

Paper –Marketing Management

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Topic- Introduction to Market Segmentation

There are several important reasons why businesses should attempt to segment their markets carefully & Marketers have found Segmentation to be a valuable technique. Businesses need to deliver their marketing message to a relevant customer audience. If the target market is too broad, there is a strong risk that (1) the key customers are missed and (2) the cost of communicating to customers becomes too high unprofitable. By segmenting markets, the target customer can be reached more often and at lower cost. It also helps in gaining healthy share of the market segment. Unless a business has a strong or leading share of a market, it is unlikely to be maximizing its profitability, Minor brands suffer from lack of economies of scale in production and marketing, pressures from distributors and limited space on the shelves. Through careful segmentation and targeting, businesses can often achieve competitive production and marketing costs and become the preferred choice of customers and distributors. In other words, segmentation offers the opportunity for smaller firms to compete with bigger ones. Market Segmentation makes it possible for firms to tailor the marketing mix for specific target markets which results into:

1.Better matching of customer needs

Customers' needs differ. Creating separate offers for each segment makes sense and provides customers with a better solution.

2.Enhanced profits for business

Customers have different disposable income. They are different in how sensitive they are to price. By segmenting markets, businesses can raise average prices and subsequently enhance profits.

Better opportunities for growth

Market segmentation can build sales. For example, customers can be encouraged to "trade-up" after being introduced to a particular product with an introductory lower priced product.

Retention of more customers

Customer circumstances change, for example they grow older, form families, change jobs or get promoted. It also changes their buying patterns. By marketing products that appeal to customers at different stages of their life cycle, a business can retain customers who might otherwise switch to competing products and brands.

