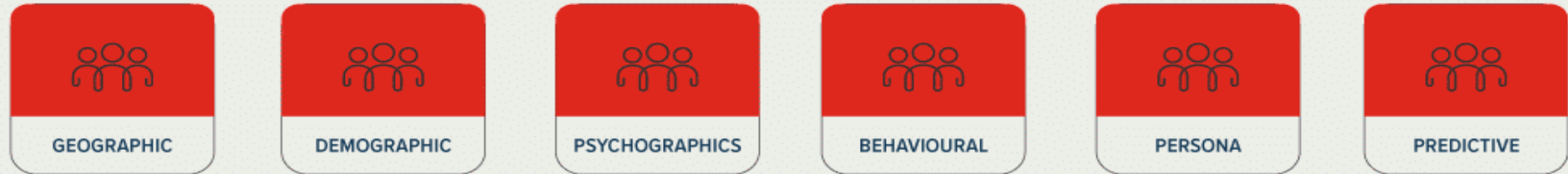




Geographic	Demographic	Behavioural	Psychographic
"Customers within 10 miles of the M25"	"A Level & University Students"	"Customers wanting a value for money impulse buy"	"Customers who prefer to buy fairtrade food"
Customer location Region Urban / Rural ACORN classification	Age Gender Occupation Socio-economic group	Rate of usage Benefits sought Loyalty status Readiness to purchase	Personality Lifestyles Attitudes Class



# CUSTOMER SEGMENTATION



	Where	Who	Why	What	Who, What, Why, Where	Who and When
SIMPLE						
WHAT IS IT?	Geographic segmentation divides customers into groups based on their location.	Demographic segmentation divides customers into groups based on census data.	Psychographic segmentation divides customers into groups based on personal interests and motivations.	Behavioural segmentation divides customers into what do - online/offline.	Persona segmentation divides customers into groups based on a blended data. as well as customer goals.	Predictive segmentation uses historical behavioral patterns to predict and influence future customer behaviors.
EXAMPLES	Countries Cities Urban, Suburban, Rural IP Addresses	Age Income Family/Single/Couple Gender Education	Interests Personality Lifestyle Social Status Activities, Interests, Opinions Attitudes	Benefits Sought Occasion Usage Rate Loyalty Buyer Readiness Actions taken e.g. online	Jobs to be done Pain/Gains Demographic data Psychographic data Behavioural data	Unsupervised Learning Supervised Learning Reinforcement Learning
WHY USE IT	Dynamic Pricing Ease of use Country/Language differences Localized offers - stores	Easy to use Good for store profiling Ideal for life stages Good to supplement with other data	Uncovers motivations and reasons for product and brand purchases	Ideal for identifying patterns and triggers during buying process. Helps to tailor marketing to different stages.	Provides a rich profile of a customer segment. Proves a foundation to test hypothesis and testing to optimize results.	Uncovers hidden buying clusters of customers. Helps with customer discovery.



# TYPES OF MARKET SEGMENTATION

## 1. Geographic Segmentation

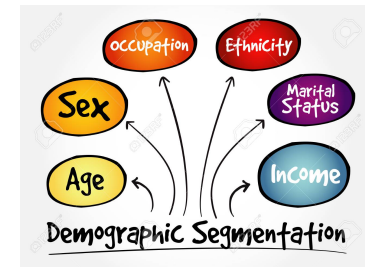
Refers to the market based on the location or the geography where the target consumers are located : climate, region, country, religion, language, and population.

Often people in different regions have different requirements and may source and buy differently

## 2. Demographic Segmentation

Based on demographic factors like age, gender, nationality, marital status, family size, profession, etc. It helps narrow down the market and consumers based on their interest and potential to spend or purchase products.

It used as a start point in almost all industries. e.g. automobiles, beauty products, mobile phones, apparels, etc



### **3. Behavioral Segmentation**

Refers to the segmentation of the market based on the behavior of the consumer interacting with the product like what they love to shop, or their occasion for shopping, travel plans, a budget of the consumer, etc. based on how customers behave, e.g. usage, preference, choices and decision making.

### **4. Psychographic Segmentation**

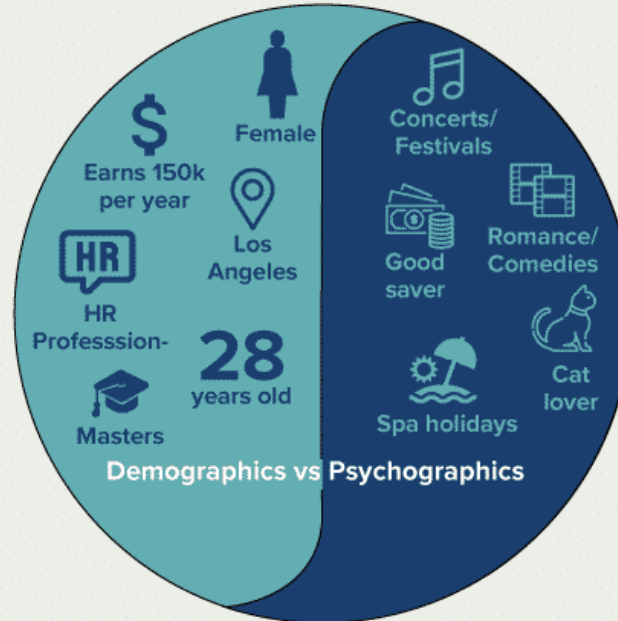
Refers to the market based on factors like consumer's lifestyles, opinions, interests, views, attitude, social strata, personal habits and their fellows. Ex A person who has a high-net-worth will often live a luxury lifestyle and may consider buying only luxury cars e.g. Ferrari, Lamborghini

# TYPES OF MARKET SEGMENTATION

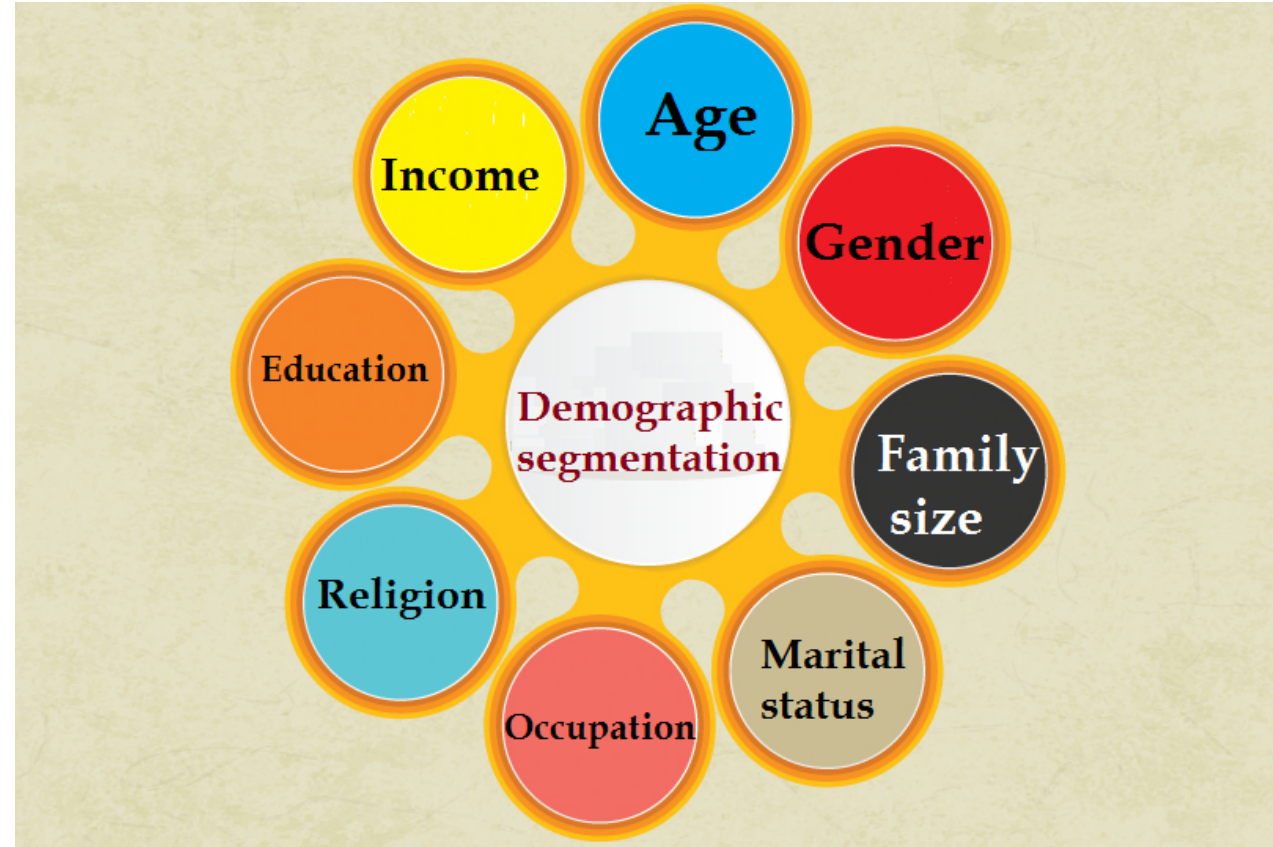
## Psychographic Segmentation and The Art of Persuasion

### CUSTOMER SEGMENT

Demographics
- Age
- Gender
- Occupation
- Location
- Education
- Marital status



Psychographics
- Personality traits
- Lifestyle
- Attitudes
- Values
- Interests
- Beliefs



## Basic segmentation by purpose of travel

3 main basic segment in air travel

- ❖ purpose of journey
  - Business
  - Holiday
  - VFR visiting friend and relative
  
- ❖ length of journey
  
- ❖ Pax country or culture of origin

# MARKET SEGMENTATION PROCESS

## Market segmentation criteria

- Value
  - Ex. convenience/ price
- Motivation
  - Reason for travel (business/leisure)
- Travel pattern
  - Frequency/ group of routes
- Buying pattern
  - How they buy, internet or travel agent

## Market segmentation criteria

- Needs & wants
  - Primary requirements
- Satisfaction
  - How committed to the airlines they use?
  - How likely they switch airlines?
- Influence
  - Leaders/ influencers?
- Demographics
  - Age, gender, social class, income



# MARKET SEGMENTATION PROCESS

## Market segmentation criteria

- Geographic

  - What region, city, size of population, climate?

- Behavioral

  - Special occasions or attitudes

# REFERENCE

<https://www.educba.com/market-segmentation-process/>

<https://www.yourarticlelibrary.com/marketing/marketing-management/market-segmentation-definition-and-concept-of-market-segmentation/27960>

<http://aviation.itu.edu.tr/img/aviation/datafiles/Lecture%20Notes/Airline%20Marketing%202015-2016/Lecture%20Notes/Module%2003%20-%20Market%20Segmentation%202016.pdf>

# ASSIGNMENT

Choose an airline you are interested in

Analyze the airline by PESTEL analysis

<b>P</b> POLITICAL การเมือง	<b>E</b> ECONOMIC เศรษฐกิจ	<b>S</b> SOCIAL สังคม	<b>T</b> TECHNOLOGY เทคโนโลยี	<b>E</b> ENVIRONMENT สภาพแวดล้อม	<b>L</b> LEGAL กฎหมาย
<ul style="list-style-type: none"> <li>ความมั่นคงและความมั่นคงของรัฐบาล</li> <li>ปัญหาด้านการคอร์รัปชันต่างๆ</li> <li>กฎหมายด้านภาษีต่างๆ</li> <li>นโยบายต่างๆของรัฐบาล</li> <li>ค่าปรับและค่าใช้จ่าย</li> <li>กระบวนการและระยะเวลาในการทำงาน</li> </ul>	<ul style="list-style-type: none"> <li>ดอกเบี้ย</li> <li>เงินเฟ้อ</li> <li>อัตราแลกเปลี่ยน</li> <li>เครดิตต่างๆ</li> <li>รายได้ของลูกค้าน</li> <li>ราคาสินค้าที่ผันแปร</li> <li>ราคาราคาหุ้น</li> </ul>	<ul style="list-style-type: none"> <li>จำนวนประชากร</li> <li>อัตราการเจริญเติบโต</li> <li>อัตราการเสียชีวิต</li> <li>การแต่งงานและการหย่า</li> <li>อายุขัยเฉลี่ย</li> <li>การกระจายความมั่งคั่ง</li> <li>ไลฟ์สไตล์</li> <li>มุมมองต่อรัฐบาล</li> </ul>	<ul style="list-style-type: none"> <li>การวิจัยและพัฒนา</li> <li>การเปลี่ยนแปลงในเทคโนโลยี</li> <li>นวัตกรรมต่างๆ</li> <li>เทคโนโลยีด้านอินเทอร์เน็ต</li> <li>เทคโนโลยีด้านการสื่อสาร</li> <li>อายุของเทคโนโลยีเก่าและใหม่</li> </ul>	<ul style="list-style-type: none"> <li>สภาพอากาศ</li> <li>นโยบายด้านสิ่งแวดล้อม</li> <li>ภัยพิบัติทางธรรมชาติ</li> <li>มลพิษต่างๆ</li> <li>การสนับสนุนพลังงาน</li> <li>เทรนด์รักษ์โลก</li> </ul>	<ul style="list-style-type: none"> <li>กฎหมายต่อการผูกขาด</li> <li>กฎหมายการจ้างงาน</li> <li>กฎหมายคุ้มครองผู้บริโภค</li> <li>กฎหมายลิขสิทธิ์และสิทธิบัตร</li> <li>กฎหมายด้านสุขภาพและความปลอดภัย</li> </ul>

Research the airline market segmentation

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