

Market Segmentation

READ HJR TEXTBOOK UNIT 14 and WOLINSKI HANDOUT pp64-65

1. Missing words

DEFINITION: Breaking down a market into sub-groups of with similar characteristics is known as market _____. A market segment is a group of individuals that make purchasing decisions based on common _____ or that have common features. Therefore to segment a market means to divide it into groups of _____ in order to target them accurately. This can be done in a number of ways including by age, gender, geographical location and _____. (words from: consumers, factors, income, segmentation)

2. Explain these different types of segmentation:

Geographic	
Age	
Gender	
Social class	
Income	
Lifestyle	
Usage/Frequency of purchase	

3 Market segmentation. True or false?

3.1 The best way to segment a market is by age.

3.2 Segmenting a market may help a firm to identify areas in which there is potential for growth.

3.3 Tesco's 'finest' and 'value' ranges were released to target different segments of the market.

4. Look at each company and suggest two ways it could segment its market.

	1	2
McDonalds		
iPod		
Tesco		
Innocent smoothies		

5. Data response

Barton Ltd produces a range of confectionary and has recently developed a new product that it expects to be its best seller. It is considering which age group it should target the new product at.

Age	% of sales of existing products	% sales growth expected over next 3 years
Under 14	10%	2.0%
14-25	21%	1.5%
26-40	31%	2.3%
41-60	22%	6.0%
60+	16%	12.0%

Consider the information in the table above and answer the following questions:

5.1 Explain which age group you think Barton Ltd should aim its new product at.

5.2 Explain one way this could affect the marketing of the product.

6. Case study – choose one of the companies in question 4 to research and answer the following:

6.1 In what ways does the business segment its market? Nb consider the type of customers and range of products

6.2 What are the benefits / advantages to the business of segmenting its markets?

6.3 Are there any downsides / costs to the business of using segmentation?

6.4 Explain how targeting using market segmentation can affect the business's customers?

6.5 Overall, how important is market segmentation to this business?
