



Demographic Strategy of Market Segmentation

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Market segmentation, Demographic segmentation

Meghana N M

PG student, CNE, Department of IS&E, The National Institute of Engineering, Mysuru, India

ABSTRACT *Demographic strategy of market segmentation is one of the widely used market segmentation scheme. There are many numbers of demographic variables to segment market like age, income, education, gender, family size and many more. Based on these variables, business can segment the market into groups to which it can handle best and this is one of easy method to understand and a key to maximize sales of business.*

Introduction

For any small or large company it very difficult to understand the requirement of every costumer, So company will concentrate only on few set of the consumer. That is here market is divided into different groups of consumers. This method of dividing the market is called market segmentation. There are many approaches to segment the market.

Among those many approach Demographic segmentation is most used segmentation method. Here group of the customers are made by considering few factors (age, education, gender, family size, life cycle, income, ethnicity and religion) these factors are called as demographic variables. Term Demography refers to the "study of the population". From which we derived the word demographic. All products or services delivered by the company are always belong to one or more demographic groups

There are different ways to target a specific market for particular product or service. Demographic segmentation is one of the way to target a specific group of customer. All factors which are considered in demographic segmentation are easily available and this data makes huge affect on customer buying patterns.

2. Literature reviews

In the middle of 1950s Wendell.R.Smith first put forward the concept of Market segmentation, Smith an American professor of marketing. "Market segmentation is to divide a market into smaller groups of buyers with distinct needs, characteristics, or behaviors who might require separate products or marketing mixes." (Charles W. Lamb, 2003, p. 214). Or can explain in another way, market segmentation is the division of the whole market into smaller, relatively homogeneous groups. There are various market segmentation strategies. Based on customer's characteristics, Consumer market can be segmented into Geographic segmentation, Demographic segmentation, Psychographic segmentation, and Behavioral segmentation.

In the1960s, the NBC Television Network uses demographic market segmentation. Demographic profile can be used to determine when and where advertising of the particular product should be placed so as to achieve maximum results. Demographic partitions are a tool to determine demographic profile. Demographic partitions can be defined as multitude of advanced segmentations of user groups. For older and rural audiences in 1971 CBS finds their own marketing department's demographic findings

about their television network's programming and named as rural purge.

The segmentation criteria is determined by analyzing of large set of data collections, where the conclusions is drawn based on underlying set of initiatives.

3. The Role of demographic market segmentation

Since market products or services continuously moves from targeted approaches to different segments of the population. Demographics are the statistical component of marketing it is used to identify population segments by considering specific characteristics. Demographics provide a head start to understanding market. To develop a marketing plan all choices made by business owner are affecting by demographics.

To include in the business plans used to guide the launching of the business and to raise start-up funds Business owners first have to gather demographic information .This Demographic information includes geographic area, age, income, gender and education level, shopping habits, marital status, number of children and other information about customer characteristics. And some other local demographics information is also required like what may be the percentage of internet user, how many people actively uses the mobile online shopping application. Even if demographics information's are local or national markets or small groups such as those within an age range, the information will helps to avoid the hit-and-miss marketing method.

3.1 Role in marketing

To identify the ideal consumer for particular product or services business owner needs demographics. and it also helps to develop marketing strategies like product packaging, advertisements, business location and pricing. This demographics may changes from country to country. For example in 2010 Nielsen Company report that African-American shoppers buy more fragrances and ingredients for home cooking and Asian-Americans are more like to eat out and shop at club stores. Since businesses cannot target their marketing to each individual consumer, demographics are the most effective method for targeting marketing to groups of people with similar characteristics.

3.2 Applications

Demographics can helps to avoid some mistakes in marketing plan. A survey can provide information about gym

membership preferences that draws in more customers. You can use demographics to identify subscribers of your city's largest newspaper as the ideal consumer market for your new magazine. A dry cleaning business owner might base her decisions on a chamber of commerce survey that shows residents of a specific moderate- to high-income community drive at least 10 miles to the nearest dry cleaner.

3.3 Sources of Demographics

Demographic information is gathered by several sources, including the Indian Census Bureau and the Bureau of Labor Statistics, which publishes its Consumer Expenditure Survey on its website. The local chamber of commerce can provide demographic information about city, county and state. Standard & Poor's publishes its Consumer Index and Industry Surveys. And local librarian can points to statistical and demographic collections.

3.4 Demographic variables

Based on demographic variable Demographic segmentation divides the market into groups. The following variables are examples of demographic factors used in market segmentation:

Age: Every consumer will change with age. Therefore marketing mix need to be adapted depending on which age segment or segments are being targeted. The age of the consumer is classifies into four stages they are Children (infant), Teenaged, Middle-aged, Older population.

By considering these four stages in general we can say that demand of the child will be toys, while almost of the teenagers want to keep up with the latest fashion trends, And middle aged peoples interested both in fashion trends and latest technologies.

By considering the case study of United States, there are around 76 million baby boomers, which refer to individuals born between 1946 and 1964. This buying group forms the single largest consumer market, as they outspent other age groups by \$400 billion in 2009. A small business owner has much to gain by targeting this age group.

Gender: Dividing a market into two groups based on gender this helps in the segmentation of many products such as cosmetics, clothing, and magazines.

Case study: In the 1960's car companies such as Toyota, specifically targeted at the female market to realize the purchasing power of women, creating marketing campaigns, and then cars. Many suggest that the range of interior and exterior colors schemes, and emphasis placed on safety factors by car manufacturers today, is due to in no little part to their desire to market cars to women, as well as men.

Life cycle: Based on which stage in the life-cycle market is divided into different groups. shown in table below, These groups reflects the fact that people change the goods and services they want and need over their lifetime.

Table 3.4.1: Life-cycle stages

Bachelor Stage	young, single people not living at home
Newly Married Couples	young, no children
Full Nest I	youngest child under six

Full Nest II	youngest child six or over
Full Nest III	older married couples with dependent children
Empty Nest I	older married couples, no children living with them
Empty Nest II	older married couples, retired, no children living at home
Solitary Survivor I	in labor force
Solitary Survivor II	Retired

The differences in life cycle stages influence the objectives of the purchase, desires, buying behaviors and wants.

Case study: Manufacturers of luxury cars such as Ferrari tend to target middle-aged men with no children or young (and wealthy) men with no children.

Social Class: We can also segment a consumer market based on different social class, which is divided into three categories: Lower Class, Middle Class, and Upper Class.

The behavior, purchasing power, and motives of consumers vary depending on their social class. As such, upper class consumers tend to buy luxurious products more, while the middle class consumers tend to buy durable and quality products whilst keeping a close eye on prices and quality. Likewise, consumers in the lower class buy low-priced products that satisfy their physical needs.

Consumer Occupation: The occupation of the customer is greatly influence their buying pattern. So marketing company must identify professionals that would be interested in particular products. In fact, some companies focus on making products that satisfy the needs of certain occupations. For example, a senior company executive will buy luxury cars, expensive clothes and subscribe to a golf club membership. Similarly, peoples of teaching profession will purchase books, papers and pencils.

Education Level: The education level of a particular individual tends to influence his buying decisions. This necessitates subdividing the consumer market based on education level, which creates two groups; educated and uneducated consumer segments. The educated group is sub-classified further into elementary, high school, associate degree, bachelor, masters and doctorate. This grouping is commonly used by book publishers who classify a market based on the education level of the targeted consumers.

4. Benefits of Demographic market segmentation

- Demographic segmentation is very simple to apply and use, as government statistical data is readily available in most countries
- Suitable data can be obtained quite quickly and cheaply
- As segmenting by demographics is also easy for everybody to understand, from management, to sales and customer service staff, it can be more easily built into an internal marketing plan

4.1 Challenges to the future research

Since Demographic market segmentation is based on an assumption that consumers in the same demographic group would always have similar needs may sometime Leads to inaccurate result. And with this segmentation approach there is very little understanding of the consumer

themselves. By adding few more demographic variable to better understand of costumer will defiantly helps improve the marketing business.

5. Conclusion

There are many approaches can be use to segment a market and develop the best strategy to capture as many consumers. Identifying a marketing strategy based on demographic variables is easy to understand and the key to maximizing sales. By considering more number of demographic variables more accurate prediction can be done.

6. References

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