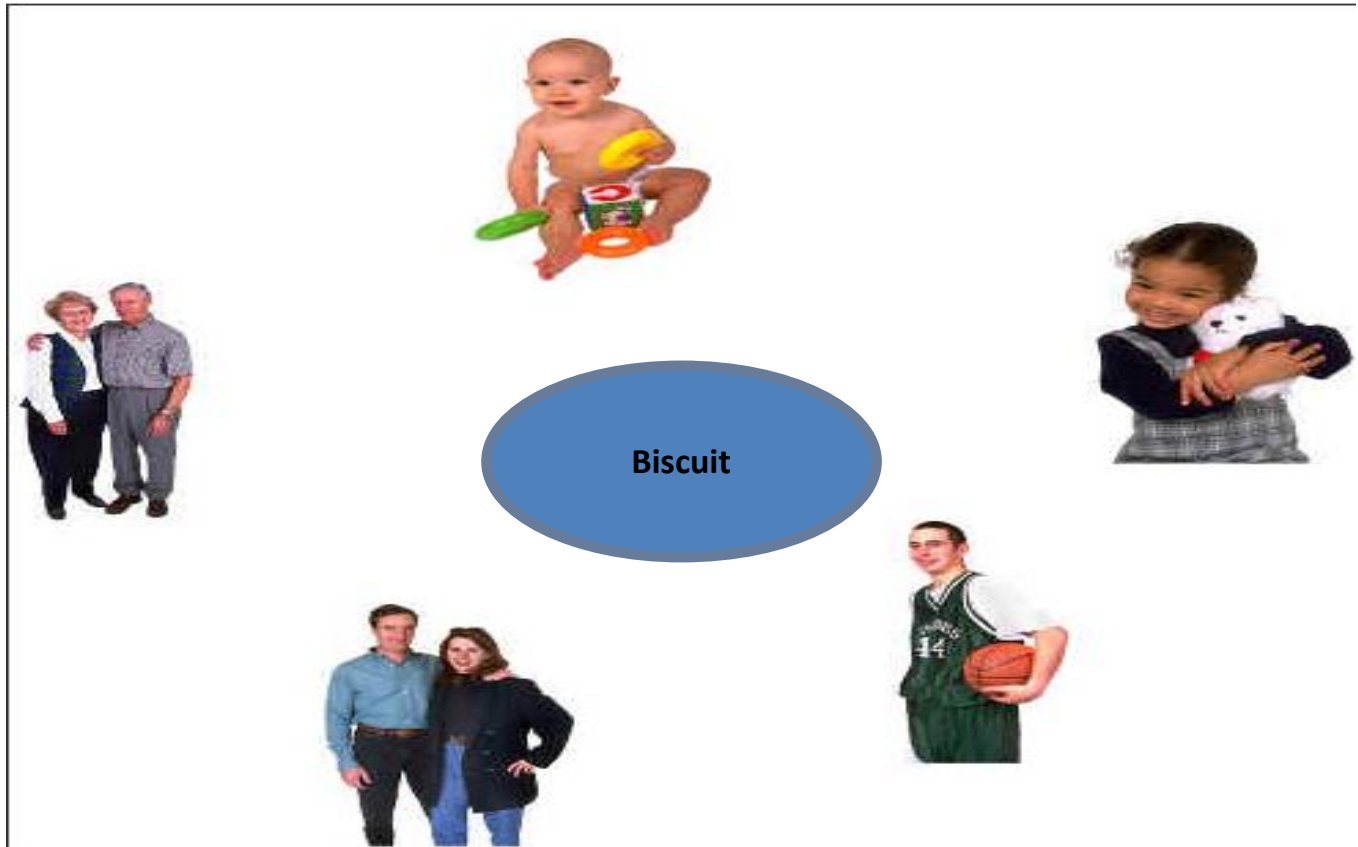


Can you design 5 biscuits, 1 to meet the needs of each of these segments? Each biscuit must be a variation of the same one not a totally different product.



Learning  
Outcome 1  
Understand  
how to target  
a market

## 1.3 THE BENEFITS OF MARKET SEGMENTATION



# 1.3 THE BENEFITS OF MARKET SEGMENTATION

Learners must be taught:

- ⊙ The benefits of market segmentation, i.e.
  - ⊙ Ensures customer needs are matched and met
  - ⊙ Potential for increased profits/profitability
  - ⊙ Increased customer retention
  - ⊙ Allows for targeted marketing
  - ⊙ Potential for an increase in market share

# THE BENEFITS OF MARKET SEGMENTATION

Profit =  
total revenue minus  
total costs.

In pairs can you  
explain each of the  
terms shown in red?

- ① Ensures customer needs are matched and met
  - ② By **marketing** products that appeal specifically to customers either at different stages of their life or with different incomes, a business can **retain customers** who might otherwise switch to other products or brands
- ① Potential for increased profits/profitability
  - ② By targeting segments of the market the enterprise is able to provide a more focused product, increasing **revenues** and **profits**. At the same time it can reduce **costs** by being more efficient e.g. targeted marketing. Lower costs and higher revenues will increase **profitability**
- ① Increased customer retention
  - ② Greater focus on the specific needs of customers and more targeted marketing is likely to lead to a better reputation and greater **brand awareness**. This will lead to more **repeat custom**

# THE BENEFITS OF MARKET SEGMENTATION

- ① Allows for **targeted marketing**
  - ① A business can identify the type of newspaper, magazine or TV programme that its chosen consumer would use and focus its attention on these. This saves the **businesses resources**
- ① Potential to increase **market share**
  - ① For smaller businesses this enables them to gain a foothold in a certain market. This can then become an ideal platform for growth

In pairs can you explain each of the terms shown in red?

- ① Select a market e.g. cars, pens, fashion
- ① Draw a mind map to show how your chosen market uses segmentation
- ① Present your mind maps to the rest of the class
- ① Discussion: to what extent is segmentation crucial to success in all markets?

# 5 MINUTE TEST

- What is the meaning of the term market segmentation?
- State 6 types of market segmentation
- State 5 benefits of market segmentation

End

