

Market Segmentation

Market segmentation is the process of breaking a market up into smaller parts

A **market segment** is a group of customers with similar characteristics and buying habits

Methods of segmentation include ...

1. Demographic factors – e.g. age and gender
2. Income
3. Location
4. Lifestyle

Benefits of segmentation

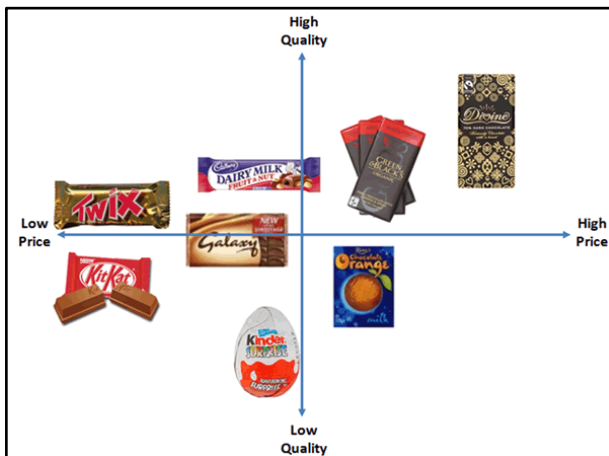
- Customer needs can be met more effectively
- Target promotional activities
- Build closer customer relationships

Drawbacks of Segmentation

- Targeting different segments can be expensive

Market Mapping

A Market map is a diagram that helps businesses to position their products in the market.



Benefits of Market Mapping

- Helps identify gaps in the market
- Identifies closest rivals
- Supports market segmentation

Limitations of Market Mapping

- Based on opinions and perceptions
- Limited - only uses two variables

Competitive environment

Competition environment relates to the strength of competition between companies in the same market.



Competitive markets

Competitive markets are when there are a large number of businesses selling very similar products or services.



Impact of competition

- Could reduce the level of sales
- Forces firms to lower prices
- May have to increase quality of products
- May have to offer better customer service
- Could force firms to bring out new products
- Increased need to differentiate products

Analysing Competitors

Businesses need to analyse the strengths and weaknesses of their competitors based on:

- Price,
- Quality,
- Location,
- Product range
- Customer service

Product range

The different types of products that a business produces and sells

