



RETAIL MARKET SEGMENTATION AND STRATEGIES - RETAIL MANAGEMENT

Dr. Manjula A. Soudatti

Assistant Professor Of Commerce , S.S.C.A.Govt. First Grade College ,
K.K.Koppa , T/D: Belagavi.

WHAT IS MARKET SEGMENTATION?

The specific requirements of the retail customers are clearly analyzed by market segmentation. This enables the retail managers and the marketing people to develop the strategies in such a manner that the customers can be reached as per their specific needs and preferences. In the words of Donald Norman, the natural result of the vast differences that exist among the people is market segmentation. Basically the process that enables to divide the customer groups into some specific identifiable groups on the basis of their requirements is known as market segmentation. For the specific group of customers, as per their requirement, market segmentation enables the marketing force to prepare the appropriate and customized marketing mix.



What are the different types of Retail Markets?

Retail markets are of two different types. They are as follows -

- **Organized Retail**

A very huge chain of retail shops that adopt the latest technology, which has transparency in the accounting practices they follow, proper supply chain management and proper distribution systems.

- **Unorganized Retail**

The small business that is being taken up by the owner of the shop and which does not have any technological and accounting aids is unorganized retail business.

The main difference between the organized and the unorganized retail markets is as follows

Parameter	Organized Retail	Unorganized Retail
Scale of Operations	Large	Small
Scope of Operations	Nationwide, Worldwide	Local
Employees	Professional, skilled, and trained	Unprofessional
Number of Stores	Chain of multiple stores	Only has 2 or 3 outlets managed and run by a single owner.
Ambience of Store	Pleasant, attractive	Lack of good ambience

Range of Products	The spread of the products that is being offered is very wide.	The product are limited to local brands.
Shopping experience	Excellent, memorable, engaging	Average
Bargaining	As pricing is not dependent on the relationships, bargaining is not possible.	Pricing always depends on the personal rapport with the customers.
Source of merchandise	Directly from manufacturer/producer	Mostly from wholesaler
Convenience of choosing products	Very high.	Very less
Examples	Walmart, HyperCity, Big Bazar	Standalone shops

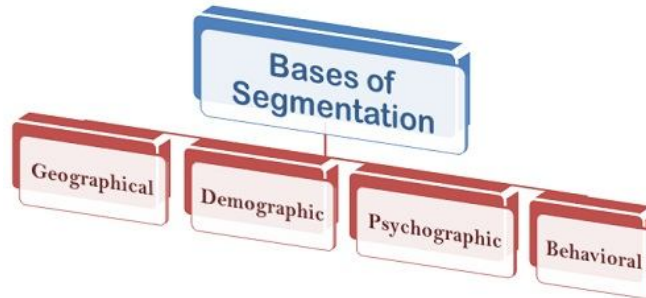
WHAT IS RETAIL STRATEGY?

The plan as per which the business offers its products and services to the customers is known as retail strategy. The retail strategies are of different types such as merchandise strategy, own-based strategy, promotion strategy etc.

The factors that are to be considered by a retail strategy are as follows

- The target market of the retailer
- The format of the retail which works towards satisfying the needs of the target audience.
- Sustainable competitive advantage.

What are the different strategies for effective Market Segmentation?



- geographical Segmentation: Here, the division is done based on the geological area of the clients. The land division depends on the reason that individuals living in one region have distinctive obtaining or purchasing propensities than those living in different regions of the nation. For instance, the financial needs of individuals living in provincial and urban territories are extraordinary and. Subsequently, unique financial items and administrations are planned remembering the various inclinations of every client gathering. Additionally, the elements like climatic zone, state, area, establishes geographic division.
- Demographic Segmentation: The statistic division means separating the client advertise based on a few factors, for example, age, sex, sex, occupation, pay, instruction, conjugal status, family estimate, network, societal position, and so on. Such division depends on the reason, that client's purchasing conduct is especially affected by his socioeconomics, and in addition, these factors can be estimated effectively when contrasted with different variables.

- **Psychographic Segmentation:** The psychographic division identifies with the character, way of life, and frame of mind of the person. It is accepted that the purchaser purchasing conduct can be dictated by his character and way of life. The character alludes to the attributes, demeanors and propensities for an individual and the market is fragmented by the individual characteristics, for example, self observer, outgoing person, goal-oriented, forcefulness, and so on.
- The way of life implies the manner in which an individual carries on with his life and do the uses. Here the organizations portion the market based on premium, exercises, convictions and feelings of the people.
- **Behavioral Segmentation:** Here, the advertiser portions the market based on the person's information about the item and his demeanor towards the use of the item. A few social factors are events, benefits, client status, utilization rate, purchaser availability arrange, dependability status and the frame of mind.
- The purchasers can be delegated the individuals who purchase the item or administrations incidentally, or who purchase just those items from which they determine a type of advantages. Additionally, there are purchasers who can be called as ex-clients, potential clients, first-time clients and ordinary clients; the advertisers can section the market on this grouping. Frequently, the market is divided based on the utilization rate of the clients, for example, light, medium and overwhelming clients.
- For the market division to be viable, a portion of the systems embraced are as per the following –
Concentration (Niche) Strategy Only few of the market segments are concentrated and the business tries to occupy a large share of those market segments. By adopting this strategy, the business has the advantage over the competitors as they concentrate only on one segment.
 For instance, under the segment of the hybrid vehicles market, different models are offered by Toyota.
- **Multi-segment Strategy**
 Two or more of the market segments are covered under this strategy.
 For instance, the customers of different ages are targeted by offering the health care products by Johnson and Johnson.

What are the different strategies for Market Penetration?

The different strategies of market penetration are as follows -

- **Price Penetration**

The product price is decided in such a manner that it is less than the price offered by the competitor. As the cost decrease and the volume increase, profits can be increased comfortably.

- **Aggressive Promotion**

By aggressively promotion the business concentrates more on advertising on print media, TV, e-mails such that customers are targeted to view and avail the products and services. Discounts are being offered and some of the benefits are provided in order to increase the market penetration.

- **High Product Distribution**

Market penetration can be done in appropriate way only by distributing the product to the saturation level. For instance, there is a high distribution and high availability of the product Coca Cola right from small shops to big hyper markets.

Ansoff's Matrix

A strategic planning tool is being developed by Ansoff, which presents four different alternative growth strategies. Products constitute one of the dimensions of the matrix and markets constitute the other dimension.

		Products	
		Existing	New
Markets	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

The market growth strategies are provided by this matrix. The sequences of these strategies are as follows -

- Market Penetration – In order to obtain higher market share, the existing products or services are sold in the existing market.
- Market Development – The existing products or services are sold to the new markets or the market segments.
- Product Development – Companies focus on either development of new products for the existing markets or make innovations to the existing products.
- Diversification – In order to enter into new markets, companies focus on developing new products or services.

EXAMPLES OF MARKET SEGMENTATION

Market segmentation is the most common activity of every business organization. Marketers and Business owners cannot focus on mass marketing with one marketing strategy. Here are a few examples of market segmentation for better understanding this point.

- Fast food restaurant should target teenagers and younger couples if target older people it will be a mistake and will affect their revenue generation.
- If marketing Lingerie and beauty products like “Victoria Secret” focus on young, successful and working-class women.
- Sports brand, for example, Nike and Lululemon segment the market and target health conscious, athletes, gym lovers and sportsmen and sportswomen.
- Market segmentation is the best strategy to increase the conversion rate and cut down on the product cost. It helps marketers to always target niche market and attain your objectives.

CONCLUSION

Thus, market segmentation helps the companies to divide the prospective customers into small groups who have similar needs and plan the marketing strategies accordingly. This enables a firm to concentrate more on a specific group and earn more profits rather than catering to the needs of the entire market who have different needs and desires.

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