

## **CONSUMER AND INDUSTRIAL MARKETS SEGMENTATION**

Market segmentation is the process of classifying the market into distinct subsets (segments) that behave in similar ways or have the similar needs; the identification of portion of a market that are different from one another. Segmentation allows the firm to better satisfy the needs of its potential customers. The need of market segmentation is as follows. The marketing concept calls for understanding customers and satisfying their needs better than the competitors. But different customers have different needs, and it is rarely possible to satisfy all customers by treating them alike. Mass marketing refers to treatment of the market as a homogenous group and offering the same marketing mix to all customers. Mass marketing allows cutting down the expenses due to mass production, mass distribution and mass communication. The drawback of mass marketing is that customer needs and preferences differ and the same offering is unlike to be viewed as optimal by all customers. If one firm ignores the differing customer needs, another firm likely would enter the market with a product that serves a specific group, and the first firm would lose those customers. As for target marketing, it recognizes the diversity of customers and does not try to please all of them with the same offering. But this market policy is very expensive. Market segmentation compromises the market. It is appropriate to quote P. Drucker "If the firm does not segment the market, the market will segment this firm".

The first step in market segmentation is to identify different market segments and their needs. In this work was made an attempt to determine similar objectives of consumer market segmentation and industrial market segmentation. The main criteria of market segments were formulated as follows: *identification* (the differentiating attributes of the segments must be measurable so that they can be identified), *accessibility* (the segments must be reachable through communication and distribution channels), *substantiality* (the segments should be sufficiently large to justify the resources required to target them), *needs uniqueness* (to justify separate offering, the segments must respond differently to the different marketing mixes), *durability* (the segments should be relatively stable to minimize the cost of frequent changes).

The segment members should be internally homogenous and externally heterogeneous; that is, as similar as possible within the segment, and as different as possible between different segments. In that way the bases for segmentation were identified in Consumer and Industrial Markets. Consumer markets can be segmented on the following customer characteristics: geographic, demographic, psychological and behavioral. Some examples of geographic variables often used in segmentation are the following: region (country, state, neighborhood), size of metropolitan area (according to the size of population), population density (including urban, suburban, rural) and climate. Some demographic segmentation variables include: age, gender, family size, income, occupation, education, social class, religion etc. Psychological segmentation unites customers according to their lifestyle. Activities, interests and opinions, as well as attitudes and values serve the tools for measuring lifestyle. Behavioral segmentation is based on actual customer behavior toward products. Behavioralistic variables include: benefits sought, usage rate, brand loyalty, readiness to buy, especial occasions etc.

In contrast to consumers, industrial customers tend to be fewer in number and purchase larger quantities. They evaluate offerings in more detail, and the decision process usually involves more than one person. These characteristics apply to organization such as manufacturers and service providers, as well as resellers, governments and institutions.

According to the research, many, but not all of customer market segmentation variables can be applied to industrial markets. The most important characteristics on that the industrial markets might be segmented are as follows:

1) *Location*. In industrial markets customer location may be important in some cases. Shipping costs may be a purchase factor for vendor selection for products having a high bulk to value ratio, so distance from the vendor may be critical. In some industries firms tend to cluster together geographically and therefore may have similar needs within a region.

2) *Company type*. Business customers can be classified according to type as follows: company size, industry, decision-making unit, purchase criteria etc.

3) *Behavioral characteristics*. As well as in the consumer markets, customer behavior can be a basis for segmentation. It may include: usage rate, buying status (potential, first-time, regular) and purchase procedure (sealed prices, negotiations).

Thus, the main purpose of segmenting a market is to allow the marketing program to focus on the subset of prospects that are “most likely” to purchase the

appropriate offering. If the segmentation made properly, it would help to insure the highest return for the market expenditures. Depending on the character of market (consumer or industrial), the division criteria and the strategy of segmentation should be taken into consideration.