Market Segmentation

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What is Market Segmentation

Market segmentation is the process of **dividing a large market** into **smaller groups of customers** who have **similar characteristics** or **similar needs**.

In other words, instead of treating all customers the same, businesses group them

based on things like:

• what they need,

• what they like,

• their lifestyle,

• their age, income, or other demographic factors.

This helps companies understand customers better and serve them more effectively.

The Benefits of Market Segmentation

- Market segmentation is customer-oriented. It helps businesses understand what different groups of customers need and want, and decide if it is practical to create a marketing mix to satisfy them.

- It allows management to do better marketing, build a strong position in specific market segments, and respond quickly to any changes in customer demand.

Effective Segmentation

means dividing the market into groups of customers in a way that is useful, practical, and meaningful for a business.

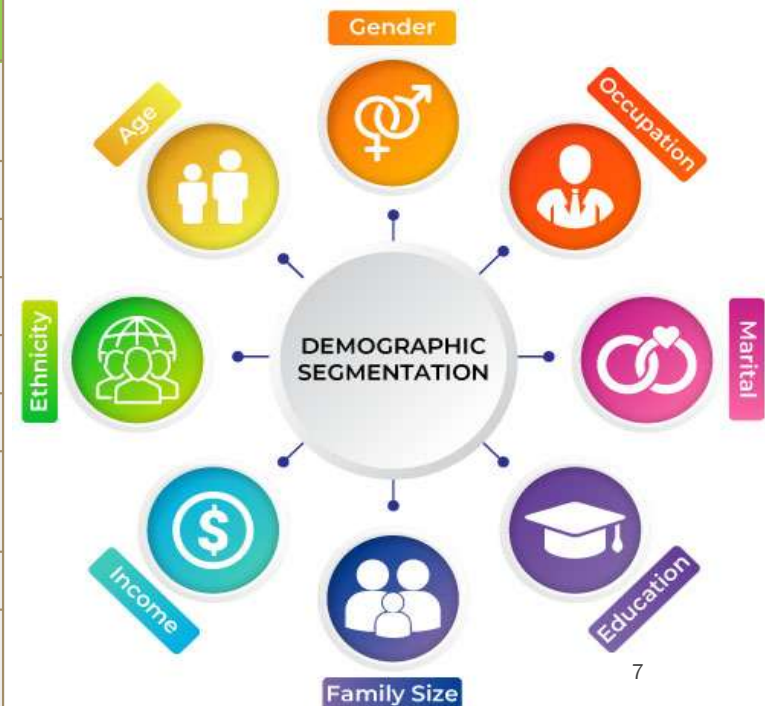| Characteristic	Brief Explanation	Example
1. Measurable	You can count or identify the customers in the group.	A company knows there are 5,000 customers aged 18–25.
2. Accessible	You can reach the group through marketing channels.	Teenagers use Instagram, so the company can advertise there.
3. Substantial	The group is large enough to be profitable.	10,000 people want running shoes, making it worth targeting.
4. Differentiable	The group is clearly different from other groups.	One group wants cheap products, another wants luxury items.
5. Actionable	The company can create products and marketing for the group.	A sports brand designs special gear and ads for athletes.

Bases for Segmentation

The main ways to divide a market into customer groups are:

• **Demographic Segmentation:** Dividing customers by age, gender, income, education, etc.

(**for example :** A toy company targets ***children***.)

• **Geographic Segmentation:** Dividing customers by location such as city, region, or country.

(**for example :** A winter clothes company sells more jackets in ***cold places***.)

• **Psychographic Segmentation:** Dividing customers by lifestyle, personality, or interests.

(**for example :** A travel company targets people who ***love adventure.)***

• **Behavioral Segmentation:** Dividing customers by how they behave, such as buying habits or product usage.

(**for example :** A reading app targets people who enjoy ***learning and reading books***.)

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Demographic Segmentation

Demographic segmentation means dividing the market into groups based on clear and measurable characteristics such as age, gender, income, job, or nationality

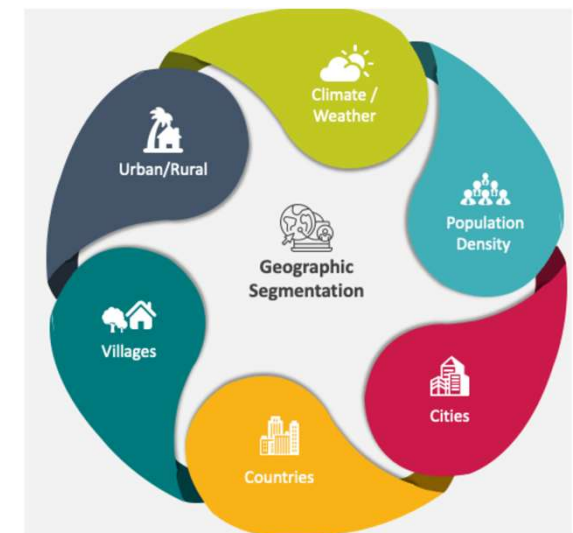| Variable	Explanation / Examples
Age	Infants, Children, Teenagers, Youth, Middle-aged, Elders
Gender	Male, Female
Income & Social Class	Upper class, Middle class, Lower class
Occupation	Engineers, Doctors, Nurses, Teachers, etc.
Marital Status	Single, Married, Divorced
Family Size	Small families, Large families
Education level	Primary school, High school, College, University, Graduate
Ethnicity (Religion, Nationality, and Race)	White, African, Asian, Middle Eastern, etc.
	Christian, Muslim, Jewish; Iraqi, British, Turkish, etc.

Geographic Segmentation

Geographic segmentation divides the market based on **where customers live**. Businesses look at factors like:

- **Climate:** hot, cold, wet, or humid areas
- **Cities:** e.g., Erbil, Sulaymaniyah, Duhok, Baghdad, London, Kuala Lumpur
- **Population density:** areas with small or large populations
- **Countries:** e.g., Iraq, Turkey, Canada, United Kingdom
- **Urban or rural areas**

How businesses use it:

➢International businesses often start by dividing markets by continent, country, or region, then use other factors like demographics or behavior.

➢Local businesses (within one country, e.g., Iraq) often start by dividing markets by region, district, or city, then use other segmentation bases.

Psychographic Segmentation

Psychographic segmentation divides the market based on **personality, lifestyle, interests, values, opinions, and motivations.**

Key points:

- **Lifestyle:** Shows how a person lives, what they value, and their habits.

- **Activities, Interests, and Opinions (AIO):** Reveals if a person likes sports, shopping, culture, reading, or other hobbies.

- **Beliefs and Emotions:** Companies create products or services that match the attitudes, feelings, or values of their target customers.
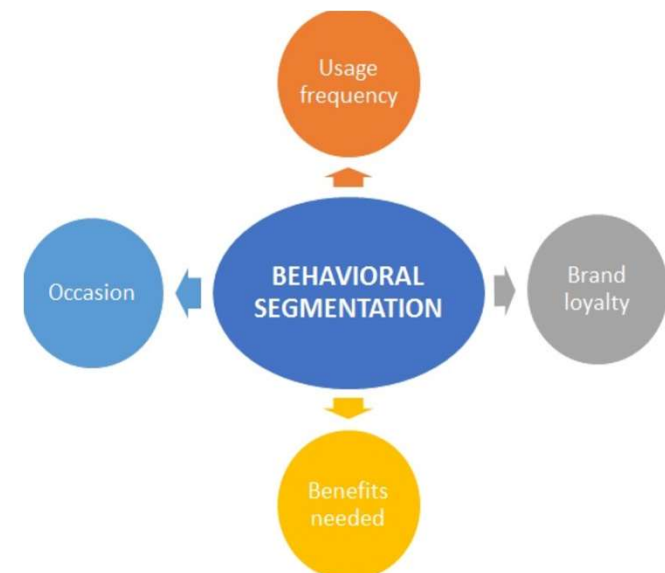
Behavioral Segmentation

Behavioral segmentation divides the market based on **how customers behave when buying or using products.**

Key points:

- **Usage Occasion:** When customers use the product, such as during festivals or special events.

- **User Status:** Type of user, ex-users, first-time users, regular users, or potential users.

- **Usage Rate:** How much customers use the product – light, medium, or heavy users.

- **Loyalty Status:** How often customers buy and how loyal they are to the brand.

Examples

Segmentation Base	Apple	Nike	Coca-Cola	LEGO
Demographic	Age: 18–35, Income: middle-high, Occupation: students/professionals	Age: 15–40, Gender: men, women, kids, Income: middle-high	Age: 12–40, Income: low-middle, Family: individuals & families	Age: 4–12, Parents' income: middle-high, Kids of both genders
Geographic	Countries: U.S., UK, China, Iraq; Cities: major urban areas	Countries: U.S., UK, Germany, China, Iraq; Urban areas, Climate-based products	Countries: U.S., India, UK, Iraq; Cities: urban areas; Climate: smaller bottles in hot regions	Countries: U.S., UK, Germany, China; Urban & suburban areas; toy stores and online
Psychographic	Lifestyle: values innovation, design, and status; personality: tech-savvy, creative	Lifestyle: active, sporty; personality: fitness enthusiasts, ambitious	Lifestyle: social, fun-loving; personality: cheerful, enjoyment-focused	Lifestyle: creative, playful, imaginative; personality: curious, enjoys learning through play
Behavioral	Usage: frequent Apple users; Benefits: quality & usability; Loyalty: repeat purchases	Usage: sports participants; Benefits: comfort & performance; Loyalty: repeat purchases	Usage: frequent/occasional drinkers; Benefits: taste & refreshment; Loyalty: brand loyalty	Usage: regular play; Benefits: creativity & fun; Loyalty: collectors & repeat purchases

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